



## CIWG Minimum Business Best Practices Pre-Funding Community Impact Guidelines

### Notes

The minimum guidelines discussed below may not apply in whole to every business project. It is important to review the project and the CDE mission and goals to determine the scope of application of the guidelines. Additionally, it should be noted that options are provided for measurement of specific components and not all steps are required to document each area of impact that may apply to a transaction. Further, some CDEs may have specific additional requirements that would need to be added to complete an assessment and meet their mission.

Business, as defined, includes both business expansion (equipment and construction of additional space) and business refinancing (working capital and debt restructuring).

### Construction Jobs Assessment

- 1) Obtain an estimate of the number of FTEs that will be required from the General Contractor for the project's development
  - a. Obtain an estimate of what the average wage is for construction employees from the General Contractor.
- 2) Obtain an estimate of the number of months the project will take to complete from the Developer or the Contractor
- 3) Ask the Developer and/or Contractor for confirmation of any required percentage of the contract that will be subcontracted to MBE/DBE contractors

### Soft Cost Assessment

- 1) Ask the developer for an estimate of the total soft costs projected to be extended on the transaction.
- 2) Ask the developer for the total amount of costs associated to each type of contractor
  - a. To the extent that contractors have been selected for soft cost components of the project, ask the developer for the address of these vendors and check for LIC status.
- 3) Ask the developer if any of these contractors are MBE/DBE firms

### Permanent Jobs

- 1) Obtain wage and benefit information for both salaried and hourly jobs directly from the business.

- 2) Obtain any commitment for job hiring to LIPs or coming from LICs and identify any workforce placement or training providers.

## **Job Retention**

- 1) Obtain an understanding of the issue of retention. Jobs may be considered retained if the elements of the following tests can be met:
  - a. The business will fail if not funded
  - b. The business will substantially downsize if not funded
  - c. The business will move to a location that will force current employees to lose jobs if not funded.
- 2) Identify the commuting radius and/or map the addresses of existing staff to determine if the jobs are held by persons who live in LICs.
- 3) Document business owner projections relative to retention.
- 4) Determine the community motivations for retainage – has there been a recent trend of substantial job flight, has there been a decline in average wage and benefit within the impact area/community? Define community as the city or the county depending on the project logistics.

## **Confirmation of Data**

### Construction Options:

- 1) Access the Bureau of Labor statistics information for the area in which your project is located and determine if the average wage paid per job type as shown in the estimate is within range as anticipated for construction positions.
- 2) Utilize existing internal data for similar projects to measure if the job projections are reasonable from the contractor.
- 3) If no internal data is available, consider using an appropriate econometric model such as the PEIM for historic renovations or NAHB or IMPLAN for new construction.

### Soft Cost Options:

- 4) Consider accessing American Institute of Architects to check the percentage balance of hard to soft costs.
- 5) Utilize internal data to the extent it is available.
- 6) If no internal data is available, consider using an appropriate econometric model such as the PEIM for historic renovations, NAHB or IMPLAN for new construction.

#### Permanent Job Options:

- 7) Document actual wages and benefits and access the Bureau of Labor Statistics information for the area in which your project is located and determine if the average wage paid per job type is within range as anticipated for similar jobs in the industry.
- 8) Obtain the definition of a quality job for the State in which the project is located, if this has been defined, and compare the jobs to this definition to determine if the job is a quality job.
- 9) For businesses that are expanding, utilize existing financial statements to determine if the growth projections make sense with existing company activities. For start up businesses, utilize the industry base as noted above to determine if the projections seem viable. For new lines within existing companies, consider a combination and utilize the most conservative of the two as the guidelines for potential outcomes.

#### Job Retention Options:

- 10) Obtain copies of the last three years of financial statements and current operating proforma relative to financial viability with subsidy use to document business projections.
- 11) Obtain written narrative relative to downsizing and review this against industry trends as sourced from market data. The resources for market data may vary; however, common access points are ESRI or First Research.
- 12) Document actual wages and benefits and access the Bureau of Labor Statistics information for the area in which your project is located and determine if the average wage paid per job type is within range as anticipated for similar jobs in the industry.
- 13) Utilize data resources for business projections to review against information provided from direct community resources relative to declining wage and benefit.
- 14) Utilize community data on recent employer flight.

### **Additional Impact Assessment**

#### **Equipment Installation**

- 1) Determine the number of jobs being produced for equipment installation. This is driven predominately by the type of equipment being installed, its size, and the level of technical complexity. It is probably necessary to get more direct data from the equipment installer to have a solid estimate, but an estimate could also be generated by the business owner and the BLS and NAICS codes, as discussed previously, to determine estimated wages, etc.

#### **Community Alignment**

- 1) Ask for information regarding meetings they have had with the community and copies of any comprehensive or neighborhood plans which demonstrate that their project is in alignment with stated community priorities and needs
- 2) Ask for copies of any commitments for financial support from the community

## **Environmental**

- 1) If the project is anticipated to include environmentally sustainable practices and/or "green" outcomes, these elements should be listed by those professionals involved in the project who will be implementing these practices and/or outcomes. Professionals anticipated to be involved in green elements include (but are not limited to): architect, mechanical engineer, landscape architect, maintenance staff, etc.

## **Catalytic**

To the extent the CDE is measuring for potential catalytic impact as a component of its funding decision, the following assessment options may apply.

- 1) Obtain the comprehensive or neighborhood plans to determine if they note that the type of project is anticipated to be catalytic. Specifically relative to business, the following catalytic elements can be computed:
  - a. Contributions to the local economy – review and calculate the annual spend to local vendors
  - b. Value of exports out of state – consider using a 1 to 1 ratio of contribution in areas of high distress or areas that meet the defined requirements to be considered as having high distress or unemployment
- 2) Conduct telephone held stakeholder interviews

*In rural areas, it is very important to understand the supply chain impact as it is referenced above. Initial guidelines of the supply chain can be performed by requesting from the applicant business an overview in the input and output supply chain focusing on their top ten vendors in each direction, by sales volume and location. If these primary vendors are located in LICs, it helps to establish an extended beneficial pattern of growth in LIC areas reached by the potential borrower.*

## **Tax Impact**

- 1) Compute both real estate and job based tax revenues. It is important to include any abatement in the real estate calculation, and job based tax incentives need to be specifically reviewed relative to business transactions.

## **Financing**

- 1) Financing Impact
  - a. Document how much financing will be leveraged to make the project financially viable.
  - b. Document what difference the NMTC-capital will make with regard to whether the project can happen
    - i. Consider the capacity of the transaction to be operationally feasible without the flexible debt product/NMTC equity
    - ii. Document the required levels of initial or permanent funding required to complete the transaction

