ROBERT A. RAPOZA ASSOCIATES

Community Development Corporation Survey and Report on the Community Economic Development Grant Program
2016

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This report was prepared by Rapoza Associates for its Community Development Corporation (CDC) clients, as well as the other CDC organizations around the country. Rapoza Associates is a public interest lobbying and government relations firm specializing in community development issues working together and building a track record of success in communities, this effort has resulted in the sustaining of long-standing resources for community development.

Since 1987, Rapoza Associates has represented an informal coalition of 17 community development corporations to shape federal community development and policy to better address the needs of low-income and minority communities. The research and case studies in this report focus on how CDCs use the Community Economic Development grant program to finance affordable housing, provide credit to businesses in hard-to-serve communities, create job and business opportunities in low-income communities, and provide essential services to those in need.[1]

Our thanks to all the Community Development Corporations that participated in this report.

The report is based on research and writing of Alex Leggieri, who was a graduate student intern with the firm in 2016.

All photographs used in this report were provided courtesy of the CDCs. For more information on organization contacts listed for the corresponding profile.

[1] The information that is in the project profiles was given to Rapoza Associates by the respective organizations, and all information that is published was given through their approval.

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Introduction

Community Economic Development (CED) grants are used by community development corporations (CDCs) for projects that revitalize low-income communities and provide jobs to low-income individuals. The CED grant funding program is administered through the Office of Community Service (OCS) within the U.S. Department of Health and Human Services (HHS). Grants are awarded through an annual competitive process. In order to be eligible for funding, CDCs must be governed by a three-party board of directors that includes residents of the community served, as well as local business and civic leaders. The mission of the CDC must be to develop or manage low-income housing or community development projects.[2] In addition to funding, developing, planning or managing low-income housing or community development projects, CDCs must also have the ability to provide technical and financial assistance for economic development activities.[3] The CED program was enacted through the Community Services Block Grant (CSBG) Act of 1981, and has been reauthorized four times since its enactment.[4] The program's lineage extends back to the War on Poverty through the Economic Opportunity Act (EOA) of 1964 and the 1967 amendments to the EOA, which created Title VII.

Under the CED program, local CDCs provide financing for business and development activities designed to address the economic needs of low-income individuals by creating employment and business development opportunities. The emphasis of the CED program is job creation, and the program's requirements are the most stringent among federal community development programs. Most federal agencies have much higher cost per job targets than the CED program, and they do not specify that a certain percentage of the jobs must go to low-income individuals, as the CED program does. The CED program stipulates that at least 75 percent of the jobs created must go to low-income individuals.[5] CDCs use CED funds to leverage other sources of public and private capital to finance commercial and industrial facilities, small businesses, and mixed use projects. As a result, financing goes to revitalization projects prioritized by local communities at a low cost to the federal government.

About the Report

In an effort to better document the success of CED, in March 2016 Rapoza Associates undertook a research project that included both a survey of CDCs that had recently received grants. The firm also filed a Freedom of Information Act (FOIA) for CDC grantee reporting to OCS on project outcomes.

A total of 52 organizations completed the survey and reported important results including the creation of almost 4000 jobs and a leverage of almost $ 10 in other financing to $1 in CED funds.

We analyzed HHS data, obtained through a Freedom of Information Act (FOIA) request, from 123 CDCs that reported on 168 projects. Results included creation of over 8000 jobs, and leverage of over $780 million – on $ 71 million in CED grants. The data indicates than 79% of the jobs created went to low income individuals, higher than the program's goal of 75%.

Rapoza Associates represents a group of 17 CDCs. Profiles on 10 of these CDCs that use CED grant funding in one of their projects are profiled at the end of this report.

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[2] "About Community Economic Development." United States Department of Health & Human Services – Office of Community Services. http://www.acf.hhs.gov/programs/ocs/programs/ced/about.

[3] *Ibid.*

[4] "History." Csd.ca.gov. California Department of Community Services & Development. 2015. http://www.csd.ca.gov/AboutUs/History.aspx.

[5] "Spotlight on Kentucky: CED Creates Jobs and Revitalizes Communities." Acf.hhs.gov. Office of Health & Human Services – Office of Community Services. http://www.acf.hhs.gov/programs/ocs/success-story/spotlight-on-kentucky-ced.

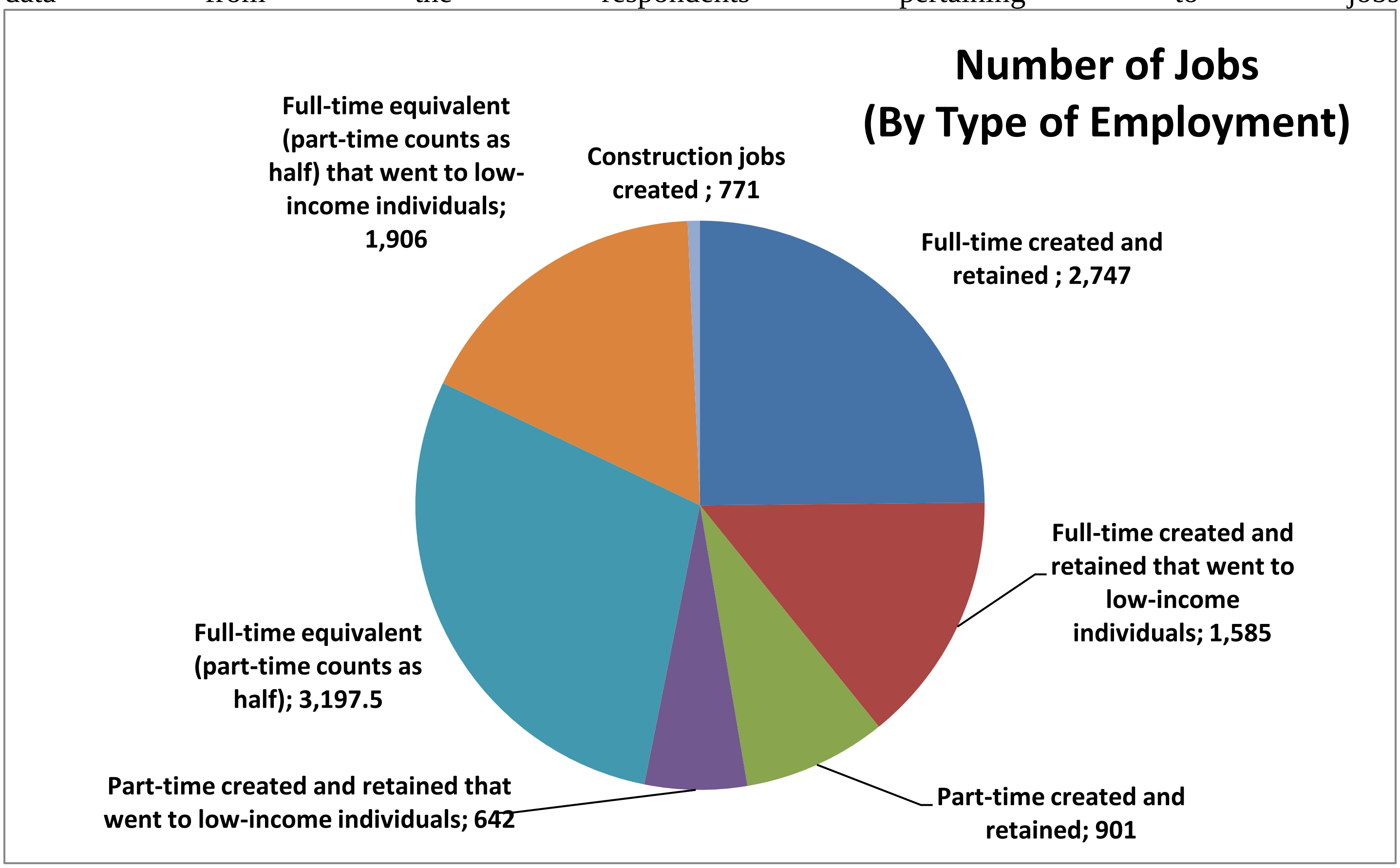
Key Findings from the Rapoza Associates Survey:

Overall Survey Findings:

1. 3,197.5 full-time equivalent jobs were created;
2. Over $35,000,000 of CED grant funding was provided;
3. The average cost per job across all projects was $8,878;
4. Over $350 million in leveraged financing funds; and
5. Approximately 75 percent of the projects that were reported on were in urban areas, and the remaining projects were in rural areas.

Jobs Creation:

A total of 52 CDCs responded to the survey. Survey respondents received a total of $35,232,506 in CED grant funding, comprising 92.2 percent of the total $38,209,149 in public investment these organizations received. The main goals of creating CDCs and CED grant funding was to form public-private partnerships, create and retain jobs, and revitalize low-income individuals. A key part of the survey out dealt with jobs. Below is the data from the respondents pertaining to jobs.



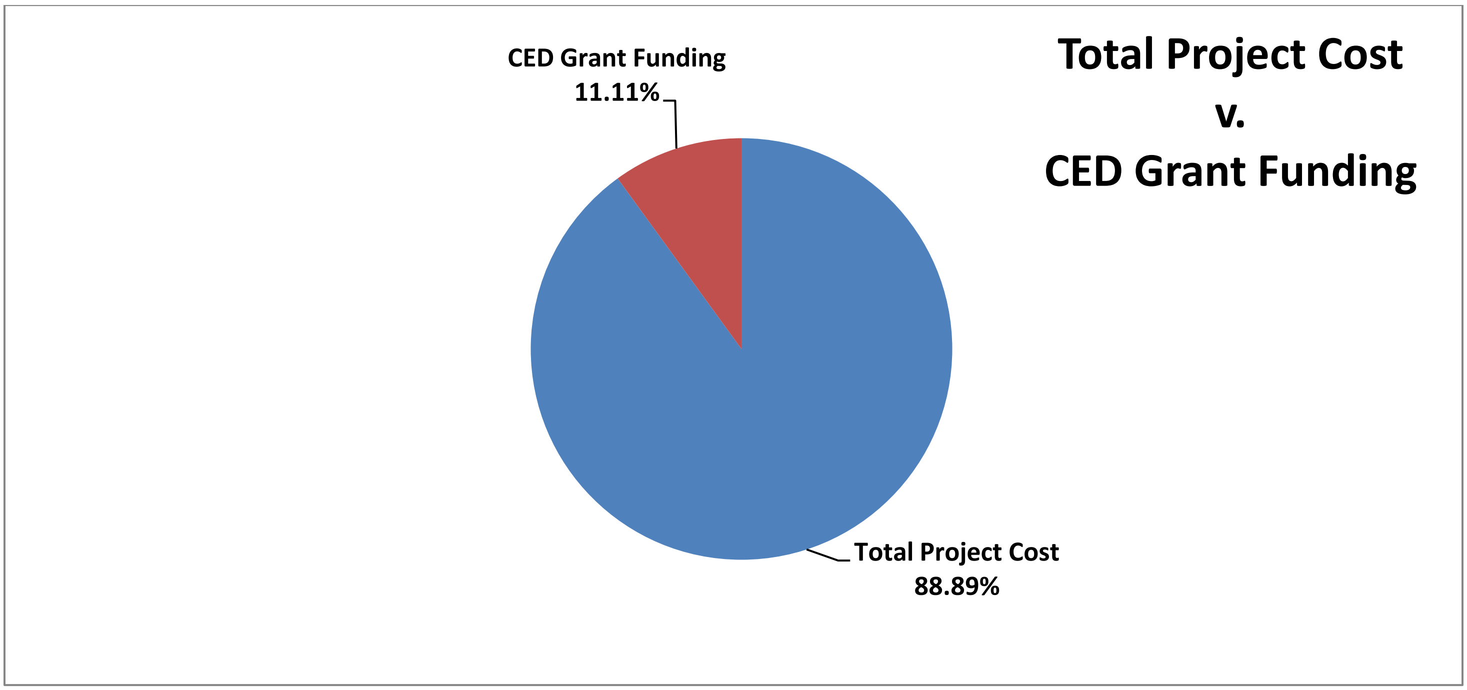
Successful applications of CED grant funding results in the creation of jobs for low-income individuals. This characteristic is something that sets the CED program apart from other similar federally funded programs, which do not require job creation as an outcome or specify that a certain percentage of jobs created must go to low-income individuals.

In the 52 survey responses, the total number full-time equivalent jobs (with a part-time job considered to be half of a full-time job) reported was 3,197.5 jobs. Kentucky Highlands Investment Corporation (KHIC), a longtime successful CDC, had the largest number of full-time equivalent jobs reported in the survey (429 jobs). From this total, 1,906 full-time equivalent jobs went to low-income individuals. This can also be broken down in looking at full-time jobs generated and part-time jobs generated. A total of 2,747 full-time jobs were created, 1,585 of which went to low-income individuals. The respondents reported that 901 part-time jobs were generated, and 642 of those part-time jobs went to low-income individuals. Additionally, a total of 771 construction jobs were reported.

The OCS strives to award projects that promise to create jobs at a low cost to the federal government. To that end, the survey respondents reported a total cost per job of just $8,878.

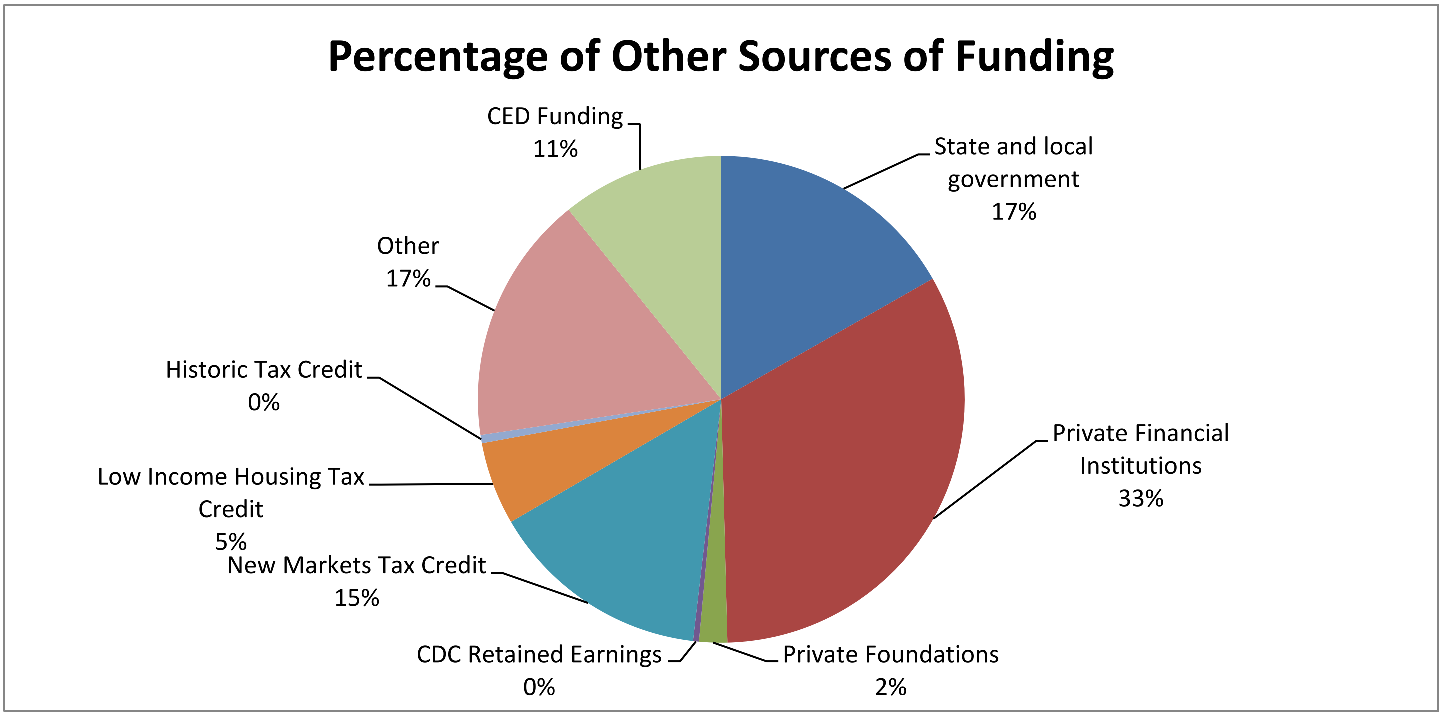
Leverage:

The 52 survey respondents received $35,232,506 in CED grant awards, and were able to leverage an additional $281,939,615 in public and private capital to finance projects, bringing the total amount invested to $317,172,121. The CED funding accounted for approximately 11.11 percent of the total project cost. Below see the total project costs in comparison to CED funding:



Other Sources of CED Project Financing:

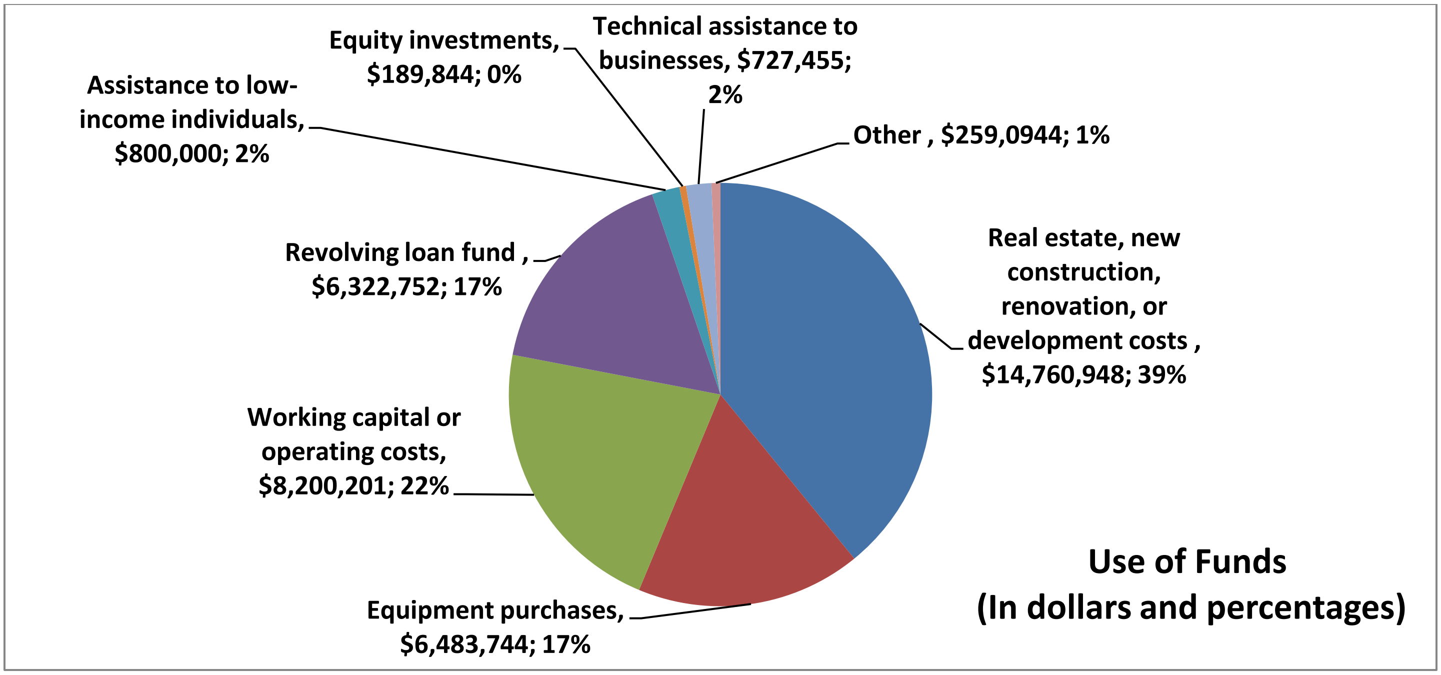
CDCs combine CED funding with a variety of other sources of financing, including: other public subsidies, private foundation grants, and equity from the business.



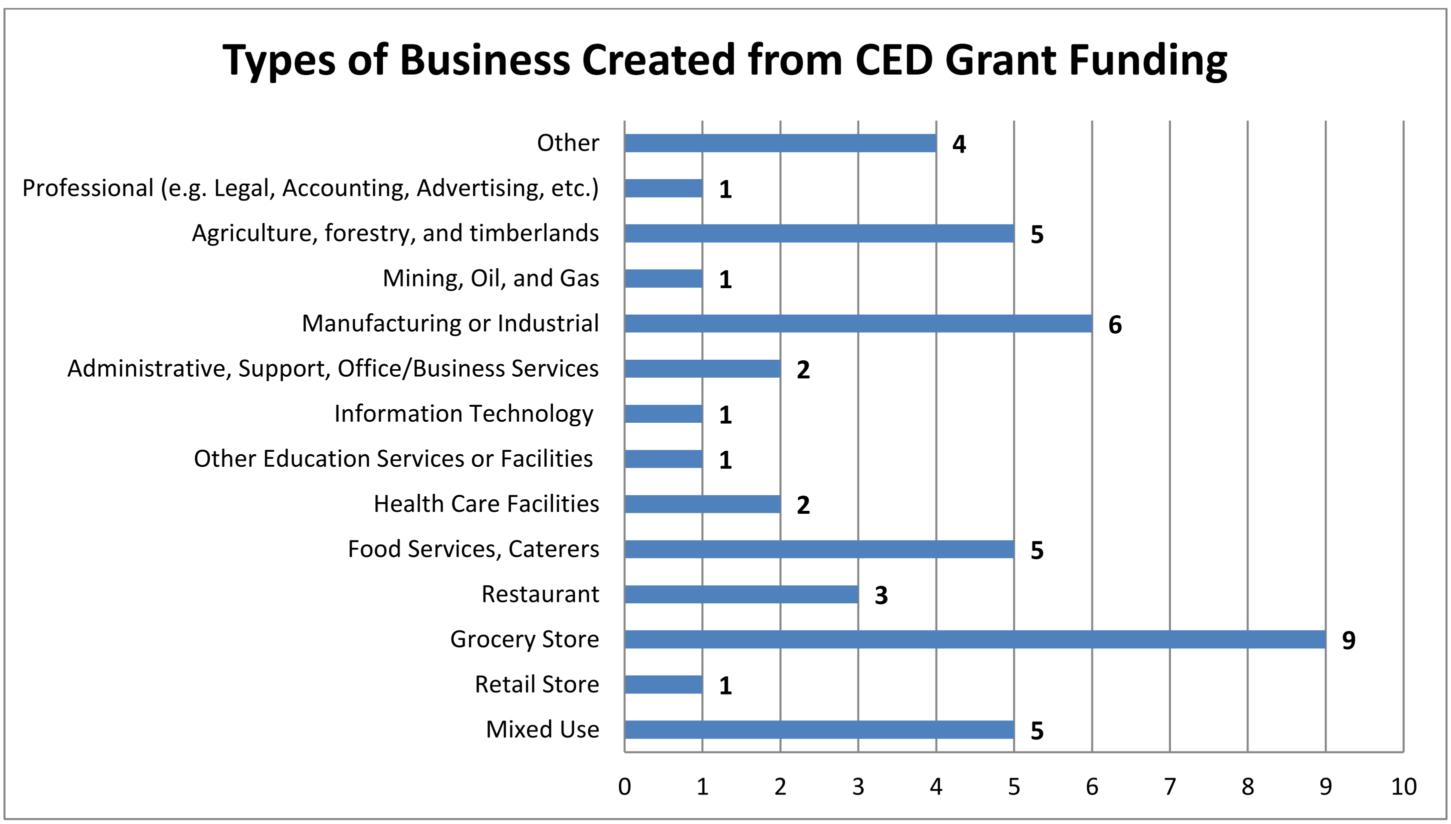
The CDCs surveyed used a variety of different sources of financing; however eight sources were utilized most frequently by respondents. These different public funding sources are: state and local government, private financial institutions, private foundations, CDC retained earnings, New Markets Tax Credits, Historical Tax Credits, Low-income Housing Tax Credits, donations, and an "other" category that includes any funding source that was not included in the previous seven. These eight funding sources totaled $291,168,302 for the respondents. The "other" category in the graphic below includes CDFI Fund allocations, insurance proceeds, utility rebates, etc.

Uses of the CED Funds and Types of Projects

CDCs use CED grant funds to help build or revitalize businesses or organizations. CED grants cannot be used for office space and cosmetic improvements for the organization funding the CED project. Some of the uses for CED funds indicated by respondents include: real estate, including new construction, renovation, purchase cost, and development costs; equipment purchases; working capital; operating expenses; capitalization of revolving loan funds; assistance to low-income individuals; equity investments; technical assistance to businesses, and other miscellaneous categories. Below see the uses of CED grant dollars from the organizations surveyed.



CED was designed as a flexible tool to meet the needs of low-income communities and families, and survey respondents used CED grant dollars to fund a wide variety of projects. Of the 52 respondents, 5 business types were most popular: grocery stores (9); manufacturing or industrial (6); agriculture, forestry, and timberland (5); food services, caterers (5); and mixed use (5). All of these businesses create a high number of jobs. Projects involving these businesses created a total of 1,714 full-time equivalent jobs, or 56.04 percent of all of the full-time equivalent jobs reported in the survey.



Out of all of the types of businesses, a grocery store was the most common business type. The fact that grocery stores were the most common business type is due in part to the First Lady of the United States, Michelle Obama, and her Healthy Food Financing Initiative, which will provide nutritious foods to food deserts and low-income and low-access communities.[6] The United States Department of Agriculture defines a food desert as an area in which at least 500 people and/or 33 percent of the census tract's population reside more than one mile from a supermarket or a large grocery store. For rural census tracts, the distance away from a supermarket or grocery store is more than ten miles.[7] Out of the seven respondents who used the CED grant funding towards grocery stores, five of them were located in areas designated to be a food desert, a low-income, or a low-access area, according to the Food Access Research, a product of USDA.[8]

Characteristics of the Communities with CED Projects:

The United States Census Bureau defines "urban" in two different sub-fields: urban areas, which are comprised of 50,000 or more people, and urban-clusters, which are made up of at least 2,500 to 49,999 people.[9] A rural area is any area that does not fit into an urban-cluster or an urban-area.[10]

Urban vs. Rural:

Federal community development programs are most often associated with downtown urban redevelopment, however the need for revitalization is just as great in rural areas suffering from population decline or economic decline due to an aging population or the closure of a major plant or other source of community employment. Seventy-three percent of survey respondents used their CED funding for projects in urban areas (38 out of the 52 projects were in urban areas and 14 were in rural areas). CED dollars make a difference in small, rural communities like Shannon County, South Dakota, which has a county poverty rate of 47.4 percent, and the

[6] "USDA Defines Food Deserts." *American Nutrition Association*. 2015. http://americannutritionassociation.org/newsletter/usda-defines-food-deserts.

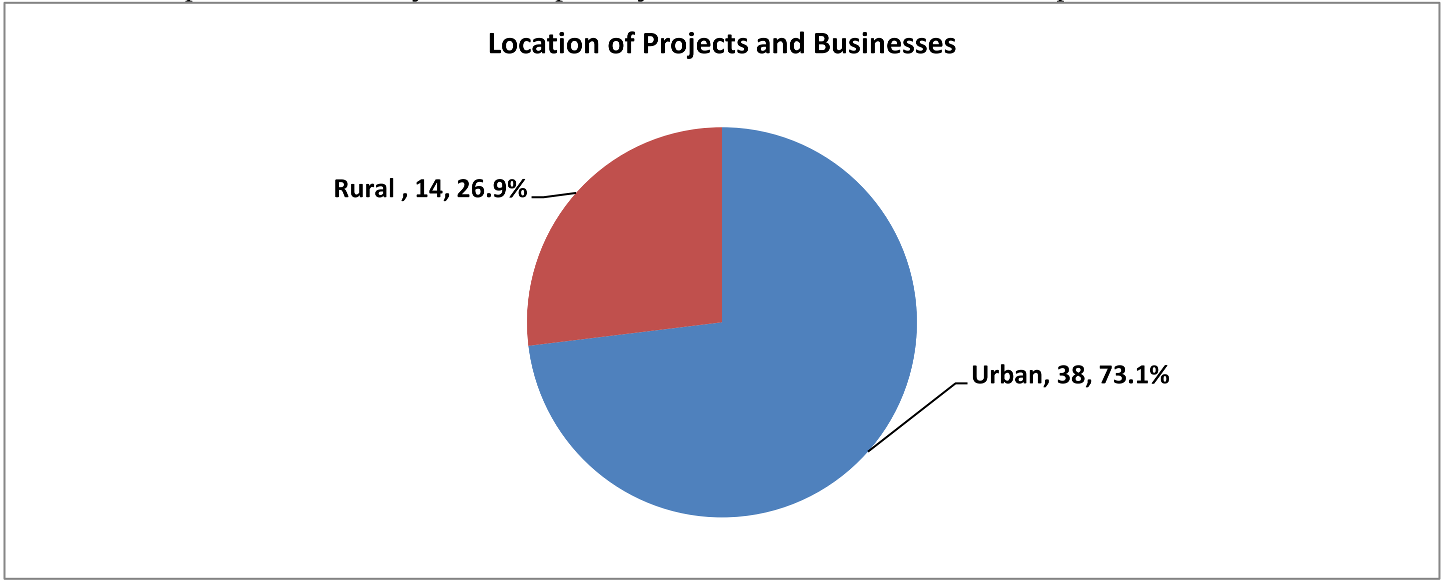
[7] *Ibid.*

[8] "USDA Economic Research Service – Food Access Research Atlas." *USDA ERS – Go to the Atlas*. United States Department of Agriculture – Economic Research Service. 2015. http://americannutritionassociation.org/newsletter/usda-defines-food-deserts.

[9] "Urban and Rural Classification." *Census.gov*. The United States Census Bureau, 27 July 2015. https://www.census.gov/geo/reference/urban-rural.html .

[10] *Ibid*.

southeastern part of Kentucky, where poverty rates are at or above 30 percent in most counties.[11]



Revolving Loan Funds:

Out of the 52 respondents, six organizations used CED awards to capitalize a revolving loan fund that in turn funded multiple businesses and projects. A revolving loan fund is a source of money from where loans are distributed to multiple small business development projects. It is a type of gap financing that self-replenishes a pool of money, and utilizes interest and principal payments on old loans to issue new ones.[12] A typical revolving loan fund issues the loan at terms and conditions that are less than required by the market.[13] From the six revolving loan funds examined, a total of 19 businesses were created using the revolving loan funds, eight of which came from Fresno CDFI. These revolving loan funds capitalized a total of $8,538,133, of which $5,093,000 was in CED grants. The primary source of funding for these projects came from CED funding. However, the SBA, the USDA, and the CDFI Fund provided the bulk of the remaining funds used (totaling $3,445,133).

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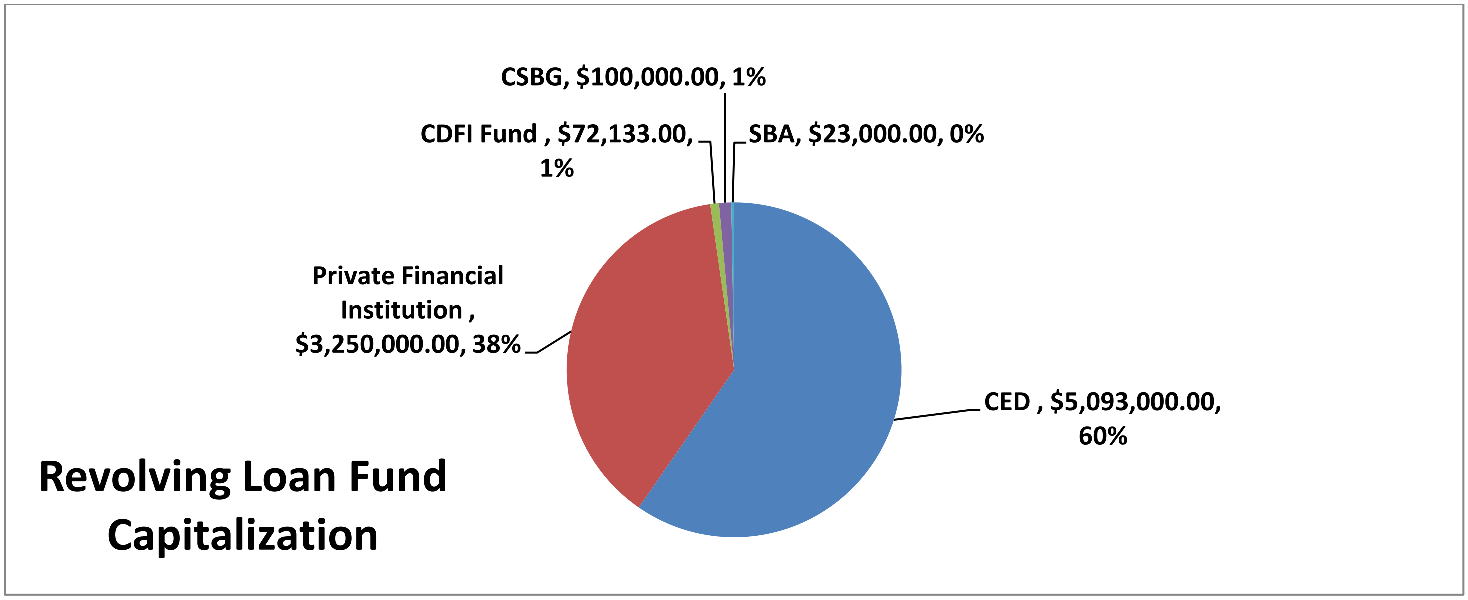
[11] "Poverty Map." *Povertyusa.org*. Poverty USA. 2016. http://www.povertyusa.org/the-state-of-poverty/poverty-map-county/.

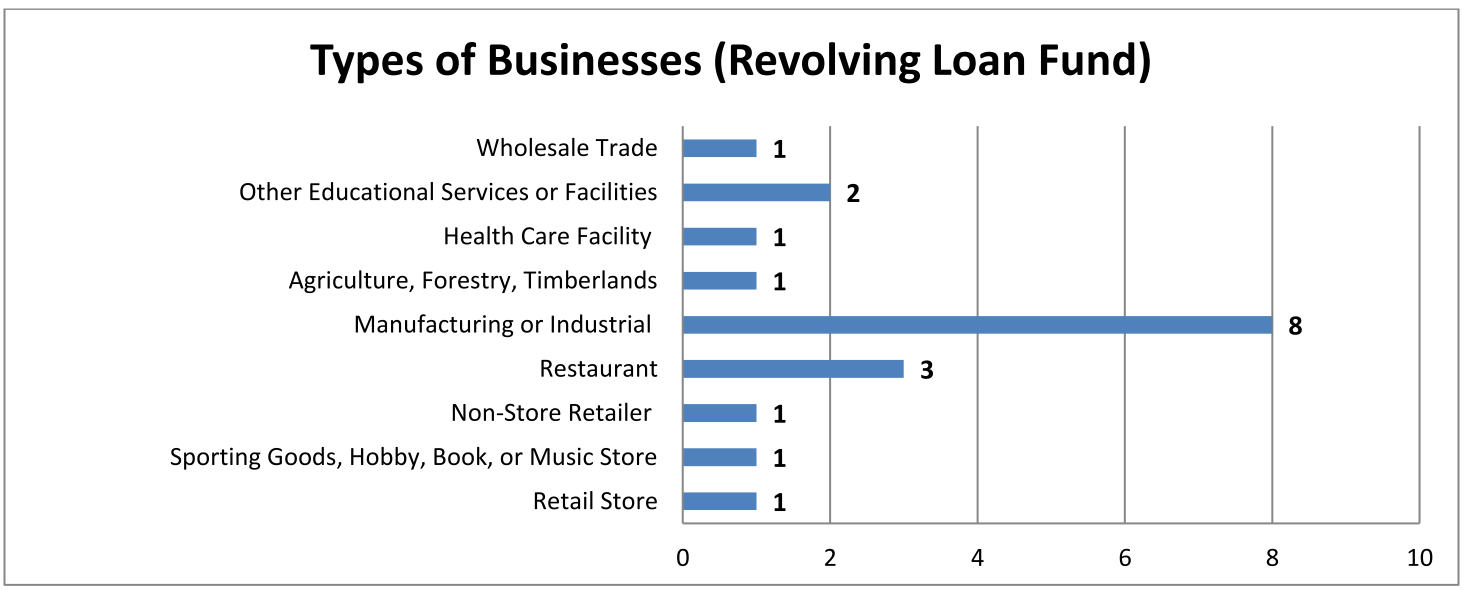
[12] "CDFA Spotlight: Revolving Loan Funds (RLFs)." CDFA.net. Council of Development Finance Agencies. http://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=rlffactsheet.html.

[13] Ibid.



Revolving loan funds finance a variety of types of businesses and projects, including restaurants; health care facilities; educational facilities; wholesale trade; manufacturing or industrial; non-store retailers; sporting goods stores; and retail stores.

The chart below includes a breakdown of all types of businesses receiving financing from the six revolving loan funds surveyed. The 19 businesses created a total of 688.5 full-time equivalent jobs, 223.5 of which went to low-income individuals. Southeastern Kentucky Economic Development led the charge in job creation for the revolving loan funds, accounting for 297 of the 688.5 full-time equivalent jobs. The total project costs for the 19 projects were $9,074,085, 56 percent ($5,093,000) of which was funded through the CED grant program.



OCS – CED Performance Progress Report v. Rapoza Associates Survey

OCS Data:

In order to monitor CED grantee outcomes, OCS requires award recipients to file annual reports on their progress. This is also to fulfill OMB requirements for assessing program performance. OCS uses the data to prepare an annual CED Performance Progress Report. To supplement our survey data and confirm many of its findings, Rapoza Associates fled a Freedom of Information Act (FOIA) request to OCS for CED grantee reporting data between 2011 and 2015.

From the CED Performance Progress Report, Rapoza Associates analyzed eight different variables, including the total number of new businesses; the total number of full-time positions created for low-income and non-low-income individuals; the total number of part-time positions created; the total number of full-time position created; the total number of low-income individuals, including TANF recipients, employed in new full-time positions; how much income each program generated from the CED grants; how many total dollars were leveraged by CED projects; and the percentage of jobs awarded to low-income individuals.

Community Impacts: New Business and Jobs

Rapoza Associates analyzed OCS/CED data from 168 reported projects by 123 CDCs for 2014 and 2015. The projects spanned 38 states, Puerto Rico, and the District of Columbia.

The 123 CDCs received an average grant of $700,000 per project financed for a total of $11.7 million. These CDCs report to OCS that this amount leveraged over $787.5 million financing sources for CED projects. For every dollar in federal CED funds, CDCs leveraged $7 in other financing. This leverage total was able to create 871 new businesses, as well as help 602 existing businesses expand, for a total of nearly 1,500 businesses in the two year period.

As stated above, the mission of the CED program is to provide jobs to low-income individuals and to revitalize low-income communities. In 2014 and 2015, the grant recipients of the CED program created 6,997 full-time equivalent jobs, including 2,504 part-time jobs, and 5,745 full-time jobs..[14]

One of the requirements that OCS stipulates to grantees of the CED program is that at least 75 percent of all of the jobs created must go to low-income individuals.[15] The CDC grantees met and exceeded this requirement in 2014 and 2015, with 79 percent of the jobs created going to low-income individuals. Additionally, the businesses funded through CED funds generated $33,265,346 in additional income.

[14] This total was found by added the total number of full-time jobs by half of the total of part-time jobs.
[15] "Spotlight on Kentucky: CED Creates Jobs and Revitalizes Communities." Acf.hhs.gov. Office of Community Services. http://www.acf.hhs.gov/programs/ocs/success-story/spotlight-on-kentucky-ced.

Key Takeaways from OCS data	
Number of CED Projects	168
Number of Reported CDCs	123
Total Project Funds Leveraged	$787,514,931
Number of New Businesses Created	871
Number of Existing Businesses Receiving Help	602
Number of Part-Time Positions Created	2,504
Number of Full-Time Positions Created	5,745
Percentage of Jobs Going to Low-Income Individuals	79%
Additional Income Generated by Businesses Receiving CED Funds	$33,265,346

From information provided from OCS, Rapoza Associates was able to analyze data to see the types of projects financed through CED grants. Out of the 160 projects that OCS provided Rapoza Associates, four types of projects were more prevalent than the others. These project types are: food services, caterers (31); mixed use (26); grocery store (24); and manufacturing or industrial (15). This compares to the most 4 frequent project types in the Rapoza Associates survey: grocery store (9); manufacturing or industrial (6); mixed use (5); food services, caterer (5). A likely reason for both data sets including the same four most frequent project types is that OCS is focusing on certain types of projects to fund. Two of the top four project types are related to food, and the Healthy Food Initiative.

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Project Profiles:

1. Coastal Enterprises, Inc., Brunswick, Maine

Coastal Enterprises, Inc. (CEI), is an expert in rural business funding, development, and financing. A private, nonprofit Community Development Corporation (CDC) and Community Development Financial Institution (CDFI) based in Wiscasset, Maine, CEI was founded in 1977 to develop job-creating natural resources and small business ventures in rural regions of Maine. CEI has grown and now provides business funding in all of Maine, its primary market, and areas of northern New England and upstate New York. With its New Markets Tax Credit (NMTC) program, CEI is able to invest in projects throughout rural America.

CEI embraces a comprehensive approach to building assets, linking business financing to job creation, entrepreneurship, sustainable development, policy advocacy, and research. The organization operates in primarily rural markets, where financial returns are not always sufficient to attract traditional investment, but where CEI's goal of achieving economic, social, and environmental benefits can be satisfied.

Maine Textiles International, Biddeford, Maine

In the fall of 2012, CEI provided critical financing to Maine Textiles International, LLC through the Small

Business Administration Lending Fund (SBLF) and U.S. Department of Health and Human Services (HHS) Office of Community Services (OCS) Community Economic Development (CED) funding. With this assistance, Maine Textiles purchased the existing assets and formulas of a Massachusetts dye house that had been in operation for more than 30 years. The company acquired space in a historic textile mill in Biddeford, Maine and expects to create 15 new jobs in its first two years.

With the closing of the dye house in Massachusetts, which had a well-established and loyal customer base, the new company had a readymade market and was responding to a clear and immediate industry need. The company is focused on establishing manufacturing and support services associated with the development and growth of a Maine-based textile company involving the use of raw fiber and its end products, such as natural fiber yarns. The targeted size for the business model is a program with the capacity to handle 250,000 pounds to 500,000 pounds of fiber annually. It is a mission-driven company that has articulated four central principles that will guide its business model:

- Emphasize workforce development, relying on resources and expertise available within the State of Maine;
- Establish operations in a socially responsible manner as new and expanded services are developed;
- Develop and expand new market channels for the distribution and sale of both the Company's and its owners' services and products; and
- Develop collaborative partnerships offering the potential for a positive community impact.

The natural fiber industry is a promising textile cluster, with links to agriculture, processing, and home, retail, and industrial markets. A 2010 study of fiber as an agricultural crop reported a 33 percent increase in production five years. This statistic was derived from the U.S. Department of Agriculture (USDA) 2007 Census of Agriculture, which indicated that of the approximately 8,136 farms in Maine, 20 percent are raising fiber-bearing animals. This growth is combined with an expanding interest worldwide in natural fibers, ranging from use in the composite industry to fashion. Maine is poised to leverage these resources to expand on this growth and its share of the market, and Maine Textiles will be at the hub of this expansion. The company now employs 12 people and has hired 7 low-income individuals, including a TANF recipient, a number of refugees and immigrants, and two women from The Southern Maine Re-Entry Center, a Minimum/Community pre-release unit providing housing, programs, and services for women.

Contact: Keith Bisson, President, (207)504-5870, www.ceimaine.org.

Community Profile

Poverty Rate	20.1%
Median Income Compared to AMI	60%
Unemployment Rate	7.7 %

Project Highlights

Total Project Cost	$273K
Federal Sources of Financing	CED ($125K), SBLF ($50K)
Other Sources of Financing	Owner Equity ($98K)
Jobs	12 Positions

2. Chicanos Por La Causa

As Arizona's largest Community Development Corporation (CDC), Chicanos Por La Causa (CPLC) is committed to building stronger, healthier communities as a lead advocate, coalition builder, and direct service provider. CPLC promotes positive change and self-sufficiency by providing the community with a distinct, yet integrated, group of services in education, housing, economic development and social services. Focused on individuals and families with low- or moderate-income levels, CPLC compliments its service offerings with cultural and linguistic competencies. In 2013, CPLC was ranked the third largest Hispanic nonprofit in the country by Hispanic Business Magazine. CPLC maintains offices and/or program sites in all of Arizona's 15 counties and annually serves over 125,000 individuals. The organization recently expanded its services to Clark County, Nevada in 2011 and New Mexico in 2013.

Grand & Central Plaza, Phoenix, Arizona

CPLC acquired additional buildings and land located on Central & Grant Avenue in downtown Phoenix to create a plaza development known as Central & Grant Plaza. The Plaza will include Wells Fargo Bank, Last Exit Live, and Mexi-Q, a fast casual restaurant. This redevelopment project will also provide additional office and retail space.

This adaptive reuse and new construction project will raise the property value of this location and the areas surrounding the Central & Grant Plaza. It is also expected that it will trigger overall redevelopment in the area which could raise the property values of the entire neighborhood.

The Central & Grant Plaza creates an opportunity for growth within the retail and office community as well as adding job growth within the Phoenix metropolitan area.

Contact: David Adame, President & CEO, (602) 257-0700, http://www.cplc.org/.

Community Profile

Poverty Rate	49.6%
Median Income Compared to AMI	25.74%
Unemployment Rate	9.5 %

Project Highlights

Total Project Cost	$2.1M
Federal Sources of Financing	OCS ($210K), HUD ($200K)
Other Sources of Financing	Conventional Loan
Jobs	60 Positions

3. Impact Seven, Inc.

Impact Seven is a private, nonprofit corporation specializing in economic development, housing development, property management, and other independent and socioeconomic development activities. Organized in 1970 by Northern Wisconsin citizens, Impact Seven's mission is to build capacity for low-income communities by providing services and development in business, housing, and property management. Headquartered in Almena, Wisconsin, with a branch office in Milwaukee, Impact Seven is a certified Community Development Financial Institution (CDFI) which manages several Small Business Administration (SBA) and U.S. Department of Agriculture (USDA) loan programs, provides venture capital, and is a part-owner of a community development bank started in conjunction with Midwest Minnesota Community Development Corporation (MMCDC).

Impact Seven is one of the largest nonprofit developers of affordable housing in Wisconsin and manages 1,300 units for families, the elderly, and other residents. As a consultant and developer, Impact Seven has helped numerous communities make significant strides toward revitalizing distressed housing, sagging economies, and dwindling populations.

Riverside Center III, La Crosse, Wisconsin

Impact Seven secured $800,000 in CED funds to help transform a blighted downtown site into a modern, 310,000 square foot office center. The Riverside Center now serves as the primary headquarters for Logistics Health, Inc., a company that provides healthcare solutions for U.S. military service members.

The transformed area also houses a health clinic for employees and other businesses. The growth of The Riverside Center complex has contributed to the revitalization of downtown La Crosse, creating and retaining hundreds of jobs and vastly increasing sales for local services, retailers, and restaurants.

Contact: Brett Gerber, CEO, 800) 685-9353, www.impactseven.org.

Community Profile

Poverty Rate	22.4%
Median Income Compared to AMI	71.85%
Unemployment Rate	3.9%

Project Highlights

Total Project Cost	$2.1M
Federal Sources of Financing	CED ($765,827),
Other Sources of Financing	Private Financial Institution ($500K) Owner Equity ($500K)
Jobs	200 full-time

4. Kentucky Highlands Investment Corporation, London, Kentucky

KHIC was founded in 1968 to create jobs and build wealth throughout southeastern Kentucky. The organization pursues this mission by financing and supporting the development of local businesses and community facilities in its 22 rural-county target market. KHIC designs its financing products and services to meet the specific debt, equity, and technical assistance needs of businesses and entrepreneurs from a $500 microloan to a self-employed entrepreneur launching a business to the established manufacturer lacking venture capital access, but in need of a $4 million capital infusion and management assistance to retool and expand.

Over the last 45 years, KHIC helped create more than 18,000 jobs and provided 625 businesses with over $275 million in financing, with those investments generating an estimated $400 million in tax revenue.

Stardust Ventures, Monticello, Kentucky

Stardust Cruisers is a houseboat manufacturer, founded in 1965 in Monticello, Kentucky, a farming community of 6,000 adjacent to two large, scenic lakes. The town's welcome sign is telling: Houseboat Manufacturing Capital of the World. Once boasting 11 manufacturers and over 1,000 direct employees, Monticello produced more than 175 luxury yachts annually. However, the Great Recession decimated the manufacturing cluster. In 2009, two years after new owners renamed the company Stardust Ventures, the company's payroll had plummeted from 250 to 18 full-time employees, producing fewer than ten boats annually.

Community Profile

Poverty Rate	22.8 %
Median Income Compared to AMI	73.17 %
Unemployment Rate	12.4 %

Project Highlights

Total Project Cost	$1.7M
Federal Sources of Financing	RBEG ($499K), CED ($700K), SBA MICRO ($1K), DOE ($237K)
Jobs	41 Full-Time created and 21 retained

Because successful community economic development is increasingly possible through partnerships, KHIC approached the College of Design at the University of Kentucky to partner with Stardust. Students at the College had just won an international award for their Solar Decathlon home, and KHIC wanted to help combine the university's architectural design expertise and students' creativity with Stardust's expert craftsmanship building floating, space-efficient, luxury homes to produce a supplemental line of energy-efficient, modular homes, accessible to a broad market.

The College and Stardust accepted the challenge to design and build a $100,000 all-electric, modular home using 70 percent Kentucky-made components. Because homes are only affordable when the occupants can pay both the mortgage and utility bills for the long term, it was required that heating and cooling cost just $1 per day.

KHIC secured grants to engage the University and provided Stardust working capital loans during this extended research and development process areas provided Stardust working capital loans during this extended research and development process. Meanwhile, Stardust integrated energy-efficient building techniques and materials into their houseboats. These changes allowed the company to open new markets and accelerate sales to extreme climates in Europe, the Middle East, and Australia. Still in research mode, Stardust has built and sold two modular home prototypes. Design and engineering research work continues to decrease modular structure costs.

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In the past six months, Stardust's 65 employees have started or are completing seven new boats and refurbishing four others, and by the end of the year, the company will construct another modular home. This project has increased employment, improved an existing product line by opening export markets, introduced a new product, and brought young creative minds together to solve real-world challenges facing rural areas.

Contact: Jerry Rickett, President & CEO, (606) 864.5175, www.khic.org.

5. Midwest Minnesota Community Development Corporation

Midwest Minnesota Community Development Corporation (MMCDC) is a leading provider of community economic development services to underserved communities in Minnesota and the Midwest, with a particular

focus on rural areas. It is one of few CDCs with a bank subsidiary. Products and services include home mortgage loans, commercial loans and equity investments, commercial real estate and community development, single-family housing and subdivision production, and multi-family development and property management. MMCDC is majority shareholder in a community bank and is the parent company of a Native American-focused nonprofit community development company, both of which are headquartered on the White Earth Indian Reservation.

Seward Community Cooperative, Minneapolis, Minnesota

Building a healthier community was the most notable accomplishment of a 2014 expansion of the popular Seward Community Cooperative in Minneapolis, Minn.

Faced with capacity crowds at its existing store and new opportunities in similar neighborhoods, Seward turned to MMCDC and other longtime partners to raise affordable, flexible capital for its two expansions, totaling $15 million. MMCDC provided $8.48 million through the federal New Markets Tax Credit and Community Economic Development programs.

Community Profile

Poverty Rate	43-55%
Median Income Compared to AMI	24-47%
Unemployment Rate	12%

Project Highlights

Total Project Cost	$15M
Federal Sources of Financing	CED ($800,000) NMTC (11.592M)
Other Sources of Financing	Co-op and Member Equity, Sunrise Bank, Northcounty Cooperative Development Fund
Jobs	104 permanent, 69 full-time

Growing from one to three locations meant acquiring and renovating two abandoned yet historic community buildings in urban neighborhoods. The new Friendship Store honors its namesake and most recent owner, the Greater Friendship Missionary Baptist Church, and the new Co-op Creamery is housed in a building that long produced and delivered dairy products to the neighborhood.

Opened in 2015, these sites now offer a new grocery in an area with limited access to healthy food options, and a café, administrative offices, and food production facility. Working collaboratively with private and public workforce development programs, the co-op is creating new living-wage jobs with benefits for residents in the neighborhoods surrounding their locations.

By offering programs and products in a manner that reaches across economic boundaries, Seward ensures its exterior “Everyone Welcome” sign is more than a slogan. Expansion plans began with opportunities for community involvement and feedback. The store itself was built using environmentally friendly, sustainable products and services, and a focus on healthy and sustainable products carries through to the food choices on the shelves and at the restaurant. Inclusive management practices include membership payment options for those with limited means, as well as "needs-based" discounts, plus programming featuring affordable product options.

Contact: Kevin Shipley, President, (218) 847-3191, www.mmcdc.com.

6. Northern Initiatives

Founded in 1991, Northern Initiatives' mission is to deliver loans and business services to small business owners and entrepreneurs who create jobs and enable the people and communities of Northern Michigan to thrive. Today, Northern Initiatives serves 51 rural counties, primarily in Northern Michigan (46 of the total counties) and five border counties of Wisconsin.

Northern Initiatives accomplishes its mission by offering flexible, small commercial loans to small business owners and growing and emerging entrepreneurs throughout its investment area. Its customer base faces obstacles to accessing capital, even in the best of times, but in today's challenging environment, Northern Initiatives' lending activities are even more deeply valued. Northern Initiatives has made over 700 loans and financed over $40 million in business start-ups and expansions.

Blackrocks Brewery, Marquette, Michigan

The Great Recession began earlier and lasted longer in Michigan than the rest of the nation. Over the last decade, Michigan had the highest rate of unemployment in the country. For the population overall, Michigan fell from 18th in the nation for per capita income to 36th. Many small businesses experienced losses and an erosion of collateral values. This created capital challenges for businesses and entrepreneurs as the recovery began, since many banks were unable to expand lines of credit or make new investments.

In 2010, Northern Initiatives was awarded a Community Economic Development (CED) grant from the U.S. Department of Health and Human Services (HHS) Office of Community Services (OCS) for a Small Business Expansion and Recovery Fund.

The first loan Northern Initiatives made from the fund was to Mr. Andy Langlois and Mr. David Manson. Both had a passion for home-brewed beer and used the loan to establish Blackrocks Brewery. The financing allowed them to turn that passion into a viable business through the purchase of equipment necessary to increase production capacity, operating days, and, ultimately, profitability.

Community Profile

Poverty Rate	29.1 %
Median Income Compared to AMI	114.28 %
Unemployment Rate	9.1 %

Project Highlights

Total Project Cost	$1.1M
Federal Sources of Financing	CED ($60K) USDA IRP ($50K)
Other Sources of Financing	Bank Financing ($684K), Owners and Investors ($311K)
Jobs	14 Construction, 3 Full-Time, 8 Part-Time
Investor	Owners

As the business grew, Northern Initiatives provided a loan to help them expand into bottling and wholesale distribution. Spreading their good fortune, they partnered with local artisans for everything from décor to hand-crafted mugs, which can be purchased onsite. Since 2010, the artist has supplied over 1,000 hand-crafted mugs. In all, this expansion led to the creation of 14 construction jobs, eight part-time positions, and three full-time positions. Now that's prosperity for all!

Contact: Dennis West, President, (906) 228-5571, www.northerninitiatives.com.

7. Northwest Side Community Development Corporation

Northwest Side Community Development Corporation (NWSCDC) has served the economic development needs of Milwaukee's low-income communities since 1983. The organization has assisted with neighborhood strategic planning to improve safety, land use planning, and development on the Northwest Side to spur retail growth and numerous business and workforce development programs. Throughout its 33-year history, the NWSCDC has innovated and adapted to changes in the community and economic development landscape. The innovation, along with the continuity of management and a strong Board of Directors, has allowed the NWSCDC to thrive in the face of adversity.

In the late 1990s, the NWSCDC Board and management developed and implemented a new business model for community economic development. This model emphasizes leveraging partnerships and collaborating in business creation and real estate transactions, rather than owning and managing property. With this new model, the NWSCDC has pioneered efforts to find new partners, such as DRS Power and Controls Technologies. Since 2000, NWSCDC has provided over $7.5 million in financing to businesses that have created over 500 jobs.

HellermannTyton, Milwaukee, Wisconsin

Community Profile

Poverty Rate	14.5%
Median Income Compared to AMI	69.64%
Unemployment Rate	11.7%

Project Highlights

Initial Project Cost	$18M
Federal Sources of Financing	CED ($741K)
Jobs	125 jobs

In late 2014, NWSCDC was awarded $741,000 through the CED program that was used to close on a loan to HellermannTyton, in participation with the Milwaukee Economic Development Corporation (MEDC). The loan is part of an $18 million, 102,000-square-foot expansion of HellermannTyton's facility at 6701 W. Good Hope Road. The project will create 125 jobs within the next 5 years. Hourly workers in the Good Hope Road building earn $11 to $32 an hour. HellermannTyton's products are used in the automotive industry, and sales for renewable energy uses such as solar and wind power equipment are growing. NWSCDC will work with HellermannTyton to ensure a portion of the jobs created by the project are filled by low-income residents from the Northwest side of Milwaukee.

HellermannTyton manufactures systems to identify, manage and connect cabling systems for the automotive industry, industrial machinery, solar energy farms and other uses. Through partnership the Milwaukee Area Workforce Investment Board, NWSCDC is helping link low-income workers to full-time jobs with benefits at HellermannTyton. The company's manufacturing facility is accessible by transit.

The $741,000 was used for equipment. HellermannTyton expanded their production lines with additional electric presses. To operate the new production lines and press machines is hiring additional packaging operators as well as other positions.

Contact: Howard Snyder, Executive Director, (414) 447-8230, www.nwscdc.org.

8. PACE

Founded in 1976, PACE's mission is to create economic solutions to meet the challenges of employment, education, housing, business development, and the environment in the Pacific Asian and other diverse communities. Through its six primary programs, PACE annually serves more than 60,000 low-income families, including many ethnic minorities, immigrants, refugees, and asylees living in Los Angeles.

In the aftermath of the destructive 1992 Civil Unrest, thousands of small business owners in Central Los Angeles found themselves out of business—and out of a job. The majority of these business owners were minorities, many of whom were immigrants, refugees, or asylees who had no other source of income and limited ability to find another job or recapitalize their business. PACE immediately responded to the needs of these entrepreneurs by offering comprehensive business assistance.

Business Development Center, Los Angeles, California

PACE Business Development Center (BDC) opened its doors in 1993 with less than $500,000 in funding from the U.S. Department of Health and Human Services (HHS) Office of Community Service's (OCS) Job Opportunities for Low-Income Individuals (JOLI) program. Over 20 years, this initial investment has enabled PACE to directly leverage an additional $25 million for the program—increasing the initial federal investment by more than 50 times. In addition, PACE has leveraged almost $500 million in loans for small businesses, bringing needed capital into some of the most distressed neighborhoods in Los Angeles. As a result, PACE has helped start or expand more than 10,800 minority-owned businesses, which has led to the creation of more than 15,000 jobs and $323 million in local tax revenue.

PACE works closely with banks and other financial institutions to help its clients obtain the capital they need to start or expand their businesses. PACE clients, however, often have unique needs that preclude them from accessing traditional financing. To better serve the capital needs of these clients, PACE offers two types of financial assistance: equity and loans.

Equity is provided through two programs: (1) PACE BDC is the largest provider of Individual Development Accounts in Los Angeles County, enabling 926 low-income residents to access more than $1.5 million to date; and (2) PACE BDC, in conjunction with the Internal Revenue Service, operates Volunteer Income Tax Assistance (VITA) sites that have resulted in almost 4,000 low-income clients receiving more than $10 million in tax refunds, savings, and credits since 2006.

Community Profile

Poverty Rate	50.6%
Median Income Compared	34.3 %
Unemployment Rate	11.4 %

Initial Project Cost	$835K
Federal Sources of Financing	JOLI ($492,600), SBA, CDFI Fund, ORR, CED
Leveraged Funding/ Financing	Funding ($25M), Financing ($500M)
Other Impacts	10,699 Businesses Assisted, 27,205 Entrepreneurs Trained
Jobs	15,600 Full-Time
Investors	City of Los Angeles, Bank of America, Citibank, Comerica Bank, HSBC, Union Bank, JP MorganChase, Wells Fargo Bank, Northern Trust Bank, US Bank, FreshWorks Fund, Weingart Foundation, Annie E. Casey Foundation

Loan capital for small businesses is provided through five sources: (1) PACE operates a Small Business Administration (SBA) Intermediary Microloan Fund; (2) PACE's subsidiary, PACE Finance Corporation (PFC), has been designated as a Community Development Financial Institution (CDFI) by the U.S. Department of Treasury; (3) PACE BDC was one of six original organizations in the nation certified by KIVA to offer microloans up to $10,000 through worldwide crowd-funding; (4) PACE BDC offers mini microloans ($1,000 or less) for start-ups, primarily through programs with the Office of Refugee Resettlement, and (5) PACE packages loans to submit to other loan funds and bank partners for financing.

PACE BDC is also instrumental in providing the knowledge and experience needed for low-income people to use the banking system to learn how to budget, create a financial plan, establish a banking relationship, improve their credit scores, and take advantage of existing tax credit programs for which they may be eligible. Since PACE's Financial Education and Credit Counseling began officially in 2006, almost 10,000 low-income clients have benefited from training.

Although PACE was founded to serve Asian Pacific Islander populations—Los Angeles County has the largest population of Asians and Pacific Islanders of any county in the nation—PACE now serves low-income people of all nationalities and ethnicities.

Contrary to the "model minority" myth, the majority of the Asian Pacific Islanders in Los Angeles continue to struggle with economic, educational, and other challenges to a degree seldom understood by policymakers and government institutions. This population includes neighborhoods that are linguistically isolated and suffer from higher rates of poverty, higher use of public assistance, lower educational attainment, and lower rates of homeownership. PACE is uniquely qualified to serve ethnic minority, immigrant, refugee, and asylee populations because its staff is culturally and linguistically fluent in more than 40 languages and dialects. For many clients, PACE BDC offers the only avenue for financial self-sufficiency.

Contact: Kerry Doi, President & CEO, (213) 353-3982, www.pacela.org.

9. TELACU

Established in 1968, TELACU is the largest Community Development Corporation (CDC) and one of the largest Hispanic businesses in the United States. Utilizing one of the most successful approaches to community and economic development, TELACU focuses its more than $550 million in assets on empowering the lives of individuals and families within the communities it serves. The organization also operates New Markets

Community Capital, LLC (NMCC), which is a Community Development Entity (CDE), receiving $170 million New Market Tax Credit (NMTC) allocations from the U.S. Department of the Treasury.

The TELACU Model is based upon the belief that there is no more viable business venture than one that is economically sound, enhances the community, and positively impacts people's lives. Quality, affordable homes are developed for first-time homeowners and beautiful residential complexes are constructed and operated for families and senior citizens. New community assets, such as schools, infrastructure, shopping centers, and municipal facilities are built, creating well-paying jobs and revitalizing communities for local residents. Responsive financial institutions provide access to capital for small business owners and hardworking families. And, educational opportunities are expanded to create a greater future for young people and veterans.

TELACU Weatherization, Los Angeles, California

Weatherization jobs increasingly require more technical skills, such as heating and air conditioning knowledge and the ability to install green systems, including solar. TELACU was awarded a Community Economic Development (CED) grant from the Office of Community Services (OCS) to expand its weatherization division, which provides energy efficiency services to low-income households in the greater Los Angeles and Riverside areas. In partnership with local utility companies, TELACU works to minimize these adverse impacts while reducing the consumption of and reliance on fossil fuels.

Community Profile

Poverty Rate	22.6 %
Unemployment Rate	17.5 %

Project Highlights

Total Project Cost	$4.3 M
Federal Sources of Financing	CED ($686K)
Jobs	40 Full-Time

At the beginning of the grant period, TELACU Weatherization provided weatherization services to 10,000 low-income households per year. As a result of the grant, TELACU serviced 16,000 households in 2010, 22,000 homes in 2011, and over 23,000 in 2012. Working in conjunction with some of its partners, including the East Los Angeles Skill Center and Los Angeles Trade Tech, TELACU has been able to provide its employees with the training needed to acquire the necessary skill sets. Outside training is supplemented with additional in-house training by experienced staff. TELACU also partners with agencies that work with low-income individuals, including the Mexican-American Opportunity Foundation, the Los Angeles County Department of Public Social Services/GAIN, WorkForce Development Center, WorkSource, Chicana Service Action Center/Worksource, HUB Cities, One Stop, and CalJobs/Employment Development Department to recruit and identify individuals to fill its open positions.

TELACU created 40 jobs, including 27 for low-income individuals, with wage rates ranging from $13 to $17 per hour with full benefits. Furthermore, when TELACU Weatherization applied for the grant, it was contracting with around 20 outreach workers. As a result of the expansion, TELACU now contracts with close to 100 outreach workers. Moreover, TELACU has successfully leveraged these grant funds 5.2 to 1.

Contact: José Villalobos, Senior Vice President, (323) 721-1655, www.telacu.com.

10. Valley Economic Development Center

Valley Economic Development Center (VEDC) is a leading non-profit small business lender that is changing the way small business lending is done by making it more available and impactful. Headquartered in the Los Angeles metro area, VEDC has lent $380 million in direct and guaranteed loans to over 104,000 small businesses and created more than 28,000 new jobs.

With a growing footprint, VEDC has offices in 8 states and has supported small business owners for 40 years with the goal of creating and sustaining jobs and businesses in underserved communities by providing high-quality business development services.

The organization provides loans and micro-financing options to small businesses, particularly those owned by women and minorities, that don't qualify for traditional financing. As a result, VEDC has been instrumental in creating economic opportunities in low-income, underserved areas for those who want to improve their financial standards and build stronger communities.

VEDC's expanding portfolio is composed of community-based loan funds in California, Illinois, Nevada, Utah, New Jersey, Connecticut, Florida and New York.

Rich Honey, Los Angeles, California

Since 2011, Rich Honey Inc. has been creating a buzz in the textile and fashion industries. Started in the corner of a warehouse by married couple Nicholas and Luddivina Bowes, Rich Honey produces high-quality "garment dyed blanks," that they then wholesale to a variety of smaller brands that may not be able to afford their own textile manufacturing. In essence, Rich Honey is a small business helping to sustain other small businesses and as such epitomizes VEDC mission to support the creation of jobs and promote economic development in under-served communities.

Community Profile

Poverty Rate	24.6 %
Median Income Compared to AMI	50.42%
Unemployment Rate	6.1 %

Project Highlights

Total Project Cost	$799K
Federal Sources of Financing	OCS ($300k) Community Advantage SBA 7a ($200K)
Jobs	35 full-time created, 30 full-time retained

Even with a combined 16 years of textile industry experience between the couple, without VEDC funding, Rich Honey would not have been able to obtain sufficient financing to purchase enough inventory or hire the employees necessary to continue on its growth path. Thanks to VEDC, Rich Honey successfully took their business to the next level through increased manufacturing, boosted job creation, and an expansion of their client roster which, in turn, aided in the development and expansion of other small businesses in their community. Their work promotes economic development by putting funds back into local business and helping them retain jobs too.

After increasing their profits four-fold from 2013 to 2014, Nicholas and Luddivina decided it was time to expand. They approached traditional lenders and were turned away due to lack of adequate collateral. In 2015, VEDC was able to provide $200,000 in Community Advantage SBA 7(a) financing. With their new capital, Rich Honey was not only able to expand their business to a larger manufacturing facility, but they also opened their first brick and mortar location, and developed a new line of leather garments. With such expansion the business was able to retain 30 jobs and create 10 new jobs.

Because of their continued growth, they were awarded special grant OCS funding through VEDC, which allowed them to create another 25 fulltime jobs, where 75% of the new employees will be individuals residing in LMI areas.

Contact: Roberto Barragan, President, (818) 907-9977, www.vedc.org.

Conclusion:

The CED grant program has been a staple in the community development sector for over 50-years. The CED program is neither the only nor the biggest federal community development funding program of its kind, but it is unique in its focus and requirements, and has done a tremendous amount of good for low-income individuals and communities. This program has continued to create jobs and infrastructure as well as rejuvenate communities that are in dire need of help. It is because CDCs are investing time, effort, and funds into these projects that the CED grant program has been successful in helping low-income communities flourish.