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Community Development Block Grant: A Comparative Analysis of Economic Development Program for North Dakota, South Dakota, and Montana

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THE UNIVERSITY OF NORTH DAKOTA
COMMUNITY DEVELOPMENT BLOCK GRANT:
A COMPARATIVE ANALYSIS OF ECONOMIC DEVELOPMENT PROGRAM
FOR NORTH DAKOTA, SOUTH DAKOTA, AND MONTANA

AN INDEPENDENT STUDY SUBMITTED TO
THE FACULTY OF THE DIVISION OF THE HUMANITIES
IN CANDIDACY FOR THE DEGREE OF
MASTERS OF PUBLIC ADMINISTRATION
DEPARTMENT OF POLITICAL SCIENCE

BY

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GRAND FORKS, NORTH DAKOTA

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CHAPTER I
INTRODUCTION

The Small Cities Community Development Block Grant Program created through the Omnibus Budget Reconciliation Act of 1981 was to provide federal resources to states for the states' greatest areas of community development need.¹ When this act was passed, many parts of the nation were experiencing economic recession and loss of economic base; resources from the Small Cities CDBG program were directed by numerous states to public sector economic development efforts. A comparative analysis of three demographically and economically similar states where this occurred: North Dakota, South Dakota, and Montana, for years 1986, 1987, 1988, and 1989 provide insight on the state controlled Small Cities CDBG program as a useful public sector economic development tool.

This analysis determines how each of the above named states has designed and delivered its Community Development

1
John Sidor, Developing Rural America: State Assistance in Rural Economic Development. Washington, D.C.: Council of State Community Affairs Agencies, 1990 p. i.

Block Grant Economic Development program. It provides a comparison of the three programs as a public sector economic development tool.

Topic Relevance

The Community Development Block Grant was first authorized by Congress in 1974. It was created to combine several categorical grants into one program. The intent of the new grant was to simplify the application and administration process from past grants and to create a more flexible program that could truly address community needs.

Under the Community Development Block Grant Program the federal government requires that one of three national objectives be met when local governments choose to fund one of nineteen activities that are eligible for CDBG funding. The three national objectives are: 1) to directly benefit persons, at least 51% of whom are of low or moderate income; 2) to prevent or eliminate slums and blight; and 3) to meet community development needs having a particular urgency. The nineteen funding areas authorized have been categorized into three major areas by most states: 1) housing rehabilitation, 2) public and community facilities, and 3) economic development. ²

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Brandon Roberts, State CDBG Loan Assistance: A Summary and Analysis. Washington, D.C.: Council of State Community Affairs Agencies, 1989. p. 1.

In 1981 the Omnibus Budget Reconciliation Act created two significant changes in the CDBG program. The first, gave states the option to administer the non-entitlement part of the CDBG program. Before the 1981 change, administration had been done by HUD. Since the 1981 change all states except Hawaii and New York have chosen to administer their own programs. The second change permitted CDBG dollars to be given to for-profit businesses if the dollars were to be used for a program eligible activity.³ Before 1981, economic development was an eligible activity only when carried out by a community-based nonprofit organization under contract to a local government. These two changes created new opportunities for rural economic development.

CDBG has become one of the major rural economic development tools provided by the federal government. Results of a Council of State Community Affairs Agencies (COSCAA) study on the role of Small Cities CDBG in rural economic development indicated that it was the major rural economic development tool.

...About 72 percent of the state CDBG funds used for economic development were allocated to nonmetropolitan areas. If the assumption is made that the use and allocation of funds between 1982 and 1986 is similar to the data in this report and if nonmetropolitan areas are broadly considered rural, the State CDBG program is the federal government's primary rural economic development

³
Ibid., p. 2.

loan or grant program representing the direct expenditure of about \$1.25 billion between 1982 and 1989 for job creation and retention in nonmetropolitan areas.⁴

Listed below on Table 1 is the COSCAA comparison of federal funding programs for economic development. It should be noted that the SBA loan guarantee program and numerous technical assistance programs which are of great help in rural development are not included in the table. Nonetheless the numbers indicate the importance of the Small Cities CDBG for rural economic development.

Table 1
Federal Obligations of Economic Development
Loan and Grant Program in
Nonmetropolitan Areas, 1982-1986

Agency/Program	Obligation (millions)
EDA	
Public Works	\$457.5
Economic Adjustment	107.2
SBA	
Economic Opportunity Loans	9.9
Minority Enterprise Small Business Investment Corporations (MESBIC)	10.7
HUD	
Urban Development Action Grant	301.2
State CDBG	712.8

SOURCE: Assisting Rural Economics: The Role of the State Community Development Block Grant Program in Rural Economic Development (Washington, D.C.: Council of State Community Affairs Agencies, 1990) p. 27.

⁴ John Sidor, Assisting Rural Economics: The Role of the State Community Development Block Grant Program in Rural Economic Development. Washington, D.C.: Council of State Community Affairs Agencies, 1990. p. 24.

The amount of resources provided by the Small Cities CDBG raises the question of how important and useful the program is as a tool for economic development in rural settings. This is particularly the case since the states have an option of placing these dollars into other public needs such as general public facility infrastructure and housing.

In addition, it is important to grasp the role of the Small Cities CDBG program in rural economic development because feedback is necessary for state and federal representatives. These people determine the final rules, policies, and appropriations for the program and must understand the importance of the Small Cities CDBG program. This is a concern today when the issues of the federal deficit continue to intensify, and the U.S. Congress and federal government have their own national concerns and agendas.

The block grants were given to the states by Congress to create a program where federal funds would more clearly meet the unique needs of each state than categorical grants had in the past.

The state CDBG program represents a major alternative policy, decision making, and distribution system for federal resources and objectives. Especially during the 1980s states argued that they appropriately can make key policy and resource distribution decisions for most federal domestic policy concerns. In the state CDBG program states are the key policy makers and program managers, distributing flexible federal funds to local governments to address broad but specific

federal objectives.⁵

However, there is a fear that the role of the block grant is beginning to be infringed upon by increasing conflict between state and national agenda.

It's a question of priorities. The states say they should be allowed to set their own priorities, even when federal funds are involved, because they are closer to the problems. Congress says when it gives money to the states, it has the right, with its nationwide responsibilities, to some control over how it is used. These are the battle lines in a renewed strength over Washington's propensity for attaching strings to grant money.⁶

The states must clearly be able to define the benefits and role of the Small Cities CDBG in economic development in order to if appropriate, retain support for the program, or at the least to recognize what has been effective in order to ensure the continuation of good programs in the future.

Review of Literature:

A review of literature regarding the role of the Small Cities Community Development Block Grant centered on

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John Sidor, Developing Rural America: State Assistance in Rural Economic Development. Washington, D.C.: Council of State Community Affairs Agencies, 1990 p. 1.

6

Cheryl Anvidson, "As the Reagan Era Fades, It's Discretion vs. Earmarking in the Struggle Over Funds: Can Washington's Reborn Urge to Put Strings Back on Block Grants be Blunted?," Governing, (March 1990), p. 21.

materials written after the 1981 program changes. Early 1980's literature focused on three major areas, all addressing issues that have an impact on economic development, but none that directly analyzed the role of CDBG in economic development. These articles were important in providing an overview of the issues that have surrounded the CDBG program and policy development since state control.

The three major focuses of this literature were: (1) whether the program beneficiaries of the CDBG program had changed after the states took control from HUD; (2) how change in program control would effect federal, state and local relationships; and (3) how state control changed the administration and delivery of the CDBG program.

David R. Morgan and Robert E. England in "The Small Cities Block Grant Program: An Assessment of Programmatic Change Under State Control" provide an example of the beneficiaries issue. They analyzed the shift in funding for project types which provided direct benefit to those which provided more indirect/city-wide benefit, in a number of Oklahoma communities. The issue in the article is relevant to understanding the role of CDBG in rural economic development because of the ongoing debate about how to ensure low and moderate income persons benefit and how that will effect Small Cities CDBG economic

development programs. Though the article does not directly relate to the research in this paper, the ongoing issue of benefit continues to influence what types of projects can be supported with CDBG resources.

They concluded that the majority of CDBG dollars were shifted from direct benefit to indirect by the shift of projects from housing and social services to public facilities.⁷ The implication was that from the shift in federal to state control, low and moderate income persons would become the real losers. However, in a later study completed by the State Community Affairs Agencies, State CDBG Loan Assistance to Start-up Firms: A Summary and Analysis, this conclusion is challenged. In their findings, though only in relation to business start-ups, it was determined that nationally CDBG:

...assisted start-up firms generated 5,170 jobs to date and seventy-nine percent were made available to low and moderate income individuals...[and]" seventy-six percent of all start-up loans were made in counties with an unemployment rate that exceeded the...national average, eighty-eight percent were in counties with a per capita income that was less than the...national average.⁸

7

David R. Morgan, and Robert England, "The Small Cities Block Grant Program: An Assessment of Programmatic Change Under State Control," Public Administration Review, (Nov/Dec 1984), p. 481.

8

Brandon Roberts, State CDBG Loan Assistance to Start-up Firms: A Summary and Analysis. Washington, D.C.: Council of State Community Affairs Agencies, 1988. p. 4.

The other literature focuses on intergovernmental relationships and on whether state control has created new program flexibility or an added level of bureaucracy. Various articles and GAO reports provide an analysis of these issues. These include the Comptroller General Report to the U.S. Congress, State Rather Than Federal Policies Provided the Framework for Managing Block Grants, GAO, HRO85-36, March 1985; and HUD Office of Policy Development and Research, U.S. Department of Housing and Urban Development: Local Government Panel Report; States are Making Good Progress in Implementing the Small Cities Community Development Block Grant Program, GAO, September 1983.

These studies do not address the role of rural economic development under the Small Cities CDBG. They do address issues relating to the flexibility and administrative responsiveness in meeting community needs. The studies indicated that the states were able to design programs that focused more specifically on their defined needs than had programs of the past. In terms of additional bureaucracy the jury was still out.

Later literature can be found that does discuss the role of the Small City CDBG program in economic development. John Sidor, in the book, The Role of the

Community Development Block Grant Program in Rural

Economic Development, 1990 provides an analysis of the Small Cities CDBG program in forty-six states and Puerto Rico. Results from the study indicated four major characteristics to the use of Small Cities CDBG resources in economic development.

First, states used CDBG funds primarily for loans to businesses and not for infrastructure assistance...Second, states used CDBG loans primarily to assist existing businesses and start-ups...Third, state CDBG loan assistance focussed on manufacturing industries...And generally, states concentrated their CDBG loan assistance on very small businesses.⁹

The Study provides an analysis of how CDBG is used to enhance rural economic development and will provide a national base for comparison of the CDBG programs in the three states, North Dakota, South Dakota, and Montana. In addition, two publications from COSCAA, State CDBG LOAN ASSISTANCE TO START UP FIRMS and State CDBG LOAN ASSISTANCE: A Summary and Analysis provide regional comparisons and characteristics which describe the role of CDBG as a tool for economic development. The first report found that

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John Sidor, Assisting Rural Economics: The Role of the State Community Development Block Grant Program in Rural Economic Development. Washington, D.C.: Council of State Community Affairs Agencies, 1990. p. 2-3.

...Region...VIII (includes MT, SD, and ND) devoted the largest percentage of the CDBG funds for loans to for-profit firms (28%), twice the national average of 14%.¹⁰

The later report found that Region VIII invested more CDBG dollars into business start-ups than any others in the nation, and only 1% of these resources was for interstate relocation.¹¹ Both of the reports were compiled from data provided by all the states, and should be valid for comparison to the results in the comparative analysis of North Dakota, South Dakota and Montana.

Methodology

North Dakota, South Dakota, and Montana were chosen for program comparison because of similarities in economy and demographics. These states each have an economy based in primary industry - agriculture, mining, energy and forestry. Only small concentrations of manufacturing exist in these states.

The 1970's were a boom time for primary industries in North Dakota, South Dakota and Montana. There was a major export demand for agricultural products as epitomized by

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Brandon Roberts, State CDBG Loan Assistance to Start-up Firms: A Summary and Analysis. Washington, D.C.: Council of State Community Affairs Agencies, 1988. p. 14

11

Brandon Roberts, State CDBG Loan Assistance: A Summary and Analysis. Washington, D.C.: Council of State Community Affairs Agencies, 1989. p. 21.

\$7 a bushel wheat, and the energy industry which was already expanding was given a huge boost with the two oil embargoes.

In the early 1980's these same industries moved into recession along with the rest of the nation's economy. Rising interest rates, along with an overvalued dollar, caused major harm to the agriculture export markets; the energy market became glutted. At the same time our nation began to move into a service and complex value-added economy, and away from primary and heavy industry. North Dakota, South Dakota, and Montana at best experienced economic stagnation through the 1980's. As most states in the nation, they recognized that an active effort had to be made to revitalize and refocus their economies for future economic health.

These three states have small populations dispersed over large land areas. The 1990 Census indicates the following populations for these states: North Dakota 638,800, South Dakota 696,004 and Montana 799,065.¹² These states have no cities with a population greater than 100,000.

In the development of industry North Dakota, South Dakota, and Montana have had to deal with issues of

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Gary Goreham, North Dakota Census Data Center, North Dakota State University of Agriculture. Fargo, North Dakota, March 1991.

transportation, communications and access to basic services. Similar to the case for most rural America, they have to rely more on what they can create from within, rather than on what they can attract. This has been a challenge because none of these states has a strong history of manufacturing or industry and are having to invent the wheel.

Each of these states faces economic problems in common, and has used the CDBG program to help promote economic development. The analysis of the different parts of their programs can provide insight into how CDBG has been used by rural communities in economic distress.

State CDBG goals should give insight into the state overall direction in the use of CDBG funds for community and economic development. Goals set the tone for resource use. The goals will be reviewed to see if they actually are used for direction and what type of direction.

Project type, funding mechanisms, proposed jobs created, role of local community, eligibility criteria and delivery systems provide a programatic indication of how the goals are truly defined through implementation. They may also provide clues to the primary types of development that can be supported through the CDBG program.

Project type is defined as the actual way the dollars are used. As data permitted, this criteria was broken into

the following categories: infrastructure, planning, business financing, and other. This provides an overview of where the states felt the dollars would be best used. Business financing was broken into more detail by uses, i.e. purchase of equipment, buildings, working capital and by type of business growth. Type of business growth includes expansion, start-up, or refinance of businesses. These items further define how the CDBG dollars are used as a development tool. Are dollars being used to sustain what exists or to support expansion? Are they being used to attract businesses from one state to another state thereby benefiting the state but not the nation?

In addition, economic sector in which the business loans were used, was reviewed to determine if dollars were placed in manufacturing or retail business. Manufacturing is considered new wealth creation economic development, dollars are brought into the community from outside the community. Retail business is viewed as community development. Quality of life is improved, but generally economic growth does not occur because dollars within the community are exchanged within the community but no new dollars are brought to the community.

Funding mechanisms are defined as grant or loan. Type of project will often influence if the CDBG dollars are used for grant or loan. Typically infrastructure and

planning projects are completed through grants and business projects through loans. States which permit both grants and loans depending on development needs provide flexibility often needed for economic development. States which emphasize loans are regaining the dollars by putting them back into the system for future development. CDBG Award size was reviewed to see if there appeared to be a minimum or maximum feasible project size, and to see if there was a tendency to spread the dollars out among many projects or to place dollars into just a few.

Matching dollars leveraged with CDBG dollars were also reviewed. Matching dollars may provide an indication that CDBG is drawing private investment into economic development by serving in the role of gap financing versus private investment dollar replacement. Gap financing dollars are the last dollars to be put into a project to make it feasible. The dollars are necessary to meet a clearly identified and serious gap in local capital availability for a business.

Number of jobs per business and proposed jobs per CDBG dollar were determined for each program year when data was available. Number of jobs per business will indicate the size of the businesses using the program.

One of the primary indications used to determine success in public sector economic development is jobs

creation, probably because it is one of the more easily and politically popular measurable results. It is assumed that the lower the cost of CDBG jobs, the better the dollars have been leveraged and the greater the economic development benefit. Other indicators such as gross income, increased economic diversity, etc. may provide better pictures for determining long term benefit. They are not as easily identified and not included in the short term data collection requirements of the CDBG program, nor in data typically required by government economic development efforts.

The role of local community was defined as those requirements which must be formally met by the local community in order to access CDBG Economic Development funds. These requirements were reviewed to determine if specific benefits or barriers to economic development projects existed.

Eligibility criteria and delivery systems are defined in the same way. Eligibility criteria was reviewed to determine if, or what, additional criteria beyond federal requirements the states placed on economic development projects and what the criteria might mean for development efforts.

Delivery system was reviewed only as it appeared in the program statements. The full delivery system for the

program would include the method and persons responsible to get the program out to the users. The delivery system as described in the program statements was reviewed to determine its importance in economic development efforts.

Data for review of these factors was obtained from each state, through the office responsible for the coordination of the Small Cities Community Development Block Grant in that state. Each state is required by HUD to provide a program delivery statement and some form of project and fund tracking. A request was made for CDBG program statements and for projects funded for the years 1986, 1987, 1988, 1989. North Dakota, South Dakota, and Montana provided similar information, though their actual methodology may be different for collecting and compiling the information. South Dakota program delivery statements and structure were somewhat different and at times difficult to use for comparison with the other two state.

The states maintain the most comprehensive data available on CDBG. HUD does not keep project specific data for each state. Local communities do not have a comprehensive or uniform system comparable to each other, therefore, data collection from them may be unreliable. No survey was used because competition in economic development efforts between the states can cause a discomfort level when more detailed information is requested.

Some caution should be used with the data from the state program distribution statements and project approval information. Program distribution statements address standard program requirements. The statements can provide no information on informal rules which may exist in these State CDBG programs. Project approval reports provide information approved in project requests. When projects are completed these numbers may have changed. This must be recognized when reviewing the veracity of the information.

CHAPTER II

State Description Community Development Block Grant

North Dakota

North Dakota, since taking control of the Small Cities CDBG has placed emphasis on economic development as a use for CDBG dollars. In 1986 fifty percent of the state's CDBG allocation was dedicated to a state revolving loan fund.¹³ Priority areas for the CDBG Economic Development Revolving Loan Fund were the: a) creation of new permanent jobs for low and moderate income persons, b) maintaining and expanding the tax base, c) leveraging of private and local investment, and d) benefiting the state economy. Funding priority was established first to create new businesses, second, to expand existing business and third, to transfer ownership.¹⁴

These goals show the desire to use CDBG resources as a major tool for state economic development with a focus on business creation that created new jobs, encouraged

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N.D. Office of Intergovernmental Assistance, North Dakota Community Development Block Grant Program Distribution Statement, 1986 (Bismarck, 1986) p. 5.

14

Ibid., p. 2.

private investment, and expanded the economic base. In 1987, the same dollar investment was established, but two distinct changes were made in the goal statement. The first, maintaining and expanding the tax base was removed as a goal, probably because it was recognized that if economic development was successful tax base would expand. Tax base expansion had been defined as increased property valuation.¹⁵ This may have had a tendency to favor some types of development over others. A business may have large profits providing significant income tax benefit, but may require little in property and have only a minor impact on property tax benefit. If the business with the high profits also created jobs and diversified the economy, it would have been counterproductive to discourage the business's development. The goal to expand tax base was replaced with a new goal to emphasize economic diversification, creating a formal recognition of the state's need to develop beyond traditional primary industry.¹⁶

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N.D. Office of Intergovernmental Assistance, North Dakota Community Development Block Grant Program Distribution Statement: Economic Development, 1987 (Bismarck, 1987) pp. 1-7.

16

Ibid., p. 1.

The second change in goals was that the funding priority ranking for type of loan, i.e. new business, start-up, etc. was eliminated, and transfer of business ownership was made ineligible.¹⁷ This latter change clearly indicated a focus on using CDBG dollars for the development of new industry, and business - rather than to preserve or retain what currently existed.

Program goals remained the same for 1988, however, in 1989 changes were again made. Sixty percent of the CDBG funds were placed in the ED Revolving Loan Fund, and an additional \$300,000 fund was created to provide retail and day care financing. One new goal was added to the program, it was to increase the availability of child care facilities.¹⁸

Both the goals and the percent of state allocated CDBG dollars indicate a strong support for using these resources for the development of business. The split in funds, retail/primary, shows a recognition of the differences between retail and primary sector economic development. Retail sector business development is perceived as a part of community development. Basic

17

Ibid., pp. 19-23.

18

N.D. Office of Intergovernmental Assistance, North Dakota Community Development Block Grant Program Distribution Statement: Economic Development, 1989 (Bismarck, 1989) p. i.

services are necessary for a healthy community. These businesses are not expected to create many jobs or provide good income, nor do they bring new wealth to a community. What they do provide is a basic quality of life through the provision of basic services. Primary sector businesses are expected to bring new wealth into a community, to provide jobs, diversify the economy and provide hopefully, decent salaries.

CDBG Economic Development dollars in North Dakota during the 1986-1989 period were used for loans to businesses. Both for-profit and not-for-profit businesses were eligible as well as retail and primary sector business. Loans could be used for the purchase of equipment, buildings, construction, land, or inventory. In 1986-1987 loans were provided for the direct purchase of inventory. Because of monitoring concerns this was changed in 1988.¹⁹ Appropriate monitoring of inventory requires the ability to trace the inventory and to complete periodic checks on the business and status of the inventory. The state eliminated direct loans for inventory and instead created a loan inventory guarantee. This mechanism made the financial institution, which

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N.D. Office of Intergovernmental Assistance, North Dakota Community Development Block Grant Program Distribution Statement: Economic Development, 1988 (Bismarck, 1988) p. 19.

accepted the guarantee, responsible to monitor the inventory and removed the responsibility from the state.

North Dakota Economic Development CDBG dollars have also been used for the purchase of preferred stock, this permits businesses with inadequate equity to have access to otherwise unavailable resources. Preferred stock, has been accepted as quasi equity to meet SBA loan guarantee requirements and the requirements of some private financial institutions. Concerns about securities laws and negative tax effect of using this (loss of deductible interest expense) have limited its use. Table 2 shows where ND CDBG dollars used most frequently.

Table 2
North Dakota
Business Use of CDBG Loans

Year	Building	Equipment	Inventory	Land	Other
1986	9	11	7	3	*1
1987	6	9	5	1	*1
1988	6	8	3	2	--
1989	7	14	11	1	--
Total	28	42	26	7	2

ND - N=71

*Purchase of Preferred Stock

**A Loan may have been given for more than one category

SOURCE: N.D. Office of Intergovernmental Assistance, Computer Report, 1991.

Purchase of equipment is the most common use of CDBG loans. Building and inventory are also common uses. One of the reasons for the use of CDBG for purchase of

equipment is because it more easily works into avoidance of Davis-Bacon wage rate costs in projects.

[The] Davis-Bacon Act provides that all laborers and mechanics employed by contractors or subcontractors in the performance of construction work financed in whole or part with [CDBG] grants shall be paid wages at the rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor.²⁰

These wage rate requirements can be avoided if no CDBG dollars are used in construction. This is relevant because the wage rates are at times set above the local competitive market rates and can create sizable increases in the cost of projects.²¹

Table 3 gives a picture of the number of businesses using CDBG dollars which are in the primary and in the retail sector. Primary sector businesses qualify for loans up to \$300,000. CDBG retail businesses can receive no more than \$50,000.²²

20

N.D. Office of Intergovernmental Assistance, North Dakota Community Development Block Grant Administrative Manual (Bismarck, 1987) p. 81.

21

Interview with Bonnie Malo, N.D. Office of Intergovernmental Assistance, Bismarck, North Dakota, 15 March 1991.

22

N.D. Office of Intergovernmental Assistance, North Dakota Community Development Block Grant Program Distribution Statement, 1989: Economic Development (Bismarck, 1989) p. 8.

As mentioned earlier primary sector businesses are expected to create more jobs, as well as to help diversify the economy. The majority of businesses using CDBG dollars have been in the primary sector.

Table 3
North Dakota
CDBG Business Loans by Economic Sector

Year	Number	Primary Sector	Retail Sector
1986	21	17	4
1987	14	11	3
1988	12	7	5
1989	24	20	4
Overall	71	53	18

SOURCES: N.D. Office of Intergovernmental Assistance, Computer Report, 1991.

As can be seen on Table 4 below primary sector businesses created more jobs, and generally with a lower CDBG cost.

Table 4
North Dakota
Jobs Creation - Projected

Year	Retail Jobs	Average CDBG \$/Job	Primary Jobs	Average CDBG \$/Job	Jobs Total	CDBG \$/Job
1986	13.5	\$ 9,222	431.5	\$ 4,964	445	\$ 5,093
1987	12.0	\$ 9,166	270.0	\$ 7,513	282	\$ 7,584
1988	19.5	\$ 7,826	91.5	\$ 8,989	111	\$ 8,785
1989	16.5	\$10,833	458.5	\$ 6,255	475	\$ 6,414

SOURCES: N.D. Office of Intergovernmental Assistance, Computer Report, 1991.

It is evident by viewing Table 5 that the majority of these jobs were created in small businesses. Seventy-five percent of the businesses to receive loans had fewer than twenty employees. N.D. CDBG dollars were used primarily by small businesses.

Table 5
North Dakota
Business Size by Number of Employees

Year	Number of Employees						N
	1-10	11-20	21-30	31-40	41-50	50+	
1986	10	5	2	1	0	3	21
1987	5	3	4	0	1	1	14
1988	6	6	0	0	0	0	12
1989	13	5	4	0	0	2	24
Total	<u>N %</u> 34/48	<u>N %</u> 19/27	<u>N %</u> 10/14	<u>N %</u> 1/1	<u>N %</u> 1/1	<u>N %</u> 6/9	<u>71</u>

SOURCES: N.D. Office of Intergovernmental Assistance, Computer Report, 1991.

The loans were given to beginning and expanding businesses. Loans were not given to businesses to retain existing jobs or for refinancing. Recruitment was not identified in the available data. The chart below indicates the number of start-ups and expansions. No clear pattern can be found on Table 6. North Dakota Economic Development CDBG appears to be equally useful as a tool for either type of business growth.

Table 6
North Dakota
Type of Business Using CDBG Dollars

Year	Start-up		Expansion		Total Number of Projects
	N	%	N	%	
1986	9	43	12	57	21
1987	12	86	2	14	14
1988	7	58	5	42	12
1989	9	38	15	63	24
Total	37	52	34	48	71

SOURCE: N.D. Office of Intergovernmental Assistance, Computer Report, 1991.

As stated earlier there are maximum loan amounts for request. However, under extenuating circumstance this requirement can be waived for the primary sector.²³ Table 7 shows the size of the loans provided by the North Dakota CDBG program. The larger loans have generally been for primary industry, the smaller loans are generally retail, but not always. The median provides a better indicator of the common loan amount than the mean, because of wide extremes in the dollars used for individual businesses. The median was in the \$70-80,000 range for three of the four years reviewed. Whether this is the range because it is the typical need, or because of program characteristics, is unclear. A possible explanation is that businesses in this range have greater

23

Ibid., p. 8.

financial needs than traditional financial institutions or internal financing can meet. They are typically start-up or riskier early growth businesses that cannot obtain traditional financing.

Table 7
North Dakota
Size of CDBG Business Loan Awards

Year	Largest Grant	Smallest Grant	Mean	Median	N
1986	300,000	18,059	107,927	75,000	21
1987	381,270	16,500	152,764	149,000	14
1988	365,000	12,220	104,376	76,450	12
1989	315,000	16,500	127,106	84,700	24

SOURCE: Office of Intergovernmental Assistance, Computer Report, 1991.

The North Dakota economic development CDBG Program does not provide funding for public facilities used for economic development. The creation of a community revolving loan fund is permitted only if the dollars can be matched one-for-one with another public federal program which requires the formation of a revolving loan fund, i.e., EDA Title IX dollars.²⁴ North Dakota Small Cities Economic Development CDBG dollars may only be used for loans, no grants are permitted. In addition, a minimum match requirement exists, for each CDBG loan dollar requested at least one dollar in funds from other

²⁴
Ibid., p. 20.

sources must be invested. The state has an equity requirement of ten percent of the total project value. This requirement can be met by either balance sheet or cash equity.²⁵

Table 8 indicates that the average total dollars leveraged exceeds program requirements. This information cannot answer whether program dollars are being used to substitute private dollars. However, if CDBG dollars were being used to replace private dollars only the minimum match requirements would be expected. This is clearly not the case. The program requires each public sector dollar to be matched with one private sector dollar. The match has actually averaged one public sector dollar for each two dollars and sixty-five cents in the private sector.

In addition the businesses must show need either through risk or traditional financial institution rejection. This process provides some assurance that these dollars are not being used for substitution of private sector money. All states must use a HUD established criteria of "Necessary and Appropriate". Necessary and Appropriate was designed by HUD so that "CDBG funds could be used only in cases in which a financial need was documented . . . To ensure that public

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Ibid., p. 23.

funds are not being substituted for private financing."²⁶

Table 8
North Dakota
Cash Match Dollars for Each CDBG Dollar Invested

Year	Match \$'s	N
1986	\$2.18	21
1987	4.11	14
1988	1.78	12
1989	3.24	24
Overall	2.65	71

SOURCE: N.D. Office of Intergovernmental Assistance, Computer Report, 1991.

In order for a business to obtain a CDBG loan they must work with the community, which is the political subdivision, from which the employees will be hired. The community sponsors the business and is a recipient of the grant from the state. The community then loans the funds to the business and ensures that the business is meeting all of the state and federal program requirements. The business then makes payments to the community and the community makes payments to the state revolving loan fund. The community may request as many loans as it has possible applicants. There are no overall dollar or project limits on how many loan applications may be submitted by a

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Marianne K. Clarke, and Eric N. Dobson, National Governor's Association, Using the CDBG Program for Economic Development: A Governor's Guide (Washington, D.C., 1990) p. 20.

community. Also if a community receives a CDBG housing or public facility grant it will not effect eligibility for Economic Development CDBG grants. Normally a local financial institution will participate and informally provide a way to monitor the business to ensure it remains healthy.

As in all CDBG programs there are standard eligibility criteria, however, additional criteria are placed on businesses through a screening pre-application process. The criteria is to ensure that the business is meeting the state and national goals. Emphasis is placed on CDBG cost per job, creation of permanent full time jobs, dollars leveraged ratio, low and moderate income person benefit, security position, equity investment, and minority benefit. When the goals included tax base expansion, it was included in the eligibility criteria. It has since been dropped.²⁷

Two other eligibility criteria of note deal with competition and relocation. In order for a business to receive CDBG dollars it must clearly show that it has permitted any possible competitors in the community an opportunity to comment. Each year the rule has become a little more stringent. The 1989 rules require that

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N.D. Office of Intergovernmental Assistance, N.D. Community Development Block Grant Program Distribution Statement, 1989: Economic Development, (Bismarck, 1989) pp. 28-30.

evidence be shown that competitors were contacted.²⁸

Intrastate relocation is permitted but highly discouraged. It is permitted if the existing community clearly cannot provide similar conditions or opportunities needed by the business and if the community losing the business will not experience a significant economic effect. Expansion must be a part of the proposed move.²⁹

The application process requires a preapplication and upon its acceptance an invitation for full application is given. Full application consists primarily of meeting state and federal requirements, and a full business plan. The business plan format in the applications was changed from 1986 to 1987. After that point it remained the same.

In 1986 the plan was reviewed by a committee which included the Directors of N.D. Office of Management and Budget (OMB), N.D. Economic Development Commission (EDC) and the Lieutenant Governor. In 1987 this was changed to representatives from the Bank of North Dakota, Office of Intergovernmental Assistance and the N.D. EDC. The committee reviews the business plan and request and then negotiates with the business on final loan terms and

28
Ibid., p. 22.

29
Ibid., p. 21.

conditions. In 1986 businesses were only permitted to apply for funds two times a year. This was very cumbersome. Businesses would have to postpone plans for expansion or start-up so their match dollars would be counted for the program and in order to meet environmental and various other federal requirements. Both the state and businesses were losing opportunities. This has been changed. The cycle for primary business has been continuous since 1987 and for retail was made continuous in 1990. A diagram of the process can be found in the Appendix B.

South Dakota

South Dakota created goals that are general; only one clearly focuses on economic development. Two others have been used as the justification for economic development related projects. The three objectives which were in use for all the years 1986-1989 relating to economic development are as follows: 1) promote more rational land use, 2) provide increased economic opportunities for low and moderate income persons, and 3) correct deficiencies in public facilities that affect public health, safety or welfare, especially of low and moderate income persons. Each year's program objective statement states that any

activity eligible for a HUD entitlement city is also eligible for the South Dakota Small Cities CDBG.³⁰

The goals are relatively general and do not focus resources into any one particular area or type of economic development and to some degree this is reflected in project type as will be seen later. South Dakota, in 1986 created a \$2,000,000 special projects set-aside fund created entirely for the purpose of meeting unexpected economic opportunities. Its creation separated a part of CDBG resources for economic development, and placed them under the Governor's control. Though not directed through the state goals or objectives, the state on average has placed 35% of its CDBG resources into economic development each year.³¹

South Dakota used Small Cities CDBG dollars for a number of different types of economic development projects including downtown redevelopment, an economic development center, main street planning, an industrial park, business loans, and other economic development infrastructure.

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Governor's Office of Economic Development, 1989 State of South Dakota Community Development Block Grant Small Cities Program, (Pierre, 1989) p. 5.

31

Governor's Office of Economic Development, 1986 State of South Dakota Community Development Block Grant Small Cities Program, (Pierre, 1989) p. 3.

Table 9 below provides a breakdown of three major project types in the Economic Development program. A number of projects were used to enhance economic development but were classified as public facilities and do not appear in the economic development figures. Examples of these projects include day care, ag expo, and discovery centers, nursing homes and clinics. South Dakota does not provide economic development funds for retail business in the Governor's CDBG Economic Development Program.³²

Table 9
South Dakota
Types of CDBG Funded Projects

Year	Infrastructure	Planning	Business Loan	Total
1986	2	---	25	27
1987	1	3	9	13
1988	3	3	4	10
1989	3	1	8	12

SOURCE: Governor's Office of Economic Development, South Dakota Community Development Block Grant Program, 1989, Performance Evaluation Report, 1989.

Two trends can be seen with the use of CDBG dollars, the first is that business loans are the predominant use of the funds. Second, that after 1986 fewer loans or projects were done per year.

32

Governor's Office of Economic Development, South Dakota Community Development Block Grant Program, 1989: Performance/Evaluation Report, (Pierre, 1989) pp. 86-2, 87-2-, 88-2, 89-2.

As in North Dakota, the majority of CDBG dollars are used for the non-construction purposes of acquiring land, buildings and equipment. Only five of the twenty-one projects used dollars for construction.

Table 10
South Dakota
Use of CDBG Fund

Year	Land	Purchase Building	Build Building	Equipment	N
1987	3	5	1	1	9
1988		1	1	2	4
1989		3	3	2	8
Total	3	9	5	5	21

*ED Infrastructure Excluded

SOURCE: S.D. Governor's Office of Economic Development, State of South Dakota CDBG Program: Economic Development Grants Under Mickelson, 1991.

The businesses that used these dollars were split fairly evenly between start-ups, expansion and interstate relocations. This would indicate that one type of project is not more favored over another in the South Dakota CDBG Program. Refer to Table 11 below.

Table 11
South Dakota
Type of Business Using CDBG Dollars

Year	Start-up		Expansion		Relocation		N
	N	%	N	%	N	%	
1987	4	20	5	50	1	10	10
1988	3	43	3	43	1	14	7
1989	3	27	3	27	5	46	11
Total	10	36	11	39	7	25	28

SOURCE: S.D. Governor's Office of Economic Development, State of South Dakota CDBG Program: Economic Development Grants Under Mickelson, 1991.

Relocation is not indicated in either the North Dakota or Montana data. South Dakota is the only state to recognize this usage. Steve Harding with CDBG Economic Development Program at the South Dakota Governor's Office of Economic Development, stated that if CDBG dollars were of benefit and fit with project needs and goals they were used for relocation, but that the CDBG funds were not promoted as an incentive for relocation.³³

The cost per job, as seen on Table 12 below is very low in South Dakota.

Table 12
South Dakota
CDBG Cost Per Job

Year	Projected Jobs	Average CDBG \$/Job
1987	214	\$6,561
1988	229	5,101
1989	433	3,319

SOURCE: S.D. Governor's Office of Economic Development, State of South Dakota CDBG Program: Economic Development Grants Under Mickelson, 1991.

The size of businesses to receive funding for South Dakota are in a wider range than North Dakota, however the majority, eighty-five percent were businesses with less than forty employees. The majority of CDBG projects in South Dakota are small business.

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Interview with Steve Harding, Governor's Office of Economic Development, Pierre, South Dakota, 18 March 1991.

Table 13
South Dakota
Business Size by Number of Employees

Year	Number of Employees						N
	1-10	11-20	21-30	31-40	41-50	50+	
1987	3	3	2	2	0	0	10
1988	1	2	1	2	0	1	7
1989	1	4	0	3	1	2	11
Total	<u>N %</u> 5/17	<u>N %</u> 9/32	<u>N %</u> 3/11	<u>N %</u> 7/25	<u>N %</u> 1/4	<u>N %</u> 3/11	<u>N</u> 28

SOURCES: S.D. Office of Intergovernmental Assistance, Computer Report, 1991.

No consistent pattern exists for CDBG dollar investment per project in the economic development fund. This is evident in both the mean and median.

Table 14
South Dakota
Size of CDBG ED Awards

Year	Largest	Smallest	Mean	Median	N
	Grant	Grant			
1986	250,000	19,000	101,175.00	100,000	27
1987	192,000	99,000	140,416.00	145,000	10
1988	650,000	22,529	166,879.00	62,000	7
1989	350,000	35,000	100,000.00	130,670	11

This chart includes only those projects identified as economic development.

SOURCES: S.D. Office of Intergovernmental Assistance, Computer Report, 1991.

In addition to business loans and economic development infrastructure, the South Dakota

performance/evaluation report states that dollars can be used to create community revolving loan funds (CRLF).

Direct rewards are not made for community CRLF, the dollars to create the CRLF are obtained through program income from business CDBG loan repayment. How many communities are benefitting or by what amount was not determined with the data used for this study.

Businesses received loans, public facility and planning projects received grants. Public facilities if funded through the special projects fund are included in the table data. Planning grants are not part of these figures, grants for planning ranged from \$35,000 to 47,000 and were awarded for main street planning.³⁴

No match requirements for equity or other debt financing exist for the economic development special fund, although match is highly encouraged and each project is reviewed on a case by case basis.³⁵ The low CDBG job

34

Governor's Office of Economic Development, South Dakota Community Development Block Grant Program, 1989: Performance/Evaluation Report, (Pierre, 1989) pp. 87-2, 88-2, 89-2.

35

Interview with Steve Harding, Governor's Office of Economic Development, Pierre, South Dakota, 18 March 1991.

match for project must exist in the majority of projects. SBA job cost creation figures are currently at \$20,000 per job and other sources indicate up to \$50,000 is the current average cost to create new jobs. No federal or state grant dollars can be considered match in the South Dakota program.

Table 15
South Dakota
Cash Match Dollars for Each CDBG Dollar Invested

Year	Match \$'s	N
1987	.00	10
1988	3.49	7
1989	1.25	11

SOURCE: S.D. Office of Intergovernmental Assistance, Computer Report, 1990.

The match figures for South Dakota in 1987 are low, because South Dakota chose not to recognize leverage in their data and therefore did not record total project cost. For reasons of administration this changed in 1988.³⁶ The leverage of the CDBG dollars for the two available years of recorded match show wide variation, and do not provide a picture of the importance of leverage.

The community role as defined by federal law, is that of the applicant; beyond that the role of the community is

36
Ibid.

not defined in the South Dakota program distribution statement.

Eligibility criteria for the Economic Development Special Projects fund includes a requirement that: 1) at least 51% of the jobs created are for low and moderate income persons; 2) CDBG funds must be necessary and appropriate to make the project feasible; 3) a local capacity to administer the grant exists; 4) past performance or administration must be acceptable; 5) a public hearing must be held before application submission; and 6) at least one full time equivalent job must be created for each \$5,000 of CDBG funds invested.³⁷

The first five criteria are standard and required in most Small Cities CDBG program. The last criteria can be waived, according to the South Dakota Program Statement, based on the following factors: 1) salary and desirability of the positions created, and 2) the impact the positions will have on the tax base and secondary job creation. But as noted on Table 12, South Dakota businesses have stayed within this criteria.³⁸

Delivery of the program occurs from the South Dakota Governor's Office of Economic Development and is separate

37

Governor's Office of Economic Development, 1989 State of South Dakota Community Development Block Grant Small Cities Program, (Pierre, 1989) p. 13.

38

Ibid., p. 13.

from the housing and public facilities portion of the program. The Economic Development CDBG program is coordinated with other state economic development public sector programs in the Governor's Office. The office requires that the business complete a business plan. A format for the business plan was not provided in the program statement. Initially applications were accepted at fixed funding cycle times. This was changed to an ongoing funding process to take advantage of unexpected opportunities.

Montana

Montana has developed both general objectives for their entire CDBG program and specific objectives for economic development. The overall objectives encourage a comprehensive approach to development. These objectives encourage emphasis on: need, citizen participation, efficient CDBG investment and administration, environmental protection, long term community and capital improvements planning, and leverage of other, public and private funds with CDBG. They did not change during the time of 1986-1989.³⁹

39

Montana Department of Commerce, Montana Community Development Block Grant Program: 1989 Application Guidelines for Economic Development Projects, (Helena, 1989) p. G-1.

The economic development objectives have changed and indicate an evolution in the focus for use of CDBG resources. In 1986, even though there were only three, the objectives were general as an approach to economic development. They included: 1) encouraging viable economic development projects that promote investment of private capital, retention of local economic enterprises, expansion of local tax bases, and provision of long-term jobs with growth potential, principally for low and moderate income, unemployed or underemployed Montanans; 2) increasing retail sales, job creation and property values in stagnating or declining commercial districts by encouraging cooperative public and private revitalization efforts; and 3) encouraging effective linkages between and utilization of job training programs and private sector employment.⁴⁰

In 1987, the objective to encourage linkage between public job training and employers was removed. Replacing this goal were two new goals both of which focused and stressed the development of primary industry in Montana. The first, stressed import substitution and the distribution of Montana-made goods; the second, supported

40

Montana Department of Commerce, Montana Community Development Block Grant Program: 1986 Application Guidelines, (Helena, 1986) pp. C-1, C-2.

the development of projects that involved processing, refining, marketing and innovative use and promotion of Montana's natural resources.⁴¹

Montana has funded public facilities and business loans to promote these objectives. In 1986 only about 17% of their CDBG resources were being placed in economic development projects.⁴² The amount of dollars to be invested was based upon a ratio. The number of housing projects, public facilities projects and economic development projects were counted by the total number of dollars for each category. Their percentage of the total number of dollars requested became the percentage to be used for project allocation. By 1989 this increased to 25%⁴³ and in 1990 the economic development portion of CDBG was separated from public facilities and housing and placed in the Montana Department of Commerce.

41

Montana Department of Commerce, Montana Community Development Block Grant Program: 1987 Application Guidelines, (Helena, 1987) pp. B-1, B-2.

42

Montana Department of Commerce, Montana Community Development Block Grant Program: 1986 Application Guidelines, (Helena, 1986) p. 7.

43

Montana Department of Commerce, Montana Community Development Block Grant Program: 1989 Application Guidelines, (Helena, 1989) p. 6.

CDBG economic development resources are used primarily for business loans, though two economic development public facility projects have been funded as grants. CDBG loan dollars have been used for working capital, (inventory, and research and development may be defined as working capital, but Montana defined them separately) inventory, equipment, buildings, research and development and a company purchase.

Table 16
Montana
Use of CDBG Economic Development Awards

Year	N	Equip.	Building	Working Capital	R&D	Public Facilities	Business Purchases
85-86	2	1	--	--	--	1	--
86-87	4	3	2	--	--	1	--
87-88	5	4	4	2	1	--	--
88-89a	4	1	1	1	--	--	1
Total	13	9	7	3	1	2	1

a - Program Changed

SOURCE: Montana Department of Commerce. Summary of Economic Development Projects Through the Montana Community Development Block Grant Program. Helena, Montana (1986-1990)

The majority of business loans have been given to expanding businesses. One grant was given to a start-up business and one to an expanding business. This is unusual, grants in government programs normally are given only for infrastructure. Giving a grant to a business can create a sense of jealousy and unfair competition with other businesses. Expansion help has included purchase of

equipment and building which was the case for North Dakota and South Dakota. In addition, CDBG dollars have been provided for research and development, and marketing. The table below indicates the number of start-ups and expansions. It appears that more emphasis may be placed on expansion over start-up businesses.

Table 17
Montana
Type of Business Using CDBG Dollars

	'85-86	'86-87	'87-88	'88-89a	Total
Expansions	1	3	4	1	9
Start-ups	1	1	1	2	4
Retention	0	0	0	1	
Total	2	4	5	3	13

a - Program Changed

SOURCE: Montana Department of Commerce. Summary of Economic Development Projects Through the Montana Community Development Block Grant Program. Helena, Montana (1986-1989)

These businesses have had a high CDBG cost per job; refer to Table 18. These figures would be even higher if a clear separation were indicated in Montana's data between new job creation and job retention.

Table 18
Montana
Jobs Creation -Projected

Year	Jobs	CDBG Average
	Retained/Created	\$/Job Created
85-86	32	\$23,706
86-87	141	10,715
87-88	127*	10,625
88-89	150	6,592

* 6 part-time jobs were counted as equivalent of three full time

SOURCE: Montana Department of Commerce. Summary of Economic Development Projects Through the Montana Community Development Block Grant Program. Helena, Montana (1986-1989)

The size of business typically funded in Montana is small, as was the case for the other two states. Seventy-six percent had under forty employees and over half had under twenty.

Table 19
Montana
Business Size By Number of Employees

Year	Number of Employees							N
	1-10	11-20	21-30	31-40	41-50	50+		
85-86	4	0	0	0	0	0	4	
86-87	1	2	0	1	0	1	5	
87-88	0	2	0	2	0	0	4	
88-89	0	1	0	0	3	0	4	
	N %	N %		N %	N %	N %		
Total	5/29	5/29	0	3/18	3/18	1/6	17	

SOURCE: Montana Department of Commerce. Summary of Economic Development Projects Through the Montana Community Development Block Grant Program. Helena, Montana (1986-1989)

Program awards for economic development appear to have increased in size over the four years. The 1986 program limited economic development grants to \$250,000 in the program statement,⁴⁴ however, as can be seen in the table, an exception must have been made. In 1987 the limit was raised to \$375,000, and it appears that the demand for resources has been toward the upper limit.

Table 20
Montana
Size of CDBG ED Project Awards and
Average Match Dollars for each CDBG

Year	N	Largest Grant	Smallest Grant	Mean	Median	Match \$'s
85-86	2	300,000	88,937	194,486.50	---	3.34
86-87	4	246,165	162,000	189,650.00	175,217.50	1.62
87-88	5	375,000	169,000	302,000.00	321,000.00	1.73
88-89a	4	375,000	300,000	337,350.00	300,000.00	2.31

SOURCE: Montana Department of Commerce. Summary of Economic Development Projects Through the Montana Community Development Block Grant Program. Helena, Montana (1986-1990)

The match requirement for Montana CDBG Economic Development resources is 1:1.⁴⁵ This requirement has been more than met by the project. An interesting characteristic of the match in Montana, not in the other state programs, is that match

44

Montana Department of Commerce, Montana Community Development Block Grant Program: 1986 Program Guidelines (Helena, 1986) p. 6.

45

Ibid., p. 59.

dollars can include expenditures made on fixed assets 180 days before the stamped application acceptance date. The other two programs require match not be expended until the CDBG funding is approved and the environmental clearance complete. Equity requirements exist in the Montana program, a formula is used to determine the debt to equity ratio at project stage. To qualify for funds the ratio can be no greater than 5:1.⁴⁶

The role of the community is the same as the other two states in regard to sponsorship, except that a community may not request more than \$375,000 in one year for economic development. The dollars can be for one or more projects. The state also requires the local community to hold two public hearings before project funding. At these hearings comments must be requested in regard to local competition.⁴⁷

As in the other state programs, basic eligibility criteria has been established for accepting projects. The criteria remained the same from 1986-1989 they include: CDBG cost per job, percent of jobs for low or moderate income persons, debt and equity ratio, leverage ratio, citizen participation,

46

Montana Department of Commerce, Montana Community Development Block Grant Program: 1989 Program Guidelines (Helena, 1989) p. 17.

47

Ibid., p. 6-7.

a hiring and training plan, and a management plan. In addition to these criteria, the business plan is scored. The business plan is evaluated on the funds and the loan request terms, financial strength of the business plan, and past performance of the principals.⁴⁸

The Montana systems appears to place emphasis in not only economic development, but also public input into how the development should occur in the communities. Other emphasis is placed on job training and hiring of low and moderate income persons. A detailed plan explaining how this target groups' needs will be addressed, is required.

The program was initially delivered through the Department of Commerce Local Government Assistance Program, in 1989 the economic development portion was split out and combined with the business assistance division. Application requires both pre-application and full application. The business plan format for Montana's CDBG program changed each year of the four years. The pre-application requires a full business plan, and documentation regarding the eligibility criteria. After the pre-application is reviewed, a full application may be requested. This full application is reviewed by a loan committee for funding decision.

48
Ibid., p. 8.

In 1986 projects could be submitted only twice a year. In 1989 when 25% of the dollars were allocated to Economic Development and the earlier described ratio system for CDBG program dollar allocating was dropped, the acceptance of applications became ongoing. A diagram of the application process can be found in Appendix B.

CHAPTER III

Comparative Analysis

North Dakota and Montana used their program goals to reflect the direction in which they wished CDBG resources to be used. South Dakota apparently provides direction through some other mechanism or maybe they have a "let's see what you've got" perspective.

Both North Dakota and Montana refined their objectives to meet local needs on economic development focusing into primary industry. South Dakota's funds only primary sector business even though it is not a stated goal or indicated anywhere else in their program statement. Montana emphasizes the value of enhancing existing resources in two ways. First they encouraged the development of business that would stop the export of Montana dollars, and second, they encouraged businesses that added value to their natural resources. North Dakota placed emphasis on working for a better economic base diversification. The changes in the North Dakota and Montana programs reflect responses to their economies in the eighties, and a desire to not ignore their existing

economies but to build upon existing resources for a more complex economy.

All three states showed strong support for using CDBG resources for economic development with North Dakota using over 60% program funds, South Dakota at 35% and Montana at 25%. Only Montana's amount matches the national average, the rest are above average in investment of CDBG dollars into economic development.

From 1982 through 1989, states managed about \$7 billion of Community Development Block Grant funds. States allocated about one-half of these funds for public facility activities, primarily for wastewater treatment and water supply, but also for storm drainage, streets and roads, and solid waste disposal. States used about one-fourth of the money (\$1.75 billion) for housing, mostly for housing rehabilitation for homeowners. A relatively small amount of funds was used for community facilities, day care centers, homelessness assistance, job training, and other services, including technical assistance and capacity building. Nearly one-quarter of the funds were spent on economic development.⁴⁹

North Dakota, South Dakota and Montana dedicated most of their CDBG economic development resources for loans to small businesses, this was also characteristic of the nation.

49

John Sidor, Assisting Rural Economics: The Role of the State Community Development Block Grant Program in Rural Economic Development, (Washington, D.C. Council of State Community Affairs Agencies, 1990) p. 9.

States [through the entire nation] used about sixty-eight percent of the funds to provide, through local governments, loans to businesses." Also nationally "the percentage of economic development projects that were business loans increased over time, from 56 percent in 1982 to 78 percent in 1986.⁵⁰

In North Dakota business loans are the only permitted use for CDBG; the increase in the demand by businesses for CDBG funds is shown through the number of projects and the demand to increase the overall dollars invested in the fund. In Montana a steady increase in the dollar allocation can also be seen; and, in the last two program years CDBG Economic Development dollars were only used for business loans.

Montana, North Dakota, and South Dakota reflected the national trend that the majority of loans were used for business expansions and start-ups.

[In the nation] about 45 percent of all business loan projects were expansions, about 35 percent were start-ups, and 9 percent were retentions. Less than 13 percent of all business loan projects were interstate or intrastate relocations, 6 percent were branch plants and franchises accounted for 2 percent.⁵¹

South Dakota does not indicate in their program statement if dollars may be used for start-ups, expansion, recruitment, refinancing etc., however 25% of their loans

50
Ibid., p. 3.

51
Brandon Roberts, State CDBG Loan Assistance: A Summary and Analysis, (Washington, D.C.: Council of State Community Affairs Agencies, 1989), p. 21.

were used for relocation of businesses from other states. Relocation of business may benefit the population of South Dakota, but it is not a very wise use of funds when viewed from a National perspective. No real new business growth is created and providing jobs for one group of people take them from another.

North Dakota, through program guidelines, will only fund expansions and start-up businesses. In Montana the real emphasis appears on expansion. The choice of business loan use for expansion and start-ups does support the concept that these states are trying to build from within rather than trying to recruit business from outside the state.

Loans in North Dakota, South Dakota, and Montana were used for equipment, building, construction, and inventory. This pattern was characteristic of other programs throughout the Nation:

Businesses used CDBG loans primarily for fixed assets: a little over one-half of the loans involved the acquisition, modernization, or expansion of buildings, while about 60 percent involved the purchase of equipment. Only 16 percent of the loan funds were used for operating capital.⁵²

Montana, in addition to the most common uses for CDBG loan dollars, provided dollars for research and

52

John Sidor, Developing Rural America: State Assistance in Rural Economic Development, (Washington, D.C.: Council of State Community Affairs Agencies, 1990) p. 7.

development, working capital, and marketing. The latter three could be valuable additions to a state CDBG program. The up-front costs for research and development, and marketing are often the most difficult in which to find business financing. Yet it is this type of investment that will be needed to expand and diversify industry. It can be used to develop a more entrepreneurial approach to business development; which, one, is often more productive in rural settings and two, encourages real growth in the Nation's economy. As stated by Delysa Burnier this supports a specific approach to development.

...the entrepreneurial strategy [which] is to create jobs and economic growth through programs that cultivate new or expanding product markets . . . advantages of this approach include its reliance on existing state resources, as well as 'the prospect of genuine capital formation and lessened interstate competition.⁵³

North Dakota permitted loan dollars to be used for the purchase of preferred stock. For businesses in start-up or expansion, cash equity can be a problem and most traditional sources of financing require at least a 25% equity position. The preferred stock has been developed to help companies meet this requirement. SBA and private institutions have been willing to accept CDBG

53

Delysa Burnier, "State Economic Development Policy: A Decade of Activity," Public Administration Review 51 (March/April 1991): 171.

dollars as equity when structured in this fashion. Grants may meet this same need, however the preferred stock permits the CDBG dollars to come back to the state revolving loan fund for reuse.

Economic development funds in Montana and South Dakota could be used for public facilities as well as business loans. In Montana the economic development public facilities option seems to be seldom used. In South Dakota only a few public facility projects have been funded, but at least one project has been supported each year. The public facilities portion for economic development provides a good resource for communities when infrastructure must be built immediately to enhance economic development. Other resources such as the Economic Development Administration Public Works grant can be used to build infrastructure for economic development, but it is often a very slow process to access those funds. CDBG resources are useful when timeliness is at issue.

South Dakota has used CDBG dollars in economic development related projects not categorized as such. They have supported main street planning, day care, specialty centers and services under different parts of their CDBG program. This may be South Dakota's way of supporting the retail sector and community development without using their special projects fund. North Dakota

addresses this directly with the retail program. The difference is that South Dakota recognizes that services may not always fit into standard business evaluation criteria and that the community benefit must be weighed in decisions for retail business and local services. Montana's program does not appear to address the needs of community development services.

South Dakota cost per job was close to the national average of \$5,300.⁵⁴ The program encouragement, to expend no more than \$5,000 per job must have been effective.

In North Dakota, for three out of four years a higher per job cost than the national rate occurred and for retail business, job cost was almost twice the national rate. North Dakota informal rules stress that job cost not be more than \$10,000 per job even though the criteria in the program statement does not specify an absolute dollar per job amount. The higher cost per job may be explained by this informal rule. Businesses apply up to the level of CDBG, within other requirements, i.e. match, equity, that they can.

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John Sidor, Developing Rural America: State Assistance in Rural Economic Development, (Washington, D.C.: Council of State Community Affairs Agencies, 1990) p. 8.

Montana has jobs costs figures higher than either of the other two states and the nation. These figures have a different meaning than North and South Dakota's because neither of these states provide recognition for retained jobs in their funding criteria. Montana does not separate job creation from job retention. Montana recognizes that the retention of existing jobs may be as important for a community as the creation of new jobs. In contrast, North and South Dakota may see job retention as a refinancing program for marginal business.

The business size by number of employees in each of the states indicated that the CDBG funds were used for the development of small business. The majority of businesses receiving CDBG funds in each of the states has less than forty employees, and in North Dakota and Montana, the majority of businesses had less than twenty. This fits with national averages.

Over two-thirds of the businesses that received loan assistance had fewer than 26 employees; nearly 87 percent had fewer than 100 employees. Sampling data suggest that about one-half of the firms assisted had fewer than ten employees. ⁵⁵

Award size for North Dakota has generally remained the same; in South Dakota and Montana it appeared to increase. This may be explained by the fact that North

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Ibid., p. 6.

Dakota consistently has used CDBG funds only for business loans whereas the other programs have provided dollars for public facilities as well. Public facilities often have the need for greater dollar investments. It also may indicate the ease at which a business can apply for and use funds; at a certain dollar minimum the resource may not be worth the work required to access them. Another factor might be how the program is promoted or advertised, or informal rules that may be known in the state about what will sell or be funded. No information was obtained to address these issues.

Leverage requirements may influence who chooses to use CDBG resources. South Dakota didn't require match for their special economic development fund, though they highly encouraged it. The other two states did have a match requirement; both required one dollar of other private/public dollars for each requested CDBG dollar. The average leverage for projects more than met that requirement. For North Dakota the average was 2.65 for each CDBG dollar and for Montana it was 2.02. South Dakota did not provide adequate data on match to make any conclusions.

This amount of leverage in North Dakota and South Dakota project is a little lower than the national average of \$3.55 for each dollar.⁵⁶ This may be because of project size. Average total dollar cost of CDBG projects nationally is 1.1 million, combining North Dakota and Montana figures it is \$465,090. Projects are smaller and overall financial needs may be less, requiring less leveraging. The lower amount of leverage is not atypical for rural areas where COSCAA found the lowest level of public and private leveraging. There study concluded that the lower ratio:

...suggests, first, that businesses in more rural areas may have less access to private capital than do businesses in less rural areas; and, second, that the more rural local governments may have more limited public funds for economic development, or less capability to attract other public funds, than do less rural local governments.⁵⁷

The three states do show a higher level of leveraging than most of the south eastern part of the nation and the lower great plains. This maybe due to the state created leverage requirements in one part of the country versus the other. Even at the rate indicated, CDBG appears to be

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Brandon Roberts, State CDBG Loan Assistance: A Summary and Analysis, (Washington, D.C.: Council of State Community Affairs Agencies, 1989), p. 27.

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John Sidor, Developing Rural America: State Assistance in Rural Economic Development, (Washington, D.C.: Council of State Community Affairs Agencies, 1990) p. 22.

effectively helping to pull non-CDBG resources into investment. Or taken from another perspective, it may be that CDBG provides just that extra "push" necessary to make projects happen.

The community role in CDBG economic development seems to be most clearly defined in the Montana program statement where the community role is written into the goals. The community role is probably much stronger than it appears in any of the states program statements. Communities provide the sponsorship, and at times, that may require community consensus. Match requirements are often met through public and private resources in a community, and generally, for a business to have a chance at success the local community must provide support. In rural areas with small communities this is particularly true; everyone is a neighbor and must at some basic level be willing to work with each other.

For all three states a number of the eligibility criteria were developed to meet federal objectives. In South Dakota this was entirely the case except for the cost per job requirement which could be waived. Additional informal criteria may exist in the South Dakota system which is provided at application. In North Dakota and South Dakota similar eligibility criteria were

required, though indicators for the criteria may have been different. Emphasis beyond federal requirements was placed on leverage, cost per job, and equity investment. North Dakota recognizes the importance of stressing permanent jobs for low or moderate income persons by requiring that they be part of the funding criteria. Montana shows the same emphasis by requiring a detailed hiring and training plan of applicants. For all the states, the criteria appears to serve as a minimum threshold for acceptance and another mechanism exists for final consideration for approval of awards. These mechanisms include a review committee in North Dakota and Montana and the Governor's office in South Dakota.

Each of the states started the program with set application times traditional to most grant programs, but found with experience that this type of system did not work well in economic development. All three states now have an ongoing application process in order to meet new opportunities and the needs of businesses.

Summary

North Dakota, South Dakota and Montana have all chosen to use a portion of their CDBG resources for economic development. Each has increased the dollar amount as a percent of total CDBG dollars for economic development over time. This alone should provide some indication that CDBG has served as a useful economic development tool. States have the option of placing these dollars in numerous other forms of community development, but have chosen to invest them into economic development. Because demand for the Economic Development dollars continues to increase as indicated by the states increased allocation, evidence is provided that the gap financing, defined earlier, may be needed for development.

The states have modified their programs as they have become more sophisticated in understanding the needs of economic development. Examples were evident in goal modification, such as, the change of delivery in Montana, and North Dakota in 1991 and in simple rules changes such as when an application would be considered for funding.

The three states primarily used the funds for business loans with a focus on manufacturing, as is the national trend. Also as characteristic of the rest of the nation, the majority of their funds are used to promote

business start-up and expansions.

CDBG has been used to help small businesses, most likely because that is the type of business that is predominate in all three states. Also this may be because larger businesses may need greater amounts of money than CDBG can provide, and the small sum of money compared to overall needs does not justify the necessary paper work and process.

The states have made an effort to effectively leverage the dollars. In the leverage process the CDBG dollars may be useful in helping to promote local investment, or in the least, serving as a tool in situations of real need where development may not have otherwise occurred. Substitution of public dollars for private does not appear to be a major problem. Businesses are investing more private dollars than required for program qualification criteria. The businesses have also been required to meet the HUD necessary and appropriate criteria.

Particular uses of CDBG which other states may wish to consider were the business loans for research and development, and marketing. These items are essential to future business development and are currently difficult to fund with existing public or private resources. In addition, planning resources for main street are also

important to future development assuming that the efforts can be implemented. The main street and community environment, including services and infrastructure can be important to economic welfare. A business will not feel comfortable expanding or locating in a community that doesn't provide an appropriate environment, or as stated by a North Dakota businessman (who wishes to remain anonymous) when working on expansion in a community, "I'm not going to locate a million dollar business in a hundred thousand dollar town."

Finally the separation of a program for community/retail projects from primary sector projects may be an effective tool for states. It recognizes the different character of economic and community development. North Dakota splits their two sectors out in the loan program. South Dakota permits regular public facilities grants that actually support the retail/service sector. Availability of grants in the retail/service sector can serve as a useful tool for creating services that otherwise might not be possible.

The CDBG program appears to be an effective tool for small business. It can be leveraged against other resources to provide opportunity for start-up and expansion by serving as a tool to fill "financial gaps."

It has also appeared useful in a minor way in the

creation of infrastructure and community service. The fact that the three states fit with the majority of national trends may indicate that the dollars are a useful, needed tool for loans in economic development. It may also indicate that the states are copying each other, or HUD regulation is subtle, creating conformity in CDBG Economic Development usage.

States continue to change their programs as they see what is successfully working in other states. States also may design their programs by what can be most easily delivered. As state and local officials learn what their counterparts in other states have done with the CDBG program to enhance economic development and improve administration, the programs have become more uniform across the country.

HUD guidelines requiring 51 percent benefit to low and moderate income persons may also influence program structure. Meeting this requirement is easier for states which show direct benefit to specific individuals than states that have programs with a distributive indirect benefit to a community. Business development and jobs creation provide a definable direct benefit, a public works project for economic development cannot as easily show that direct benefit.

HUD also has an easier job of administration for

overall federal requirements, i.e. Davis-Bacon, environmental, handicapped, contracting, etc., when programs across the country are similar. Rule making, monitoring and audit requirements all become more simplified. The federal government through both formal and informal means may be pushing for more uniformity. Both the state and federal characteristics are likely to push the programs toward greater similarity.

APPENDIX A
PROJECT DATA - ND, SD, MT

COMMUNITY DEVELOPMENT BLOCK GRANT
1986 ECONOMIC DEVELOPMENT GRANTEES

GRANTEE	AUTHORIZED DOLLARS	AUTHORIZED PROJECT	MATCH FUNDS	PERCENT OF BENEFIT	PROPOSED JOBS	ACTUAL JOBS	FUNCTION	TYPE
ADAMS CO.	63213.00	LOAN TO SHEEP CREEK COAL MINE FOR EQUIPMENT PURCHASE AND TO PROVIDE PERFORMANCE BOND FUNDING	45608	92	4.5	6.5	STARTUP	
CANDO CTY.	62841.62	LOAN TO CANDO WELDING AND MACHINE TO ACQUIRE LAND, BLDG EQUIP FOR BIFOLD DOOR MFG	105535	60	5.0	5.0	STARTUP	
COOPERSTOWN CTY.	93627.00	LOAN TO DAKOTA COACH VAN CONVERSION FOR FINANCING OF INVENTORY EQUIPMENT AND REHAB OF FACILITY	178143	100	20.0	5.0	STARTUP	
DUNN CENTER CTY.	40000.00	LOAN TO C&I JERKY FOR BUILDING CONSTRUCTION	20000	100	4.0	3.0	STARTUP	
DUNSEITH CTY.	75490.00	LOAN TO TURTLE MOUNTAIN FOR EXPANSION OF FACILITIES FOR ELECTRONIC COMPONENT MANUFACTURING	177610	94	19.0	17.0	EXPANSION	
EDGELEY CTY.	229879.00	LOAN TO JACKSON MFG FOR EQUIPMENT INVENTORY AND BUILDING CONSTRUCTION FOR ULTRALIGHT AIRCRAFT MFG	134000	57	11.0	7.0	STARTUP	
FORT YATES CTY.	50000.00	LOAN TO STANDING ROCK CABLEVISION FOR ACQUISITION OF CABLE SYSTEM ASSETS	162750	50	2.5	2.0	EXPANSION	
FOSTER CO.	18059.78	LOAN TO BARLOW MEAT PROCESSING PLANT FOR BUILDING CONSTRUCTION AND EQUIPMENT	7906	100	6.0	4.0	EXPANSION	
GRAFTON CTY.	30000.00	LOAN TO NORTHLAND BATTERY FOR PURCHASE OF INVENTORY AND EQUIPMENT	20000	75	4.0	4.0	EXPANSION	
GRAND FORKS CO.	150000.00	LOAN TO SENSKE AND SON TRUCKING AND TRANSFER FOR LAND ACQUISITION AND SITE IMPROVEMENTS	370638	55	26.0	20.0	EXPANSION	
GRAND FORKS CO.	110000.00	LOAN TO SOLEX INDUSTRIES FOR PURCHASE OF INFRA-RED HEAT PRODUCT INVENTORY AND EQUIPMENT	220000	56	11.0	9.0	STARTUP	
GRAND FORKS CO.	75000.00	LOAN TO NEW VISION FIBERGLASS PICK-UP TOPPERS FOR INVENTORY AND EQUIPMENT	126000	64	9.0	11.0	STARTUP	
HATTON CTY.	22900.00	LOAN TO HATTON WELDING & MACHINE FOR LAND ACQUISITION	17900	100	3.5	5.0	EXPANSION	
MANDAN CTY.	300000.00	LOAN TO CLOVERDALE FOODS FOR EXPANSION OF MEAT PROCESSING FACILITY	2441500	64	86.0	210.0	EXPANSION	
MANVEL CTY.	60000.00	LOAN TO MANVEL OIL COOP FOR BUILDING CONSTRUCTION	89411	89	6.0	4.5	EXPANSION	

COMMUNITY DEVELOPMENT BLOCK GRANT
1986 ECONOMIC DEVELOPMENT GRANTEES

GRANTEE	AUTHORIZED DOLLARS	AUTHORIZED PROJECT	MATCH FUNDS	PERCENT OF BENEFIT	PROPOSED JOBS	ACTUAL JOBS	FUNCTION TYPE
MAYVILLE CTY.	254000.00	LOAN TO NORTHSTAR ENTERPRISES INC FOR DEBT RETIREMENT OF LED SIGN MANUFACTURER	504000	84	37.0	31.0	EXPANSION
MCHENRY CTY.	33539.00	LOAN TO INDEPENDENT OIL CO FOR BUILDING CONSTRUCTION	17253	100	1.5	1.5	EXPANSION
VALLEY CITY CTY.	261250.00	LOAN TO COMMUNITY DEVELOPMENT CORP FOR PURCHASE OF PREFERRED SHARES OF COLUMBIA PRECISION DISK EQUIP	2502250	0	103.0	0.0	STARTUP
WAHPETON CTY.	150000.00	LOAN TO COMM DEV CORP FOR BLDG ACQ FOR LEASE/PURCHASE TO RED RIVER SERVICE CENTER (FARM EQUIP MFG)	76000	58	24.0	24.0	EXPANSION
WEST FARGO CTY.	66680.00	LOAN TO RICKFORD SPEC FOR PURCH OF INVENT EQUIP & LOAN GUARANTY FOR INDUST GARMENT MANUFACT FACIL	59670	78	51.0	0.0	STARTUP
WILLISTON CTY.	120000.00	LOAN TO WINDOW WORLD FOR INVENTORY AND EQUIPMENT TO EXPAND WINDOW MANUFACTURING BUSINESS	59750	83	11.0	6.0	EXPANSION
*** Total ***	2266479.40		7335924	1579	445.0	375.5	

COMMUNITY DEVELOPMENT BLOCK GRANT
1987 ECONOMIC DEVELOPMENT GRANTEEES

GRANTEE	AUTHORIZED DOLLARS	AUTHORIZED PROJECT	MATCH FUNDS	PERCENT OF BENEFIT	PROPOSED JOBS	ACTUAL JOBS	FUNCTION	TYPE
ARTHUR CTY.	147000.00	LOAN TO ARTECH INC FOR LAND EQUIPMENT INVENTORY FOR METAL FABRICATION PLANT	195000	0	24.0	0.0	STARTUP	P
BEULAH CTY.	77000.00	LOAN TO BEULAH TWIN THEATER TO ACQUIRE/REHAB A BLDG FOR USE AS MOVIE THEATER AND VCR RENTAL OUTLET	69000	69	7.0	6.0	STARTUP	R
BOWMAN CTY.	16500.00	LOAN TO FIRM AND FIT BODY TONING FOR PURCHASE OF FITNESS EQUIPMENT	15000	86	3.5	3.5	STARTUP	R
CASS CO.	151000.00	LOAN TO SOLID COMFORT INC FOR PURCHASE OF INVENTORY NEEDED FOR WOOD FURNITURE PRODUCTION	300000	73	29.0	44.0	EXPANSION	P
DICKINSON CTY.	310000.00	LOAN TO STEFFES ELECTRIC THERMAL STORAGE HEATERS INC FOR PURCHASE OF INVENTORY AND EQUIPMENT	725000	81	27.0	26.0	STARTUP	P
DUNSEITH CTY.	196250.00	GRANT TO CITY FOR BLDG MOD & EQUIP FOR CITY'S ELECTRONIC PRODUCTION FACILITY-TURTLE MOUNTAIN CORP	558750	100	50.0	112.0	EXPANSION	P
GRAND FORKS CO.	163750.00	LOAN TO INTERNATIONAL SALES & EXPORTS FOR INVENTORY & EQUIPMENT TO PRODUCE HARDWOOD DIMENSION PROD	363600	82	18.0	22.0	STARTUP	P
HATTON CTY.	33500.00	LOAN TO OLE AND LENA'S LEFSA FOR EQUIPMENT FOR PRODUCTION OF SPECIALITY FOOD PRODUCTS	45000	100	9.0	9.0	STARTUP	P
KILLDEER CTY.	206000.00	LOAN TO KADC PURCHASE OF PREFERRED SHARES OF KILLDEER MOUNTAIN MFG TO ESTABLISH ELECTRONIC MAN FAC	175000	56	48.0	25.0	STARTUP	P
PARK RIVER CTY.	381270.00	LOAN TO PARK RIVER FOR CONSTRUCTION OF FACILITY REPAID THRU LEASE TO MIDWEST MUSHROOM CO	538000	95	21.0	42.0	STARTUP	P
STANTON CTY.	48180.00	LOAN TO BOYKO INC FOR BUILDING CONSTRUCTION AND FOOD PROCESSING EQUIPMENT	50000	71	7.0	7.0	STARTUP	P
WAHPETON CTY.	296000.00	LOAN TO CDC FOR CONSTRUCTION OF FOOD PROCESSING FACILITY LEASED TO SONNE LABS	630000	61	20.0	20.5	STARTUP	P
WEST FARGO CTY.	95750.00	LOAN TO ADVANCED TECHNOLOGY LTD TO FINANCE INVENT & EQUIP FOR PROD & DIST OF AGRIC & IND HEATERS	135750	71	17.0	21.0	STARTUP	P
WYNDMERE CTY.	16500.00	LOAN TO VOSBERG CLEANERS AND LAUNDRY FOR EQUIPMENT AND BUILDING REHAB	9500	100	1.5	1.0	STARTUP	R

COMMUNITY DEVELOPMENT BLOCK GRANT
1987 ECONOMIC DEVELOPMENT GRANTEES

GRANTEE	AUTHORIZED DOLLARS	AUTHORIZED PROJECT	MATCH FUNDS	PERCENT OF BENEFIT	PROPOSED JOBS	ACTUAL JOBS	FUNCTION	TYPE
*** Total ***	2138700.00		3809600	1045	282.0	341.0		

COMMUNITY DEVELOPMENT BLOCK GRANT
1988 ECONOMIC DEVELOPMENT GRANTEEES

GRANTEE	AUTHORIZED DOLLARS	AUTHORIZED PROJECT	MATCH FUNDS	PERCENT OF BENEFIT	PROPOSED JOBS	ACTUAL JOBS	FUNCTION	TYPE
DEVILS LAKE CTY.	55000.00	LOAN TO WOODLAND RESORT FOR PURCHASE OF EQUIPMENT AND PROFESSIONAL ENGINEERING SERVICES	406600	80	7.5	21.0	STARTUP	R
EDDY CO.	27500.00	LOAN TO CRYSTAL PURE WATER TO PROVIDE A LOAN GUARANTY TO SECURE AN OPERATING LINE FOR INVENTORY	171000	100	5.5	5.0	EXPANSION	P
BWINNER CTY.	44000.00	LOAN TO MCKEEVER SUPER VALU FOR PURCHASE OF EQUIPMENT AND FIXTURES	446638	100	4.0	15.0	EXPANSION	R
HANNAFORD CTY.	27500.00	LOAN TO B & L GROCERY FOR BUILDING ACQUISITION	25000	100	3.0	3.0	STARTUP	R
LEHR CTY.	1100.00	LOAN TO AMERICAN BUSINESS FORMS FOR CONSTRUCTION AND INVENTORY GUARANTY-GRANT RETURNED 7/25/90	0	0	0.0	0.0	STARTUP	P
MARVEL CTY.	13890.00	LOAN TO HOVERSON BODY SHOP FOR PURCHASE OF EXERCISE EQUIPMENT AND REHAB OF FACILITY	16639	0	2.0	2.0	STARTUP	R
MINTO CTY.	76450.00	LOAN TO HARRISTON IND FOR LAND PURCHASE AND CONSTRUCT OF ADDITION TO FARM IMPLEMENT MANUFACTURING MFG	138865	100	12.0	12.0	EXPANSION	P
MOHALL CTY.	140000.00	LOAN TO CITY TO CONSTRUCT A PRODUCTION FAC LOAN TO ACCEL MFG INC TO PURCHASE PLASTIC FORMING EQUIP	332400	0	12.0	0.0	EXPANSION	P
NORTHWOOD CTY.	118000.00	LOAN TO BRITTONYA IND FOR BUILDING CONSTRUCTION AND PURCHASE OF LAND AND FARM IMPLEMENT MANU EQUIP	210000	85	13.0	13.0	EXPANSION	P
PARK RIVER CTY.	195994.00	LOAN TO KELLGARD FLOUR CO FOR PURCHASE OF EQUIPMENT	304286	88	15.0	17.0	STARTUP	P
STUTSMAN CO.	119607.35	LOAN TO DAKOTA PLAINS MFG TO PURCHASE PLANT AND EQUIPMENT FOR FABRICATION OF STEEL STOCK TRAILERS	208799	0	16.0	0.0	STARTUP	P
WEST FARGO CTY.	145000.00	LOAN TO PRAIRIE ROSE CHAIR CO FOR CHAIR UPHOLSTERY EQUIP LEASEHOLD IMPROVE AND INVENTORY GUARANTY	288200	71	18.0	24.0	STARTUP	P
WOODWORTH CTY.	12220.00	LOAN TO WOODWORTH GROCERY AND CAFE FOR INVENTORY GUARANTY	23120	100	3.0	3.0	STARTUP	R
*** Total ***	976261.35		2565547	824	111.0	115.0		

COMMUNITY DEVELOPMENT BLOCK GRANT
1989 ECONOMIC DEVELOPMENT GRANTEES

GRANTEE	AUTHORIZED DOLLARS	AUTHORIZED PROJECT	MATCH FUNDS	PERCENT OF BENEFIT	PROPOSED JOBS	ACTUAL JOBS	FUNCTION	TYPE
BOWMAN CTY.	20000.00	LOAN TO DAKOTA DOLLAR INDUSTRIES FOR CLOTHING MANUFACTURING EQUIPMENT AND INVENTORY GUARANTY	25065	100	3.5	1.5	EXPANSION	P
CARRINGTON CTY.	88000.00	LOAN TO LAKE AID INC FOR INVENTORY GUARANTY FOR WASTE WATER TREATMENT DEVICE MANUFACTURING	160000	0	8.0	0.0	STARTUP	P
CASS CO.	120000.00	LOAN TO TRI-LINE TRANSPORTATION TO CONSTRUCT AND OFFICE/SHOP FACILITY	255000	0	11.0	0.0	EXPANSION	P
CASS CO.	27500.00	LOAN TO TOWN AND COUNTRY ROLL OFF SERVICE TO PURCHASE EQUIPMENT	73000	0	3.0	0.0	EXPANSION	P
CASSELTON CTY.	55000.00	LOAN TO GORDY'S TRAVEL MART FOR LAND AND PURCHASE OF EQUIPMENT	100000	100	4.0	5.0	EXPANSION	R
COOPERSTOWN CTY.	187300.00	LOAN TO SHEYENNE TOOLING AND MANUFACTURING FOR PURCHASE OF EQUIPMENT	217450	0	16.0	0.0	EXPANSION	P
DRAYTON CTY.	44000.00	LOAN TO RFR COMMEMORATIVES FOR PURCHASE OF EQUIPMENT	104400	0	9.0	0.0	EXPANSION	P
HARWOOD CTY.	25080.00	LOAN TO JET WAY COMPANY FOR PURCHASE OF EQUIPMENT	34200	0	2.5	0.0	EXPANSION	P
JARESTOWN CTY.	49500.00	LOAN TO NUT CLUSTER/GIFTS DAKOTA STYLE FOR ACQUISITION OF EXISTING BUSINESS AND INVENTORY GUARANTY	45000	0	5.0	0.0	STARTUP	R
MANDAN CTY.	310000.00	LOAN TO DAKOTA COUNTRY CHEESE INC FOR PURCHASE OF EQUIPMENT	520000	0	30.0	0.0	STARTUP	P
MANDAN CTY.	81400.00	LOAN TO DAKOTA STAKE AND LATH FOR CONSTRUCTION AND EQUIPMENT	70000	0	7.0	0.0	EXPANSION	P
MCLEAN CO.	16500.00	LOAN TO DAKOTA LEAN BEEF TO PROVIDE INVENTORY GUARANTY	136000	60	3.0	2.5	STARTUP	P
MCVILLE CTY.	55000.00	LOAN TO BRITTONYA INDUSTRIES FOR CONSTRUCTION/REHAB AND PURCHASE OF EQUIPMENT	500000	0	7.0	0.0	EXPANSION	P
NORTHWOOD CTY.	145000.00	LOAN TO AGVISE FOR CONSTRUCTION AND REHABILITATION	265000	0	15.0	0.0	EXPANSION	P
PORTLAND CTY.	38500.00	LOAN TO PORTLAND GROCERY STORE FOR INVENTORY GUARANTY	70000	0	4.5	0.0	STARTUP	R
ROLETTE CO.	216000.00	LOAN TO SAN HAVEN GARMENT PRODUCTION PROJECT FOR EQUIPMENT AND TRAINING INVENTORY	1324190	0	119.0	0.0	STARTUP	P
STUTSMAN CO.	270000.00	LOAN TO WILDFIRE EQUIPMENT INC FOR INVENTORY GUARANTY	255000	0	27.0	0.0	EXPANSION	P

COMMUNITY DEVELOPMENT BLOCK GRANT
1989 ECONOMIC DEVELOPMENT GRANTEEES

GRANTEE	AUTHORIZED DOLLARS	AUTHORIZED PROJECT	MATCH FUNDS	PERCENT OF BENEFIT	PROPOSED JOBS	ACTUAL JOBS	FUNCTION	TYPE
VALLEY CITY CTY.	55976.00	LOAN TO MITCH'S STOCK SHOP FOR PURCHASE OF EQUIPMENT AND PROVIDE INVENTORY GUARANTY	51000	0	13.0	0.0	STARTUP	P
VALLEY CITY CTY.	315000.00	LOAN TO PIZZA CORNER INC FOR PURCHASE OF EQUIPMENT AND CONSTRUCTION/REHAB	589820	0	17.0	0.0	EXPANSION	P
WARD CO.	76560.00	LOAN TO PRAIRIE ORNAMENTS FOR BUILDING RENOVATION PURCHASE OF EQUIPMENT AND INVENTORY GUARANTY	71600	0	10.0	0.0	STARTUP	P
WEST FARGO CTY.	295000.00	LOAN TO CUSTOM FABRICATORS INC FOR INVENTORY GUARANTY BUILDING CONSTRUCTION EQUIPMENT AND RELOCATION	310000	0	22.0	0.0	EXPANSION	P
WEST FARGO CTY.	210000.00	LOAN TO ADVANCE TECHNOLOGY LTD FOR INVENTORY GUARANTY	360000	0	29.5	0.0	EXPANSION	P
WEST FARGO CTY.	310000.00	LOAN TO FEDERAL BEEF PROCESSORS INC FOR PURCHASE OF BUILDING	1150000	0	106.0	0.0	EXPANSION	P
ZEELAND CTY.	35750.00	LOAN TO ZEELAND SUPER VALU FOR LOAN GUARANTY TO PURCHASE INVENTORY	32500	100	3.0	3.0	STARTUP	R
*** Total ***	3047066.00		6719225	360	475.0	12.0		

STATE OF SD CDBG PROGRAM
(1982-90)
ECONOMIC DEVELOPMENT GRANTS UNDER MICKELSON ADM
March 20, 1991

Project Code	MY	PY	Name	Total Proj. Cost	CDBG Award Amount	Activity	# of Jobs Created	Pro. Act.
Exp. 86	86	603	Brookings	250,000	250,000	EDP - Falcon Plastics Inc.	25	25 - loan for building
Exp. 87	87	507	Aurora County	178,000	178,000	EDP - National Foods Corp.	20	13 - loan for land & build
Exp. 87	87	517	Belle Fourche	125,000	125,000	EDP - Industrial Park	15	19 - loan for land
Stat 87	87	501 S	Chamberlain	150,000	150,000	EDP - Prestige Developments Inc.	29	36 - loan to purchase bu
Stat 87	87	518 SH	Deadwood	102,000	102,000	EDP - Railroad Company	10	- purchase land
Exp. 87	87	519	Mitchell	150,000	150,000	EDP - Lomar Mfg.	40	33 - purchase building
Exp. 87	87	511	Spearfish	106,576	99,116	EDP - Paramount	10	10 infrastructure
Stat 87	87	516	Vermillion	140,000	140,000	EDP - The Closet Shop	10	10 purchase building
Reloc 87	87	515	Watertown	168,114	168,000	EDP - Angus Inds. Inc.	35	59 purchase equipment
Stat 87	87	510	Winnier	100,000	100,000	EDP - Dakota Lean	15	11 purchase building
Exp 87	87	513	Yankton	192,000	192,000	EDP - Hastings Mfg	30	44 purchase building
Exp 88	88	106	Canton	78,655	35,320	EDP - Sewer System - Alco, Inc.	12	15 infra.
Stat 88	88	501	Edgemont	400,000	150,000	EDP - Kustom Kraft	27	22 purchase equipment
Relo 88	88	512 SH	Gregory	62,000	62,000	EDP - Parker Enterprises	20	purchase building
Exp 88	88	503	Huron	4,400,000	650,000	EDP - Dakota Pork	90	121 purchase equipment
Stat 88	88	509 SH	Milbank	65,500	46,304	EDP - Sleepy Hollow Ind. Water Line	35	12 infra.
Stat 88	88	508	North Sioux City	202,000	202,000	EDP - Heartland Quality Foods, Inc	40	40 build building
Exp 88	88	120	Wagner	36,338	22,529	EDP - Water/Sewer Mains - Super 8	5	5 infra
Relo 89	89	504	Aberdeen	702,500	225,000	EDP - Banner Eng/Sheldahl Elect	45	56 purchase building
Relo 89	89	511 SH	Deuel County	153,000	67,505	EDP - SFI Machine Products	14	build purchase bui
Stat 89	89	512 SH	Doland	204,200	35,000	EDP - Richland Ag. Inc.	4	build truck scale
Relo 89	89	506 SH	Gary	90,500	35,902	EDP - Midwest Converter Supply	19	build building
Stat 89	89	505 SH	Lyman County	426,000	350,000	EDP - Water/Sewer - County	82	infra
Relo 89	89	510 SH	Pennington Co	401,500	200,000	EDP - HS Precision	36	build building
Relo 89	89	509 SH	Sisseton	801,000	100,000	EDP - One-Ten Corporation	130	purchase equipment
Stat 89	89	513 SH	Spearfish	132,971	132,971	EDP - PG Technology	35	infra
Exp 89	89	502	Springfield	185,000	185,000	EDP - Prestige Developments	37	35 purchase building
Exp 89	89	508	Tripp	86,815	53,000	EDP - Coyote Sports, Inc.	11	12 build building
Exp 89	89	507 SH	Yankton	53,000	53,000	EDP - Arens Recycling, Inc.	20	19 infra.
Stat 90	90	510 SH	Aberdeen	850,000	50,000	EDP - Performance Eng & Mfg, Inc.	15	buy equipment
Exp 90	90	501 SH	Alcester	326,295	101,000	EDP - Alcester Meats, Inc.	15	build building & inf
Relo 90	90	504 SH	Beresford	1,053,005	207,005	EDP - Quality Park Products	38	infra.
Exp 90	90	511 SH	Freeman	93,400	46,700	EDP - Filters Company, Inc.	27	infra.
Exp 90	90	505 SH	Geddes	158,000	53,000	EDP - Boyd's Gunstock Industries	11	build building
Stat 90	90	509 SH	Hot Springs	550,000	100,000	EDP - Dakota Cinch & Supply	55	purchase equipmen
Stat 90	90	507 SH	Scotland	52,000	52,000	EDP - Alpine Connectors	11	purchase buildin
Exp 90	90	506 SH	Tyndall	150,000	100,000	EDP - Valkering USA	29	build building
				13,375,369	4,969,354	37 Grants	1,102	597

SUMMARIES OF APPLICATIONS SELECTED
FOR FUNDING THROUGH THE FALL,
1985 MONTANA COMMUNITY DEVELOPMENT
BLOCK GRANT COMPETITION

ECONOMIC DEVELOPMENT CATEGORY

Name of Applicant: Gallatin County
CDBG Amount Requested: \$ 300,000
Private Funds: \$1,000,000
Total Project Cost: \$1,300,000
Percent Benefit to Low and
Moderate Income (LMI): 100%

Project Description: This project will provide basic infrastructure improvements to a new "high tech" industrial park to be located adjacent to Montana State University. The improvements would include water and sewer lines, and streets. The improvements will allow Orionics, a local expanding firm to relocate to the park and expand employment by 50 positions.

State Objectives: 1, 2, 4, 6, 9-13, 15, 24-26
National Objectives: Benefit to Low and Moderate Income Persons

HOUSING AND NEIGHBORHOOD REVITALIZATION CATEGORY

Name of Applicant: City of Chinook
CDBG Amount Awarded: \$367,835 (\$400,000 requested)
Other Public Funds: \$ 17,000 City
Private Funds: \$250,000 Bank
Total Project Cost: \$634,835
Percent Benefit to Low and
Moderate Income (LMI): 94%

Project Description: This neighborhood revitalization project will be located in a target area on the north and east side of town with 54% LMI, 66% substandard housing, and 249 households. The project will involve the rehabilitation of a total of 46 LMI owner and renter occupied homes, which would be 29% of the substandard units suitable for rehabilitation. CDBG funds will be used toward prepayment of a portion of the interest on loans made with the "leveraged" bank funds. The project will also involve the acquisition and demolition of an abandoned,

1985 Spring Economic Development Competition: Single-Purpose Project

Name of Grantee: Town of West Yellowstone
Population: 735
Amount of CDBG Award: \$88,937 (the total available in the economic development setaside after funding the City of Belgrade, above)
Other Funds: \$ 40,000 MEDB
\$170,000 U.S. Small Business Administration (SBA)
\$125,000 private equity
Total Project Cost: \$424,271
Number of Jobs: 12
Percent Benefit to Low and Moderate Income (LMI): 67%

Project Description: This project provided partial funding for the Ralide-West Saddle Tree manufacturing facility located in West Yellowstone. The town provided a \$82,337 loan at 5 percent to the firm for working capital which will be repaid over a twenty year period. The firm's goal was to provide a maximum of 12 jobs, 8 of which were made available to low-to-moderate income persons.

1984 Fall General Competition: Single-Purpose Economic Development Project

Name of Grantee: City of Belgrade
Population: 2,336
Amount of CDBG Award: \$210,500
Other Funds: \$350,000 Montana Economic Development Board (MEDB)
Total Project Cost: \$560,500
Number of Jobs: 27
Percent Benefit to Low and Moderate Income (LMI): 85%

Project Description: This economic development project assisted the Butler Creek Corporation in constructing a new facility in the City of Belgrade. Butler Creek, which manufactures sporting goods and photographic accessories for worldwide distribution, proposed to employ 27 persons. Twenty-three of these jobs were new and made available to persons of low to moderate income. The City of Belgrade provided a \$200,000 loan to the firm which will be repaid directly to the city over 20 years at 5 percent interest; proceeds are being deposited into a revolving fund. This fund will be administered by a local economic development corporation and used to stimulate future economic development.

SUMMARY OF THE FISCAL YEAR 1986
COMMUNITY DEVELOPMENT BLOCK GRANTS AWARDED TO DATE

Fall, 1986 General Competition Awards

Economic Development Category

Name of Applicant:	Butte
CDBG Amount Requested:	\$ 246,165
Private Funds:	\$ 625,000
Total Project Cost:	\$ 871,165
Percent Benefit to Low and Moderate Income (LMI):	67%

Project Description: Butte will install a sanitary sewer line and construct an access road to the site selected for the construction of the U. S. High Altitude Speed Skating Training Center. The public infrastructure is necessary for the completion of phase one of the Center. Phase one provides for the installation of a 400 meter refrigerated speed skating track to be used for training and competition by American and foreign athletes. The timely completion of phase one, made possible with CDBG funds, is critical in order to maximize the potential direct and indirect benefits of having such a unique facility available for athletes training for the 1988 Winter Olympics in Calgary. There is only one other high altitude training center in the world and there are none this close to Calgary. The project will directly create six new permanent jobs and indirectly create 40 new jobs in the Butte area in 1987. In addition to the beneficial economic impacts to the community, the training center skating rink will be available for use by the general public and for major skating events.

State Objectives: 1, 2, 3, 4, 6, 7, 8, 10, 20, 21
National Objectives: Benefit Low and Moderate Income Persons

Name of Applicant:	City of Lewistown
CDBG Amount Requested:	\$ 175,435
Private Funds:	\$ 182,000
Total Project Cost:	\$ 357,435
Percent Benefit to Low and Moderate Income (LMI):	100%

Project Description: The City will assist Mountain Meadows Products, Inc. by providing them a low-interest loan to rehabilitate an existing building, build a 2,160 square foot steel structure, and acquire a pelleting mill. The firm manufactures organic cat litter and animal bedding material. Eight new full-time equivalent jobs will be made available for low and moderate income persons. Mountain Meadows Products, Inc. needs CDBG funds in order to expand production and to serve new out-of-state market areas that it is aggressively pursuing.

SUMMARY OF THE FISCAL YEAR 1987
COMMUNITY DEVELOPMENT BLOCK GRANTS

Fall, 1987 CDBG Awards

Economic Development Category

Name of Applicant:	City of Havre
CDBG Amount Requested:	\$ 273,000
Private Funds:	\$ 745,000
Total Project Cost:	\$1,018,000
Percent Benefit to Low and Moderate Income (LMI):	63%

Project Description: The project will involve a loan to the new ownership of Rocky Mountain Packing Co. from the City of Havre. The firm, Havre's oldest business, has been in operation for 56 years. The project will retain 11 existing jobs and create 6 new jobs over a two-year period. CDBG funds in the amount of \$240,000 will be used for purchase of new equipment, completion of needed improvements to the existing building, and working capital. Total private investment in the project is \$745,000. The company has agreed to make all new employment opportunities available to low and moderate income persons.

Name of Applicant:	City of Helena
CDBG Amount Requested:	\$372,250
Private Funds:	\$451,457
Total Project Cost:	\$823,707
Percent Benefit to Low and Moderate Income (LMI):	92%

Project Description: The City of Helena will provide assistance to Win-Trol, Inc., a new manufacturer of window controls which will assemble window control systems, and related accessories, under an exclusive contract with the manufacturer of Pella windows, doors, and skylights. The plant will employ 13 people by December, 1988 (excluding administrative personnel). The number of employees is anticipated to grow to 50 by 1989 year-end. By providing two low-interest loans through the Community Development Block Grant Program, the City will provide funding to purchase the building, renovate it to their specifications, and equip the building. The loans will also provide a portion of the operating capital. Win-Trol has committed to make all 13 positions available to low and moderate income persons.

Winter, 1987 CDBG Economic Development Competition Awards

Name of Applicant:	City of Bozeman
CDBG Amount Requested:	\$ 162,000
Other Funds:	\$ 189,500
Total Project Cost:	\$ 351,500
Percent Benefit to Low and Moderate Income (LMI):	100%

Bozeman will loan the CDBG funds to Schnee's Boot Works for their relocation to a larger and better located facility within the City. The new location will provide Schnee's the opportunity to manufacture its own brand of rubber bottom, leather top, pac boot footwear. The move will also enable Schnee's to expand its mail order, retail footwear, and shoe and boot repair operations. Eight full-time equivalent jobs to be made available to low and moderate income persons will be added over a two and one-half year period.

State Objectives:	2, 7, 8, 10, 11, 12
National Objectives:	Benefit Low and Moderate Income Persons

Name of Applicant:	City of Malta
CDBG Amount Requested:	\$ 175,000
Private Funds:	\$ 227,000
Total Project Cost:	\$ 402,000
Percent Benefit to Low and Moderate Income (LMI):	100%

Malta will loan the CDBG funds to a local firm, Hi Line Packing, Inc., to establish a meat canning facility which it will operate in conjunction with its slaughter and processing plant. Hi Line Packing will construct a new building adjacent to the existing facility and purchase the assets of Montana Ranch Beef, Inc., a Montana corporation which has ceased its beef canning operations. The project will create 10 new full-time equivalent jobs to be made available to low and moderate income persons.

State Objectives:	1-6, 10, 12
National Objectives:	Benefit Low and Moderate Income Persons

SUMMARY OF ECONOMIC DEVELOPMENT PROJECTS FUNDED

THROUGH THE MONTANA COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

February, 1988 Economic Development Awards

Name of Applicant:	Big Horn County
CDBG Amount Requested:	\$ 169,900
Private Funds:	\$ 267,473
Total Project Cost:	\$ 437,373
Percent Benefit to Low and Moderate Income (LMI):	100%

Project Description: The project will provide a \$150,000 loan to the Custer Battlefield Trading Company (CBTC), which will be applied toward the construction of a two-story 32 x 100 log structure from which a gift shop, sandwich shop, catering service, catalog sales and Indian and western gallery will operate. In addition, funds will be used for parking, lighting, signs and appropriate security. The project, which will be located directly across from the entrance to the Custer Battlefield National Monument, specializes in Montana-made products, western art, and traditional and contemporary Indian arts and crafts. The project will retain and create a total of 8 full-time equivalent jobs with 100% of the jobs serving low and moderate income persons. Recently, the CBTC lost its facilities lease and to remain in business must expand with new facilities. The private contribution is \$267,473.

Name of Applicant:	City of Bozeman
CDBG Amount Requested:	\$ 321,000
Private Funds:	\$ 478,784
Total Project Cost:	\$ 799,784
Percent Benefit to Low and Moderate Income (LMI):	74%

Project Description: ILX Lightwave Corporation is seeking funding to enable them to expand their manufacturing operation to extend their existing product line and add an additional, new product line. The non-administrative CDBG funds requested amount to \$300,000 and will play a pivotal role in a \$779,000 overall expansion which will take place during the next 24 months. The overall project will create a total of at least 39 jobs of which 29 will be filled by low to moderate income individuals during the 24 month period following the injection of CDBG funds. Community Development Block Grant loan funds will be used by the company to (1) purchase machinery and equipment, (2) fund the research and development of new products, and (3) finance inventory and accounts receivable working capital needs. Non-administrative CDBG funding of \$300,000 will be matched by \$300,000 of privately invested funds, a \$150,000 line of credit from First Bank in Bozeman, and a \$29,000 commitment from the District IX Human Resource and Development Council to help offset the added hiring and training expenses associated with the expansion.

Name of Applicant:	Town of Stevensville
CDBG Amount Requested:	\$375,000
Private Funds:	\$ 50,313
Montana Board of Investments:	\$375,000
Economic Development Administration	\$247,200
Total Project Cost:	\$1,047,513
Percent Benefit to Low and Moderate Income (LMI):	91%

Project Description: The Town of Stevensville will loan \$192,750 to complete a multiple participant financing plan for Turner Engineering, Inc. (TEI). TEI is a rapidly growing Department of Defense contractor who will use the loan funds for the purchase of additional production equipment for the manufacture of gas mask components. The remaining CDBG funds will be used by the Town to purchase an adjacent industrial facility to be leased to TEI. As a result of the project, TEI will create 64 new jobs for low and moderate income persons.

In addition, the Economic Development Administration will provide funding in the amount of \$247,200 for building remodeling and connection to community water and wastewater facilities. The Montana Board of Investments is considering a loan of \$375,000 for operating capital to TEI. TEI will provide \$28,113 to be combined with CDBG funds to provide the required fund balance for equipment procurement and \$22,200 towards the acquisition of the building.

Housing Rehabilitation Category

Name of Applicant:	Butte-Silver Bow
CDBG Amount Requested:	\$375,000
Other Public Funds:	\$ 74,000 CDBG Program Income
	\$116,920 Butte-Silver Bow
	\$ 50,000 Rental Rehab
	\$ 8,000 HRDC
Total Project Cost:	\$623,920
Percent Benefit to Low and Moderate Income (LMI):	100%

Project Description: The project would rehabilitate 31 substandard housing units occupied by low and moderate income persons in the Near Northside area using CDEG funds; provide public improvements in the area, including sidewalk and guard rail reconstruction; and demolish 8 units not suitable for rehabilitation. The project area's population consists of 81% low and moderate income households of which 61% are low income. Of the 157 permanent dwelling units 100 (64%) are substandard. Twenty-five percent of the households contain handicapped individuals and 30 percent of the inhabitants are elderly. Butte-Silver Bow will coordinate other public resources, including program income from prior CDBG grants, in order to maximize the beneficial impacts to the area.

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SUMMARY OF THE FALL, 1988 COMMUNITY DEVELOPMENT BLOCK GRANT AWARDS

ECONOMIC DEVELOPMENT

NAME OF GRANTEE:	Golden Valley County
POPULATION:	1,026
POPULATION OF PROJECT AREA:	1,026
TYPE OF PROJECT:	ECONOMIC DEVELOPMENT
AMOUNT OF CDBG AWARD:	\$ 374,400
OTHER FUNDS:	\$ 420,000 Bank Loan
	\$ 10,000 Human Resource Development Council (HRDC)
TOTAL PROJECT COST:	\$ 804,400
PERCENT BENEFIT TO LMI:	74%

PROPOSED ACCOMPLISHMENTS: The County will provide a \$350,000 working capital loan to the Quad Five Ranch at 5% interest for a term of ten years. Quad Five will use the loaned CDBG funds to continue its efforts to diversify and expand its production of animal blood products, such as plasma and serum for medical testing and research. This project offers a unique opportunity to assist a Montana agricultural producer with its efforts to diversify into agriculturally based value-added economic activities. The project will help retain the existing 13 jobs and create 9 new jobs of which 8 will be filled by low and moderate income persons.

STATE OBJECTIVES: 10 - 13
 NATIONAL OBJECTIVES: Benefit to LMI

Chief Elected Official: Theodore E. Eklund, Chairman
 Golden Valley County
 Board of Commissioners

Phone Number: 568-2231

Address: 107 Kemp
 Ryegate, MT 59074

NAME OF GRANTEE:	Liberty County
POPULATION:	2,329
POPULATION OF PROJECT AREA:	2,329
TYPE OF PROJECT:	ECONOMIC DEVELOPMENT
AMOUNT OF CDBG AWARD:	\$ 375,000
OTHER FUNDS:	\$ 498,000 Lender
	\$ 275,000 Bondholders
	\$ 175,000 LS Laser
	\$ 350,000 U.S. Economic Development Administration (EDA) Revolving Loan

TOTAL PROJECT COST: \$1,673,000
PERCENT BENEFIT TO LMI: 93%

PROPOSED ACCOMPLISHMENTS: The project will result in the resumption of manufacturing operations at the former Liberty Manufacturing plant near Chester, which has been closed since 1983. LS Laser of Calgary, Alberta, will obtain stock in the new company, to be called LS Liberty. The company will be principally owned by the original industrial development revenue bond holders whose investment established Liberty Manufacturing in 1974. LS Edwards of Lethbridge, an LS Laser subsidiary, is in need of additional plant capacity to meet demand for agricultural tillage tools in its U.S. and Canadian markets. LS Edwards will manage the Chester plant. The project will create 20 jobs (14 full-time equivalent positions) by 1990. The project has the potential of creating additional employment in the future when laser heat treating technology is installed at the plant.

STATE OBJECTIVES: 10, 11
NATIONAL OBJECTIVES: Benefit to LMI

Chief Elected Official: M. Sterling Wardell, Chairman
Liberty County
Board of Commissioners

Phone Number: 759-5365

Address: P.O. Box 459
Chester, MT 59522

Project Contact Person: Tony Preite, Executive Director
Bear Paw Development Corporation

Phone Number: 265-9226

Address: P.O. Box 1549
Havre, MT 59501

HOUSING AND NEIGHBORHOOD REVITALIZATION

NAME OF GRANTEE: Town of Bridger
POPULATION: 724
POPULATION OF PROJECT AREA: 258
TYPE OF PROJECT: HOUSING AND NEIGHBORHOOD REVITALIZATION
AMOUNT OF CDBG AWARD: \$ 375,000
OTHER FUNDS: 11,400 HRDC
50,000 Lender
TOTAL PROJECT COST: \$ 436,400
PERCENT BENEFIT TO LMI: 100%

PROPOSED ACCOMPLISHMENTS: The project will rehabilitate 23 owner-occupied

MONTANA

LIST OF PROJECTS

Ret Company Name: Vita Rich
Type of Business: Dairy
Location: Havre
Financing Date: 12/89
CDBG Funds: \$300,000
Other Funds: \$830,000
Use of Funds: Purchase of company by
Job Creation/Retention: 42

Exp Company Name: Yellowstone Furniture Manufacturing
Type of Business: Wood frame furniture manufacturer
Location: Bridger
Financing Date: 12/89
CDBG Funds: \$300,000
Other Funds: 570,000
Use of Funds: Construct new facility by Town for lease to YFMC
Job Creation/Retention: 46

Start Company Name: Lattice Materials Corporation
Type of Business: High technology laser optic materials
Location: Bozeman
Financing Date: 2/90
CDBG Funds: \$192,000
Other Funds: \$370,000
Use of Funds: Equipment and working capital
Job Creation/Retention: 16

Ret: Exp Company Name: Stevi Machine
Type of Business: Precision machining and tool making
Location: Stevensville
Financing Date: 3/90
CDBG Funds: \$216,000
Other Funds: \$240,000
Use of Funds: Equipment and working capital
Job Creation/Retention: 16 ..

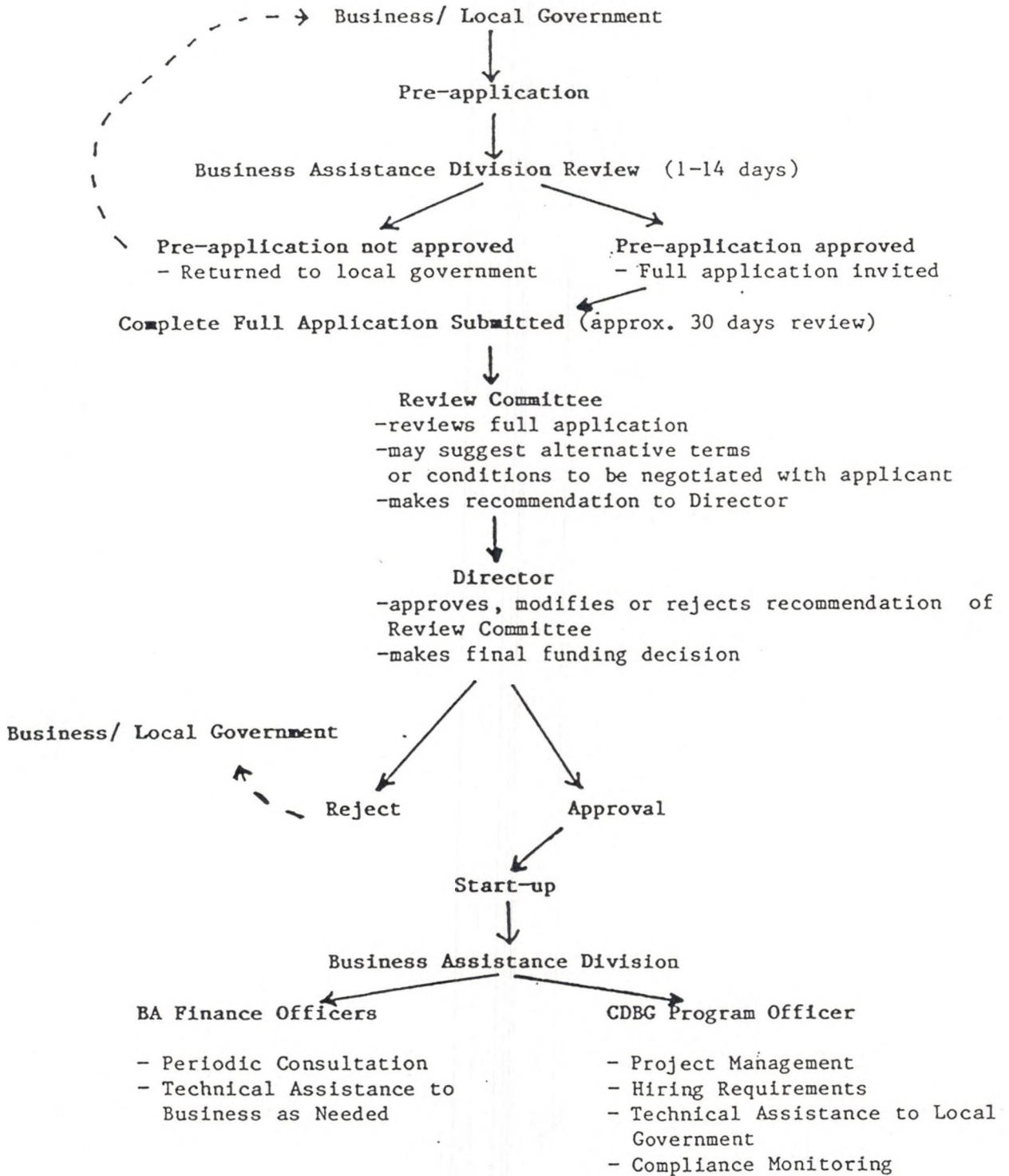
Ret Company Name: CVR Oak Designs
Type of Business: Manufacture of oak furniture
Location: Bozeman
Financing Date: 3/90
CDBG Funds: \$101,650
Other Funds: \$115,000
Use of Funds: Equipment and working capital
Job Creation/Retention: 16

APPENDIX B
APPLICATION REVIEW PROCESS - ND, MT

MONTANA DEPARTMENT OF COMMERCE

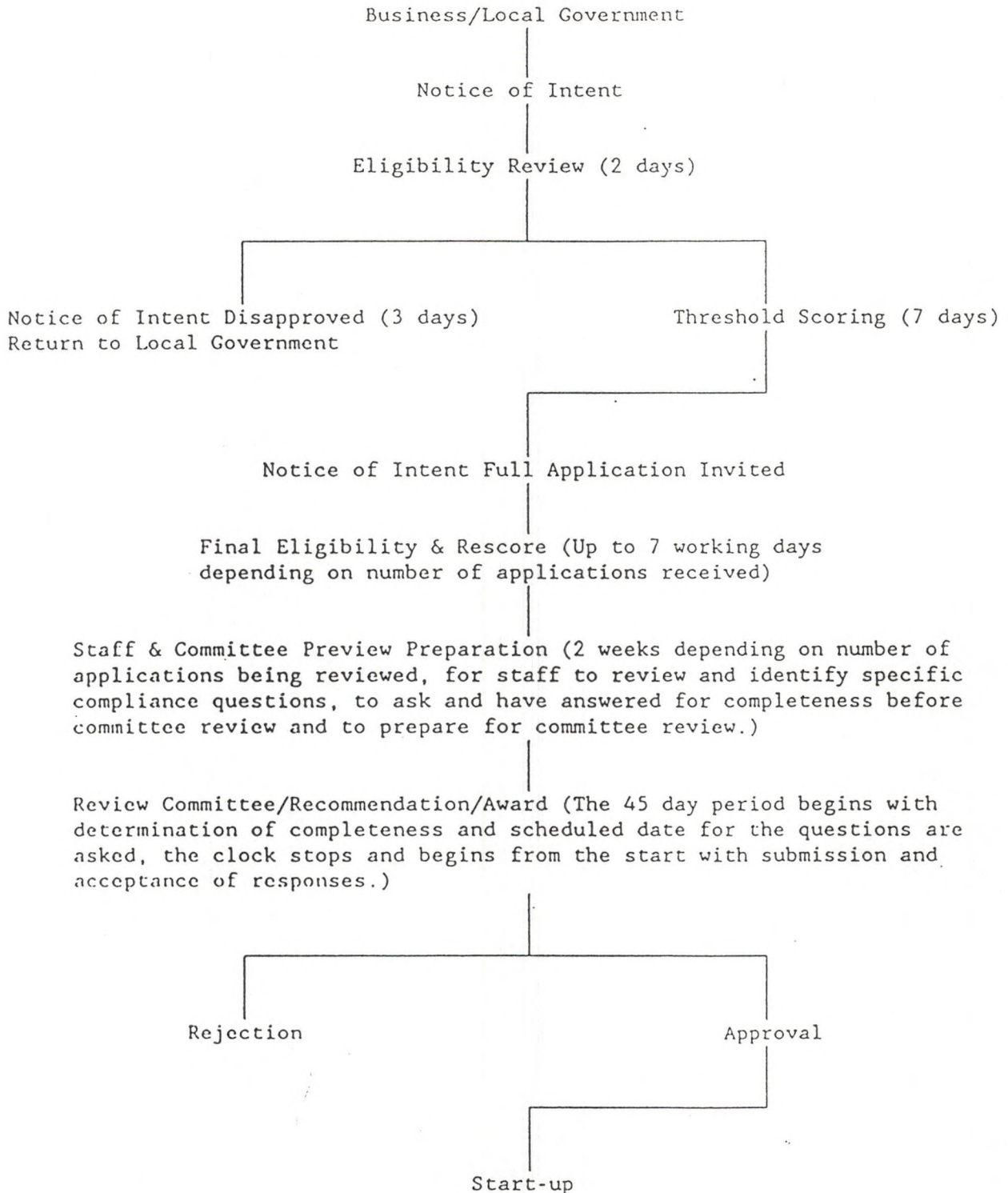
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM

PROPOSED ECONOMIC DEVELOPMENT APPLICATION REVIEW PROCESS



NORTH DAKOTA

Office of Intergovernmental Assistance
Community Development Revolving Loan Fund
Application Review Process



(The business should be made aware that start-up cannot occur until after Notice of Release of Funds upon completion and acceptance of all environmental review requirements. Tell the business to allow up to 60 days for administrator to complete and Release of Funds issued.)

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