

Community Investment Fund (“CIF”) Program and Policy Guidelines

The Community Investment Fund is a five-year fund of up to \$875 million designed to foster economic development in historically underserved communities across the state. The originating legislation, signed into law in June 2021 as Sec. 32-285a of the General Statutes (the “Statute”), establishes a 21-member Board to make funding recommendations under the program (the “Board”). This document shall serve as the “application and review process with guidelines and terms for funds,” which the Board shall establish pursuant to Sec. 32-285a(c)(1) of the General Statutes and the Board’s approval of this document shall serve as its “establishment” of the same.

This document was approved by a unanimous vote of the Community Investment Board on May 10, 2022.
Updated on September 26, 2023.

ADMINISTRATION

The Board shall operate according to the bylaws which were approved at its meeting of October 27, 2021.

Pursuant to the Statute, the DECD Commissioner or designee shall act as “Administrator” of CIF. The Board shall review and approve an application and review process, proposed by the Administrator, with guidelines and terms for funds provided from CIF bond proceeds. This document serves such a function and the Board’s approval of this document shall enable the Administrator to issue a public Notice of Funding Availability and receive applications from eligible applicants.

The Administrator shall hire such employee or employees as may be necessary to assist the Board in carrying out its duties. The Administrator anticipates administrative costs to total less than \$1M in the first fiscal year, and approximately \$1.5M per year in the fiscal years that follow. The vast majority of administrative costs will support approximately 6-8 full-time equivalent staff who will: establish operational details for the application and review process; liaise with the Board and Eligible Applicants; conduct due diligence and eligibility review of applications; and manage projects once funded, including with respect to legal and accounting procedures as required by state law.

Funds authorized by the Statute and approved by the State Bond Commission may be used for costs related to an eligible project recommended by the Board and approved by the governor; but shall not be used to pay or reimburse the Administrator for administrative costs, i.e., the costs paid or incurred by the Administrator, including but not limited to allocated staff costs and other out-of-pocket costs attributable to the Board’s administration and operation.

Funds for an approved project may be administered on behalf of the Board by a state agency, as determined by the Secretary of the Office of Policy and Management, provided a memorandum of understanding has been entered into between the Administrator and the state, acting by and through the Secretary of the Office of Policy and Management.

APPLICATION PROCESS

Summary:

The Administrator shall hold at least two (2) rounds of funding per fiscal year using CIF bond proceeds. Such rounds shall consist of:

- Issuance of a public Notice of Funding Availability (“NOFA”) and accompanying application forms and procedures, following which the Administrator shall hold an application period during which eligible applicants may submit their applications to the Administrator;
- A period during which the Administrator reviews applications to determine statutory eligibility and provides for the Board executive summaries of the eligible applications, including their strengths and weaknesses, pursuant to this document;
- A meeting of the Board during which it issues recommendations to the Governor regarding which applications ought to be funded;
- Review by the Governor of recommended eligible applications; and
- Review by the State Bond Commission of all Governor-recommended applications within two (2) months of the Board’s recommendation.

Notice of Funding Availability and Application Forms

As required by the Statute, following the Board’s approval of this document, the Board’s co-chairs shall notify the chief executive of each eligible municipality of the forthcoming NOFA and application schedule.

For each round of applications, the Administrator shall publicly release the NOFA in alignment with this document, including applications forms and procedures. These application forms will allow the Administrator to determine whether the application meets the eligibility requirements of the Statute and whether it will receive priority pursuant to the Statute. In addition, as required by the Statute, these application forms will require the following information according to the application type:

Capital Improvements or Planning	Small Business Support Programs
<ul style="list-style-type: none">• A description of such project;• The municipality in which such project is located;• The amount of funds sought for such project;• Any cost estimates for such project;• Any schematics or plans for such project; and• The total estimated project costs and the applicable fiscal year to which such disbursement will be attributed.	<ul style="list-style-type: none">• A description of and specific terms for any proposed loans, financing or start-up funds to be provided from such grant-in-aid;• The types of small businesses located or to be located in the municipality that may be eligible for such loan, financing or start-up funds; and• The amount of the grant-in-aid sought and the applicable fiscal year to which such disbursement will be attributed.

Finally, the Administrator may require additional information to facilitate the “analysis” portion of its Executive Summary, as defined and detailed below.

Administrator’s Review of Applications

Following the deadline for submission of application and prior to the Board’s review, the Administrator shall conduct a review of applications.

As a first step in its review process, the Administrator shall determine whether an application meets the eligibility criteria explained in detail in the following section of this document. For applications which the Administrator

deems ineligible, the Administrator will endeavor to provide prompt feedback to the applicant and allow submission of revised materials in order to satisfy eligibility requirements.

Once an application is deemed eligible, the Administrator shall prepare for the Board a brief memorandum summarizing the application (an “Executive Summary”). Each Executive Summary shall include:

- Summary – the Administrator will briefly describe the proposal and its putative economic and community impact.
- Priority – the Administrator will determine whether the application meets any of the priority criteria which are mandated by the statute and explained in the following section of this document.
- Analysis – the Administrator will present the application’s strengths and weaknesses in alignment with the guidelines laid out by the statute and best economic development practices.
 - With respect to Capital Improvements or Planning (defined hereinafter), the Administrator will consider:
 - Alignment with the state’s Economic Action Plan, which includes the following goals: create significant number of permanent, well-paying jobs; result in equitable outcomes for historically disadvantaged groups; foster vibrant and livable neighborhoods; use innovative solutions to solve difficult economic issues; and promote carbon neutrality and/or climate resilience.
 - Alignment with DECD best practices and efficient use of taxpayer funds by: including a realistic and comprehensive budget; limiting “soft costs” to a minimal proportion of such budget; including a realistic and comprehensive project plan; demonstrating shovel-readiness; and leveraging non-state funding.
 - With respect to Small Business Support programs (defined hereinafter), the Administrator will consider:
 - As required by the Statute, the risk of default on repayment of a proposed loan or financing; the impact on job creation or retention; the impact on blighted properties; and the overall impact on the community.
 - Small business financing best practices, including loan terms which align with DECD’s Small Business Express program.

Board’s Review of Applications

The Administrator will endeavor to provide Executive Summaries for all eligible applications at least two (2) weeks prior to a meeting of the Board.

At its meeting, the Board will discuss and vote as to whether to recommend eligible applications, pursuant to its bylaws. The Board shall have the discretion to determine the final amount of approved funding per eligible project, including the discretion to award partial funding.

Governor’s Review of Applications

Following the Board meeting, the Board’s chairpersons must submit a list of the Board’s recommended applications to the Governor. For proposed projects or grants, the list must also include the amount of funds sought and the applicable fiscal year to which the disbursement will be attributed.

- For each proposed Capital Improvement or Planning project, the list must include: (1) a description of the project; (2) the municipality in which it is located; (3) any cost estimates, schematics, or plans for the project; and (4) the total estimated project costs.
- For each proposed Small Business Support grant, the list must include: (1) a description of and specific terms for any proposed loans, financing, or start-up funds to be provided from the grant; and (2) the types of small businesses that may be eligible for the funds.

The Governor shall review the Board's recommendations and then: (a) determine the most appropriate method of funding for each of the recommended applications; and (b) provide to the members of the Board, in writing, such determination for each recommended application on the list and the reasons therefor. The Board may reconsider at a future meeting any eligible application for which the Governor recommends a change.

State Bond Commission Review of Applications

Each application for which the Governor recommends the allocation of bond funds shall be considered at a State Bond Commission meeting not later than two (2) months after the date such application was submitted to the Governor as recommended by the Board.

APPLICATION GUIDELINES

Eligible Applicants:

Eligible Applicants include: (i) municipalities which are designated in state law as either Public Investment Communities or Alliance Districts; (ii) community development corporations which serve one (1) or more such municipalities; and (iii) not-for-profit organizations which serve one (1) or more of such municipalities. Applications may be submitted jointly by multiple eligible applicants, including by multiple eligible municipalities.

Pursuant to Sec. 7-545 of the General Statutes, “Public Investment Communities” are municipalities requiring financial assistance to offset their service burdens, with eligibility defined as one which is in the top quartile of the “eligibility index” scale. An “Eligibility Index” is a measure of local burden determined by calculating a town’s disparity in relation to all municipalities. Points shall be allocated for each of the following factors:

- Per capita income;
- Adjusted equalized net grand list per capita;
- Equalized mill rate;
- Per capita temporary family assistance; and
- Unemployment rate.

For each factor, the variance shall be the difference between the first- and one-hundredth percentile town factors. In calculating the eligibility index for unemployment rate, per capita temporary family assistance and equalized mill rate, the factor for the first percentile town shall be subtracted from the factor for the town and the result divided by the variance and multiplied by one hundred. In calculating the eligibility index for per capita income and adjusted equalized net grand list per capita, the factor for the first percentile town shall be subtracted from the factor for the town and the result shall be divided by the variance and multiplied by one hundred. The product of such multiplication shall then be subtracted from one hundred. The index points for all factors shall be totaled by town resulting in the overall eligibility index. The eligibility index listing shall be ranked for all towns from highest to lowest points according to need.

Pursuant to Sec. 10-262u of the General Statutes, an “Alliance district” means a school district for a town: (a) among the towns with the thirty lowest accountability index scores, as calculated by the Department of Education; or (b) previously designated as an alliance district by the Commissioner of Education for the fiscal years ending June 30, 2013, to June 30, 2017, inclusive.

Once a municipality becomes eligible for the CIF program by its inclusion on the Public Investment Community or Alliance District lists, it will remain eligible through the completion of the program. Therefore, if a municipality falls off the Public Investment Community or Alliance District lists in a given year, it will retain its eligibility for the CIF program.

Description of Eligible Projects

Eligible Projects must (i) promote economic or community development in the municipality where the project is located, and (ii) further consistent and systematic fair, just and impartial treatment of all individuals, including individuals who belong to underserved and marginalized communities that have been denied such treatment, such as Black, Latino and indigenous and Native American persons; Asian Americans and Pacific Islanders and other persons of color; members of religious minorities; lesbian, gay, bisexual, transgender and queer persons and other persons comprising the LGBTQ+ community; persons who live in rural areas; and persons otherwise adversely affected by persistent poverty or inequality.

Eligible Projects must require at least \$250,000 of state funding and a total project budget of at least \$1,500,000. Total minimum project budget of \$1,500,000 is waived for Planning projects. There is no limit on the number of proposals which an Eligible Applicant may submit for each round of CIF funding. An Eligible Applicant may re-submit a proposal from a previous round, provided the applicant supplies justification as to why the proposal is more meritorious as compared to the previous occasion on which it was submitted.

There are three categories of Eligible Projects: Capital Improvements, Planning and Small Business Supports.

Examples of eligible Capital Improvements include:

- Brownfield remediation;
- Affordable housing;
- Establishment of or improvements to water and sewer infrastructure to support smaller scale economic development, pedestrian safety, and traffic calming improvements;
- Establishment of or improvements to energy resiliency or clean energy projects and land acquisition and capital projects to construct;
- Rehabilitation or renovation of buildings and structures to facilitate or improve home rehabilitation programs and facilities such as libraries and senior centers; and
- Planning.

Potential uses of funds include construction costs; acquisition of land (subject to procedures required by state law); and fixtures, furniture and equipment. Professional services and other “soft costs” may be funded, however, the Administrator’s preference is to minimize such costs, in keeping with best economic development practices.

Planning project awards are for a set amount of \$250,000. Eligible activities to be funded through a planning project include community engagement processes, feasibility studies, sustainability analysis and planning, development of project plan, conceptual drawings and construction budget documents.

Small Business Support programs may be proposed by an Eligible Applicant for the purpose of providing:

- A revolving loan program, micro loans or gap financing to small businesses located within such municipality; or
- Start-up funds to establish a small business in any eligible municipality.

The Statute requires that any proposed loan or financing must utilize an interest rate that does not vary from the prevailing market rate.

An eligible “small business” shall be defined, as in Sec. 32-7g(a) of the General Statutes, as a business organization which does or shall: (1) employ not more than one hundred employees; (2) have operations in Connecticut; and (3) be in good standing with the payment of all state and local taxes and with all state agencies.

CIF funds may support establishment and operation of small business support programs administered by an Eligible Applicant; no CIF funds shall be allocated directly to an individual business.

Projects Receiving Priority

As required by the Statute, the Board shall give priority to eligible projects for any of the following reasons:

1. The application is proposed by a municipality that (A) has implemented local hiring preferences pursuant to section 7-112 of the General Statutes, or (B) has or will leverage municipal, private, philanthropic or federal funds for such project;

2. The application has a project labor agreement or employs or will employ ex-offenders or individuals with physical, intellectual or developmental disabilities; and
3. The application from a municipality includes a letter of support for the proposed eligible project from a member or members of the General Assembly in whose district the eligible project is or will be located.

Board members who are members of the general assembly will not provide written letters of support to municipal applications for statutory prioritization of such application. In the event that both the Senator and Representative for the district in a municipality where the project is located sit on the Board, the absence of a letter will not penalize the municipal applicant.

Announcement of Awards

Within each application cycle, the Administrator will endeavor to provide applicants with timely updates on the status of their applications - i.e., whether funding has been recommended (in part or in full) by the Board, recommended by the Governor, and approved by the State Bond Commission.

Following approval by the State Bond Commission, awardees will enter a contracting phase with the Administrator to ensure compliance with state law.

REPORTING AND AUDITING

Reporting

The Administrator will require quarterly reporting regarding project progress and financial accounting for each awardee.

The Commissioner of DECD shall provide quarterly expenditure reports to the Board for such projects and hold public hearings for such projects before the Board.

By August 31, 2023, the Board shall submit a report to the General Assembly, the Black and Puerto Rican caucus of the General Assembly, the Auditors of Public Accounts, and the Governor for the preceding fiscal year that includes:

- A list of the eligible projects recommended by the Board and approved by the Governor;
- The total amount of funds provided for such eligible projects;
- For each such eligible project, a description of the project and the amounts and terms of the funds provided;
- The project status and any balance remaining of the allocated funds; and
- Any other information the Board deems relevant or necessary.

The Board shall submit such report annually for each fiscal year in which the funds are disbursed for the eligible projects.

Audit Requirement

The Auditors of Public Accounts must biennially audit all eligible projects funded and report their findings to the Governor, the Secretary of the Office of Policy and Management and the General Assembly.

APPROXIMATE SCHEDULE FOR FUNDING AND BOARD MEETINGS

Statutory Deadlines

- August 30, 2021 All initial appointments made to CIF Board
- January 1, 2022 First meeting of CIF Board
- July 1, 2022 First funds for CIF become available
- August 31, 2023 Report submitted to General Assembly of projects and status

Schedule for First Round of Funding:

Notice of Funding Availability issued	May 23, 2022
Deadline to submit applications	July 25, 2022
Administrator provides CIF Board with preliminary application data	August 1, 2022
Administrator conducts eligibility review and transmits Executive Summaries to CIF Board	July 22 – September 2, 2022
CIF Board meets to issue recommendations for applications	September 27, 2022
State Bond Commission meets to issue final approval of CIF Board-recommended and Governor-approved applications	Within two months of CIF Board approval

Schedule for Subsequent Funding Rounds and Board Meetings

Notice of Funding Availability issued	November
CIF Board meets for status update on approved applications	December (2 nd Tuesday of the month)
Deadline to submit applications	January
CIF Board meets to issue recommendations for applications	March (2 nd Tuesday of the month)
Notice of Funding Availability issued	May
CIF Board meets for status updates on approved applications	June (2 nd Tuesday of the month)
Deadline to submit applications	July
CIF Board meets to issue recommendations for applications	September (2 nd Tuesday of the month)

Change Request Process for CIF 2030 Awards

Adopted September 26, 2023

Prepared by DECD

CHANGE REQUEST OVERVIEW

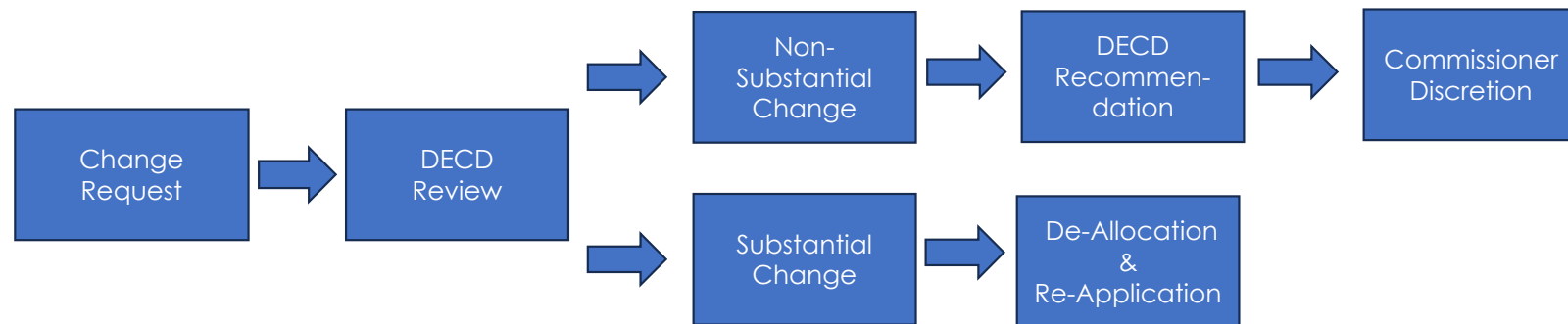
Any CIF funds awardee requesting a change to their CIF Award will be asked to provide the information in writing to DECD for review. The details of these changes must include project scope, outcomes, budget and leveraged funds.

- Any request for additional CIF funds will be required to submit a new application to a future CIF competitive funding round.
- For requests that do not include additional CIF funding, DECD will either review the request internally or bring the request for CIF Board approval depending on whether the change is a Substantial Change. A Substantial Change is defined as:
 - A. A change that results in a 20% reduction in any of the following:
 - i. Project Scope – i.e., location, elements, activities
 - ii. Outcomes – i.e., service capacity, units, job creation, size of facility
 - iii. Leveraged Funds - i.e., non-CIF funds committed to the project

OR

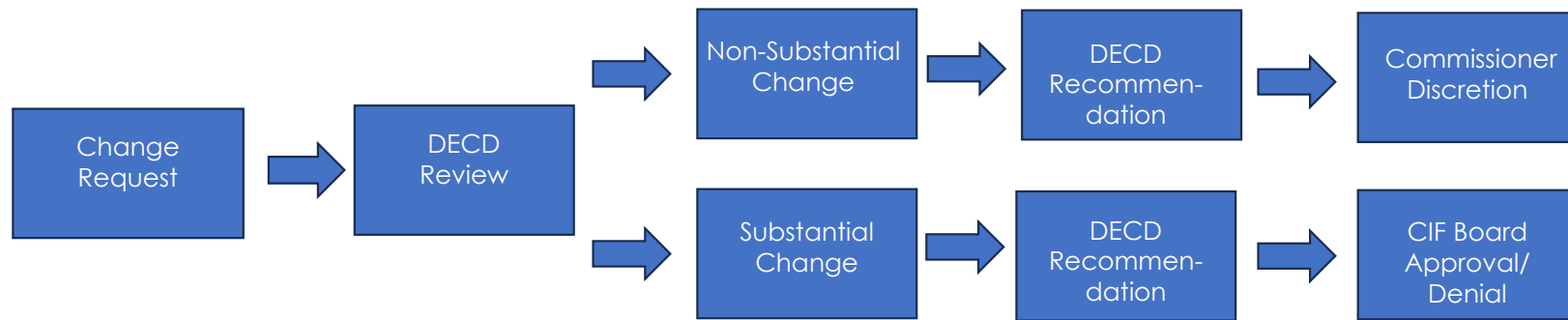
 - B. A change that results in a portion of the project being unfunded, i.e., creating a “funding gap”
- Any change in a project that is inconsistent with the description of the project as approved by the State Bond Commission will need to go back to the CIF Board and State Bond Commission for approval regardless of whether the change is a Substantial Change.

PROCESS BEFORE GRANT CONTRACT EXECUTED



- Any increase in budget without a corresponding increase in funding sources will be directed to fill the funding gap before proceeding to contract. These will be provided a six-month cure period.
- Any decrease to leveraged funds that creates a funding gap in the budget will not be approved.
- Requests for additional CIF funds towards a funding gap in the project budget will go through a normal competitive application and award process.
- Grant recipients unable to meet funding gaps within the six months will be de-allocated. The de-allocated bond funds roll over and are available to grant in a subsequent competitive round by the CIF Board.
- When the Commissioner determines that an eligible project has undergone a substantial change, the Commissioner will notify the full CIF Board in writing within seven days of said decision.

PROCESS AFTER GRANT CONTRACT EXECUTED



- For any change that creates a funding gap in the project budget, the awardee will need to demonstrate availability of funds to meet the gap. Funding gaps in the capital stack will be allowed a six-month cure period.
- Requests for additional CIF funds towards a funding gap in the project budget will go through a normal CIF competitive application and award process.
- When the Commissioner determines that an eligible project has undergone a substantial change, the Commissioner will notify the full CIF Board in writing within seven days of said decision.