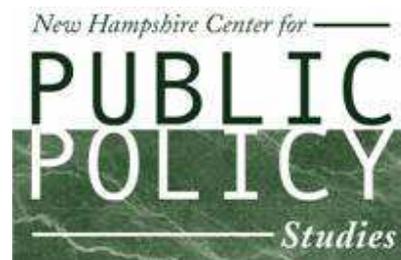


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Assessing Community
Development
New Hampshire’s Community
Development Block Grant
Program

September 2011

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About this paper

This paper was produced under the sponsorship of the New Hampshire Community Development Finance Authority (CDFA) to evaluate the current status of the New Hampshire State Administered Community Development Block Grant Program (CDBG) and provide feedback for short- and long-term program planning.

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Executive Summary

The New Hampshire Community Development Finance Authority (CDFA) engaged the New Hampshire Center for Public Policy Studies to evaluate the current status of the New Hampshire State Administered Community Development Block Grant Program (CDBG) and provide feedback for short- and long-term program planning.

The CDBG program is authorized under Title I of the Housing and Community Development Act of 1974, as amended. The primary purpose of the CDBG program is the development of viable communities by providing decent housing and suitable living environments and expanding economic opportunities, principally for persons of low- and moderate-income. The state program is sponsored by the United States Department of Housing and Urban Development (HUD) and is administered by CDFA. Since 1983, over 920 grants and \$236 million dollars have been awarded throughout New Hampshire. Projects have included housing rehabilitation, affordable housing initiatives through for-profit and nonprofit sub-recipients, improvements to public water/sewer systems, child care centers, homeless shelters, and the creation and retention of job opportunities.

The CDFA requested that the Center address the following questions about New Hampshire's CDBG program:

- What is working well under the current program?
- What is not working well, and why?
- Are there things that are being funded that should be lower priority?
- Are there things that are not being funded that should be higher priority?
- What are other states doing that is innovative or offers significant impact for the community?
- Are there short-term or medium-term needs for New Hampshire communities that CDFA should consider supporting with CDBG funds?

To answer these questions, the Center examined and compared the CDBG program rules and requirements in New Hampshire and in other states, and interviewed CDBG managers in New England and in states with fund allocations close to that of New Hampshire. The Center also conducted an online survey of CDBG communities in New Hampshire, which invited CDBG recipients to share their ideas on the current CDBG program and ways to improve the program. Finally the Center conducted face-to-face interviews with the New Hampshire CDBG community, including housing advocates, economic development professionals, municipal managers, grant writers and administrators, and the CDBG staff at CDFA.

The Center's major findings from this analysis are:

The CDBG program in New Hampshire meets the policy goals and directives under the HUD sponsored program and is largely considered a success. HUD requires that the CDBG funds be used for activities which benefit low- and moderate-income families or aid in the prevention or elimination of slums or blight. Our analysis has shown that the areas of New Hampshire most in need have received the largest distribution of funds per person. HUD also requires the timely distribution of Community Development Block Grant (CDBG) funds by states, and our analysis shows that New Hampshire meets that regulatory requirement. Many who receive CDBG funds in New Hampshire note that CDBG is an important, flexible source of "gap" financing for community development projects. Criticism of the program in New Hampshire is largely limited to administrative issues. Some respondents to the online survey, as well as those in the face-to-face interviews, note that the existing New Hampshire CDBG rules are cumbersome. While some consider the scoring system used to rank and approve New Hampshire CDBG grants overly complex, those familiar with the system find it to be a valuable tool for screening applications. Several local agencies have expressed concern about less than adequate funding levels for grant administration support and flat funding for capacity building.

It is difficult to quantify the success or failure of CDBG funded projects, as there are no standard performance or outcome criteria, resulting in persistent questions about the efficacy of different funding opportunities. There is no standard of post performance evaluation in the state or national CDBG program. In New Hampshire, persistent questions remain about the efficacy of certain types of CDBG funding – manufactured housing, micro enterprise funding, and lack of a separate set aside fund for lower income projects (like soup kitchens or homeless shelters.) While using CDBG funds to refurbish manufactured housing is important to those who advocate for that use of CDBG funds, others question whether these projects are "worth saving." A single organization, MicroCredit, has received virtually all of the CDBG micro enterprise funding: \$6 million over the last several years. But MicroCredit has used those funds only to provide "Technical Assistance" to small business and shows no indication of becoming self-sustaining or moving to become a revolving loan fund. Many participants in CDBG programs have observed that projects that benefit very low income residents cannot compete for New Hampshire CDBG funds because of bias against smaller projects in the scoring system. (Smaller projects are less likely to receive matching funds.) All of these disagreements stem from the fact that there is no standard of CDBG performance measurement at the state or national level. Performance monitoring is undoubtedly a necessary component of any management scheme and can be an important tool in generating support for public spending.

CDBG funds are concentrated in certain areas of New Hampshire, to the potential detriment of other areas. One of the CDFA's major concerns is that the CDBG funds are not reaching communities that could benefit from the program. Well over 100 municipalities in New Hampshire have received CDBG funds, but many communities in New Hampshire have never applied for funds. Our research suggests that the primary

reason municipalities do not participate in the CDBG program is because these communities perceive that they cannot undertake the administrative burden of the program. Meanwhile, some areas of the state (communities in Cheshire and Grafton counties, for instance) have developed considerable expertise in applying for and accessing CDBG funds and may be “crowding out” other applicants.

Recommendations

In response to these major findings, the Center offers the following recommendations as ways of improving the chance of the CDBG program to meet its objectives most effectively.

C DFA should review the list of desired uses of CDBG, included in the results of the online survey, to refocus and improve C DFA responsiveness to community needs.

The Center has gathered information from a variety of sources to help evaluate the current status of the New Hampshire State Administered Community Development Block Grant Program (CDBG) and provide feedback for short- and long-term program planning. The Center's survey gathered feedback on New Hampshire participants' perspectives of the strengths, weaknesses and opportunities associated with the CDBG program. The Center also engaged CDBG stakeholders in in-depth interviews to develop the following recommendations. A careful review of this research will support a better understanding of how to ensure the success of the CDBG program.

C DFA should develop a robust database of grant characteristics and outcomes to better assess performance. Because there is no standard of post performance evaluation in the other state or national CDBG programs, there is no set of “best practices” in tracking grant performance under the CDBG program. Nevertheless we recommend that C DFA improve its own data collection and tracking efforts, in order to answer persistent questions on the efficacy of different funding opportunities. Improved data collection would facilitate statistical analysis that could help determine the elements of success and failure in the CDBG program.

To maintain consistency with national practices, the C DFA should consider dividing CDBG fund allocation into at least three separate funds: Economic Development, Housing, and Public Facilities. At present, the New Hampshire CDBG program has one fund set aside for economic development programs, and another set aside for housing and public facilities programs. This means that housing programs – such as multi-family construction and housing rehabilitation – are competing with public facilities programs, like water and sewage treatment, and childcare centers, for the same “pot” of dollars. In most other states, CDBG funds are divided into at least three separate funds (economic development, housing, and public facilities). New Hampshire should follow that example, which will lead to improved targeting of funds. C DFA should also consider creating independent CDBG committees to review the grant applications for each fund. If C DFA wishes to address other community development issues (like green economy or sprawl) it should not create a situation where deserving projects are at risk just because they do not have high ‘special’ scores.

The CDFA should create a certification program for New Hampshire grant writers and administrators, through a training and certification program managed by the CDFA. If resources for grant application and administration were made available to non-participating communities, those communities could become potential participants in the CDBG program. A certified grant writer and administrator program would likely increase participation in the CDBG program from municipalities, improve the quality of CDBG applications and administration of CDBG grants, as well as potentially increase the success of CDBG grants and loans. Models of certified grant writer programs exist in Nebraska, Indiana and Kansas.

CDFA should improve its outreach to all New Hampshire cities and towns. CDFA twice each year informs the municipalities of the availability of grant funds. But CDFA could also include a summary of the rules, and a list of resources for accessing those funds. CDBG funds have mostly been applied for by those who are already familiar with the program. That needs to improve. For example, the CDFA did partner with the Local Government Center to promote the availability of American Recovery and Reinvestment Act (ARRA) CDBG funds, but this is not done for the semi-annual funding rounds.

Retain the CDBG scoring system, but simplify it. The New Hampshire CDBG scoring system governs how grant applications are evaluated and funds awarded. Scores are now assigned based on a multiplicity of factors, including socio-economic conditions, project need and project impact scoring. Experienced grant writers favor the scoring system, since it allows them to determine whether a potential project is likely to score high enough to justify applying for a CDBG grant. However, those who are unfamiliar with the scoring system find it intimidating, and therefore the scoring system could result in fewer applications for CDBG funds. The CDBG scoring system does appear to be overly complex and could be simplified by using fewer socio-economic indicators and less detailed indicators. In addition, consideration should be given to the fact that much small area data (such as town and Census block area data) used by CDFA are based on the 2000 Census (now more than ten years old). Comparable small area data will be available from the Census Bureau in the American Community Survey (ACS), but the mean errors for this data will be larger than for the decennial Census. As of this writing HUD has not yet determined how to best integrate the ACS data into its ongoing operations.

CDFA should consider raising grant application thresholds. The CDFA has set CDBG loan threshold requirements well in excess of the HUD requirements. For example, New Hampshire rules specify that one job must be created for every \$20,000 in lending to a for-profit enterprise, compared to the HUD requirement of \$35,000 per job. In another example, New Hampshire specifies that at least 60% of those assisted with CDBG funds be low to moderate income individuals, while the HUD requirement is 51%. New Hampshire has set these lower thresholds in order to ensure that New Hampshire has a "cushion" in order to meet the Federal HUD requirements. While some other states also have retained the lower thresholds, many have moved to higher thresholds.

CDFR should consider increasing the maximum grant amount above \$500,000.

CDBG loan and grant amounts in New Hampshire are “capped” at \$500,000 per project per year. CDFR should consider a sliding scale cap for loan amounts. (In Iowa, for example, municipalities with larger populations can apply for higher loan amounts). CDFR could also consider raising loan limits for special projects, subject to existing governance (for example, raising loan limits could require a super majority of the CDBG Advisory Board).

What is the State Community Development Block Grant program?

The Community Development Block Grant (CDBG) program is a flexible program that provides communities with resources to address a wide range of unique community development needs. Begun in 1974, the CDBG program is one of the longest continuously run programs at the U.S. Department of Housing and Urban Development (HUD). The CDBG program provides annual grants on a formula basis to 1,209 general units of local governments and states.

The HUD allocation formula takes into account population, poverty, incidence of overcrowded housing, and age of housing. Neither HUD nor states distribute funds directly to citizens or private organizations; all funds (other than administration and the technical assistance set-aside) are distributed by states to units of general local government. Often these funds are then sub-granted by local government to nonprofit organizations or loaned to for-profit businesses in order to implement the projects.

Since Congress believes that the states are in the best position to know and respond to the needs of local governments, Congress amended the Housing and Community Development Act of 1974 (HCD Act) in 1981 to give each state the opportunity to administer CDBG funds for non-entitlement areas. Non-entitlement areas include those units of general local government which do not receive CDBG funds directly from HUD as part of the entitlement program (Entitlement Cities and Urban Counties). Non-entitlement areas are cities with populations of less than 50,000 (except cities that are designated principal cities of Metropolitan Statistical Areas) and counties with populations of less than 200,000.

Roles and Responsibilities of HUD, States & Localities

States participating in the CDBG Program award grants only to units of general local government that carry out development activities. Annually, each state develops funding priorities and criteria for selecting projects. HUD's role under the State CDBG program is to ensure State compliance with Federal laws, regulations and policies.

Participating states have three major responsibilities:

- formulating community development objectives;

- deciding how to distribute funds among communities in non-entitlement areas; and
- ensuring that recipient communities comply with applicable State and Federal laws and requirements.

Local governments have the responsibility to consider local needs, prepare grant applications for submission to the State, and carry out the funded community development activities. Local governments must comply with Federal and State requirements.

Eligible Activities

Communities receiving CDBG funds from the State may use the funds for many kinds of community development activities including, but not limited to:

- acquisition of property for public purposes;
- construction or reconstruction of streets, water and sewer facilities, neighborhood centers, recreation facilities, and other public works;
- rehabilitation of public and private buildings;
- public services;
- planning activities;
- assistance to nonprofit entities for community development activities; and
- assistance to private, for-profit entities to carry out economic development activities (including assistance to micro-enterprises).

The Housing and Community Development Act Amendments of 1983 provide that up to \$100,000 plus 2% of the state's allocation may be used for state administration. The Federal law also requires the state to match the Federal funds dollar for dollar for the 2% portion of the administrative costs. State funds must pay for all administrative costs over the \$100,000 plus the 2% limit.

Certifications by the States Under CDBG

The State must certify that:

- it is following a detailed citizen participation plan;
- it has consulted with affected units of general local government in the non-entitled area in determining the method of distribution of funding; it engages or will engage in planning for community development activities; it will provide assistance to units of general local government; it will not refuse to distribute funds to any unit of general local government based on the particular eligible activity chosen by the unit of general local government, except that a State is not prevented from establishing priorities based on the activities selected;
- it has a consolidated plan that identifies community development and housing needs and short-term and long-term community development objectives;

- it will conduct its program in accordance with the Civil Rights Act of 1964 and the Fair Housing Act of 1988 and will affirmatively further fair housing;
- it will set forth a method of distribution that ensures that each of the funded activities will meet one or more of the three broad national objectives¹ and at least 70% of the amount expended for activities over a period of one, two, or three consecutive program years will benefit low- and moderate-income families;
- it will require units of general local government to certify that they are adapting and enforcing laws to prohibit the use of excessive force against nonviolent civil rights demonstrations, and they will enforce laws against barring entrance and exit from facilities that are the targets of nonviolent civil rights demonstrations in their jurisdiction;
- it will comply with Title I of the HCD Act and all other applicable laws.

The New Hampshire State CDBG program

New Hampshire must ensure that at least 70 percent of its CDBG grant funds are used for activities that benefit low- and moderate-income persons over a one-, two-, or three-year time period selected by the State. This general objective is achieved by granting "maximum feasible priority" to activities which benefit low- and moderate-income families or aid in the prevention or elimination of slums or blight. Under unique circumstances, states may also use their funds to meet urgent community development needs. A need is considered urgent if it poses a serious and immediate threat to the health or welfare of the community and has arisen in the past 18 months.

The New Hampshire Statewide Community Development Block Grant Program transferred to the Community Development Finance Authority (CDFA) in 2003. Prior to that year the program was administered by the New Hampshire Office of Energy and Planning (formerly named the Office of State Planning).

New Hampshire receives approximately \$10 million each year from HUD to fund the New Hampshire non-entitlement area program². These funds have in turn been distributed to the non-entitlement municipalities in New Hampshire. In New Hampshire, the cities of Concord, Dover, Manchester, Nashua and Portsmouth are entitlement cities. Entitlement cities receive CDBG funds directly from HUD and administer their own programs.

Non-entitlement New Hampshire municipalities and counties can apply on a competitive basis for these monies and use them to improve their communities.³ Often these funds are sub-granted to nonprofit organizations or loaned to for-profit businesses in order to implement the projects.

¹ The objectives are defined as Benefiting Low- and Moderate Income Persons; Preventing or Eliminating Slums or Blight; and Meeting Urgent Needs.

² Federal allocations for the CDBG program can vary from one year to the next. The New Hampshire allocation for the current program year has been reduced to \$8.4 million.

³ The entitlement communities of Manchester, Nashua, Portsmouth, Dover and Rochester are not eligible to apply for state CDBG funds.

- **CDBG Affordable Housing** grants are used to purchase, rehabilitate, expand, and improve the condition and supply of housing for low and moderate income homeowners and tenants.
- **CDBG Public Facilities** grants are for both water and sewer system improvements, transitional and homeless shelters, and neighborhood facilities that provide public services to low and moderate income people.
- **CDBG Economic Development** grants help to create and retain jobs that provide good wages, benefits, and training programs for low- and moderate-income people. These funds can go directly to local government for infrastructure development, as long as the development creates and retains jobs. Typically, funds are granted to municipalities and counties and then sub-granted to Regional Development Corporations (RDCs) and Economic Development Entities (EDEs). The RDCs and EDEs use the funds to either make loans to for-profit businesses for the expansion of their business or to acquire and develop real property for sale or lease to businesses. The repayment of the CDBG loan by the for-profit business to the RDC/EDE, or the sale proceeds from the developed real estate to the for-profit businesses helps to strengthen the viability of these economic development organizations statewide.
- **CDBG Emergency** grants are for projects designed in response to emergencies and unanticipated events that have a serious and immediate threat to the public health and safety of low and moderate income people.
- **CDBG Feasibility Study** grants are to determine whether or not a proposed CDBG project is feasible and/or to recommend specific action be undertaken.

At present New Hampshire CDBG grants for Affordable Housing and Public Facilities are awarded twice a year, in two competitive rounds. New Hampshire CDBG Economic Development grants are awarded on a first come, first serve basis. Any Economic Development funds not exhausted in the current program year are re-allocated to that year's Affordable Housing and Public Facilities programs. The grant award limit for Economic Development, Housing and Public Facilities is \$500,000.

New Hampshire CDBG Application Process and Scoring System

The New Hampshire CDBG application process requires that a municipality (or RDC/EDE on behalf of a municipality) submit an application to CDFA. The CDFA staff review and make recommendations on the grant application, which is followed by a CDBG Advisory Committee approval/denial of the application. The CDFA staff then drafts a contract, and the Governor and Executive Council approve the project. After that approval, the funds are made available. This entire process usually takes up to four months to complete.

The New Hampshire CDBG rules and scoring system govern how grant applications are evaluated and funds rewarded. The scoring system for Housing and Public Facilities grant applications looks at socio-economic variables, project or area need, and the project impact. The total possible score for a Housing or Public Facilities project is 410 points.

- Socio-economic scores (also nicknamed “set points”) are assigned to each New Hampshire municipality and county based on an analysis executed by the CDFA staff. Points are awarded to each municipality based on factors such as the number of human service recipients in the municipality, the median household income, the percentage of households in poverty, unemployment rates and equalized tax rates. The highest possible score is 70 points.
- 50 Project Need points are awarded to the application showing the greatest need when compared to the other applications in the same subcategory (Housing or Public Facilities, round specific). An additional 50 Area Benefit points can be awarded based on the percent of low- and moderate-income persons/households residing in the target or service area at the time of application. Thus the highest possible score is 100 points.
- Project Impact points are awarded based on the percentage of low- and moderate-income households served upon completion of the proposed project, cost per beneficiary, impact on neighborhoods, matching funds, long term benefit to the community, readiness for implementation, and a project priority assessment. The highest possible score is 240 points.

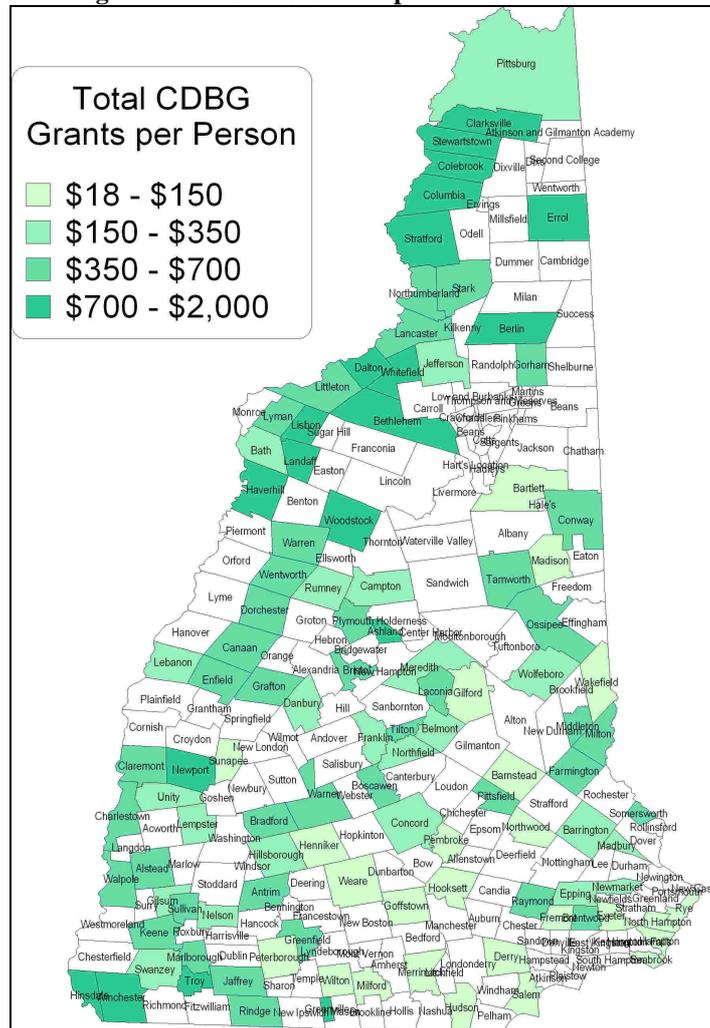
Economic Development projects are evaluated and scored on a slightly different system, which emphasizes job creation and retention for low to moderate income (LMI) individuals. A minimum of 60% of jobs in a CDBG financed project must be available to LMI persons. There is a threshold or minimum ‘Cost per job’— one job must be created or retained for each \$20,000 of the total CDBG grant requested. Scoring is based on the strength of the business loan, real estate development benefits, infrastructure benefits, and whether the grant will support non-profit sector jobs.

A listing of CDBG projects is in Appendix One of this report.

CDBG Funds Awarded in New Hampshire by Area

The following map (Figure 1) shows CDBG grants awarded per person over the period 1984 to 2009. The map suggests that CDBG awards per resident have been highest in the northern and western municipalities of New Hampshire. These areas of New Hampshire also tend to be the areas with the greatest concentration of low- to moderate-income residents.

Figure 1: NH CDBG Grants per Person 1984 to 2009



CDBG Requests Often Return for Reconsideration

In New Hampshire CDBG grant requests for public facilities and housing projects are evaluated together, in two competitive rounds each year. Projects compete based on their total scores. It is not uncommon for a project that fails to make the cut in one competitive round to return again for reconsideration. Table 1 shows the results of the 2005 competitive round. Note that the Claremont daycare project was unsuccessful in the first round in 2005, but was approved in the second round in that year (although the project was ultimately not built).

Table 1: 2005 Housing and Public Facilities Competitive Round

	Community	Name	Type	Score	Request	Recommendation	Available Balance
2005first round							\$1,568,568
2005first round	Berlin	The Cornerstone Building	Housing	348	\$500,000	\$500,000	\$1,068,568
2005first round	Hinsdale	Canal Street Sewer Improvement Project	Public Facility	341	\$218,672	\$218,672	\$849,896
2005first round	Merrimack County	Pleasant Street Project	Housing	332	\$250,000	\$250,000	\$599,896
2005first round	Concord	North End Neighborhood Revitalization Project	Housing	330	\$496,000	\$496,000	\$103,896
2005first round	Northwood	Elderly Housing	Housing	328	\$425,000	\$103,896	\$0
2005first round	Claremont	White Mountain Children's Center	Public Facility	312	\$350,000	\$0	\$0
2005first round	Haverhill	Haverhill-Bath Covered Bridge	Public Facility	257	\$210,000	\$0	\$0
2005second round							\$2,186,500
2005second round	Ossipee	Sandy Ridge Estates Cooperative Infrastructure Imp	Housing	359	\$500,000	\$500,000	\$1,686,500
2005second round	Somersworth	Workforce Housing Initiative - Phase I	Housing	355	\$500,000	\$500,000	\$1,186,500
2005second round	Littleton	Beattie House at Mt. Eustis Commons Phase I	Housing	341	\$500,000	\$500,000	\$686,500
2005second round	Merrimack County	McKenna House Improvement Project	Public Facility	325	\$86,500	\$86,500	\$600,000
2005second round	Claremont	White Mountain Children's Center	Public Facility	322	\$350,000	\$350,000	\$250,000
2005second round	Bartlett	Albany Avenue Waterline Replacement	Public Facility	313	\$250,000	\$250,000	\$0
2005second round	Bristol	Wastewater Treatment Plant Upgrade	Public Facility	301	\$300,000	\$0	\$0
2005second round	Cheshire County	County Wide Housing Rehabilitation Project	Housing	299	\$350,000	\$0	\$0
2005second round	Troy	Water System Improvements	Public Facility	284	\$350,000	\$0	\$0
2005second round	Loudon	Freedom Hill Coop Water System Improvements	Housing	282	\$500,000	\$0	\$0
2005second round	Ashland	CAP Offices and Head Start	Public Facility	268	\$375,000	\$0	\$0

As shown in Table 2 below, the Bristol and Troy water system projects that were rejected in 2005 (Table 1) were eventually approved in 2006. The Bristol wastewater treatment plant upgrade was submitted three times (once in 2005, twice in 2006) before being approved for grant funding.

Table 2: 2006 Housing and Public Facilities Competitive Round

	Community	Name	Type	Score	Request	Recommendation	Available Balance
2006first round							\$2,822,990
2006first round	Newport	Meadow Road Senior Housing	Housing	368	\$500,000	\$500,000	\$2,322,990
2006first round	Franklin	Bow Glenn Housing Rehabilitation	Housing	349	\$485,000	\$485,000	\$1,837,990
2006first round	Salem	Telfer Circle Extension Senior Housing	Housing	337	\$450,000	\$450,000	\$1,387,990
2006first round	Merrimack County	Concord Family YMCA Child Care Center	Public Facility	319	\$242,990	\$242,990	\$1,145,000
2006first round	Exeter	Squamscott Block Affordable Housing	Housing	318	\$500,000	\$500,000	\$645,000
2006first round	Lancaster	Water Street Infrastructure Improvements	Public Facility	314	\$307,500	\$307,500	\$337,500
2006first round	Troy	Water System Improvements	Public Facility	313	\$337,500	\$337,500	\$0
2006first round	Cheshire County	County Wide Housing Rehabilitation Project	Housing	303	\$350,000	\$0	\$0
2006first round	Bristol	Wastewater Treatment Plant Upgrade	Public Facility	296	\$300,000	\$0	\$0
2006second round							\$2,604,477
2006second round	Greenfield	Croched Mountain Wastewater System Improve	Housing	352	\$500,000	\$500,000	\$2,104,477
2006second round	Hudson	Otatic Pond Cooperative Infrastructure Improve	Public Facility	330	\$358,600	\$358,600	\$1,745,877
2006second round	Grafton County	Gile Community Housing	Public Facility	320	\$500,000	\$500,000	\$1,245,877
2006second round	Concord	Island Shores Heating System Replacement	Housing	315	\$170,000	\$170,000	\$1,075,877
2006second round	Jaffrey	Jaffrey Mill Apartments	Housing	314	\$500,000	\$500,000	\$575,877
2006second round	Bristol	Wastewater Treatment Plant Upgrade	Public Facility	308	\$250,000	\$250,000	\$325,877
2006second round	Berlin	Neighborhood Revitalization	Housing	293	\$350,000	\$325,877	\$0
2006second round	Cheshire County	County Wide Housing Rehabilitation Project	Housing	278	\$350,000	\$0	\$0

CDBG Performance Measurement

In 2005 HUD endorsed an outcome performance measurement system for the state administered CDBG programs. Performance data is now captured and published for each state, by program type and eligible activity. The following tables summarize the New Hampshire performance measurement results for the years 2005 to 2009.

Table 3: CDBG Housing Performance in New Hampshire

HOUSING		2005	2006	2007	2008	2009
Matrix Code	Eligible Activity	Number of Households Assisted				
14A	Rehabilitation: Single-Unit Residential	112		36	99	225
14B	Rehabilitation: Multi-Unit Residential	120	177	52	37	105
Total Households Assisted:		232	177	88	136	330

The New Hampshire CDBG program assisted almost 1,000 households in the past five years (Table 3), through the rehabilitation of single family and multi-family rehabilitation.

Table 4: CDBG Economic Development Performance in New Hampshire

ECONOMIC DEVELOPMENT		2005	2006	2007	2008	2009
Matrix Code	Eligible Activity	Number of Jobs Created/Ret				
17A	Commercial/Industrial Land Acquisition/Disposition		37			
17B	Commercial/Industrial Infrastructure Development		20		17	
17C	Commercial/Industrial Building Acquisition, Construction, Rehabilitation	24	12	40	26	
17D	Other Commercial/Industrial Improvements	1				
18A	ED Direct: Financial Assistance to For-Profit Businesses	350	166	69	14	40
18C	Micro-Enterprise Assistance	200		55	45	
Total Of Jobs Created/Retained:		575	235	164	102	40

The New Hampshire CDBG program created or retained over 1,110 jobs in the past five years (Table 4). About half of the jobs created or retained came from direct financial assistance to for-profit businesses. Micro enterprise assistance is credited with creating or retaining about one third of the jobs in the past five years.

Table 5: CDBG Public Services Performance in New Hampshire

PUBLIC SERVICES		2005	2006	2007	2008	2009
Matrix Code	Eligible Activity		Number of Persons Benefitting		Number of Persons Benefitting	
05A	Senior Services				3,726	
05L	Child Care Services		44			
Total Persons Assisted:			44		3,726	

The New Hampshire CDBG program assisted almost 3,800 people in the last five years, (Table 5), with most of that coming from senior services.

Table 6: CDBG Public Improvements Performance in New Hampshire

PUBLIC IMPROVEMENTS		2005	2006	2007	2008	2009
Matrix Code	Eligible Activity	Number of Persons Benefitting				
03A	Senior Centers					64
03C	Homeless Facilities (not operating costs)	504	384	356		320
03D	Youth Centers/Facilities		244			
03H	Solid Waste Disposal Facilities	445	208			
03J	Water/Sewer Improvements	947	1,182	4,958	764	770
03M	Child Care Centers/Facilities for Children				277	
03P	Health Facilities					697
Total Persons Benefitting:		1,896	2,018	5,314	1,041	1,851

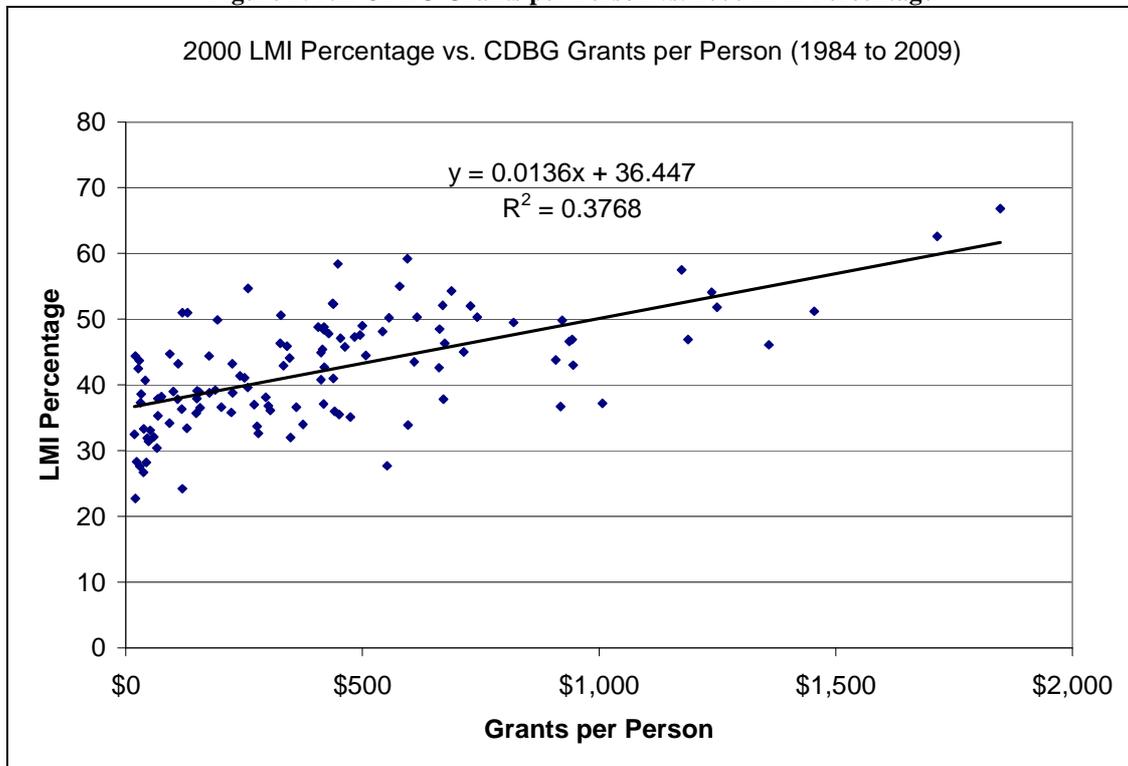
The New Hampshire CDBG program created public improvements for over 12,000 people in the past five years (Table 6). Over 70% of that benefit came from improvements to municipal water and sewer systems.

Have CDBG Funds Gone to Those Most in Need?

The goal of the CDBG program is to assist low- to moderate-income residents⁴. Therefore it is worthwhile examining whether CDBG grants have been awarded to those most in need. CDBG grants per person should be highest in the areas of New Hampshire that have the highest portion of low- to moderate-income residents, and grants per person should be lower in the areas with the smallest portion of low- to moderate-income residents.

Figure 2 shows CDBG grants per person graphed in a scatter plot against the year 2000 percentage of low to moderate income residents (LMI percentage) by town. There is a moderately strong and positive correlation between CDBG grants per person in the subject town, and the portion of residents in that town that are low to moderate income residents.

Figure 2: NH CDBG Grants per Person vs. 2000 LMI Percentage



The data in Table 7 summarizes the CDBG award town data by county over the period 1984 to 2009. More than \$224 million in CDBG grants have been awarded in New

⁴ HUD defines Low Income as any household earning less than 50% of the Area Median Income. Moderate-Income is defined by HUD as households earning between 50% and 80% of the Area Median Income. HUD publishes the Area Median Income for each location at <http://www.hud.gov/local/>

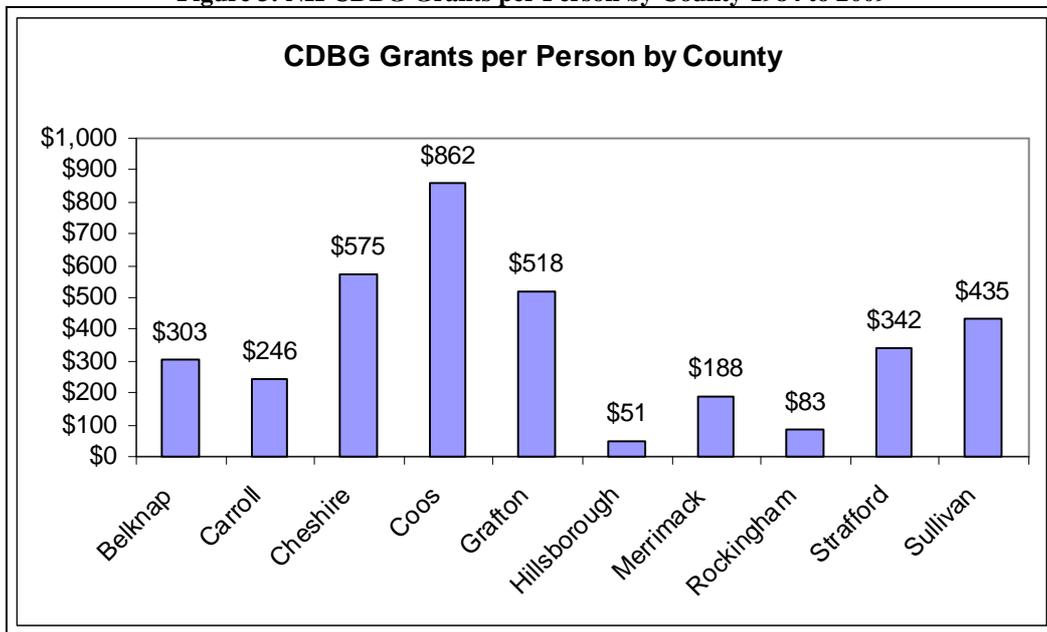
Hampshire since 1995, almost equally split between Economic Development, Housing and Public Facilities.⁵

Table 7: NH CDBG Awards by Type and County 1984 to 2009

New Hampshire CDBG Grant Awards by County - 1984 to 2009					
	Capacity	EconDev	Housing	Public Facil	Grand Total
Belknap		\$5,009,500	\$7,181,263	\$3,669,686	\$16,695,949
Carroll		\$2,386,600	\$1,892,000	\$5,262,000	\$10,611,988
Cheshire		\$13,144,400	\$17,925,884	\$8,336,132	\$40,111,416
Coos		\$7,086,900	\$8,598,032	\$11,842,172	\$27,972,104
Grafton		\$13,576,694	\$11,501,617	\$12,999,839	\$39,048,150
Hillsborough		\$1,459,600	\$3,033,144	\$4,798,067	\$9,290,811
Merrimack		\$3,648,000	\$11,089,768	\$9,324,734	\$24,412,502
Rockingham		\$9,475,064	\$4,941,763	\$5,786,359	\$21,023,321
Strafford		\$7,171,941	\$5,988,132	\$4,292,500	\$17,847,573
Sullivan		\$6,342,955	\$6,191,592	\$4,460,455	\$17,340,002
State	\$5,937,023	\$69,301,654	\$78,343,195	\$70,771,944	\$224,353,816

New Hampshire CDBG grants per person by county are shown in Figure 3. Northernmost Coos County had the highest amount of CDBG grants per person, while Hillsborough County had the lowest amount of CDBG grants per person.

Figure 3: NH CDBG Grants per Person by County 1984 to 2009

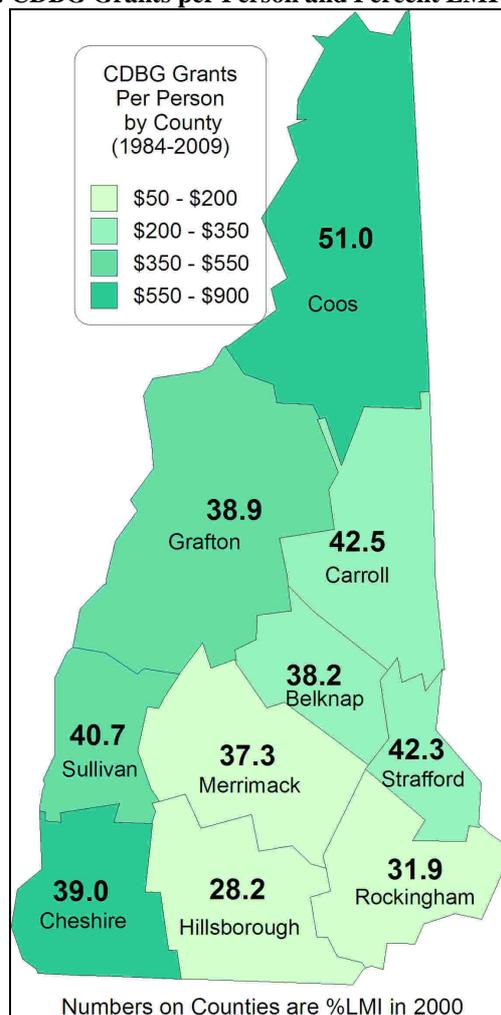


⁵ Despite the long standing split of half of state CDBG funds allocated to Economic Development, and half to Public Facilities and Housing, there have been several years when not all of the Economic Development allocation has been granted. These monies then automatically revert to Public Facilities and Housing.

Coos County has the highest amount of CDBG grant awards per person, but also the highest percentage of low- to moderate-income residents. On the other hand, Hillsborough County has the lowest level of CDBG grant awards per person and the lowest LMI percentage among the counties.

The following map (Figure 4) shows each county in New Hampshire shaded according to the CDBG grant awards. The number on each county is the percentage of residents that are low to moderate income (LMI) in each area.

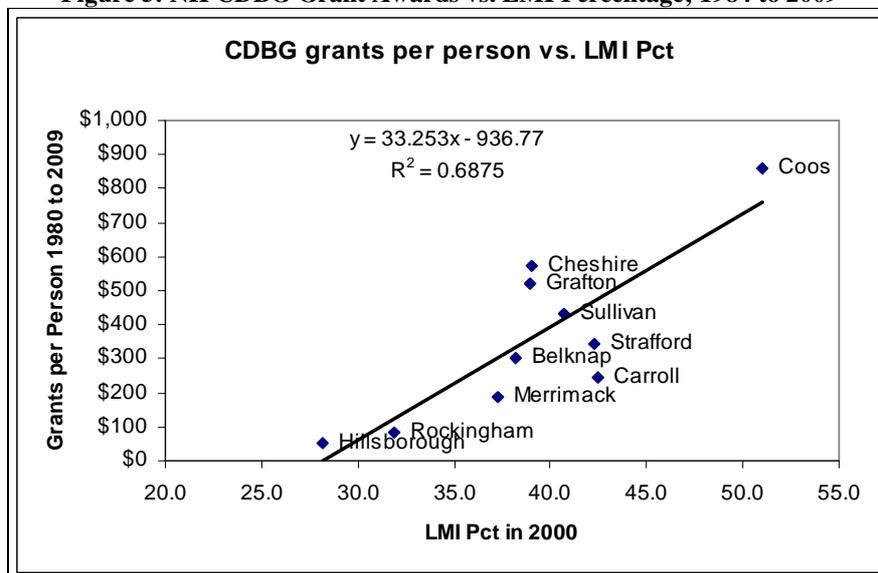
Figure 4: CDBG Grants per Person and Percent LMI by County



In the following graph (Figure 5) we show the correlation between grants awarded by county, and the percentage of low to moderate income residents by county in the year 2000. There is a strong positive correlation between CDBG grants and the percentage of low- to moderate-income residents. The data on LMI percentage has been adjusted to remove the entitlement cities of Manchester, Nashua, Portsmouth, Rochester, and Dover.

It is interesting to note the variation around the trend line in Figure 5. CDBG grant awards per person are above the trend line for Cheshire and Grafton counties, while grant awards are below the fit line for Carroll County. Cheshire and Grafton lie above the graph trend line, implying that these areas have been more successful than average in receiving CDBG funding as compared to need in that geographic area. Carroll and Merrimack counties lie below the trend line, suggesting these counties have been less successful than average in receiving CDBG funds based on need.

Figure 5: NH CDBG Grant Awards vs. LMI Percentage; 1984 to 2009



Figures on the following pages show the relationship between CDBG grants and the portion of low to moderate income residents for selected time periods 1995 to 2003 and 2004 to 2010. The relationships noted above are largely unchanged. That is, Grafton and Cheshire have a history of being more successful in receiving CDBG grants (in relation to the portion of low- to moderate-income people in those areas), while Merrimack, and especially Carroll have been less successful.

Figure 6: NH CDBG Grant Awards vs. LMI Percentage 1995 to 2003

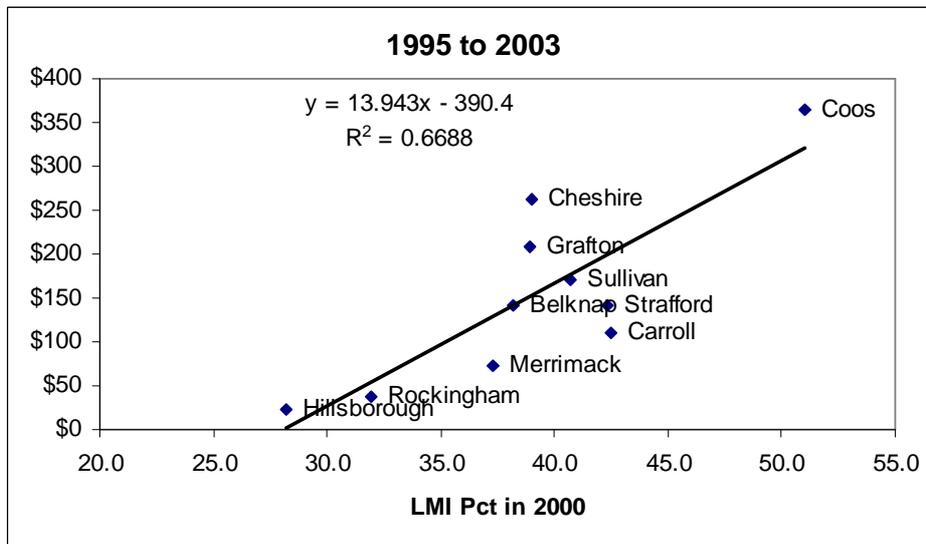
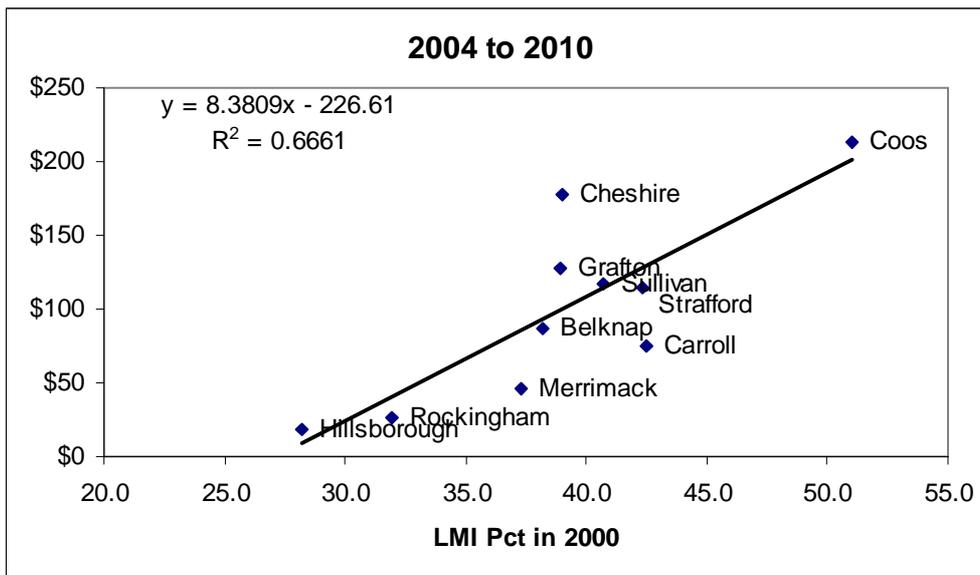


Figure 7: NH CDBG Grant Awards vs. LMI Percentage 2004 to 2010



There are several New Hampshire towns that have never received a CDBG grant. Research and interviews with those in the CDBG community suggest that these towns may either not have enough low- to moderate-income residents (as a percentage of their total population) to qualify for a CDBG grant, or the municipality may lack the administrative capacity, or the desire, to apply for a CDBG grant.

Table 8: NH Non Entitlement Towns/Counties Not Receiving a NH CDBG Grant Since 1984

Acworth	Harrisville	South Hampton
Albany	Hart's Location	Springfield
Alexandria	Hebron	Stoddard
Allenstown	Hill	Strafford
Alton	Hillsborough	Stratham
Amherst	County	Sugar Hill
Andover	Holderness	Surry
Atkinson	Hollis	Sutton
Auburn	Hopkinton	Temple
Bedford	Jackson	Thornton
Bennington	Kensington	Tuftonboro
Benton	Kingston	Washington
Bridgewater	Langdon	Waterville Valley
Brookfield	Lee	Webster
Brookline	Litchfield	Westmoreland
Candia	Lyme	Wilmot
Canterbury	Lyndeborough	Windham
Center Harbor	Marlow	Windsor
Chatham	Mason	
Chester	Milan	
Chesterfield	Monroe	
Chichester	Mont Vernon	
Cornish	Moultonborough	
Croydon	New Boston	
Danville	New Castle	
Deerfield	New Durham	
Deering	New Hampton	
Dublin	New Ipswich	
Dummer	New London	
Dunbarton	Newbury	
Durham	Newfields	
East Kingston	Newington	
Easton	Newton	
Eaton	Orange	
Effingham	Orford	
Ellsworth	Pelham	
Fitzwilliam	Piermont	
Francestown	Plainfield	
Franconia	Randolph	
Freedom	Richmond	
Gilmanton	Rollinsford	
Goshen	Roxbury	
Grantham	Salisbury	
Greenland	Sanbornton	
Groton	Sandown	
Hampstead	Sandwich	
Hampton Falls	Sharon	
Hancock	Shelburne	

National Research on the CDBG Program

A review of the national research on the state-administered CDBG program shows that the program is an important part of states' efforts to address the community development needs of small towns and rural areas. There are several studies that have analyzed performance aspects of the state administered CDBG program. Most of these studies address either the timely distribution of funds, grant administration, or debate measures of performance.

HUD wants to ensure that CDBG funds are used in a timely fashion, reflecting the desire of Congress to ensure that funds are serving citizens in local communities and fulfilling the national objectives of the program. Since no one benefits from these funds until specific activities are underway or completed, states must distribute the funds in a timely manner in order to benefit low- and moderate-income people. HUD's own records show that New Hampshire has distributed funds in a timely manner.⁶

Although CDBG grants are extended to local government, most often CDBG grants are used to fund other organizations, including not-for-profit organizations and for profit businesses. These other organizations are known as sub-recipients. Reliance on sub-recipients is widespread throughout the CDBG program; some grantees devote more than half of their grant funds to activities carried out by sub-recipients. Management of sub-recipients is therefore part of CDBG effectiveness. The two major factors differentiating effective and ineffective sub-recipient management are: attention to the capacity of sub-recipients to comply with program requirements; and creation of a framework of incentives and penalties. The most effective oversight combines positive incentives for good performers with sanctions for those who do not comply with program requirements. Effective management systems also provide sub-recipients with the knowledge and tools to comply. However, there is no single model for successful sub-recipient management.⁷

In March 2006 HUD announced the Notice of Outcome Performance Measurement System for Community Planning and Development Formula Grant Programs. However this effort to measure the effectiveness of the HUD CDBG program seems at this writing to be in stasis – no new material has been published by HUD in the past five years. There is also concern that simply measuring the CDBG program can change it in unintended ways. As one notable researcher described it, “While performance measurement is undoubtedly a necessary component of any management scheme and can be an important tool in generating support for public spending, the increased emphasis at HUD may have the effect (unintended or otherwise) of altering the existing mix of activities to encourage more cities to adopt spending strategies closer to those seen in the ‘Statewide’ profile.”⁸

⁶“Methods for Improving Timely Performance for the State Community Development Block Grant Program”, HUD, January 2004

⁷ “Managing Subrecipients of CDBG Grantees”, The Urban Institute, December 2005.

⁸ “The Effects of Performance Measurement on Community Development Spending Priorities: CDBG meets GPRA”, Ezra Haber Glenn, AICP, April 2008.

Other researchers disagree, noting that HUD has already identified structural and management deficiencies in the Community Development Block Grant program. Many believe that better targeting of funds and a more realistic mission with achievable outcome measures may better serve some of the program's goals.⁹

Another issue with the CDBG program is that alternative programs (such as assisted historic preservation and heritage tourism activities) must still meet a national objective. The activity must benefit low- and moderate-income persons; prevent or eliminate slums or blight; or be designed to meet a community development need having an urgent need. Some examples include: the preservation of a commercial building that results in the creation of jobs where at least 51 percent are held by low and moderate-income persons; the preservation of a building used for a community center that serves residents in an area whose population is 51 percent low- and-moderate income; an entitlement community that has used historic preservation activities in a designated slum and blighted area or in a non-designated slum and blighted area that shows signs of decay (on a spot basis).¹⁰

What does the national literature recommend for refocusing the program? The national literature reviewed by the Center offers little guidance for refocusing the New Hampshire CDBG program. In our view, and based on our research in other states, the variation in state CDBG programs shows that states set their own CDBG priorities. Those priorities must fit within the national objectives of the CDBG program, which are that funds be distributed in a timely manner, and to assist people of low- to moderate-income. As long as those goals are met, state CDBG programs have great flexibility in meeting local community development needs.

Best Practices and Other States

The New Hampshire Community Development Finance Authority was interested in understanding the CDBG practices in other states and identifying "best practices" that could be adopted by the CDFA. The research questions were: What works in other states using CDBG money? What have other states done to reevaluate and refocus the program? What are the best practices? What are the common problems?

The first step was to determine which states to survey. An obvious criterion would be to select states that have CDBG allocations close to the New Hampshire CDBG allocation from HUD. To illustrate the point, the following table (Table 9) shows the CDBG state programs that were closest to New Hampshire in the 2010 CDBG allocation.

⁹ "Developing Performance Measures for The Community Development Block Grant Program", Thomas M. Downs, National Academy of Public Administration (Academy) Panel, May 2005, and "Community Development Block Grants, The Case for Reform", Testimony of Eileen Norcross, M.A., June 2006.

¹⁰ "Historic Preservation and Heritage Tourism in Housing and Community Development: A Guide to Using Community Development Block Grant Funds for Historic Preservation and Heritage Tourism in your Communities", Office of Archeology and Historic Preservation, Colorado Historical Society

Table 9: States with a CDBG Allocation Close to New Hampshire

2010 Grantees for CDBG New England and Similar Size State Programs			
FY10 Allocations			
KEY	STA	NAME	CDBG10
409999	OK	OKLAHOMA STATE PROGRAM	\$17,354,448
539999	WA	WASHINGTON STATE PROGRAM	\$16,779,154
419999	OR	OREGON STATE PROGRAM	\$15,680,902
359999	NM	NEW MEXICO STATE PROGRAM	\$15,504,021
099999	CT	CONNECTICUT STATE PROG	\$14,692,943
239999	ME	MAINE STATE PROGRAM	\$13,725,769
319999	NE	NEBRASKA STATE PROGRAM	\$13,581,017
049999	AZ	ARIZONA STATE PROGRAM	\$13,252,771
089999	CO	COLORADO STATE PROGRAM	\$10,355,150
339999	NH	NEW HAMPSHIRE STATE PROG	\$10,011,018
169999	ID	IDAHO STATE PROGRAM	\$9,418,790
249999	MD	MARYLAND STATE PROGRAM	\$8,749,767
509999	VT	VERMONT STATE PROGRAM	\$8,049,765
349999	NJ	NEW JERSEY STATE PROGRAM	\$7,846,149
499999	UT	UTAH STATE PROGRAM	\$7,516,388
309999	MT	MONTANA STATE PROGRAM	\$7,466,019
469999	SD	SOUTH DAKOTA STATE PROG	\$7,215,709
449999	RI	RHODE ISLAND STATE PROG	\$5,672,811

In addition to the size of the program, we wanted to consider programs in other parts of New England, as well as in states that have a similar demographic makeup to that of New Hampshire. The following states were selected for further study based on whether these states were New England states, whether their CDBG allocation were of similar size, and whether their demographic makeup was similar to New Hampshire's. States interviewed in the summer of 2010 were:

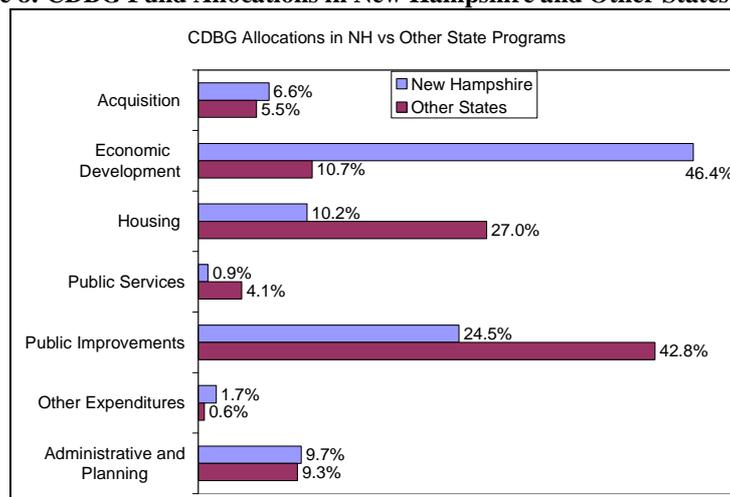
- All of the New England states
- Colorado
- Arizona
- Virginia
- Maryland
- Washington
- Iowa
- Arkansas
- Nebraska
- Kentucky

As expected by HUD, each state administers a unique CDBG program which, while meeting the HUD goals and objectives, also reflects the characteristics and priorities of that particular state. Some states have detailed rules about who may apply and when, while other states have open processes with few or no rules. Advantages to programs with definitive rules and scoring systems are that grants are easy to 'score' at the outset. However programs with very rigid rules may mean a deserving project goes begging. State CDBG programs with less structure or few rules are more flexible, but are also more subject to political influence.

New Hampshire Favors Economic Development

In every state, including New Hampshire, CDBG non-entitlement funds are administered at the state level. Each state has a unique method of allocating funds and different procedures for awarding and distributing those funds. However, New Hampshire's program has a nearly singular allocation of funds, as show in Figure 8. New Hampshire is one of the few states in the country that allocates half of total Federal CDBG funds to Economic Development activities. States usually allocate a third or less to economic development and the majority of their funds to affordable housing and public facilities projects.

Figure 8: CDBG Fund Allocations in New Hampshire and Other States in 2009



This fund allocation choice by New Hampshire has the goal of building local and regional economic development lending capacity. CDBG Economic Development loans to private businesses are paid back to the lending agency, which in New Hampshire is the local EDE/RDC. The local EDE/RDC can then use the CDBG program income to create a revolving loan fund for other Economic Development projects in the area. CDFA estimates that the CDBG program, even allowing for loans that have not been paid back, has created approximately \$40 million in regional lending capacity among the RDCs in New Hampshire since the inception of the program.

The Center not only reviewed the rules and requirements of each state program, but also interviewed administrators in the selected states. Summaries for each state interview are available upon request.

Summary of State Research

CDBG provides flexible funding to state and local governments which allows communities to address the needs of low and moderate income residents they have identified based upon a wide ranging list of eligible activities. Local units of government, city and/or county administer these funds based on a Consolidated Plan for the jurisdiction which determines the community development and housing activities they will undertake.

States administer the CDBG program to meet the national goals to ensure safe and decent affordable housing, provide services to the most vulnerable members of the community, and create jobs through business growth. Though each state CDBG program must meet the national goals, each state CDBG program is different.

States differ in deciding how to allocate funds to meet each of the above goals. States range from non-specific block grant set asides (like New Hampshire's division of economic development and housing/public facilities) to highly focused programs (like Maine's more than a dozen separate fund allocations, each with its own budget, rules and goals). Most states, if they have separate set asides, will divide public facilities from housing. Some states (like Arizona, Rhode Island and Massachusetts) have created annual fund allocations for particular geographic areas within their states, essentially setting up their own entitlement areas. A few states have very unique funding initiatives. (Examples include Green Initiative CDBG funding in Iowa and the very high level of fund targeting in Maine.)

State decision making regarding which projects to fund reflect the characteristics and priorities of that particular state. Many states have detailed rules about who may apply and when, while other states have open processes with few or no rules. Governance of CDBG rules in other states range from rigid legislative review (Iowa and Kentucky) to flexible internal changes (such as in Colorado, Massachusetts, and Arkansas.) At the extremes of governance are Connecticut, which requires the review of three separate Legislative committees to effect a rule change, and Vermont, which can change rules based on a public hearing.

Only a few states surveyed (Iowa and Colorado) were unable to disperse funds in a timely manner. Iowa's difficulty related to a natural disaster (floods). Colorado did have an issue two years ago with \$18 million in unspent funds accumulated over the previous 5½ years, so the Colorado state program increased the funding cycle and gave larger awards to use those funds.

Few CDBG state government units have their own revolving loan funds. Most often, program income in other states goes to RDCs or local government, with the goal of improving local economic development capacity.

Nebraska, Kansas and Indiana have certified grant administrator programs. These programs usually involve several days of training in order to attain certification, with re-certification required after three years.

Review of closed New Hampshire projects

The Center requested information from CDFA on 24 closed New Hampshire projects. These included CDBG projects considered successful by those within the CDBG community (economic development professionals, housing advocates, grant writers and administrators, municipal officials, etc.), as well as CDBG projects considered unsuccessful by several within the CDBG community.

Table 10: Closed CDBG Projects Selected

	Grant Tracking Number, Location, RDC, Project Name	From	To	Award	Months
1	99210CDED Farmington – WEDCO - Three Phase Power	6/15/1999	6/30/2001	\$250,000	24
2	99038CDED Keene – MEDC - Imtec	4/13/1999	12/31/2001	\$1,000,000	32
3	00203CDED Seabrook – Poland Springs Warehouse	9/6/2000	6/30/2003	\$465,000	33
4	01194CDED North Hampton – REDC - Lamprey Oil	6/28/2001	12/31/2003	\$180,000	30
5	99408CDED Rockingham County – Wentworth by the Sea reroute Rt 1	7/14/2000	12/31/2003	\$984,654	41
6	02214CDED Milton – WEDCO - New Frontier Industries	1/15/2003	12/31/2004	\$700,000	23
7	03008CDHS Meredith – BCEDC- Inn at Church's Landing (Hampshire Hospital)	3/24/2004	6/30/2005	\$350,000	15
8	03053 CDHS Berlin – Glen Avenue	8/13/2003	6/30/2005	\$191,500	22
9	03405CDED Lisbon – GCEDC – DCI	6/2/2004	6/30/2005	\$500,000	12
10	04403CDED Keene – MEDC - Janos Technology	3/12/2004	6/30/2006	\$440,000	27
11	02408CDED Rockingham County – CEDC - Port City Air	5/29/2002	12/31/2006	\$380,000	55
12	05130CDED Merrimack – Gateway (GIDC) - G T Solar	8/30/2005	12/31/2006	\$500,000	16
13	03403CDED Cheshire County – MEDC - MRBIN Incubator	1/16/2003	6/30/2007	\$260,000	53
14	04207CDED Barrington – SEDC - Turbocam	7/28/2004	6/30/2007	\$700,000	35
15	05029CDED Wolfeboro – WEDCO - G T Plastek	7/12/2005	6/30/2007	\$240,000	23
16	05407CDED Merrimack County – CRDC - Concord Food Co-op	7/22/2005	6/30/2007	\$220,000	23
17	05104CDED Plymouth – CRDC - Mid State Health Center	5/4/2005	12/31/2007	\$440,000	31
18	04016CDED Conway – MWVEC - Technology Village	7/26/2004	6/30/2008	\$860,000	47
19	06037CDHS Jaffrey – Great Bridge – Jaffrey Mill	1/10/2007	12/31/2008	\$500,000	23
20	06061CDED Gorham – Coos EDC -Steel Elements	12/4/2006	12/31/2008	\$400,000	24
21	06408CDED Seabrook – CEDC - Colors, Compounds	12/20/2006	12/31/2008	\$300,000	24
22	08094CDHS Lebanon – Upper Valley Housing Coalition – Romano Place	1/14/2009	6/30/2010	\$400,000	17
23	08404CDED and 08061CDED Berlin – Coos EDC - Fraser Paper	8/7/2008	6/30/2010	\$500,000	22
24	04050CDED North Walpole – MEDC - Dunning	1/15/2005	12/31/2010	\$450,000	71

CDFA provided the “Contract Data Sheet”, a four-page report, for each closed project in the above list. The contract data sheet included HUD reporting requirements (loan amounts, payment terms, data on the number of jobs created, demographic characteristics of the population served, etc.) but was of limited value in analyzing why CDBG projects succeed or fail. No quantitative analysis of the closed projects was possible.

All of the projects reviewed by the Center passed the CDBG approval process – each project scored enough points to come under review by the CDBG Advisory Committee, withstood analysis by CDFA staff, and was reviewed and approved by the Governor and Executive Council. It must be stated, then, that the New Hampshire CDBG rules and scoring system are not prescient in sorting out good projects from bad projects. There have been many good CDBG loans and projects, as well as a few bad loans and projects that have been approved through the CDBG screening process.

The CDBG is a “funder of last resort” for economic development, housing and public facilities projects. Almost every project funded by CDBG would not have gone forward unless CDBG funds provided the extra infusion of capital needed to make the project

viable. Therefore, CDBG loans and grants are inherently more risky than loans that would be made by a local community bank or other private lender.

It is also important to point out the community benefits provided by the CDBG program. In the words of one of the original rule writers of the state CDBG program:

“Of course, we also had to go for quality of the project or we would have had some embarrassing projects. Still, the very first communities we funded had people living in structures that were not as nice as my garage and they relied on outhouses. HUD had never funded those communities before we took over the program.”

Although the CDFA currently collects some outcome data for each closed project, the Center could not provide an assessment of positive outcomes as well as the potential explanations for success or failure. For example, CDFA does measure the number and type of jobs created and retained by a project, but does not compile project sustainability measures within existing data collection. At least one of the projects listed in Table 10 met contracted outcomes and was closed as a successful project. Subsequent to “closing” the entity failed and the “outcomes” achieved were lost. In at least one other case, funds were released to what was believed by staff to be a critical economic development project before all funds to complete the project were confirmed, contrary to rules and usual practice. The anticipated match funding did not materialize, so the project could not go forward, jeopardizing CDBG funds.

The Center is mindful of the fact that CDBG loans and grants are inherently more risky than other lending, and that CDBG grants have had significant positive impacts in New Hampshire. That said, the Center recommends that the CDFA grant information gathering be improved. The creation of a robust database would allow a statistical analysis that could determine the elements of success/failure, strengths and weaknesses extended to grantees and sub-grantees. Data elements for such an analysis would include the amount of owner's equity in the project, prevailing interest rates, current economic conditions, migration patterns, credit analysis and other financial information not currently captured in the CDBG “contract data sheet.” In addition the CDFA should routinely revisit a sample of closed projects, to identify factors affecting the sustainability of closed grants.

Online Survey Regarding CDBG Focus

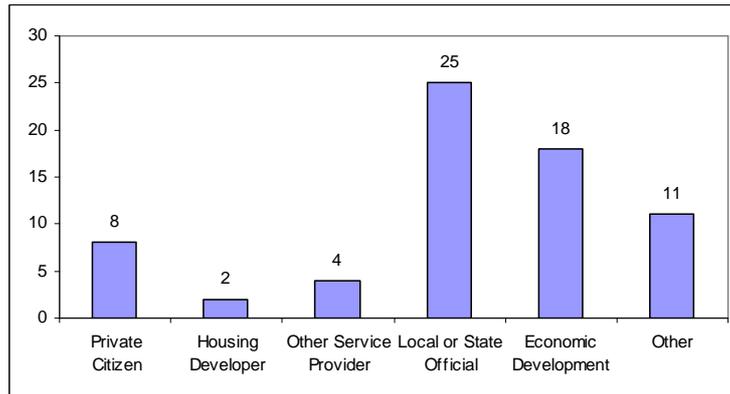
In August 2010 the Center administered an online survey on the CDBG program. The New Hampshire CDFA announced the survey in online and social media, sending an “email blast” to the CDFA contact email list, announcing the survey on Twitter and Facebook and providing a link to the survey on the New Hampshire CDFA website.

Sixty-eight people responded to the survey. Because we do not know the total number in the “CDFA universe”, we cannot determine whether or not the 68 respondents represent a

valid sample size. However, 65 respondents would represent an ideal sample size for a universe of 200, assuming a 10% margin of error.

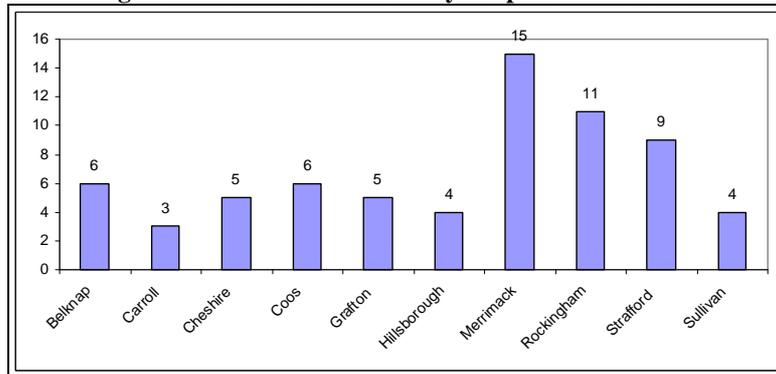
Respondents were asked to rank the importance of each CDBG activity and to comment on the survey questions. As shown in Figure 9, almost half of the survey respondents identified themselves as a local or state official. The second most common respondent was someone from the economic development community.

Figure 9: CDBG Online Survey Respondents Identity



Survey respondents were also asked to identify their location in New Hampshire. Merrimack County was identified as the location of 25 out of the 68 survey respondents. Another 11 were in Rockingham County and 9 survey respondents were in Strafford County. The respondent location data is shown on Figure 10.

Figure 10: CDBG Online Survey Respondent Location



Survey respondents were asked to rank the importance of each New Hampshire CDBG activity on a scale from 1 to 5 (with 1 meaning lowest importance and 5 meaning highest importance). There were 38 separate questions in this section of the survey, covering the broad areas of Economic Development, Housing and Public Facilities. In Table 11 we show the overall survey results from the summation of all responses to each question.

The most important CDBG activity, as ranked by the survey respondents, was the Economic Development area of "Job Retention/ Creation for low and moderate income persons." "Buying, building or rehabilitation for a commercial/industrial building" was second, followed by "Revolving Loan Fund for Business", "Downtown revitalization/redevelopment," "Low to moderate income rental housing; rehabilitation," and "Water and waste water system infrastructure for municipalities."

Table 11: Overall Importance Results from the CDBG August 2010 Online Survey

Ranking of Responses Highest to Lowest Importance		
1	Economic Development • Job Retention/ Creation for low and moderate income persons	292
2	Economic Development • Buying, building or rehabilitation for a commercial/industrial building	276
3	Economic Development • Revolving Loan Fund for Business	267
4	Economic Development • Downtown revitalization/redevelopment	267
5	Housing • Low to moderate income rental housing; rehabilitation	262
6	Public Facilities • Water and waste water system infrastructure for municipalities	255
7	Economic Development • Job training for the unemployed	254
8	Economic Development • Green or sustainable economic development/job creation.	250
9	Housing • Workforce/affordable single family housing	250
10	Economic Development • Support the operation of regional development corporations	239
11	Economic Development • Access to Broadband	238
12	Economic Development • Purchasing machinery and equipment	233
13	Public Facilities • Build or rehabilitate a Childcare facility	233
14	Housing • Low to moderate income rental housing; new construction	233
15	Economic Development • Microenterprise lending	232
16	Housing • Housing for people with special needs or disabilities	231
17	Public Facilities • Transportation improvement to benefit low income people	231
18	Economic Development • Smart Growth	230
19	Public Facilities • Create transitional housing	228
20	Housing • Low to moderate income senior assisted living housing	227
21	Economic Development • Land acquisition	226
22	Economic Development - Urban blight	226
23	Housing • Single Family housing rehabilitation	225
24	Public Facilities • Special needs or disability access to public buildings	219
25	Housing • Manufactured Housing (incl. moving from land renters to ownership organizations)	218
26	Housing • Smart Growth	218
27	Public Facilities • Build a Homeless shelter	217
28	Public Facilities • Smart Growth	214
29	Public Facilities • Rehabilitate a public building (school, library, etc.)	209
30	Economic Development • Job training for the employed	202
31	Public Facilities • Build or rehabilitate a Community center	201
32	Public Facilities • Water/sewer infrastructure for medical facilities or nursing homes.	198
33	Public Facilities • Build or rehabilitate a Senior center	196
34	Public Facilities • Nursing homes	191
35	Housing • Single Family housing; new construction	174
36	Public Facilities • Municipal sidewalk improvement or beautification	172

Respondents direct responses to the online survey are available upon request.

Interviews with CDBG Funding Partners and Grant Administrators

In addition to the online survey, the Center performed several face-to-face, telephone and focus group interviews as part of this CDBG program evaluation. The Center sought out several members of the CDBG community, including housing advocates, economic

development professionals, grant writers and others who have experience with the program in New Hampshire. Summaries of those interviews are shown on the following pages.

Housing Advocates

Housing advocates in New Hampshire regard CDBG as an important source of “gap” financing. Most often, CDBG funds are combined with other sources of funds (Low Income Housing Tax Credits (LIHTC), USDA funding, etc.) to make a project viable. Most all projects have matching funds and CDBG is now gap funding rather than primary funding. Each housing project can have up to 10 sources of funding.

An example of the use of CDBG funds in affordable housing are the Jaffrey Mills Apartments. Jaffrey Mills is the only property in Jaffrey that is individually listed on the National Register of Historic Places. Cotton textile products were produced throughout most of the history of the mill until 1967 when manufacturing functions were stopped and light industrial and office space were the primary uses.

Great Bridge Properties purchased the mostly vacant mill building on the West side of the river in January of 2007. Using \$500,000 in CDBG Affordable Housing funds, Great Bridge Properties rehabbed the mill into 30 affordable rental housing units. Rents are set by the New Hampshire Housing Finance Authority. One-hundred percent of the units are occupied by people of low and moderate income. The total project cost was \$6 million, meaning CDBG was only one of many funding sources for the Jaffrey Mills project.

Housing advocates give the New Hampshire CDBG program very high marks for flexibility – for example, CDBG does not require a commitment letter in hand, while other funding sources do require a commitment letter. Many housing advocates note that they know the CDFA staff, and that CDBG funds are the easiest to access and the most flexible, with clear and reasonable rules.

Housing advocates noted that CDBG scoring has changed so that single family owner occupied housing rehabilitation does not score well. Housing advocates noted that scoring has been changed to give more points to low income non-profit multi-family projects, and that there are now fewer resources for owner occupied housing. Others noted that CDBG is the only funding game in town for housing rehabilitation and childcare facilities.

Several housing advocates questioned the current “split” in New Hampshire CDBG funds; half of the funds allocated to housing and public facilities, with the other half allocated to economic development. Many suggested that this bias toward economic development was crafted in response to the recession of the early 1990s and should have been temporary.

Economic Development Professionals

CDBG economic development interests are represented by the Alliance of Regional Development Corporations (RDC). These groups work with municipalities and grant

recipients to extend loans to for-profit businesses, which are paid back to the RDC. The RDC then has a revolving loan fund, extending credit to other businesses and building area economic development capacity.

Quality job creation and retention is part of the RDC mission, whose professional economic developers provide technical and financial assistance to local businesses. All of the RDCs have revolving loan funds for this purpose. The RDCs present themselves as field offices for the New Hampshire Business Finance Authority and the New Hampshire Small Business Administration, and many times also act as the economic and community development arms of municipalities. The Alliance of Regional Development Corporations believe that CDBG is a proven model for the dissemination of federal dollars at the local level.

The RDCs rely on capacity grant funding from the CDBG, and believe this critical funding should be continued. The RDCs support the current allocation of funds between housing and public facilities and economic development, but also have expressed concern over Micro-Credit receiving a disproportionate share of economic development funding.

The RDCs disagree with the practice of having end of year economic development funds not awarded rolling over to housing and public facilities, and instead would favor those funds rolling over into economic development in the next program year. The RDCs also have suggested that they be the only CDBG economic development sub-recipients, whether for loans, real estate, public infrastructure or non-profit funding.

Regarding rules and process, the RDCs believe that the timing of the required loan match and job creation should commence from the date of loan application, and that turn around on grant approvals needs to move more quickly to meet business needs. New Hampshire CDBG rules should mirror the HUD requirements, rather than be more restrictive as is now the case. Specifically, the RDCs favor a low and moderate income target at 51% and \$35,000 allowed per job created or retained.

A more complete list of RDC concerns and suggestions is included as Appendix Two to this report.

Public Infrastructure Funding

The Center interviewed several of the CDBG public infrastructure partners, including the New Hampshire Department of Environmental Services (DES), RCAP Solutions, and the US Department of Agriculture (USDA). It is worthy of note that CDFA, DES and the USDA meet on a quarterly basis to discuss current and upcoming projects, and that the relationship between the three organizations is cooperative.

As in housing, infrastructure projects are likely to use a combination of funds from various sources. For example, the funding order for financing capital improvements for drinking water is: 1) the DES revolving loan fund, 2) Rural Development US Department of Agriculture, and 3) CDBG (as gap funding).

Each partner has different priorities, and each fund has its own rules and restrictions. For example the Rural Development Administration cannot serve fund towns with more than 10,000 people, while CDBG is most challenging on the low to moderate income LMI qualification. The USDA is primarily a lender, and is therefore concerned with issues of sustainability and credit quality, while the DES is also a regulator and more concerned with compliance with regulations. Funding from different sources therefore comes with different strings attached.

Infrastructure funding partners note that the most important factor in successful grant applications is a knowledgeable town manager. Different forms of local government may also explain the difference in whether towns apply for grants – for example it may be easier to get a decision out of a three-member Board of Selectmen than a five-member Board. Finally there is simply the question of expertise and attitude – one community might work very hard to obtain a \$9,000 grant, while another would put little effort into a \$200,000 grant.

The CDFA partner agencies (Rural Development, New Hampshire Housing Finance Authority, USDA and others) are increasingly cooperating with each other, but this could still improve. Each agency wants the final approval for a project, which tends to hold up individual project approvals. Previously each agency wanted their own front-end documentation in the bid documents...even though the language was the same.

Grant Writers and Grant Administrators

CDBG grant writers and administrators are generally satisfied with the CDBG online application program. Again the CDFA staff gets very high marks for responsiveness and support. However, there can be a communication gap between grant representatives and administrators. Some grant administrators report that getting answers is sometimes difficult, and grant representatives often differ in their responses.

These professionals are aware that grantees want the least amount of work possible. Municipalities turn to experienced grant administrators to do it. Most municipalities are short-staffed or small communities have no staff. There is a perception by some municipalities that CDBG funds are too hard to use and manage.

According to the CDBG grant writers, pre-scoring, check set-needs points and work in communities with higher set needs points are most important to a successful grant application¹¹. Grant writers and administrators pick and choose grants based on the community demographic characteristics and so focus on projects most likely to be funded.

¹¹ Socio-economic scores (also nicknamed “set points”) are assigned to each New Hampshire municipality and county based on an analysis executed by the CDFA staff. Points are awarded to each municipality based on factors such as the number of human service recipients in the municipality, the median household income, the percentage of households in poverty, unemployment rates and equalized tax rates.

Among the projects that could be supported with CDBG funds, grant administrators suggest creating a “really poor” set aside (for example, homeless shelters). Currently housing and water/sewer are competing directly with homeless shelters, and since matching funds get abundant points, a precinct can float a bond to match, whereas a homeless shelter cannot.

Appendix One

Examples of New Hampshire CDBG Funded Projects

The following tables show the types of projects funded by the New Hampshire CDBG program in the past five years. All of these grants have been “closed;” that is, the grant has been approved, funds dispersed, and the requirements of the grant have been met.

CDBG GRANTS CLOSED IN 2009 PROGRAM YEAR

Municipality/County	Grant #	Project	Award
Barrington	07207FSHS	Barrington Oaks Coop	12,000
Bristol	06079CDPF	Wastewater Treatment Facility Upgrade	250,000
Campton	06080FSPF	Beebe River District Study	12,000
Carroll County	08402CDCA	RDC Capacity Building	200,000
Claremont	02222CDHS	Oscar D. Brown Block	500,000
Claremont	03222CDHS	Joint Sullivan/Pleasant Valley Coop	650,000
Concord	07150CDHS	Friedman Court II	500,000
Epsom	08153EGHS	Family Estates Cooperative Emergency	77,000
Exeter	08180FSHS	Meeting Place Senior Housing	12,000
Franklin	07154CDED	D W Ray Commons	320,000
Franklin	07154FSPF	Municipal Water Supply Study	12,000
Goffstown	08119EGHS	Medvil Cooperative Emergency Septic	266,820
Grafton County	07405CDED2	GCEDC/DRTC-Adimab	420,000
Grafton County	07405CDPF	Littleton Area Learning Center	400,000
Grafton County	08405CDED	NHCLF/Microenterprise	400,000
Greenfield	06120CDHS	CMRC Wastewater System Upgrade	500,000
Hudson	06125CDPF	Ottarnic Pond Infrastructure Improv.	358,600
Jaffrey	06037CDHS	Jaffrey Mill Apts Affordable Housing	500,000
Laconia	07007FSHS	PEMACO Building Feasibility Study	8,750
Laconia	08007CDHS	LACLT/McIntyre Affordable Housing	500,000
Littleton	08097CDED	Food Co-op	500,000
Londonderry	05188EGHS	Wagon Wheel Coop Infrastructure	250,000
Merrimack County	05407CDPF	McKenna House Improvement	86,500
Merrimack County	07407CDPF	Merrimack Valley Child Care	363,002
Merrimack County	07407FSHS	Concord Housing Auth Housing Study	12,000
Newport	06229CDHS	Meadow Road Senior Housing	500,000
Northwood	06195EGHS	Emergency Septic System Replacement	65,500
Raymond	07199CDPF	Lamprey River Co-op Water Connection	418,603
Raymond	07199EGHS	Lilac Drive Co-op Emergency Septic	140,000
Rockingham County	06408CDED	CEDC/CCC	300,000
TOTAL			\$9,124,275

CDBG GRANTS CLOSED IN 2008 PROGRAM YEAR

Municipality/County	Grant #	Project	Award
Alstead	02030CDHS	Senior Housing	700,000
Alstead	06030EGHS	Flood 2005	350,000
Belknap County	07401CDCA	RDC Capacity Building	220,000
Belmont	07003FSPF	Pleasant Valley Water/Drainage Study	12,000
Berlin	05053CDHS	Senior Housing Joint HUD 202	500,000
Berlin	06053CDED	CEDC-NCIC-Isaacson Steel	500,000
Concord	05150CDHS	North End Neighborhood Revitalization	496,000
Concord	06150CDHS	Island Shores/Mast Yard Rehab	170,000
Conway	04016CDED	MWVEC-Technology Village	860,000
Exeter	06180CDHS	Squamscott Block Affordable Housing	500,000
Farmington	06210CDED	SEDC-Samco	360,000
Franklin	06154CDHS	Bow Glenn Affordable/Transitional Housing	485,000
Grafton County	06405CDED2	Grafton County-GCEDC-Mascoma Corp	500,000
Grafton County	06405FSPF	Tri-County CAP Green Haven Shelter Study	12,000
Grafton County	07405CDED	MicroCredit 2006	500,000
Hinsdale	05036CDPF	Canal Street Sewer Improvements	218,672
Laconia	04007CDPF	Lakes Region Day Care Facility	1,000,000
Lancaster	06063CDPF	Water Street Infrastructure Improvements	307,500
Lancaster	07063CDPF	Lancaster Play and Learn Child Care Facility	212,210
Littleton	05097CDHS	Beattie House Phase I	500,000
Ossipee	05024CDHS	Sandy Ridge Estates Cooperative Infrastructure	500,000
Plymouth	05104CDED	CRDC-Plymouth Community Health Care	440,000
Rindge	07043FSHS	Village Center Senior Housing	12,000
Salem	06201CDHS	Telfer Circle Extension Senior Housing	450,000
Somersworth	05218CDHS	Indigo Hill Road Affordable Housing	500,000
Stratford	03071CDPF	Stratford Hollow Wastewater Project	400,000
TOTAL			\$10,705,382

CDBG GRANTS CLOSED IN 2007 PROGRAM YEAR

Municipality/County	Grant #	Project	Award
Bartlett	05013CDPF	Albany Road Waterline Replacement	205,000
Belknap County	06401CDCA	Capacity Building	240,000
Cheshire County	03403CDED	MEDC/MRBIN Incubator	260,000
Cheshire County	04403CDHS	Stone Arch Village	980,000
Concord	05150EGHS	Fairbanks/Palm St. Sewer Repair	80,000
Coos County	05404CDED	CEDC/VEC Ethan Allen	425,000
Derry	06177EGHS	Running Brook Cooperative Septic	84,000
Grafton County	05405CDED2	GCEDC/DMS	500,000
Grafton County	06405CDED	MicroCredit 5	500,000
Greenville	05121FSPF	Town Hall Accessibility Improvement	12,000
Jaffrey	05037FSPF	Transitional Shelter Study	12,000
Keene	05038FSPF	Headstart Acquire Tilden School	12,000
Merrimack	04130EGHS	Camp Sargent Emergency Grant	500,000
Merrimack	05130CDED	GIDC/GT Equipment	500,000
Merrimack County	05407CDHS	Pleasant Street Affordable Housing	250,000
Merrimack County	05407FSPF	CHA Day Care Expansion	12,000
Middleton	06213CDED	SEDC/MBS	500,000
Milton	04214CDPF	Milton Water District Improvements	425,000
Northumberland	02065CDPF	Water/Wastewater System Improvement	700,000
Northwood	05195CDHS	SNH Services Elderly Housing	103,896
Plymouth	06104FSHS	Whip-O-Will Co-op Wastewater Study	12,000
Raymond	05199FSPF	Raymond Wastewater Study	12,000
TOTAL			\$6,324,896

CDBG GRANTS CLOSED IN 2006 PROGRAM YEAR

Municipality/County	Grant #	Project	Award
Antrim	04113CDPF	Girl's Shelter	\$700,000
Barrington	04207CDED	SEDC/Turbocam	\$700,000
Berlin	03053CDHS	Glen Ave., Gateway Reinvestment Project	\$191,500
Berlin	05053FSPF	Coos County Family Health Service	\$12,000
Bethlehem	04077FSED	WREN ED Feasibility Study	\$12,000
Boscawen	02145CDPF	Wastewater System Upgrade	\$700,000
Campton	98080CDPF	Water & Sewer System Beebe River Village	\$700,000
Cheshire County	03403CDHS1	Cheshire County Housing Rehab.	\$350,000
Cheshire County	04403CDED	MEDC/Janos Technology	\$440,000
Claremont	03222CDED	WRDC/Crown Point	\$500,000
Claremont	03222CDPF	Shelter Renovations	\$175,000
Concord	03150CDHS	Rumford School Neighborhood Project	\$291,876
Concord	04150CDHS	Concord Housing Authority Rehab Project	\$435,800
Derry	04177FSPF	Senior Center Feasibility Study	\$9,500
Exeter	04180FSHS	Exeter-Hampton Cooperative	\$12,000
Grafton County	01405CDHS	AHEAD Rehab/Homeownership Center	\$250,000
Grafton County	05405CDED	MicroCredit 4	\$500,000
Hudson	04125FSHS	Otarnic Pond Cooperative Feasibility Study	\$12,000
Lancaster	04063FSPF	Grange Wastewater Treatment Study	\$12,000
Lebanon	04094CDED	GCEDC/The Ranch	\$200,000
Lisbon	03096CDHS	Riverfront Renewal	\$700,000
Littleton	01097CDED	GCEDC/Riverglen	\$540,000
Marlborough	02039CDED	MEDC/Mountain Corporation	\$700,000
Merrimack County	02407CDED2	CRDC/Page Belting Ro., Inc.	\$298,000
Merrimack County	05407CDED	CRDC/Concord Food Co-op	\$220,000
Milton	02214CDED	WEDCO/New Frontier Plastics	\$700,000
Milton	02214CDPF	Strafford County Head Start/Day Care	\$800,000
Newmarket	02192CDPF	Sewer Extension to Elderly Housing	\$408,000
Northumberland	05065FSHS	Dean Brook Cooperative	\$12,000
Northwood	05195FSHS	Tower View Cooperative Feasibility Study	\$12,000
Plymouth	03104FSPF	S. Main St. Infrastructure Feasibility Study	\$12,000
Plymouth	04104CDPF	Pemi Bridge Homeless Shelter	\$700,000
Raymond	04199FSHS	Hill Top Cooperative	\$12,000
Raymond	05199EGHS	Hill Top Cooperative Subsurface Disposal	\$176,500
Rockingham County	02408CDED	SBAC/Port City Air Repair	\$380,000
Rockingham County	02408CDED2	REDC/Kiddie Academy	\$341,000
Rockingham County	04408CDED	SBAC/Foss Manufacturing	\$1,000,000
Seabrook	03203CDED	Fish Cooperative Infrastructure	\$389,750
Stewartstown	01070CDHS	The "Hollow" Housing Rehabilitation	\$350,000
Strafford County	04409CDED	SEDC/Measured Progress	\$1,000,000
Sullivan County	03410FSHS	Assisted Living Study	\$12,000
Swanzy	03048CDPF	Wilson Pond Wastewater System	\$700,000
Walpole	04050CDED	MEDC/J.H. Dunning	\$450,000
Wolfeboro	05029CDED	WEDCO/ G.I. Plastek	\$240,000
			\$16,356,926

CDBG GRANTS CLOSED IN 2005 PROGRAM YEAR

Grant #	Town/City	Project	Award
95401CDCA	Belknap County	BCEDC Capacity Building	\$345,500
03401CDHS	Belknap County	Lakeport Commons/Ozanam Place	\$460,763
04053CDED	Berlin	CEDC-NCIC/Berlin Building Systems	\$500,000
04146FSHS	Bow	Merrimack River Mitigation Plan	\$10,000
03079FSPF	Bristol	Sewage Treatment Plant Study	\$12,000
03403CDHS	Cheshire County	Cottage Street Co-op Improvements	\$150,000
03222CDED2	Claremont	CRDC/Consolidated Structures, Inc.	\$500,000
03058CDED	Dalton	CEDC-NCIC/Dirigo Paper	\$535,000
00405CDCA	Grafton County	GCEEC Capacity Building	\$300,000
03405CDED	Grafton County	NHCLF/Micro3	\$940,000
03405CDED2	Grafton County	GCEDC/DCI	\$500,000
96037CDCA	Jaffrey	Jaffrey/MBV/Capacity Building	\$325,000
03037CDHS	Jaffrey	Jaffrey Mills Downtown Initiative	\$500,000
03038CDHS	Keene	SCS Highlands/Washington Affordable Housing	\$1,000,000
00007CDPF	Laconia	Belknap/Merrimack CAP Lakes Region Facility	\$478,000
02007CDPF	Laconia	Salvation Army Homeless Shelter	\$259,886
03007CDHS	Laconia	Mill View Family Housing	\$500,000
97063CDCA	Lancaster	Lancaster/CEDC Capacity Building	\$400,000
03063FSPF	Lancaster	Water Street Infrastructure Study	\$12,000
04063CDCA	Lancaster	CEDC Capacity Building	\$15,000
00094CDPF	Lebanon	Sewer/Storm Water Separation Improvements	\$1,000,000
04159FSHS	Loudon	Freedom Hill Cooperative, Inc.	\$12,000
02212CDHS	Madbury	Bunker Land Wastewater Improvements	\$421,100
03008CDED	Meredith	BCEDC/Hampshire Hospitality Holdings	\$350,000
02407CDED	Merrimack County	Belknap/Merrimack CAP Headstart	\$360,000
02407CDPF	Merrimack County	Families in Transition	\$285,000
03407FSHS	Merrimack County	Concord Housing Authority Funding Study	\$8,000
01229CDED	Newport	ECON/Timken	\$1,000,000
98194CDCA	North Hampton	SBAC Capacity Building	\$290,000
02162CDHS	Northfield	Mill Hill Mobile Home Park	\$350,000
01195CDHS	Northwood	Tower View Mobile Home Park	\$210,000
03197FSPF	Plaistow	ADA Town Hall Improvements	\$12,000
01199CDPF	Raymond	Green Hills Mobile Home Park	\$700,000
01043CDED	Rindge	MBV/FAMM Steel	\$340,000
00201CDCA	Salem	Capacity Building	\$125,000
97218CDCA	Somersworth	SEDA Capacity Building	\$365,000
99218CDED2	Somersworth	SEDC/Kinderworks	\$300,000
00218CDHS	Somersworth	Comprehensive Housing Rehab Program	\$500,000
01218CDHS	Somersworth	Rehab Improvements Project Phase II	\$315,000
02218CDCA	Somersworth	SEDC Capacity Building	\$30,000
03218EGHS	Somersworth	Hilltop Cooperative Sewer & Water Improvements	\$277,055
96410CDCA	Sullivan County	SEDC Capacity Building	\$345,000
03108FSPF	Warren	S. Main Water District Study	\$12,000
03172FSPF	Whitefield	Town Office Accessibility Study	\$8,000
			\$15,358,304

Appendix Two

New Hampshire Alliance of Regional Development Corporations

The positions and concerns of the RDCs are best expressed in the following set of “talking points” authored by the New Hampshire Alliance of Regional Development Corporations in June 2010:

- CDBG is a proven model for the dissemination of federal dollars at the local level.
 - Existing legislation provides for the opportunity to use funding in support of economic development entities
 - Strong ability to make a positive impact and achieve results
 - Far reaching to the 234 communities including entitlement communities within the State of NH
 - Collaborative Regional Model
- History of RDCs in achieving these results:
 - Provision of free technical assistance at the local level
 - Provision of GAP financing (typically terms advantageous to market) thereby ensuring worthy projects are realized and jobs are created and/or retained (very important in current economic climate as capital is harder to come by)
 - Free relocation assistance to internal customers (partner with DRED – see letter of support)
 - Area marketing (partner with local, regional and state)
 - Mission of quality job creation and retention
 - Ability to attract other outside investment/financial resources to areas
 - Formation of Strategic Partnerships supporting capacity of others (SCORE, SBDC, Leadership, WBC)
 - Many RDC staff persons are professionally certified Economic Development through the National Development Council's Economic Development Program
 - RDCs are the field offices for the NH Business Finance Authority and the NH Small Business Association to increase awareness of their programs and pre-screen applicants.
- Public/Private Partnerships
 - RDCs have broad geographic reach
 - RDCs have networking channels in place
 - RDCs have established and proven RLFs in place
 - RDCs are frequently the economic and community development arms for the municipalities who cannot afford the staff
 - RDCs provide for *sustainable* economic development rather than project based (pass/fail type economic development)
- RDCs need diversity of funding
 - Member/investors difficult to cultivate when needed most
 - Growth of RLF will support increase self-sustainability (faltering interest-rate markets can significantly negatively impact revenues)

- Public/private partnership – leverage of other grants, federal/state funding sources
- RDCs receive RLF capitalization support through USDA Rural Development under the Intermediary Relending Program (IRP) and the Rural Business Enterprise Grant (RBEG) program
- Capacity Grant funding is critical for the RDCs as private support (whether direct through investment or indirect through the sale of tax credits) becomes more difficult to obtain
- Allocation of CDBG funds
 - Allocation of CDBG funds should remain equal between Housing and Economic Development
 - Cannot have one without the other
 - Disproportionate between Micro Credit and RDCs
 - \$500,000 to Micro since 1999, Micro's results pale in comparison
 - Micro award is to one organization and is directly for staffing
 - Micro award measurements – no firm measurement of job creation/retention – supported by counseling sessions
 - Rollover of funds annually – rollover within category
- Approval Process and Scoring
 - Role of CDFA Advisory Committee
 - Businesses often need money quickly to meet the needs of the project
 - Point of customer service and accountability on behalf of the RDC and CDFA
 - Timing of Match and Job Creation, both should be allowed from date of application receipt at CDFA to allow Business to begin the critical work involved in expanding their business
 - Scoring procedures are critical to provide for objectivity in distribution of funds. The rules protect the CDFA, State of NH and the RDCs from any issues with regard to politicization of the award process
 - Subjectivity in the process opens up the door to serious abuse in the use of funds and the meeting of grant requirements
 - Education qualifications of CDFA staff with respect to Economic Development (NDC Economic Development Finance Professional Certification program)
- Recommend that only RDCs be CDBG Economic Development sub-recipients
 - Difficulty in awarding, contracting with other less established organizations
 - Difficulty with establishing service areas
 - Back in 1996 CDFA Advisory Committee opined on the difficulty of providing CDBG funds to support competing agencies servicing the same geographic area.
 - Consistency with service offering and provision
 - Far reaching networks for distribution and awareness of programs and services
- Continuation and Expansion of Capacity Funding (pending maturity 2010)
 - CDFA has been supporting Capacity Building for the RDCs since 1995 (as of 2003 approximately \$5 million funded over the then 17 RDCs)

- Award amounts had historically been up to the \$500,000 maximum less administrative with the equivalent job creation measurements
- USDA Rural Development supports capacity funding. USDA also supports growth of the RDCs RLFs through the IRP and RBEG programs.
- EDA supports capacity Funding
- Difficulty for RDCs to be self sustaining in difficult economic times when their services are most in need
- Letters of Support
- Capacity building investment more important now than ever as private funds (whether direct investment or indirect through sale of tax credits) are becoming hard to obtain
- CDBG Rules and Limitations
 - Should be consistent with HUD
 - LMI – 51% not 60%
 - Dollars per job - \$35,000 not \$20,000; last increase was in 1998 from \$10,000 to \$20,000; keep up with inflation and other increasing job benefit costs (not in line with SBA, USDA); Automation has increased the efficiency of the worker but also the amount of capital investment needed to create the job
 - Maximum grant – leave at \$500,000 with exception to increase if collaborating with a second applicant (up to \$750,000)
 - RDCs should be sub-recipient on all economic development grants: whether they are for loans, real estate, public infrastructure or nonprofit funding (low interest loan from RDC)
 - Easier for contracting purposes for CDFA
 - Terms of grant can be adjusted by RDC to provide specific benefit to the ultimate recipient (i.e. non-profit) – much like deciding on terms for loans.
 - Objectively – determined valid applicant
 - Control of CDBG dollars and purposes require long term oversight that can only be managed by sustainable organizations (RDCs)
 - Potential for greater lower loss with experienced RDCs
 - CDBG Application Process
 - Timing – again – businesses are operating in a JIT system and generally need the funds or minimum commitment in a timely manner to negotiate the project
 - Turnaround - defined and commercially reasonable period of time
 - Communication – point of customer service to ensure open and meaningful discussions to move the project forward. All working toward the same goal of job creation and economic sustainability to support a deserving community
 - CDBG approval/award determination
 - Objectively determined
 - Ability for grantee (municipality), sub-recipient (RDC) and recipient (project) to be able to predictably gauge approval so as to pre-screen prior to investment of time and effort

- Open communication with CDFA, point of customer service, to address concerns in a timely and effective manner.

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