

**CITY OF EL PASO, TEXAS  
REQUEST FOR COUNCIL ACTION (RCA)**

**DEPARTMENT:** Community and Human Development  
**AGENDA DATE:** 01/27/15  
**CONTACT PERSON/PHONE:** Verónica R. Soto, AICP, Director (541-4643)  
**DISTRICT(S) AFFECTED:** All Districts

**SUBJECT:**

Discussion and action on a resolution approving amendments to the Empowerment Zone Program Revolving Loan Fund Lending Guidelines,

**BACKGROUND / DISCUSSION:**

The Empowerment Zone Revolving Loan Fund was initiated in 2003 with federal HUD Empowerment Zone (EZ) Grant funds by the City's subgrantee -- El Paso Empowerment Zone Corporation. Eligible business applicants are those located in the federally-designated Empowerment Zone, which encompasses portions of Districts 1, 3, 6, 7, and 8.

The first generation of loans was underwritten by the subgrantee, funded with federal dollars and inherited by the City in 2007.

When the City assumed administrative control of the Empowerment Zone grant in 2007, HUD required the formulation of lending guidelines and collection policies. Both documents were approved by City Council in 2009. With HUD's review and clearance, the loan program was reactivated in FY2010. The new generation of loans has been underwritten by the City and funded with loan borrowers' repayments.

On February 6, 2014, HUD notified the City for the grant's closeout, which included the City's commitment to using loan repayments for the continuation of the revolving loan fund.

As a self-funded program with EZ business owner's loan repayments, the City is now able to revisit the eligibility criteria while continuing to serve the EZ residents with increased job opportunities.

Upon direction received at the November 17, 2014 Special City Council meeting, the lending guidelines have been amended to accommodate the requested (1) expansion in eligible areas to include City of El Paso Sustainable City Centers and Transportation Corridors; (2) expansion in loan products to include 0% APR Façade/ADA loans; and, (3) creation of preliminary application process to increase business opportunities by way of assisting businesses establish or expand within the Zone; and, increase job opportunities for EZ residents.

**PRIOR COUNCIL ACTION:**

September 22, 2009: The El Paso City Council approved the initial EZ Lending Guidelines.

December 22, 2009: The El Paso City Council amended the EZ Lending Guidelines.

**AMOUNT AND SOURCE OF FUNDING:**

The El Paso Empowerment Zone Program will be funded by the loan funds budgeted in Fund 2010 with the EZ Revolving Loan Fund revenue deposited in project number G71EZBOF (est. \$1,500,000 as of November 30, 2009) for disbursement as new loans.

**BOARD / COMMISSION ACTION:**

Legislative Review Committee: October 20, 2014 and November 17, 2014

\*\*\*\*\*REQUIRED AUTHORIZATION\*\*\*\*\*

**DEPARTMENT HEAD:**



## **RESOLUTION**

**WHEREAS**, the Empowerment Zone Division, Community and Human Development Department has established lending guidelines related to the administration of existing business loans in the Empowerment Zone Revolving Loan Fund, which was transferred to the City in June 2007 as part of city administration of the Empowerment Zone Planning and Implementation Grant No. EZ-99-TX-0013 through the United States Department of Housing and Urban Development (“HUD”); and,

**WHEREAS**, on September 22, 2009, City Council approved the Empowerment Zone Grant Program’s RLF Lending Guidelines (“Lending Guidelines”) to promote efficiency, consistency, and expediency in the administration and review of Empowerment Zone loan applications to best serve businesses that are located in the Empowerment Zone, which City Council later amended on December 22, 2009; and,

**WHEREAS**, on February 6, 2014, HUD notified the City of it having satisfactorily met the requirements of 24 CFR Section 85.50 “Closeout” for Empowerment Zone grants with the City’s commitment in continuing the opportunity for new loans to be issued and funded with program income derived from loan repayments; and,

**WHEREAS**, on November 17, 2014, during a Special City Council meeting, the Community and Human Development presented proposed changes to the Lending Guidelines, which included: (1) expansion in eligible areas to include City of El Paso Sustainable City Centers and Transportation Corridors; (2) expansion of loan products to include 0% APR Façade/ADA loans; (3) creation of preliminary application process to increase business opportunities by way of assisting businesses establish or expand within the Empowerment Zone; and, (4) increase job opportunities for residents in the Empowerment Zone.

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL PASO:**

1. That the updated 2015 Empowerment Zone Grant Program’s Revolving Loan Fund Lending Guidelines attached as Exhibit “A”, are hereby approved; and,
2. That the City Manager is authorized to execute standard loan agreements and any related loan documents for Empowerment Zone loans of \$50,000 or less, when issued in accordance with the City’s Empowerment Zone Program Revolving Loan Fund Lending Guidelines, and upon review and approval of the loan documents by the City Attorney’s Office.

*(Signatures on following page)*

APPROVED this \_\_\_\_\_ day of \_\_\_\_\_ 2015.

**THE CITY OF EL PASO**

\_\_\_\_\_  
Oscar Leeser  
Mayor

**ATTEST:**

\_\_\_\_\_  
Richarda Duffy Momsen  
City Clerk

**APPROVED AS TO FORM:**



\_\_\_\_\_  
Lauren Ferris  
Assistant City Attorney

**APPROVED AS TO CONTENT:**



\_\_\_\_\_  
Verónica R. Soto, AICP, Director  
Community and Human Development



City of El Paso

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# **Empowerment Zone Program Revolving Loan Fund Lending Guidelines**

August 2009 (Approved by City Council on September 22, 2009)  
Rev. December 2009 (Approved by City Council on December 22, 2009)  
Rev. January 2015 (Approved by City Council on \_\_\_\_\_)

Prepared by:  
Community and Human Development Department



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# El Paso Empowerment Zone Program Revolving Loan Fund Lending Guidelines

## I. PURPOSE OF MANUAL

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This manual outlines the lending guidelines with respect to Empowerment Zone Program loan activities of the City of El Paso (the "**City**"). This manual will include lending guidelines for the issuance of all Empowerment Zone (**EZ**) Program loans processed by the City of El Paso.

The Empowerment Zone Program loans are to be funded by the program income derived from the same loans; and, program income derived from the loans transferred to the City of El Paso from the Empowerment Zone Corporation in June 2007.

The collection policies and procedures are set forth in the "City of El Paso Empowerment Zone Grant Loan Collection Manual" prepared by the Financial Services Department with assistance from the Community and Human Development Department.

This manual focuses on the most common situations encountered while going through the loan process.

## II. BACKGROUND

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In June 2007, the City terminated its agreement with the El Paso Empowerment Zone Corporation and determined that the EZ federal grant would be handled directly by the City.

In 2008, City Council approved an EZ Strategic Plan that governed the activities of the City staff. With HUD' review and approval of the Strategic Plan and subsequent subject lending guidelines, two types of Revolving Loan Fund (**RLF**) activities were created:

- A) Small Business Loans
- B) Micro Business Loans

Loans under this program were made in accordance with this manual, as approved in September/December 2009, and the 2008 Strategic Plan. An electronic copy of the complete 2008 Strategic Plan may be accessed at <http://home.elpasotexas.gov/community-development/forms-and-notice.php>.

By City Council resolution dated \_\_\_\_\_, the program has been expanded to include City Council designated contributing areas for loan application eligibility and the following new loan programs.

- C) Small Business Loans (Façade/ADA)
- D) Micro Business Loan (Façade/ADA)

### **III. ORGANIZATIONAL STRUCTURE AND RESPONSIBILITY**

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The City of El Paso Empowerment Zone Program will be administered by the Community and Human Development Department.

The Empowerment Zone Coordinator, CHDD, will provide administrative support and coordinate activities of Empowerment Zone staff within the Community and Human Development Department (**CHDD**), and Office of the Comptroller. As part of a multi-departmental project, EZ staff members will work together to achieve the EZ vision while working within the regulations, policies and procedures their respective city departments are mandated to follow.

The Empowerment Zone Coordinator, CHDD, will be responsible for the day-to-day management and loan underwriting activities of the Empowerment Zone loan program.

Before loan approval, all loan assistance packages will be reviewed and evaluated by the EZ Project Compliance Specialist for program compliance. The EZ Project Compliance Specialist will monitor the program for compliance with applicable local, state, and federal laws and regulations.

Applications will be reviewed by the Community and Human Development Director and EZ Coordinator to determine staff recommendation. Recommendations for loan approval will be presented to the City Council or, if established by Council, the designated loan review committee to approve and authorize loan disbursement.

By City Council resolution dated December 22, 2009, the City Manager is authorized to execute standard loan agreements and any related loan documents for Empowerment Zone loans under or at \$50,000, when issued in accordance with the City's Empowerment Zone Program Revolving Loan Fund Lending Guidelines and upon the review and approval of the City Attorney's Office.

The Office of the Comptroller will disburse the loan proceeds, upon receipt of required documentation, and conduct loan servicing as set forth in the "City of El Paso Empowerment Zone Grant Loan Collection Manual".

### **IV. FUNDING CRITERIA**

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The following guidelines have been developed to ensure fair and equitable management of the disbursement of funds for these economic revitalization activities.

## A. Equal Opportunity

Each application will be considered upon its merits without regard to age (provided the applicant is of age prescribed by law), race, creed, marital status, national origin, or sex.

## B. Eligible Projects

1. Classification of a small business will be made in accordance with the Small Business Administration's (SBA) size standards by industry as noted at <http://www.sba.gov/contractingopportunities/officials/size/index.html>.
2. Eligible projects are economic development activities for businesses located in:

- a. The El Paso Empowerment Zone, including developable sites.

Specific addresses will be verified by the El Paso Empowerment Zone staff to determine eligibility. Applicants are able to utilize the U.S. Department of Housing and Urban Development's Address Locator available on the web at <http://egis.hud.gov/ezrclocator/>.

- b. By City Council resolution dated \_\_\_\_\_, City Council designated contributing areas:

1. Original 1990 EZ census tracts have been updated to include their 2010 boundaries.
2. Both sides of boundary streets
3. City of El Paso Sustainable City Centers
  - a. Five Points
  - b. Mission Valley
  - c. Glory Road
  - d. Northgate
  - e. Medical Center of the Americas
4. Transportation Corridors
  1. Alameda (western inception to City limits)
  2. Dyer (southern inception up to Northgate)
  3. Mesa (southern inception up to Glory Road)
  4. Montana (western inception out to Zaragosa)
  5. Zaragosa (southern inception up to Montana)

Specific addresses will be verified by the El Paso Empowerment Zone staff to determine eligibility.

3. Eligible applicants for the Micro-Business Forgivable Loan Program must be EZ resident-owned microenterprises.
4. Eligible projects include business and microenterprise start-up activities.
5. Eligible projects will be required to meet the EZ Resident Benefit Standard (Appendix A).

6. The City will limit one active business loan per business across City loan programs.
7. The Revolving Loan Fund will not offer assistance in the areas of loan guarantee financing prior to full disbursement of loan funds. Refinancing is not eligible.
8. Businesses cannot be engaged in illegal activities, loan packaging, speculation, multi-sales distribution, gambling, investment or lending.

### **C. Other Funding Criteria**

To qualify for a loan the project must also meet the following applicable criteria:

#### 1. Capacity

- a. Applicants must demonstrate the fiscal capacity to repay the loan.
- b. As part of the application process, the El Paso EZ will require information that demonstrates the applicant is prepared to proceed with the project and there is sufficient information to determine the quality of the project. The information required is part of the loan application form and business plan.
- c. The project must be deemed to be financially feasible. This shall include a determination that the project will generate sufficient revenues to meet scheduled loan repayment. In addition to financial feasibility of the project, the underwriting shall consider the credibility of the applicant and the quality of the funding commitments.

#### 2. Compliance:

- a. Except for applicants for loans under \$5,000, all applicants will be required to have commercial general liability insurance, providing protection against claims of bodily injury or property damage for which your business may be liable. The City of El Paso should be a certificate holder and listed as additional insured.
- b. Applicants for loans less than \$5,000 will be required to carry only property and/or liability insurance on the collateral.
- c. All applicants will be required to be current on taxes for property site of subject project. City taxes and utilities on property must be paid in full and current.
- d. Applicants must comply with Ordinance 9779 (Non-Discrimination Against Persons with Disabilities). In accordance with City of El Paso Ordinance No. 9779 (Non-Discrimination Against Persons with Disabilities) all facilities and programs receiving funding from the City must be accessible for use by persons with disabilities in terms of employment and service. This means that buildings where the federal

funded services or projects are located must be accessible to the person with disabilities, or have an approved transition plan, before the funding can be approved. Every application, in order to be accepted for consideration, must contain the signed Letter of Assurance and the fully completed form entitled "Guidelines Self Evaluation for Community Development and City of El Paso Sub-recipients" for all sites planned for EZ funded projects.

- e. Preference is given to projects that enhance the formation and expansion of minority and women-owned businesses as well as HUB's (Historically-Underutilized Businesses).
- f. All projects must have an environmental clearance before Empowerment Zone funds can be released.

### 3. Construction:

- a. Applications for rehabilitation or new construction must be accompanied by a signed estimate and be designed by an architect or engineer legally-registered in the State of Texas.

### 4. Impact:

- a. The El Paso EZ will also consider the extent of the economic impact of the project as it relates to the amount of private funds leveraged with public dollars and the number and type of permanent, full-time (or equivalent) jobs to be created or retained through implementation of the project. Those projects creating a higher leveraging of private investment and/or produce a greater number of jobs will be given priority consideration.
- b. The EZ loan program considers a cost per job ratio of \$35,000 loan amount for every one job created or retained.
- c. Applicants for loans under \$5,000 will not be subject to the cost per job ratio.

- 5. Relocation: Any project requiring displacement of tenants who are permanently or temporarily displaced as a result of an Empowerment Zone funded program/project must be provided with financial and advisory benefit.

## **D. Borrower's Equity**

At a minimum, loan applicants must provide a 10% equity contribution to the project. Evidence of this must be presented in the form of a certificate of deposit or equivalent security, equity or a combination of both. All borrowers with 20% or more ownership in the business must personally guarantee the loan.

## **V. LOAN DESIGN**

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## **A. Loan Limits and Interest Rate**

### Small Business Loans:

1. The minimum amount is \$10,000 with \$500,000 as the maximum.
2. The interest for these loans is three (3) percent.
3. A rebate feature exists at 20 percent of the original principal amount. The borrower would pay back the full loan principal along with interest. With timely scheduled payments and loan agreement compliance, a rebate in the amount of 20 percent of the original principal amount will be returned to the borrower. The rebate amount has a cap of \$20,000. Any late payment would cancel the rebate feature.

### Small Business Loans (Façade/ADA):

1. The maximum amount is \$35,000.
2. The interest for these loans is zero (0) percent.
3. A rebate feature is not a part of these loans.

### Micro-Business Loans:

1. The minimum amount is \$500 with \$10,000 as the maximum.
2. The interest for these loans is five (5) percent.
3. Loans extended to minority-, woman-, veteran-owned businesses will be structured at a three (3) percent interest rate.
4. A rebate feature is not a part of these loans.
5. Eligible businesses are sole proprietorships, at least 3 years in operation; and, those open to ACH payments from business bank account.
6. Collateral: claim on business assets/personal guaranty.
7. Loan term is a maximum of 3 years.

### Micro-Business Loans (Façade/ADA):

1. The minimum amount is \$500 with \$10,000 as the maximum.
2. The interest for these loans is zero (0) percent.
3. A rebate feature is not a part of these loans.
4. Eligible businesses are sole proprietorships, at least 3 years in operation; and, those open to ACH payments from business bank account.
5. Collateral: claim on business assets/personal guaranty.
6. Loan term is a maximum of 3 years.

## **B. Interest Method**

Interest is calculated daily on a 365-day year (Daily-365 Simple Interest Method)

## **C. Terms of the Loan**

The period of repayment needs to match the useful life of the asset being financed. No loan term shall be longer than ten (10) years.

Construction financing will only be considered if a firm commitment for permanent financing is in place at the time of approval.

#### **D. Security**

All RLF loans will be secured with various types of collateral. No unsecured loans will be made. The value of the collateral must be commensurate with the amount of the loan, with future value being taken into consideration.

The forms of collateral can differ from loan to loan depending on the assets of the business. The level of financing granted by the City can also determine the extent of the collateral required. The City will seek a first or second lien position for the collateral depending on how the entire project is structured.

Some examples of the preferred forms of collateral are: real estate, machinery and equipment, various types of motor vehicles or personal assets to secure personal guarantees. These items are to be solely owned by the business, free and clear of any liens, as well as be in good working order.

Collateral for working capital loans will include first position in inventory, accounts receivable and fixed assets. Depending on whether a working capital loan is part of a larger, well secured loan or totally for working capitals, some flexibility can be utilized as to whether subordinated positions on assets are reasonable.

Personal guarantees are required from shareholders with 20 percent or more ownership in the applicant business.

Preference is given to projects that can leverage a minimum of two private sector dollars to one EZ Revolving Loan Fund dollar. Private sector funding includes capital invested by the borrower and financing from private financial institutions.

#### **E. Application Related Fees**

Fees related to independent appraisals and independent environmental site assessments are to be paid by the applicant. Submission of the completed documents does not guarantee loan approval.

#### **F. Late Fees**

A late fee of 5 percent (5%) of any unpaid monthly payment will be assessed. The fee is assessed if a full monthly payment is not received within a 10-day grace period following the payment due date.

#### **G. NSF Fees**

A \$30.00 fee will be assessed for any returned check or returned ACH transaction.

## VI. PROJECT APPLICATION PROCESS

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Application submittal is on-going pending RLF fund availability. Applications will be reviewed on a first-come basis. There are no application deadlines. Applications will be reviewed as received.

- A. The Coordinator will meet with the applicant for a consultation on general information and requirements of the loan program.
- B. The applicant may submit a preliminary application which includes a self-assessment addressing key questions noted below and authorization for a credit report to be pulled and reviewed. Full packet with required documents will be requested if determined it is a credit-worthy application.
- C. The applicant will then submit a completed loan application and business plan to the Coordinator. The business plan will include the following information:
  - 1. History of the business – type, starting date, amount of initial investment/loan
  - 2. History of all owners and operators – resumes, other businesses owned or have interests in, bankruptcies
  - 3. Operation and location of current business operations – nature of business, types of products and services, number of employees, selling methods, and office or building space description.
  - 4. Financial data for life of business – current income statement, statement of cash flows with explanations, balance sheet, complete federal and state tax returns, and personal financial statement for all owners.
  - 5. Professional assistance available – accountant, attorney, banker, insurance representative
  - 6. Number and type of new jobs created and jobs retained – estimated number and type of jobs created in first three years, number of current jobs held by zone residents.
  - 7. Detailed pro forma projections for revenues and expenses and cash flow analysis (at minimum, for next 12 months)

If a business plan does not exist or is deemed incomplete by the Coordinator, the applicant will be provided a list of resources and encouraged to contact applicable resources to obtain assistance with the preparation of their business plan. They will be advised of the opportunity to return to the loan program when the business plan has been developed.

- D. Once a business plan is submitted and deemed complete, the Coordinator will compile the following:
1. Standard Loan Application documents – In addition to a business plan, all loan applicants, or their representative participating lender, must supply the following list of documentation in order for the loan review process to begin.
    - a. Fully completed loan application
    - b. For principals or owners with 20% or more ownership,
      - i. Personal Financial Statement (part of loan application forms)
      - ii. Copies of last three (3) years' income tax returns (if not filed, provide explanation)
    - c. For existing businesses,
      - i. Copies of up to last three (3) years' business tax returns
      - ii. Copies of up to last three (3) year's business financial statements with balance sheet and profit and loss statement
  2. Listing and description of any real property, machinery and equipment that will be used for collateral
  3. Credit Reports - A credit report will be required on each business and on any of the principals that are providing a personal guarantee for the repayment of the RLF loan.
  4. Appraisal Reports - Current appraisal reports will be sought on any real property, machinery and equipment that will be used as collateral to secure the RLF loan. These reports are crucial to the loan decision process.
  5. Environmental Reviews – The Coordinator will initiate the environmental review process.
  6. Loan Write-Up - The loan write-up that summarizes the key aspects of the loan will differ for each loan project/business. The loan write-up will be prepared by the Coordinator to document the underwriting of the application. It will discuss the following points:
    - a. A summary of the business' history
    - b. Project eligibility in accordance with EZ Resident Benefit
    - c. Management practices, principles, strategies and structure
    - d. Product(s) or service(s)
    - e. Production capabilities
    - f. Existing and projected market conditions
    - g. Financing structure and continuity

- h. Collateral specifications
  - i. Assessment of repayment ability
  - j. The mitigated or soon to be mitigated environmental concerns
  - k. The projected increase of business as result of the loan and the number of new employees that will result.
  - l. Letter from Bank stating need for RLF participation (for gap financing)
- E. Incomplete applications will be cancelled after 90 days of initial submission.
  - F. The Coordinator will submit the application for review by the CHDD Director.
  - G. The EZ Coordinator will submit the application along with staff recommendation to City Council or, if designated by Council, the loan review committee within 30 days of receipt of the completed loan application. Potential decisions: Application approval, Request additional information, or Application denial.
  - H. Notice will be given in writing to the applicant of the action taken within five days of decision.
  - I. Immediately following the final decision on a loan application, each applicant will be notified by telephone and by mail detailing the next step in the loan process or reasons for denial. If approved, terms and conditions are set for borrower's acceptance.
  - J. If borrower accepts the terms, the loan will be processed for closing.

## **VII. LOAN CLOSING AND DISBURSEMENT PROCEDURES**

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### **A. General Closing Requirements**

1. All normal and customary legal fees are payable by the applicant.
2. Borrower will be responsible for financial statement reporting as agreed upon and annual employment reporting.
3. Prior to any loan being closed, the borrower will be responsible for providing confirmation of the needed equity injection and proof of any private lender financing.
  - a. Confirmation of the Needed Equity Injection. The borrower must provide a certified letter or other evidence from the business's financial institution indicating that the business has the required amount of equity dollars for the project. When the business's equity is leveraged collateral, the business must provide current letter(s) of appraisal or other acceptable documentation qualifying the real property and/or machinery and equipment.

- b. Confirmation of Private Lender Financing. In order to confirm the private lender financing needed to make the project possible, the Bank will forward its approved credit memorandum for bank loan. The credit memorandum will include stated loan terms agreement, any collateral utilized in the loan process and adequate justification as to why RLF participation is needed.

## **B. Loan Closing Documentation Requirements**

For all loans made, the following documentation will be required prior to the loan closing:

1. Proof of ownership,
2. Confirmation of applicant's equity,
3. Confirmation of private lender financing,
4. Current appraisal(s) or other acceptable documentation of value of any real property real or personal property used as collateral, and,
5. Current Uniform Commercial Code (UCC) filing on any personal property used as collateral, and

If any of the above mentioned documentation items are not supplied, the loan closing will not occur. Only after the borrower has a complete loan closing package as specified above, will the loan closing continue.

The EZ Coordinator will forward the documents to the Office of the Comptroller, copying the Community and Human Development EZ programmatic staff. All items listed will be included in the loan file to be stored by Community Development in an easily accessible manner either in numerical or alphabetical form:

6. Truth and Lending Agreement (or Loan Agreement),
7. Builders and Mechanics Lien (if mortgage loan),
8. Promissory Note,
9. Security Agreement (with applicable lien, mortgage, UCC-1, etc. filled with the appropriate county clerk or secretary of state),
10. Guaranty,
11. Loan Application,
12. Business Plan,
13. Proof of Income (personal/business income tax for 3 years),
14. Proof of Citizenship and/or residency,

15. Verification of Social Security Number, and,

16. Environmental review clearance.

No loan will be processed by the Office of the Comptroller without the above forms being submitted to staff. Imperative in these documents is the participant's social security number or Tax ID number. Without this number, the loan will not be processed.

### **C. Loan Disbursement Requirements**

Depending on the type of loan requested, the borrower must provide proof that the loan proceeds will be used for the intended purposes prior to disbursement. For example, if the borrower has secured the RLF loan for the purchase of machinery and equipment, the borrower must show proof, e.g., an invoice, that the equipment has been ordered.

# Appendix A

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## Resident benefit standards.

The project or activity described **must meet one of the following three standards of resident benefit for determining the amount to fund a particular project or activity:**

(a) *Principal benefit standard*—

(1) *Benefits other than jobs.* If a majority (51 percent) of the direct beneficiaries of the project or activity described in the implementation plan resides within the EZ, the project or activity may be fully assisted.

(2) *Jobs benefit.* In any case where the direct benefits to be provided by a project or activity described in an implementation plan will be in the form of jobs, the project may be fully assisted if at least 35 percent of the jobs are taken by, or made available to, EZ residents. A job satisfies this 35 percent requirement if the EZ resident is employed by the employer for at least 90 days during the year. For purposes of this 35 percent requirement, an employer may rely on a certification by the employee that provides to the employer the address of the employee's principal residence, and requires the employee to notify the employer of a change of the employee's principal residence.

(3) *Presumed benefit.* Certain commercial revitalization activities that are located and undertaken in an EZ and that provide services to both EZ residents and non-residents (e.g., supermarkets, drug stores) will presume to meet the 51 percent principal benefit standard in paragraph (a)(1) of this section, provided that the EZ maintains written documentation that briefly describes the activity, its service area, and the rationale for presuming that the activity meets the 51 percent principal benefit standard.

(b) *Proportional benefit standard.* If a project or activity described in an implementation plan cannot meet the principal benefit standard of paragraph (a) of this section, the percent of the cost of the project or activity that may be assisted may not be greater than the percent of all persons benefiting directly from the project or activity who reside within the EZ.

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# Appendix B



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-7000

ASSISTANT SECRETARY FOR  
COMMUNITY PLANNING AND DEVELOPMENT

FEB 6 2014

The Honorable Oscar Leeser  
Office of the Mayor  
City of El Paso  
P.O. Box 1890  
El Paso, Texas 79950-1890

Dear Mayor Leeser:

The Department of Housing and Urban Development (HUD) is pleased to notify the City of El Paso of the completion and closeout of your Round II Empowerment Zone Grant, No. EZ-99-TX-0013 that ended on September 30, 2010.

HUD has determined that the El Paso Empowerment Zone (EZ) has satisfactorily met the requirements of 24 CFR §85.50 "Closeout" for Empowerment Zone grants. However, consistent with 24 CFR §85.51, the closeout of your grant does not affect:

- (a) HUD's right to disallow costs and recover funds on the basis of a later audit or other review;
- (b) The grantee's obligation to return any funds due as a result of later refunds, corrections, or other transactions;
- (c) Records retention as required in sections 84.53 and 85.42; and
- (d) Property management and disposition requirements in sections 84.34 and 85.32.

Please refer to sections 84.53 and 85.42 for specific recordkeeping requirements that apply to you and your nonprofit subrecipients. In general, records pertinent to the EZ program must be retained for three years after the date you submitted your final EZ expenditure report to HUD.

If any litigation claim, negotiation, audit or other actions involving the records have been started before the expiration of the 3-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is later. Records for equipment acquired with EZ funds must be retained for three years after it no longer meets the definition of "Equipment" under 24 CFR §84.2 or after disposition and payment to HUD under section 85.32(e)(2).

HUD, the Inspector General, the Comptroller General of the United States or any of their authorized representatives, shall have the right of access to any pertinent books, documents, papers, or other records of grantees and subgrantees that are pertinent to the EZ program, in order to make audits, examinations, excerpts and transcripts. These rights of access shall last as long as the records are retained.

In closing, I want to thank you for your efforts in assisting with the closeout process and want to express HUD's appreciation for your exemplary patience and cooperation in responding to our closeout inquires and informational requests.

Sincerely,

Valerie G. Piper  
Deputy Assistant Secretary  
for Economic Development

Dedicated to Outstanding Customer Service for a Better Community

SERVICE SOLUTIONS SUCCESS



October 13, 2010

Pamela Glekas Spring, Director  
Office of Community Renewal  
U.S. Department of Housing and Urban Development  
451 7<sup>th</sup> Street, SW  
Washington, DC 20410-7000

SUBJECT: Closeout Packet – EZ-99-TX0013  
City of El Paso

Dear Ms. Glekas Spring:

In accordance with HUD's September 14, 2010 correspondence, the City of El Paso acknowledges the end of the Round II EZ grant period as September 3, 2010.

In addition, the closeout package is being submitted with the attached documents.

- Final Federal Financial Report (SF425)
- Most Recent Annual Audit Report (A-133) – 2009
- Asset Inventory Report
- Final Round II Program Income Report

With the final program income report noting a balance of unspent Revolving Loan Fund (RLF) program income, the City proposes to use the funds implementation of RLF activities and continued monitoring of attached-reported assets. The RLF activities will entail outreach, application intake, underwriting, funding and servicing of the RLF loans. The proposed outcome is to generate a minimum of seven new loans.

If there are any questions, please contact Mr. William Lilly, Community and Human Development Director, at (915) 541-4643.

Sincerely,

  
Joyce Wilson  
City Manager

C Deborah Howley  
William Lilly  
Carmen Arrieta-Candelario



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2 Civic Center Plaza, 2nd Fl., City Hall- El Paso, Texas 79901  
Phone (915) 541-4629, Fax (915) 541-4893



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