

**CITY OF TYLER**

**Commercial Exterior Grant Program  
Policies and Procedures Manual**

**City of Tyler  
Neighborhood Services Department  
900 West Gentry Parkway, Tyler, TX 75702**

**COMMERCIAL EXTERIOR GRANT PROGRAM**

**I. CEGP POLICIES AND PROCEDURES**

**II. COMMERCIAL EXTERIOR GRANT REVIEW COMMITTEE**

## **I. Policies and Procedures of the Commercial Exterior Grant Program** **(CEGP)**

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The Commercial Exterior Grant Program, hereinafter referred to as “CEGP,” is a local economic development program designed to encourage small business initiatives that benefit the area. The participating jurisdiction is the City of Tyler’s Neighborhood Services Department, hereinafter referred to as “NBS.” The principal source of funding is:

- *The Community Development Block Grant (CDBG) program, through the U.S. Department of Housing and Urban Development (HUD), managed by the City of Tyler Neighborhood Services Department on behalf of the City of Tyler as a HUD participating jurisdiction.*

The CDBG component of the program provides a funding mechanism for exterior renovation of commercial properties located in the Downtown Business, Arts and Cultural District or “BACD”, of Tyler which is bounded by Gentry Parkway to the north, Front Street to the south, Palace Avenue to the west, and Beckham Street to the east. The purpose of the program is to assist in the overall physical improvement and commercial revitalization of the Tyler BACD which includes the Main Street Program Area. The CEGP is funded through the CDBG component. Funds are leveraged with direct owner/tenant investment. In addition to other program requirements, CDBG funding is contingent upon an applicant’s commitment to job creation and/or retention within Downtown Tyler.

### **A. Advantages to Participants**

Through a partnership with the City of Tyler, the CEGP allows businesses and commercial property owners grantees to make needed building facade improvements at a reduced cost. With a grant for up to 50% of the total project costs not to exceed \$10,000, involvement in the program may help to increase private lender interest by improving project cash flow and reducing risk.

Through the City of Tyler CEGP, funds are provided as a deferred, forgivable loan. The loan is forgiven after five (5) years if the CEGP Deed Restrictions have been met. Liens are recorded on the property for the amount of the Grant and will be released at the end of the five (5) year deferral period.

### **B. Geographic Areas of Eligibility**

The area of geographic eligibility for the CDBG component is limited to the Downtown Tyler BACD, those blocks bounded by Gentry Parkway to the north, Front Street to the south, Palace Avenue to the west, and Beckham Street to the east.

### **C. Eligible Applicants and Projects**

The CEGP is flexible in its consideration of projects as long as they meet basic eligibility criteria. Emphasis may be placed on projects that add diversity to the local economic structure and are capable of developing economic opportunities. The CEGP is primarily geared to assist small businesses but may also be used to assist large firms.

Projects in all industry sectors may be considered to participate in the CEGP.

Eligible applicants must own a business or commercial property located in the geographic area of eligibility at described in Section B. herein. Properties assisted may be either locally or non-

locally owned as long as the assisted operations and jobs are located in the area served. The CEGP is intended to complement revitalization of the Downtown Tyler BACD.

#### **D. Types of Assistance**

The CEGP provides financial assistance in the form of a deferred forgivable loan to businesses and income producing property owners. Other forms of assistance include participation with a primary or lead lender. Equity participation is not contemplated at this time, but may be considered later.

Technical assistance in the form of Project Planning, Contractor bidding, and Construction Administration/Management are also included as well as consultation with historical preservation architects and Federal tax credits for preservation. This technical assistance will be provided by either staff and/or consultants to the City of Tyler Main Street Program and/or the City of Tyler Neighborhood Services Department depending on the specific request for assistance. Applicants desiring technical assistance must make that request in writing by describing the specific type of assistance needed and provide that written request to the designated Main Street staff person who will then be responsible to see that the appropriate department and staff person is assigned for follow-up.

#### **E. Funding Sources**

The funding source for the City of Tyler CDBG program is the U.S. Department of Housing and Urban Development (HUD). Compliance with specific Federal regulations is required for all CEGP projects.

#### **F. Use of Funds**

The CDBG component of the program provides forgivable loans for commercial properties. Activities that may be funded through the CEGP include the following: façade renovation; awning installation; exterior painting; outdoor lighting; landscaping; parking lot improvements; and signage. Applicants requesting CEGP funds for project components not specifically listed in this section must obtain specific approval from NBS as to the eligibility of the proposed activities under the CDBG CEGP.

#### **G. Funding Limits**

Through the CDBG component, the funding limit for CEGP grants is \$10,000 per storefront. Requests lower than \$1,000 are discouraged.

#### **H. Type of Deferred Forgivable Loan**

The term for the deferred forgivable loan is for five (5) years with 0% interest with 1/60<sup>th</sup> of the grant amount forgiven each month until totally forgiven at the end of the 60 month (5 year) period. This process should encourage business owners involved in the program to commit to remaining in the building for at least five (5) years. The deferred forgivable loan will be secured by a lien on the property for the five (5)-year term.

#### **I. Gap Financing**

Gap financing is not an available component of the CDBG portion of the program.

## **J. Leveraging**

Leveraging is required under the CDBG financing component. The CEGP requires each grantee to provide a sum equal to 50% of the total project cost. Typically, applicants provide their matching share in the form of certified funds.

In some limited cases where CDBG CEGP project match is pre-approved in the form of prior work, the applicant is required to provide NBS with verifiable receipts for labor and materials equaling a maximum of 50% of the approved project amount.

Leveraged private investment is detailed in the body of the loan agreement and reflects the total investment committed by the borrower. Commitment letters from private lenders specifying the amount and terms of loans under consideration and documentation of any other private investment involved are normally required prior to loan decisions. The CDBG component does not require commitment letters from private lenders because the applicant must leverage in full at closing. In the event lending institutions refuse to lend funds, a letter, which states the reason for the rejection, must be obtained from the lending institution.

## **K. Cost Verification**

The validity and reasonableness of all project costs should be documented and explained. Quotes, appraisals, and comparisons to industry standards may be used to examine costs for the CDBG CEGP programs. Grantees may be required to provide verification of costs to document leveraging requirements. Appraisals less than six months old may be required on real estate collateral and other assets such as inventory, machinery, furniture, fixtures, and equipment. Costs and estimates for projects must be submitted before loan verification can be made.

## **L. Risk Level**

The loan portion of the CEGP will be operated in accordance with lending practices generally accepted as prudent for public loan programs. The program will obtain adequate and appropriate collateral from borrowers and act diligently to protect the interests of the CEGP. Non-financial project considerations that affect the likelihood of success should be documented. These include management capacity, strength of the market, the marketing plan, the possibility of unanticipated expenses and actions of competitors, and uncontrollable events.

## **M. Job Impact and Required Annual Employment Report**

Projects should create or retain at least one (1) job that benefits a low- to moderate-income person. During the five (5) year deferral period, grantees are required to submit an annual employment report documenting the number, names and status of the employee workforce to both the NBS and the Main Street Departments. The first annual employment report is due within one (1) year of the date of project completion and subsequent reports are due each year thereafter for the remaining four (4) years by the anniversary date of the submission of the first such report.

The CDBG component of the program is to create/retain one job for each grant awarded. Job creation/retention goals are included in the grant agreement and are to be achieved within a one-year period following the completion of a project.

Annual Employment Reports as described should be delivered to NBS and Main Street at:

Ms. Brenda Johnson, Director  
City of Tyler Neighborhood Services Dept.  
900 W. Gentry Pkwy.  
Tyler, TX 75702

Ms. Beverly Abell, Department Leader  
City of Tyler Main Street  
P.O. Box 158  
Tyler, TX 75710

**N. Franchises and Dealerships**

Franchises and dealerships are eligible if they meet program objectives and selection criteria.

**O. Environmental Reviews and Lead Safe Work Practices(see below)**

CDBG guidelines require that the NBS perform site-specific environmental reviews ~~to be performed~~ for each proposed construction project. If environmental impacts are identified, grantee must take measures to comply with applicable laws. Projects located in a flood plain or buildings more than 50 years old require additional review work. Public notices may also be required as part of the review process.

\*The EPA Renovation, Repair and Paint Rule (RRP) requiring certain lead-safe work practices must be followed if exterior renovation, repair or paint jobs are being undertaken on any public and commercial buildings built prior to 1978. Only EPA-certified Lead Renovator individuals or firms may oversee such projects.

**P. Contractor**

All applicants are required to use a third party licensed contractor. The contractor must also be a Certified Lead Renovator or Firm if the project concerns a building built prior to 1978. If there is an exception to the use of a third-party contractor, the selected contractor chosen to do the work must meet the City of Tyler's specific approval before any type work can be done. All proposed contractors must be screened by the City of Tyler NBS to make sure they are not barred from participating in such projects. Displacement. CEGP funds are not eligible for use in any project where job or business displacement is contemplated. Funds may not be used for any activity that relocates jobs from one commuting area to another.

**Q. Confidentiality**

All CEGP application materials and reviews are confidential. Environmental reviews, grant agreements, and award amounts are public information.

**R. CEGP Management**

The CEGP Policies and Procedure Manual and related legal documents govern the operation of the program. The City of Tyler Neighborhood Services Department (NBS) and the City of Tyler Main Street Department (MSD) jointly market the program and use the same review committee for funding decisions.

**S. Loan Decisions**

The Commercial Exterior Grant Review Committee (CEGRC) has final approval authority for all grant requests. Funding decisions are determined by a simple majority of members present when a quorum exists. Written appeals for unapproved grants may be submitted to the CEGRC pursuant to Section U. herein.

## **T. Appeals Process**

Applicants that are denied funding are entitled to formally appeal the decision of the CEGRC. Applicants must submit a written appeal request within 30 days following notification of the unapproved grant. The appeal request should be addressed to the staff person who processed the application and must specifically state the reason(s) for appeal. Applicants may submit additional information in support of their project and/or financial situation.

Upon receipt of an appeal, staff will notify their respective department director and request the formation of an appeals review committee to be comprised of the following four (4) persons:

1. The Director of Neighborhood Services, or designee;
2. The Director of the Finance Department or designee; and
3. The Chairperson of the CEGRC
4. Tyler Main Street representative

An appeals committee meeting will be scheduled within ten (10) business days of receipt of the original notice of appeal. The committee may choose to review the application information, the CEGRC's original decision, staff's write-up and the appeal request without meeting the applicant. If deemed appropriate, they may choose to schedule a discussion of the proposed project with the applicant. Following their review, a majority vote of the appeals committee is required to uphold, overturn, or revise the CEGRC's original decision. The decision of the appeals committee is final; no additional appeals are allowed.

## **U. Summary of Project Criteria**

In addition to meeting basic eligibility criteria established to comply with HUD and City of Tyler requirements, grant applications are reviewed by staff for the following:

1. Adequacy of application documents;
2. Job impacts;
3. Credit standing;
4. Business plan feasibility;
5. Business financial projections;
6. Adequacy of loan security;
7. Management capability;
8. Market factors;
9. Applicant's sharing of risk;
10. Extent of leveraging and extent to which CEGP investment in the project has been minimized;
11. Private (or other public) lender commitments;
12. Overall risk;
13. Environmental impact;
14. Public benefits (other than jobs);
15. Dollar importing potential;
16. Potential to diversify the local economy;
17. Effect on other competently managed businesses;
18. Consistency with local redevelopment strategies and Downtown design standards;
19. Geographic equity considerations;
20. Priority ranking; and
21. Funding availability, source, and timing factors.

#### **U. Loan Application Process**

Potential applicants for CDBG funding can contact either the assigned MSD staff at (903)593-6905 or the NBS staff at (903) 531-1303. Following the initial contact, the NBS staff will conduct a preliminary review of applicants plan to determine ~~indicates~~ whether an applicant's project is eligible for the program pursuant to CDBG regulations. This preliminary review of project eligibility does not guarantee that the project will be funded. However, an initial finding that the project is eligible will assist applicants in deciding whether to proceed with the formal application process. After an applicant submits a complete application, staff prepares a written report to be presented at the next scheduled CEGRC meeting.

#### **X. Application Documents**

A. Documentation required for application to the Exterior Grant Program includes the following:

1. Completed application form
2. Last fiscal year financial statement
3. Last tax return for property/business owner(s)
4. Personal financial statement for the property/business owner(s)
5. Copy of business license

If the business has been in operation for less than one year, the following is required (in lieu of company financials):

6. Projected cash flow for the first year on a monthly basis (cash flow should demonstrate the borrower's ability to maintain the business viability thus meeting the employment commitment.)

B. Other information that may be required during the application process includes:

1. Names, addresses, Social Security numbers and financial statements of co-signers/guarantors
2. List of equipment, cost, and seller's name and address
3. Copies of architectural plans, including all bids and/or estimates
4. Contract to buy/sell
5. Lease agreements
6. Copy of Articles of Incorporation, Bylaws, or Partnership Agreements
7. Verification of owner's equity injection
8. Verification of bank or other financial participation
9. Documentation supporting that project will employ a Certified Lead Renovator if the project is related to renovation, repair or painting of all public and commercial buildings built prior to 1978.

#### **Y. Grant Closings**

A separate set of legal documents, most of which are similar to commonly used bank forms, are required to close CEGP grants. For CEGP project closings, the following documents are required:

1. Grant Agreement;
2. Promissory Note;
3. Truth-In-Lending Notice;

#### 4. Owner-Contractor Agreement.

#### **Z. Policy Changes**

The policies and procedures contained herein may be amended to reflect changing community and/or funding source priorities. Proposed changes may be reviewed for compliance by the CEGRC, and/or the Regional HUD Office.

## **II. Commercial Exterior Grant Review Committee (CEGRC)**

### **A. Purpose**

The purpose of the Commercial Exterior Grant Review Committee (CEGRC) is to review grant applications considered for funding through the CDBG CEGP. The Committee makes binding decisions on applications presented by staff.

The CEGRC also assists staff in establishing policies and guidelines for the program. The primary policy guidance for program operation is provided in HUD regulations, as well as this City of Tyler Commercial Exterior Grant Program Policies and Procedures Manual. The CEGRC is a required function of the grant program and is a community participation aspect of the CDBG program.

### **B. Committee Structure**

The CEGRC is composed of seven members that have an interest in Downtown Tyler Business, Arts and Culture District. Committee members represent Boards from various non profits, and community organizations within the City of Tyler. Members serve three-year terms. Members may serve a maximum of three (3) consecutive terms and may be reappointed to future terms after a subsequent term has expired following the third consecutive term of service. Invitations to potential committee members are issued by authorized NBS and Main Street staff as needed.

The committee selects a Chairperson for the CEGRC on an annual basis. When a quorum exists, a majority vote of the members present is required to elect the Chairperson. The Chair will serve for one year beginning with the annual meeting appointment. Each successive Chairperson will be selected accordingly.

### **C. Responsibilities**

The duties of the Commercial Exterior Grant Review Committee are as follows:

- Understand the goals, objectives, and general rules governing the Commercial Exterior Grant Program.
- Ensure that grant applications comply with program goals and objectives.
- Approve or disapprove the funding of each project brought before the committee.
- Provide input and recommendations on program policy issues.
- Disclose any potential conflicts of interest.
- Review the meeting packets and attend scheduled meetings.



**D. Initial Commercial Exterior Grant Review Committee Members**

<b><u>Represents</u></b>	<b><u>Incumbent</u></b>	<b><u>Appointment</u></b>
Heart of Tyler Design Committee Chair	Barry Dennis (Architect)	Mo./Yr. _____
Heart of Tyler ER Committee Chair	Christopher Garrett (Business Owner/Engineer)	Mo./Yr. _____
Heart of Tyler Board Chairperson	Ingrid Young (Paralegal)	Mo./Yr. _____
Tyler Economic Development Council	Phyllis Schneider	Mo./Yr. _____
Industry Growth Initiative Champion	Martin Heines (Property Owner)	Mo./Yr. _____
Tyler City Councilmember	Donald Sanders	Mo./Yr. _____
Historic Tyler Appointee	Janie Menegay	Mo./Yr. _____
Ex-Officio - Main Street Department	Beverly Abell	Mo./Yr. _____
Ex-Officio-Neighborhood Services Dept.	Brenda Johnson	Mo./Yr. _____
Ex-Officio-Neighborhood Services Dept.	Larry Everett	Mo./Yr. _____

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City of Tyler  
Neighborhood Services Department

Approved:

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Brenda Johnson, City of Tyler Neighborhood Services Director      Date

Approved:

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Beverly Abell, Main Street Department Leader      Date

Approved:

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Mark McDaniel, City Manager, City of Tyler      Date