

Chapter 5: Measuring the Outcome of Economic Development Activities

This chapter describes how CDBG-funded economic development activities are tracked and reported in the CPD Performance Measurement System. The chapter discusses the types of activities that are funded with CDBG, the likely outcomes and objectives of these activities, and the reporting requirements by type of activity. The chapter reviews the IDIS screens and identifies other outcome measures that may be important for implementation at the local level.

Types of Economic Development Activities Funded with CDBG

Economic development is generally defined as activities that are aimed at sustaining or increasing the level of business activity in a community, with job and income growth being the priority goals of such activities. CDBG is an important resource in state and local economic development activities.

Eligible types of economic development activities under CDBG include:

- ❑ **Commercial or industrial rehabilitation:** The rehabilitation of commercial or industrial property is eligible under CDBG as a rehabilitation activity. However, it should be noted that under this category of eligibility, if the property is owned by a for-profit entity, the rehabilitation is limited to exterior improvements and the correction of code violations. CDBG assistance can be used for acquisition, the cost of eligible improvements, or historic preservation. Assistance can be structured as a grant or loan.
- ❑ **Microenterprise assistance:** CDBG funds may be used to provide assistance to microenterprises. A microenterprise is a business with five or fewer employees, including the owner(s). Assistance can be provided to an existing business or an owner working towards developing a business. CDBG funds may be used to provide technical assistance as well as other general support for the establishment, stabilization, or expansion of the business. General support can include services such as child care, transportation, counseling, and peer support programs.
- ❑ **Public facilities (infrastructure) for the purposes of economic development:** CDBG funds may be used for various types of public facilities, including infrastructure improvements. Specifically, CDBG may be utilized to install infrastructure such as streets, water, sewer and drainage improvements, utilities, and parking for the purpose of attracting economic development to a community.

Note that activities funded with Section 108, EDI, or BEDI are not subject to outcome performance measurement and reporting at this time since the use of these funds is not reported in IDIS.

- ❑ **Special economic development activities:** Under CDBG, other types of economic development assistance (not described above) generally fall under a category known as special economic development. These activities include:
 - Commercial or industrial improvements carried out by the grantee or nonprofit subrecipient. This includes acquisition, construction, rehabilitation, reconstruction, or installation of commercial or industrial buildings, structures or equipment. For example, construction of a business incubator designed to provide less expensive space and other support for new firms to help them become viable businesses.
 - Assistance to private, for-profit entities in the form of grants, loans, loan guarantees, interest supplements, and technical assistance. For example, a low interest loan to a business for the purpose of expanding the business, with the funds used for additional operating capital or the purchase of new equipment.
 - Economic development services in connection with the two categories of special economic development activities listed above such as outreach, underwriting, and job training when there is an agreement with one or more businesses to hire the persons trained. For example, providing technical assistance to a business facing bankruptcy.

Always consult the CDBG statute and regulations for detailed guidance about these and other eligible economic development activities.

HUD CPD Objectives and Outcomes

When grantees set up an economic development activity in IDIS, they will need to identify the activity purpose, using the objectives and outcomes defined by HUD for all activities. The objective options are: suitable living environment, decent housing, or economic opportunities. The outcome options are: availability/accessibility, affordability or sustainability. Grantees should consider the intent of the activity before making a determination about the objective and outcome for an activity. For nearly all types of economic development activities, the objective is to create economic opportunities. However, in some limited circumstances, an economic development activity may be undertaken for the purpose of a suitable living environment, such as a commercial revitalization program in a concentrated geographic area. (Refer to Chapter 10 for a discussion on reporting outcomes when resources are concentrated in a geographic area.)

Exhibit 5-1 provides some suggestions about which outcomes and objectives are most likely for different types of economic development activities.

Exhibit 5-1
Suggestions for Choosing an Outcome and Objective: ED Activities

Outcome →	Availability/Accessibility	Affordability	Sustainability
Objective ↓			
Suitable Living Environment	<p>Economic development activities that improve/increase the availability/accessibility of goods and/or services by providing a suitable living environment.</p> <p><i>Example: CDBG assistance to a grocery store that serves a LMI area.</i></p>		<p>Economic development activities that focus on improving the sustainability of the community or other defined geographic area by providing a suitable living environment.</p> <p><i>Example: Commercial revitalization of a blighted business district in a low-income neighborhood.</i></p>
Decent Housing			
Creating Economic Opportunities	<p>Economic development activities that focus primarily on improving the availability/accessibility of jobs for residents.</p> <p><i>Example: Installing infrastructure for a business locating in a new industrial park that will create new jobs for LMI persons.</i></p>	<p>Economic development activities that focus primarily on making capital affordable for businesses that improve the economic health of the community.</p> <p><i>Example: Grant or low-interest loan assistance to microenterprises or small businesses that would otherwise not be able to afford the capital to start-up or expand their operations.</i></p>	<p>Economic development activities that focus primarily on sustaining a specific business(es) or geographic area(s).</p> <p><i>Example: A commercial façade improvement program in a specific geographic area within the community.</i></p>

Once the grantee has selected objectives and outcomes for the activity, IDIS generates the outcome indicators that must be reported for that activity.

For reporting purposes, economic development activities are categorized as:

- Activities that create or retain jobs, and

- Activities that assist businesses.

The grantee reports on the applicable outcome indicators, which are determined by the type of activity it undertakes. For example, using CDBG funds for infrastructure to a new manufacturing plant that commits to providing LMI jobs would report on its job creation results. Activities that provide direct financial assistance to businesses, such as for the purpose of commercial rehabilitation or for buying additional equipment or inventory would report data on the business assisted. Both of these types of reporting are described in detail below.

Reporting on Job Creation and Retention Activities

For economic development activities that use the low-mod jobs national objective, grantees must report certain data on the jobs that are created or retained as a result of those activities.

Data Required

The reporting requirements vary just slightly depending upon whether the activity creates or retains jobs.

For activities that involve the **creation of jobs**, grantees are required to report the following information:

- The total jobs created for the program year.
- The number of jobs with employer sponsored health care benefits.
- The number of persons who were unemployed prior to taking jobs created by the activity.
- The number of jobs created for each job type, using the Economic Development Administration (EDA) classifications of:
 - Officials and managers,
 - Professional,
 - Technicians,
 - Sales,
 - Office and clerical,
 - Craft workers (skilled),
 - Operatives (skilled),
 - Laborers (unskilled), and
 - Service workers.

Full definitions for these classifications are provided at the end of this chapter as Attachment 5-1.

For activities that involve the **retention of jobs**, grantees are required to report the following information:

- ❑ The total jobs retained for the program year.
- ❑ The number of jobs with employer sponsored health care benefits.
 - The type of jobs retained by the EDA classifications, using the same categories as above for job creation.

Full definitions for these classifications are provided at the end of this chapter, as Attachment 5-1.

- ❑ Note that some of the indicators will not apply *if the grantee is doing the economic development activity under the low- and moderate-income job creation/retention national objective when low- and moderate-income presumption is used*. When a series of criteria established under the CDBG regulations are met, including the location of the job or employee, the grantee may presume that the employee is low- and moderate-income. In these instances, the grantee is not required to collect specific demographic data on the employees and thus the general indicator data regarding levels of low- and moderate-income beneficiaries will not apply. However, the indicators related to the total number of jobs created, whether those jobs offered health benefits, and the job classification will apply, as will the common indicator related to leverage.

Key Issues in Data Collection

In the past, CDBG grantees have been required to report on the number of jobs created/retained but not on the other categories described above. Grantees will need to change program administration and reporting systems to ensure that the required data is collected in a standardized way.

- ❑ Grantees need to identify and define the data elements that need to be collected and conduct outreach to make sure their current subrecipients and business partners understand the new reporting requirements.
 - Providing specific guidance to partners helps ensure that the data collected is accurate and that the wide variety of staff involved in collecting data are consistent.
 - Grantees should share the definitions of the EDA classifications, as they may be unfamiliar with this information.
 - For activities that create jobs, assisted businesses may need to change their job application form(s) to capture data about whether or not individual job applicants were previously unemployed.

- ❑ Grantees (and subrecipients) may need to revise program documents and forms to ensure that the required data elements are included.
 - Any and all documents and materials that discuss program requirements, capture information about applicants and proposed activities, and/or educate the public and prospective applicants about the program or assistance available should be reviewed and revised as needed.
 - Reporting and/or data collection forms provided for businesses should be revised to capture the new data elements.
- ❑ Agreements with subrecipients and other partners should be revised to reflect the new reporting requirements.

Reporting on Assistance to Business Activities

When economic development activities are undertaken that provide assistance to businesses, grantees will have to report on certain outcome indicators. These reporting requirements apply regardless of the objective and outcome chosen for the activity.

Any of the following activities are considered “assistance to businesses.” When the grantee sets up any of these activities in IDIS, it will be required to report on the specific indicators for this activity type:

- ❑ Commercial or industrial improvements by a grantee or nonprofit (HUD IDIS Matrix Codes 17A, 17B, 17C, and 17D) which cover:
 - Commercial/industrial land acquisition/disposition;
 - Commercial/industrial infrastructure development;
 - Commercial/industrial building acquisition, construction, and/or rehabilitation; or
 - Commercial/industrial improvements.
- ❑ Rehabilitation for a publicly or privately owned commercial or industrial building (HUD IDIS Matrix Code 14E).
- ❑ Direct economic development assistance to private for-profit companies (HUD IDIS Matrix Code 18A, 18B, and 18C), including:
 - Direct financial assistance to for-profit businesses;
 - Direct technical assistance to for-profit businesses; or
 - Microenterprise assistance.

The IDIS screen called “Assistance to Businesses” will require the grantee to provide the following information for any of the economic development activities listed above:

- ❑ Of the total number of businesses assisted:
 - Number of new businesses assisted,
 - Number of existing businesses assisted,
 - Of the total number of existing businesses assisted, the number of businesses expanding;
 - Of the total number of existing businesses assisted, the number of business relocations, and
 - Number of businesses assisted with commercial façade treatment/business building rehabilitation,
 - Number of businesses assisted that provide goods or services to meet the needs of a service area, neighborhood, or community,
 - The Data Universal Numbering System (DUNS) number for each business assisted.
 - If the new business will be created as a result of the CDBG assistance then the business will need to get a DUNS number once it is set up and the grantee should enter that DUNS number into the system.
 - If the financial or business support assistance is direct to an existing or start-up business, the grantee should provide the DUNS number. However, if the assistance is for general training/TA for an entrepreneur who wants to start a business (e.g., microenterprise assistance) but where no business exists then the grantee is not required to fill in the DUNS number.

A DUNS number is now a requirement for any business that receives Federal assistance. If a business does not have one, it should call the DUNS number request line at 1-866-705-5711 to obtain a number. The process is free and takes about ten minutes. More information can be found at http://www.whitehouse.gov/omb/grants/duns_num_guide.pdf.

Key Issues in Data Collection

The performance measurement data required to report on activities involving assistance to businesses, as outlined above, should be available to the grantee at the time of project commitment or when the written agreement is signed with the business owner. In cases where the economic development activity is carried out by a subrecipient, the grantee will need to include this information on the subrecipient reporting form so the grantee can then enter it into IDIS.

Timing of Economic Development Activity Data Entry

Grantees must enter the outcomes and objectives at activity set-up in IDIS. If the activity is part of a Neighborhood (entitlements) or Community (states) Revitalization Strategy Area, local target area, or Community Development Financial Institution (CDFI) area, the grantee will be required to so indicate at activity set-up in IDIS.

The timing of reporting indicators will depend, in part, on when the data is available to the grantee. For example:

- ❑ Data for the jobs created and jobs retained outcome indicators will need to be completed both:
 - Annually for annual program reporting purposes (see Chapter 13 for more information); **and**
 - When the planned number of jobs to be created or retained has been achieved (cumulative to both demonstrate the full outcome of the activity **and** to ensure compliance with the CDBG national objective).
- ❑ Data for the assistance to businesses indicators may be entered at activity set-up, or on a periodic basis as this information is made available to the grantee.
 - If the grantee is directly administering the activity, the data should be easily available from application documents or written agreements.
 - If a subrecipient is administering the activity, the grantee should ensure that it is collecting this data on a regular basis either when funds/payments are requested/drawn down, or on a predetermined schedule (e.g., quarterly reporting from the subrecipient to the grantee).

Applicable IDIS screens

Sample screens for economic development funded with CDBG dollars are shown below.

```

05/03/06  14:08                CDBG JOB CREATION/RETENTION                CDBG11
Grantee Activity ID                IDIS Activity ID 538
Activity Name                ECONOMIC DEVELOPMENT LOANS                Natl/Obj LMJ

Estimates                TOTAL JOB COUNT                TOTAL WEEKLY HRS                PERCENT
                        F/T                F/T-LM                P/T                P/T-LM                LOW/MOD JOBS
Expect to Create:                _____                _____                _____                _____                0.00%
Expect to Retain:                _____                _____                _____                _____                0.00%

                        Year to Insert: _____ MM DD
                        TOTAL JOB COUNT                TOTAL WEEKLY HRS                PERCENT
                        F/T                F/T-LM                P/T                P/T-LM                LOW/MOD JOBS
Actually Created:                _____                _____                _____                _____                0.00%
Actually Retained:                _____                _____                _____                _____                0.00%

                                                Actual                0 FTE Jobs

Insert/Delete program year(I/D)? _                _

Type year to be inserted and press <ENTER> to confirm.
                F4=MAIN MENU                F5=PROJ INFO                F7=PREV                F8=NEXT
  
```

```

05/03/06  14:23                JOB CREATION                CDBG26
Grantee Activity ID                IDIS Activity ID 538
Activity Name                ECONOMIC DEVELOPMENT LOANS                Natl/Obj LMJ

Total Jobs Created for program year 2005 : 1
Jobs Created:
Number of jobs with employer sponsored health care benefits: _____
Number unemployed prior to taking jobs created under this activity: _____

Type of Jobs Created:                # Jobs
    Officials and Managers                _____
    Professional                _____
    Technicians                _____
    Sales                _____
    Office and Clerical                _____
    Craft Workers (skilled)                _____
    Operatives(semi-skilled)                _____
    Laborers (unskilled)                _____
    Service Workers                _____

Insert/Delete program year(I/D)? _
Enter data for new year.
F3=VALDT                F4=MAIN MENU                F5=PROJ INFO                F7=PREV                F8=NEXT                F9=SAVE
  
```

These IDIS screens are required for any activity that uses the low-moderate income jobs national objective. The screens below are used when the matrix code is 14E, 17, and 18 for business assistance.

```

05/03/06  14:10                ASSISTANCE TO BUSINESSES                CDBG28

Grantee Activity ID                IDIS Activity ID 538
Activity Name                ECONOMIC DEVELOPMENT LOANS                Natl/Obj LMJ

Year to Insert:  ____
  Businesses assisted:
    New:                _____
    Existing:            _____
    Total:                _____ 0

Of the EXISTING Businesses assisted:
  Number expanding:    _____
  Number relocating:   _____

# of businesses assisted with commercial facade treatment/
                        business building rehab: _____
# of businesses assisted that provide goods or services to meet the
  needs of a service area, neighborhood, or community: _____

Insert/Delete program year(I/D)? _
Type year to be inserted and press <ENTER> to confirm.
      F4=MAIN MENU  F5=PROJ INFO  F7=PREV  F8=NEXT
  
```

```

05/03/06  14:11                ASSISTANCE TO BUSINESSES - PART 2                CDBG29

Grantee Activity ID                IDIS Activity ID 538
Activity Name                ECONOMIC DEVELOPMENT LOANS                Natl/Obj LMJ

Specify DUNS # for each business assisted:

      DUNS #
      _____
      _____
      _____
      _____
      _____
      _____
      _____
      _____
      _____
      _____
      _____
      _____
      _____
      _____
      _____

Additional Entries (Y/N)? _

F3=VALDT  F4=MAIN MENU  F5=PROJ INFO  F7=PREV  F8=NEXT  F9=SAVE
  
```

Although these screens refer to assistance to businesses, all activities involving loans, grants, or other direct **financial** assistance to a business should be reported on only one business per activity in order to demonstrate national objective compliance.

Attachment 5-1: Economic Development Administration (EDA) Job Category Definitions

1. **Officials and Managers** - Occupants requiring administrative personnel who set broad policies, exercise overall responsibility of execution of these policies, and individual departments or special phases of a firm's operations. This includes: Officials, Executives, middle management, plant managers and superintendents, salaried supervisors who are members of management, purchasing agents and buyers, and kindred workers.
2. **Professional** - Occupants requiring either college graduation or experience of such kind and amount as to provide a comparable background includes: accountants and auditors, airplane pilots and navigators, architects, artists, chemists, designers, dietitians, editors, engineers, lawyers, librarians, mathematicians, natural scientists, registered professional nurses, professional and labor relations workers, physical scientists, physicians, social scientists, teachers, and kindred workers.
3. **Technicians** - Occupants requiring a combination of basic scientific knowledge and manual skill which can be obtained through about 2 years of post-high school education such as is offered in many technical institutions and junior colleges, or through equivalent on the job training. This includes: computer programmers and operators, drafters, engineering aides, junior engineers, mathematic aides, licensed practical or vocational nurses, photographers, radio operators, scientific assistants, surveyors, technical illustrators, technicians (medical, dental, electronic, physical science) and kindred workers.
4. **Sales** - Occupants engaging wholly or primarily in direct selling. This includes: advertising agents and sales workers; insurance agents and brokers; real estate agents and brokers; sales workers; demonstrators and retail sales workers; and sales clerks, grocery clerks and cashiers; and kindred workers.
5. **Office and Clerical** - Includes all clerical-type work regardless of level of difficulty, where the activities are predominantly non-manual though some manual work not directly involved with altering or transporting the products is included. This includes: bookkeepers, cashiers, collectors (bills and accounts), messengers and office helpers, office machine operators, shipping and receiving clerks, stenographers, typists, and secretaries, telegraph and telephone operators, and kindred workers.
6. **Craft Worker (skilled)** - Manual workers of relatively high level having a thorough and comprehensive knowledge of the processes involved in their work. Exercise considerable independent judgment and usually receive an extensive period of training. This includes: the building trades, hourly paid supervisors and lead operators (who are not members of management), mechanic and repairers, skilled machining occupations, compositors and typesetters, electricians, engravers, job setters (metal), motion picture projectionists, pattern and model makers, stationary engineers, tailors, and kindred workers.
7. **Operatives (semi-skilled)** - Workers who operate machines or other equipment or perform other factory-type duties of intermediate skill level which can be

mastered in a few weeks and require only limited training. This includes: apprentices (auto mechanics, plumbers, electricians, machinists, mechanics, building trades, metal working trades, printing trades, etc.), operatives, attendants (auto service and parking), blasters, chauffeurs, delivery workers, dress makers and sewers (except factory), dryer's furnaces workers, heaters (metal), laundry and dry cleaning, operatives, milliners, mine operatives and laborers, motor operators, oilers and greasers (except auto), painters (except construction and maintenance), photographic process workers, boiler tenders, truck and tractor drivers, weavers (textile), welders and flame metals workers, and kindred workers.

8. **Laborers (unskilled)** - Workers in manual occupations which generally require no special training perform elementary duties that may be learned in a few days and require the application of little or no independent judgment. This includes: garage laborers; car washers and greasers; gardeners (except farm) and ground keepers; stevedores; wood choppers; laborers performing lifting, digging, mixing loading, and pulling operations; and kindred workers.
9. **Service Workers** - Workers in both protective and non-protective service occupations. This includes attendants (hospital and other institutions, professional and personal service, including nurses aides and orderlies), barbers, chairworkers and cleaners, cooks (except household), counter and fountain workers, elevator operators, firefighters and fire protection guards, door keepers, stewards, janitors, police officers and detectives, porters, waiters and waitresses, and kindred workers.