



FINANCING FOR INDUSTRY PROGRAM
OVERVIEW & APPLICATION INSTRUCTIONS
THE COMMUNITY INVESTMENT FUND
OF THE HEADWATERS FUND OF HUMBOLDT COUNTY

Introduction

The Headwaters Community Investment Fund *Financing for Industry Program* (FIP) is a grant and loan program of the Headwaters Fund of Humboldt County. The FIP's mission is to facilitate long-term economic development in Humboldt County. A parallel program, the Community Investment Fund *Financing for Communities Program* offers loans for public infrastructure projects.

The Headwaters Fund activities are overseen by a seven-member community board (the Headwaters Fund Board) which is appointed by and reports to the Humboldt County Board of Supervisors.

Eligible Projects & Costs

To qualify for funding, projects must adhere to the following:

- *Funding Focus:* The initial, primary focus is to support projects with long-term, tangible impacts directly facilitating economic development in Humboldt County. Projects supporting the growth of base industry clusters are encouraged.¹
- *Primary/major beneficiary:* Businesses in the County of Humboldt (although project applicant must be a non-profit or government entity).
- *Project types:*
 - Planning, acquisition, construction, upgrades, and directly related expenses of facilities, land, and infrastructure
 - Financing programs for the above projects types

Typical projects include an industrial park, transportation infrastructure, and telecommunications networks/facilities, and other projects that facilitate business and economic development in Humboldt.

There are no annual minimum or maximum outlays for grants and loans. The FIP may award no grants or loans in a given year depending on the quality of project applications. Currently, the

¹ Base industries bring dollars into Humboldt County through sales to customers outside of the County. Development of industry clusters, groups of businesses and other organizations related by industry and activity, is key to the *Prosperity!* strategy. The nine existing industry clusters are Forest Products, Tourism, Dairy & Dairy Processing, Fisheries & Aquaculture, Specialty Agriculture & Horticulture, Manufacturing, Arts & Culture, Education & Research, and Information Technology. Representatives from each cluster have developed cluster workplans that outline projects and activities that will benefit cluster growth and economic development. Industry cluster workplans and information on the *Prosperity!* strategy may be found online at www.northcoastprosperity.org.

Funding may not supplant government funds, though costs formerly covered by government may be included if the government funding is no longer available.

Typically, total overhead costs (i.e. indirect staff, supplies, printing/copying, telephone/fax, postage/delivery, and rent/utilities) should not exceed 10% of total project costs. Exceptions to this guideline must be justified in detail.

If Headwaters Funds are used for a construction project, State prevailing wage laws may apply (i.e. the borrower/grantee would need to ensure that contractors and sub-contractors are paid prevailing wages).

Type of Financing and Grant Match

Applicants may apply for a loan, a loan and grant combination, or a grant. However, loans are preferred. The following list outlines types of financing offered in order of preference:

1. Loans
2. Grants, as indicated below:
 - Repayable – applicant agrees to repay grant under certain conditions, such as:
 - If FIP planning grant leads to later receipt of construction funding, construction funder reimburses FIP for planning grant
 - Successful project completion generates funds (e.g. revenues, user fees) that repay FIP grant
 - Combination FIP loan & grant – applicant receives a FIP financing package that includes a loan and a grant
 - Loan Gap Financing – applicant receives a 3rd party loan; FIP grant fills remaining gap to complete project
3. Grants, traditional: Applicant receives a non-repayable FIP grant

Project applications for more preferred financing types will receive a higher ranking in the application selection process (see Project Selection Criteria below).

FIP grants must receive matching funds in cash from non-Headwaters sources; FIP loans do not require matching funds. For grants, at least 75% of a project's funding must come from other sources.

At the time of the application to the FIP, if matching funds are expected but not yet in hand, the applicant must document the source, amount, date, and status of expected match (see Application Form). FIP grant disbursements may be subject to proof of receipt of matching funds.

Documentation of match funding may take the form of:

- Copy of grant award letter/contract from other funders showing award amount, costs covered, budget, project description, and other information;
- Copy of organization's approved budget documenting dedicated project funds; or

- If match is not in-hand, and FIP support will be used to garner outside funding, then applicant must provide a detailed fundraising/grant-writing plan, including a listing of potential funding sources, progress to date for each source, competitive position for each source, timeline, and commitments made.

Loan Review & Terms

Loan requests will be reviewed according to financial and social criteria.

- *Financial Criteria:* Loan applications will be underwritten and reviewed according to the project's likelihood of loan repayment. Staff will analyze factors such as project cash flow, collateral (if available), and applicant creditworthiness. Applications with insufficient likelihood of repayment will be denied.
- *Social Criteria:* Applications must score highly according to the Project Ranking Criteria (see below).

For planning & predevelopment projects, underwriting will be based on the likelihood of repayment via final project construction.

Loan Terms

- Term length: No more than 25 year terms (with exceptions), and if possible be "last in, first out" project funds
- Size: loan must be at least \$50,000, with exceptions. Typical loan size is less than \$800,000.
- Interest rate: Typically 4-10%, depending on project risk
- Loan fees: A loan fee will be assessed to cover underwriting costs which may vary according to the loan request. A typical fee is 1% of the loan amount.

Specific loan terms and conditions may vary and will be determined on a case-by-case basis during the loan underwriting process.

Applicant Eligibility

Non-profit and governmental entities are eligible to apply for grants and loans.

Businesses in Humboldt may not directly apply for funding, but may work with a Humboldt County governmental entity or non-profit organization to help develop a project that fits the eligibility guidelines and Project Ranking Criteria. For grants where one or more businesses may be a beneficiary, projects must adhere to the following guidelines:

- The project must provide benefit to an overall industry in Humboldt or multiple businesses
- The project must be supported by more than one business
- A business may not use project funds to purchase and own assets such as equipment, land, and buildings; if a worthwhile project requires such assets, the County may work with the applicant to explore alternative paths and ownership structures.

Project Ranking Criteria

For eligible projects, the FIP will use the following project ranking criteria to evaluate applications:

- I. Overall Benefit: Environment, People, Community or Economic Advantage
 - A. Economy: Supports economic growth in one or more of the following sub-categories:
 - i. Benefit to base industry growth
 - ii. Probability of leveraging future funding and/or projects
 - iii. Creation/retention of jobs
 - iv. Other general economic benefits (e.g. tax base expansion)
 - B. Environment: Activities that will have positive effect on the environment and long-term sustainability.
 - C. Quality of Life: Reduces poverty, builds leadership, revitalizes community centers, builds public infrastructure, improves public or pedestrian transportation, utilizes existing buildings, fits with community image and identity, preserves heritage.
- II. Readiness
 - A. Readiness and Effectiveness: The likelihood that the program will achieve desired outcomes. All ingredients for project success are in place; all necessary conditions are met (property access, permits, approvals, etc.).
 - B. Fiscal Integrity: The project budget will be evaluated for financial integrity, adequacy and commitments of financially cooperating entities.
- III. Unmet Need and Sources of Funding: The degree to which the program/project address an unmet need that cannot be funded through other sources.
- IV. Capacity and Organizational Strength
 - A. Prior Experience With Similar Programs or Projects: Applicants will be rated on their history of success administering similar projects or programs.
 - B. Fiscal Capability: Applicants and/or fiscal sponsor will be rated on their ability to administer the fiscal aspects of the project or program.
 - C. Project/Program Implementation Capability: Applicants will be rated on their ability to implement the project/program based on skills, partnerships and depth of resources.
- V. Degree of Funding Match: The degree to which the project receives matching funds.
- VI. Type of Financing Requested (grants vs. loans): Preference will be given to loan requests, then to grants that have the potential for repayment or combined with loans, then to “stand-alone” grants. See “Type of Financing and Grant Match” section above.

Application Process

Loan applications are accepted at anytime, until further notice. They are reviewed monthly by the Headwaters Fund Board.

All application materials are available at www.theheadwatersfund.org or by calling 476-4805. Mail or drop off application materials to: Headwaters Fund Coordinator, 520 E Street, Eureka, CA 95501. Incomplete application packages will not be accepted.

The Headwaters Fund Board (HFB) will review and rank all eligible applications and determine award amounts. Some projects may receive less funds than requested. HFB will recommend a slate of projects to the Humboldt County Board of Supervisors for review and approval. All applicants will be notified of the result of their application in writing. Applications denied by HFB cannot be appealed.

Applicants should expect a 2-3 month review process. Expedited processing may be available under exceptional circumstances.

Applicants must first complete a short pre-application form. If the project and applicant are deemed appropriate for possible FIP funding, the applicant will be asked to submit more information.

Grantees must sign a Grant Contract that will include a payment and report schedule, report format, and monitoring requirements with the County of Humboldt. No funds will be released until a grant contract has been signed by the appropriate parties. Grantees must acknowledge Headwaters funding in all printed materials, programs, and publicity about the project. Grantees may be asked to participate in promotional activities and planning activities hosted by the Headwaters Fund.

For More Information

For further information, updates, and application forms for the Community Investment Fund or the other programs of the Headwaters Fund, please check our website at www.theheadwatersfund.org. If you have specific questions not answered on the website, you may email delsbree@co.humboldt.ca.us or call 476-4805.