

## Chapter DOD 15

### COMMUNITY-BASED ECONOMIC DEVELOPMENT PROGRAM

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**DOD 15.01 Purpose.** The purpose of this chapter is to establish a procedure for the administration of community-based economic development grants by the department as provided by s. 560.14, Stats.

*History:* Cr. Register, May, 1990, No. 413, eff. 6-1-90.

**DOD 15.02 Definitions.** In this chapter:

(1) "Acquisition" means the execution of a mortgage or lease through which the applicant acquires the rights to the property that will be used as a business incubator.

(2) "Applicable median household income" has the meaning given in s. 560.14 (1) (a), Stats.

(3) "Business incubator" has the meaning given in s. 560.14 (1) (b), Stats.

(4) "Cash match" means a cash contribution to an applicant's project.

(5) "Ceases operations" means the removal of all tenants from the business incubator, the cessation of shared services or managerial assistance by the business incubator and, the conversion of the business incubator to some other use by the applicant or the organization that operates the business incubator.

(6) "Community-based organization" has the meaning given in s. 560.14 (1) (c), Stats.

(7) "Department" means the department of development.

(8) "Economic development diversification plan" means a plan which has as its goal and objectives the creation or retention of private sector employment or investment in the area to which the plan applies.

(9) "Extreme financial hardship area" means an area to which any 4 of the following paragraphs apply:

(a) The unemployment rate in the area is at least 150% of the state average.

(b) At least 40% of the persons residing in the area are members of households that have household income levels at or below 80% of the applicable median household income.

(c) The assessed value of real property in the area in the most recent assessment is less than the assessed value of that property in the assessment 2 years before the most recent assessment.

(d) The project will be located in an area that has been designated as a development zone.

(e) The percentage of households receiving aid to families with dependent children under s. 49.19, Stats., in the area is higher than the percentage of households receiving aid to families with dependent children in this state.

(f) In the 18 months immediately preceding the application, at least 5% of the members of the work force in a municipality where the area is located were permanently laid off by their employer.

(g) In the 3 years immediately preceding the application, the area has experienced an average unemployment rate of 20% or more.

(10) "Job" means a position providing full-time equivalent employment for an individual for at least one year following the conclusion of a project funded under this chapter.

(11) "Local economic development project" means a project specific plan for an industrial park, downtown business district, or public infrastructure project focusing on water, sewer or transportation or a training program for local economic development professionals.

(12) "Municipality" has the meaning given in s. 560.14 (1) (f), Stats.

(13) "Plan" means a document that is adopted by resolution of the governing body of an area and which documents input from area residents, identifies the economic development needs of the area, sets the goals, objectives and activities that address those needs and identifies the resources needed to implement the activities and attain the goals and objectives.

(14) "Small business" means a business which employs 25 or fewer persons.

(15) "Technology based incubator" means a business incubator which serves new or expanding technically oriented businesses.

(16) "Technically oriented business" means a business which is part of a new or emerging industry and either sells a technically sophisticated service or product or, utilizes a technically sophisticated production process.

(17) "Tenant revolving loan fund" means a pool of dollars which is utilized by a business or technology based incubator to make small capital loans to tenant busi-

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nesses that are not available from conventional lending institutions.

(18) "Unemployment rate" means the average unemployment rate for the distressed area which is proposed to be served by the grant or in which the incubator will be located during the 18 months immediately preceding the date of submission of the application.

**History:** Cr. Register, May, 1990, No. 413, eff. 6-1-90; renum. (1) to (10) to be (2), (3), (6) to (13), and am. (9), cr. (1), (4) and (6), Register, November, 1991, No. 431, eff. 12-1-91; r. and recr. (8) and (9), renum. (11) to (13) to be (12), (14) and (18), cr. (11), (13), (15) to (17), Register, December, 1993, No. 456, eff. 1-1-94.

**DOD 15.03 Business assistance grants.** (1) The department may make a grant to a community-based organization to conduct a local economic development project or to provide assistance to businesses or entrepreneurs.

(2) The maximum amount that may be granted for any project of local economic development or small business assistance is the lesser of \$20,000 or 75% of the cost of the project for which the grant is made.

(3) An application by a community-based organization for a grant under this section shall be in such form as the department may require and shall include all of the following:

(a) A description of the level of distress in the area proposed to be served by the grant activities including a presentation of data and information for the area which addresses the criteria in s. DOD 15.02 (9).

(b) A discussion of the capacity of the community-based organization to undertake the activities proposed by the application.

(c) A description of the past experience of the community-based organization related to the proposed activities.

(d) A demonstration of the need for, demand for and feasibility of the activities proposed by the application.

(e) A description of the expected results to be achieved by the activities proposed in the application.

(f) Evidence of adequate financial support to carry out the proposed activities.

(g) A description of the qualifications of the persons who will provide the promotion or assistance.

(h) A description of the proposed project including a budget.

(i) A description of community support for the proposed project activities.

(j) Any other information the department may require to make a determination in accordance with s. 560.14 (2), Stats., and this chapter.

(4) The department may make a grant under this section after examining the application and any other information it deems relevant, if based upon the criteria contained in pars. (a) to (j), the application submitted by the community-based organization compares favorably to other applications received during the fiscal year. The department shall fund only those proposals which, in its judgment, effectively address the criteria in pars. (a) to (j) even if the department's determination results in the ex-

penditure of less than the total funding assigned under s. DOD 15.05 for grants under this section and s. DOD 15.035.

(a) The level of distress in the area proposed to be served by the grant activities.

(b) The ability of the community-based organization to carry out the activities proposed in its application.

(c) The need and demand for the activities being proposed.

(d) The need for state financial assistance.

(e) The anticipated results and the likelihood they will be achieved.

(f) The number of jobs that are likely to be created and retained as a result of the proposed activities and the number of jobs that are likely to be created and retained for low-income persons.

(g) The level and adequacy of financial support available to undertake the proposed activities.

(h) The degree of community support for the proposed activities.

(i) The level of representation on the community-based organization's governing body of low- and moderate-income persons and persons who live or work in the area proposed to be served.

(j) Whether or not the applicant is a nonstock, nonprofit corporation organized under ch. 181, Stats., or a nonprofit cooperative organized under ch. 185, Stats.

(5) Grants to provide assistance to a specific small business planning a start-up or expansion project in the service area of the community-based organization may be for one or more of the following direct management services:

(a) Production of a feasibility study.

(b) Production of a financial plan, a financial projection, or both.

(c) Production of a business plan.

(d) Assistance with the preparation of loan applications.

(e) Assistance with the review of in-house operating procedures.

(f) Entrepreneurship and management training.

(6) Grants to provide assistance for a local economic development project in the service area of a community-based organization may be for one or more of the following:

(a) Development of a project-specific plan for an industrial park.

(b) Development of a project-specific plan for a downtown business district.

(c) Development of a project-specific plan for a public infrastructure project focusing on water, sewer or transportation.

(d) Implementation of a training program for local economic development professionals.

(7) The department shall specify an amount, not to exceed 7% of the non-administrative cost of the project, that may be used by a grant recipient to administer a grant made under this section.

**History:** Cr. Register, May, 1990, No. 413, eff. 6-1-90; r. and recr. (4) (intro.), (5) and (6), cr. (7), Register, November, 1991, No. 431, eff. 12-1-91; am. (1), (2), (3) (a) and (d), (4) (intro.) and (c), Register, December, 1993, No. 456, eff. 1-1-94; r. and recr. (6), Register, May, 1994, No. 461, eff. 6-1-94.

**DOD 15.035 Economic diversification planning grants. (1)** The department may make a grant to a political subdivision to develop a plan to diversify its economy.

(2) The maximum amount of a grant under this section is \$10,000 and may not exceed 75% of the cost of the project for which the grant is made.

(3) An application by a political subdivision for a grant under this section shall be in such form as the department may require and shall include all of the following:

(a) A description of the level of distress in the area proposed to be served by the grant activities including a presentation of data and information for the area which addresses the criteria in s. DOD 15.02 (9).

(b) A demonstration of need and demand for the plan.

(c) A demonstration of need for state financial assistance.

(d) A description of the qualifications of the person who will produce the plan.

(e) A description of the experience of the political subdivision related to the proposed activities.

(f) A budget for the plan.

(g) Evidence of adequate financial support to produce the plan.

(h) Evidence that local targeted groups will receive consideration in the plan.

(i) A description of community support for the proposed planning activities.

(j) Any other information the department may require to make a determination in accordance with s. 560.14 (2) (a) 1 and (c) 1, Stats.

(4) The department may make a grant under this section if based upon the criteria contained in pars. (a) to (h), the application submitted by the political subdivision compares favorably to other applications received during the fiscal year. The department shall fund only those proposals which, in its judgment, effectively address the criteria in pars. (a) to (h) even if the department's determination results in the expenditure of less than the total funding assigned under s. DOD 15.05 for grants under this section and s. DOD 15.03.

(a) The level of distress in the area proposed to be served by the grant activities.

(b) The need and demand for the plan.

(c) The need for state financial assistance.

(d) The qualifications of the persons who will produce the plan.

(e) The level and adequacy of financial support available to produce the plan.

(f) The degree to which the plan will consider impacts on targeted groups.

(g) The degree of community support for the proposed activities.

(h) The level of representation on the political subdivision's governing body of low- and moderate-income persons and persons who live and work in the proposed service area.

**History:** Cr. Register, December, 1993, No. 456, eff. 1-1-94.

**DOD 15.04 Business incubator grants. (1)** The department may make a grant to a community-based organization for any of the following:

(a) To fund the operation of an existing business incubator or existing technology based incubator.

(b) To provide technical assistance in the process of starting a business or technology based incubator, including planning, engineering, architectural and legal services, and assistance in preparation of feasibility studies and business plans.

(c) To start a new business or technology based incubator by financing the construction, rehabilitation or expansion of a business or technology based incubator. To qualify under this paragraph, neither construction nor acquisition may have occurred prior to the date of the grant award unless the building is owned by a nonprofit, nonstock corporation, limited or no rehabilitation has taken place as of the date of the application and the nonprofit, nonstock corporation meets one of the following:

1. Received the building as a donation.

2. Is converting a building previously owned and utilized by or for other purposes.

3. Purchased a vacant building at or below assessed value.

(d) To create a revolving loan fund for tenants of a business or technology based incubator.

(3) The maximum grant under sub. (1) (a) is \$30,000 in any year. The maximum grant under sub. (1) (b) is \$10,000 in any year. The maximum grant under sub. (1) (c) is \$100,000 in any year and the maximum amount of such a grant that may be devoted to operating expenses is \$30,000. The maximum grant under sub. (1) (d) is \$50,000 in any year. The department may not make grants under sub. (1) (a) to a particular business or technology based incubator in more than 5 years. Any particular business or technology based incubator may receive no more than 2 grants under sub. (1) (b), (c) or (d). A recipient of a grant under sub. (1) (c) may not receive a grant under sub. (1) (a) for the same business or technology based incubator in the same year.

(4) An application by a community-based organization for a grant under this section shall be in such form as the department may require and shall include all of the following:

(a) A description of the level of distress in the area which the incubator is or is proposed to be located includ-

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ing a presentation of the data and information for the area which addresses the criteria in s. DOD 15.02 (9).

(b) A showing of the need for state financial assistance.

(c) A discussion of the management capabilities of the organization that operates or will operate the incubator.

(d) A description of community support, including financial support, for the incubator.

(e) Evidence of the viability of the project for which the grant is requested.

(f) The need for the project for which the grant is requested and the need and demand for the incubator that will be assisted by the grant.

(g) A description of the proposed project including a budget.

(h) Evidence of financial support for continued operation of the incubator if the grant is made for a project under sub. (1) (b), (c) or (d).

(i) A preliminary feasibility study if the grant is for a project under sub. (1) (b).

(j) A feasibility study, business plan and financial projections if the grant is for a project under sub. (1) (c).

(k) A description of the services to be provided to the tenants of the incubator.

(l) A listing of the businesses expected to become tenants of the incubator.

(m) A written policy by the applicant which provides for the movement of maturing businesses out of the incubator to independent operation within a reasonable period of time.

(n) A discussion of the jobs anticipated to be created by the operation of the incubator and its tenants including jobs for low-income persons.

(o) An explanation of how the benefits of the grant will be passed on to the business incubator tenants.

(p) Any other information the department may require to make a determination in accordance with s. 560.14 (3), Stats., and this chapter.

(q) Evidence that the incubator serves or will serve new or expanding technically oriented businesses if the grant is for an existing or proposed technology based incubator.

(r) Evidence that the incubator facilitates or will facilitate the transfer of technologies developed in basic and applied research programs at higher educational institutions or federal laboratories to tenant businesses for commercialization if the grant is for an existing or proposed technology based incubator.

(s) Evidence of the need and demand for a tenant revolving loan fund.

(t) Evidence of local bank support for and a willingness to participate in the tenant revolving loan fund.

(u) Evidence that local professionals are willing to become involved in revolving loan fund activities.

(v) Evidence of successful operation of the incubator.

(w) An explanation of whether the request is to establish a new or recapitalize an existing revolving loan fund.

(x) An operating plan for the revolving loan fund.

(5) The department may not make a grant under this section unless the applicant has a written policy relating to how stable, maturing businesses in the incubator will establish themselves outside of the incubator within a reasonable period of time.

(6) The department may make a grant under this section after examining the application and any other information it deems relevant if, based upon the criteria contained in pars. (a) to (s), the application submitted by the community-based organization compares favorably to other applications received during the fiscal year. The department shall fund only those proposals which, in its judgment, effectively address the criteria in pars. (a) to (s) even if the department's determination results in the expenditure of less than the total funding assigned under s. DOD 15.05 for grants under this section.

(a) The level of distress in the area proposed to be served by the grant activities.

(b) The need for state financial assistance.

(c) The management capabilities of the organization that operates or will operate the incubator.

(d) The level of community support, including financial support, for the incubator.

(e) The viability of the project for which the grant is requested and the viability of the incubator that will be assisted by the grant.

(f) The need for the project for which the grant is requested and the need and demand for the incubator that will be assisted by the grant.

(g) The adequacy of financial support for continued operation of the incubator if the grant is for a project under sub. (1) (b), (c) or (d).

(h) The level and type of services to be provided by the incubator to its tenants.

(i) The number of businesses created by the operation of the incubator.

(j) The degree to which persons of low- and moderate-income and persons who live or work in the area to be served have been and will be involved in the project's development and implementation.

(k) Whether or not the applicant is a nonstock, non-profit corporation organized under ch. 181, Stats., or a nonprofit cooperative organized under ch. 185, Stats.

(l) The degree to which the incubator serves or will serve new or expanding technically oriented businesses if the grant is for an existing or proposed technology based incubator.

(m) The degree to which the incubator facilitates or will facilitate the transfer of technologies developed in basic research programs at higher educational institutions or federal laboratories to tenant businesses for commercialization if the grant is for an existing or proposed technology based incubator.

(n) The need and demand for the tenant revolving loan fund.

(o) The degree to which a local bank supports and is willing to participate in the tenant revolving loan fund.

(p) The degree to which local professionals are willing to participate in revolving loan fund activities.

(q) Whether there has been successful operation of the incubator.

(r) Whether the requested funding is to establish a new or recapitalize an existing tenant revolving loan fund.

(s) The thoroughness of the operating plan for the tenant revolving loan fund.

(7) Grant proceeds may be used only as provided in s. 560.14 (3) (a) and (d), Stats., and the contract signed under s. DOD 15.07.

(8) (a) The department may make a grant under sub. (1) (b), (c) or (d), only if the applicant agrees to operate the incubator for at least 5 years following receipt of the grant. Should the incubator cease operations during the 5 year period, the department may require repayment as follows:

1. If the incubator ceases operations during the first year, than the department may require repayment of up to 100% of grant funds received.

2. If the incubator ceases operations during the second year, than the department may require repayment of up to 80% of grant funds received.

3. If the incubator ceases operations during the third year, than the department may require repayment of up to 60% of grant funds received.

4. If the incubator ceases operations during the fourth year, than the department may require repayment of up to 40% of grant funds received.

5. If the incubator ceases operations during the fifth year, than the department may require repayment of up to 20% of grant funds received.

(b) If the incubator is sold during the 5 years following receipt of a grant under sub. (1) (b) or (c), the applicant shall pay to the department the lesser of that part of the sale price which exceeds the original acquisition cost or the grant amount. If the incubator is sold during the 5 years following receipt of a grant under sub. (1) (d), the applicant shall return to the department that part of the revolving loan fund that has not been loaned to tenants of the incubator plus any loan repayments made by tenant loan recipients including all future loan repayments when they are made.

(9) The department shall specify an amount, not to exceed 7% of the non-administrative cost of the project, that may be used by a grant recipient to administer a grant made under this section.

**History:** Cr. Register, May, 1990, No. 413, eff. 6-1-90; am. (2), r. and recr. (6) (intro.), Register, November, 1991, No. 431, eff. 12-1-91; am. (1), (3),

(4) (intro.), (a), (c), (d), (f), (h), (5), (6) (intro.), (c) to (i), (8), cr. (4) (q) to (x), (6) (1) to (s), Register, December, 1993, No. 456, eff. 1-1-94; am. (8) (b), Register, May, 1994, No. 461, eff. 6-1-94.

**DOD 15.05 Distribution of funds.** (1) Out of each annual appropriation under s. 20.143 (1) (fg), Stats., the department shall set aside no less than 25% for grants made under ss. DOD 15.03 and 15.035 and no less than 25% for grants under s. DOD 15.04. Following the receipt and examination of applications, the department shall determine that part of the remainder of the appropriation that shall be used for grants under ss. DOD 15.03 and 15.035 and that part that shall be used for grants under s. DOD 15.04.

(2) Grant funds received under this chapter shall not be used to replace funds from any other source.

**History:** Cr. Register, May, 1990, No. 413, eff. 6-1-90; r. and recr. (1), Register, November, 1991, No. 431, eff. 12-1-91; correction in (1) made under s. 13.93 (2m) (b) 7, Stats., Register, December, 1993, No. 456.

**DOD 15.06 Application procedures.** (1) The department shall prepare an application manual which it may update as needed. The manual shall contain the application procedures, requirements and instructions for funding under this chapter and shall be made available to potential applicants at least 2 months before the annual competition.

(2) The department shall hold an annual competition for grants under s. DOD 15.03, an annual competition for grants under s. DOD 15.035 and an annual competition for grants under s. DOD 15.04. The competition for grants under s. DOD 15.04 shall be divided into 4 categories for s. DOD 15.04 (1) (a), (b), (c) and (d) grant determinations.

**History:** Cr. Register, May, 1990, No. 413, eff. 6-1-90; am. (2), Register, December, 1993, No. 456, eff. 1-1-94.

**DOD 15.07 Contracts.** Successful applicants shall be required to enter into a contract with the department for the purposes of implementing the proposed grant or loan. The contracts shall be signed by the secretary of development and the chief executive officer of the successful applicant, or by their authorized representatives. The department may void a contract and seek a return of any funds released under the contract for failure by the applicant to perform its obligations under the contract. Amendments to these contracts may be adopted by the written consent of both parties.

**History:** Cr. Register, May, 1990, No. 413, eff. 6-1-90.

**DOD 15.08 Reporting and auditing.** Each successful applicant shall provide the department periodic financial and program reports. A financial audit shall be submitted at the end of each contract that is for an amount greater than \$30,000. The cost of the audit may be covered by the grant. The financial reports, audit and the program reports shall be submitted to the department by a date specified in the contract. The financial audit and the program reports become the property of the department and are open to public inspection.

**History:** Cr. Register, May, 1990, No. 413, eff. 6-1-90; am., Register, November, 1991, No. 431, eff. 12-1-91.