



GOVERNMENT OF PUERTO RICO  
DEPARTMENT OF HOUSING

SUBRECIPIENT AGREEMENT

BETWEEN THE

PUERTO RICO DEPARTMENT OF HOUSING

AND THE

PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE

**ECONOMIC DEVELOPMENT PROGRAMS**

This **PARTNERSHIP AGREEMENT** (hereinafter, the "Agreement") is entered into this 16 day of November, 2018, by and between the **PUERTO RICO DEPARTMENT OF HOUSING** (hereinafter, the "PRDOH"), a public agency of the Government of Puerto Rico created under Act No. 97, dated June 10, 1972, as amended, known as the "Department of Housing Organic Act" (hereinafter, the "Organic Act"), with principal offices at 606 Barbosa Ave., San Juan, Puerto Rico, represented herein by its Secretary, Hon. Fernando A. Gil-Enseñat, of legal age, attorney, married, and resident of Guaynabo, Puerto Rico ; and the **PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE** (hereinafter, the "DDEC", for its Spanish language acronym, the "Subrecipient" or the "Party"), a public agency of the Government of Puerto Rico created under the Reorganization Plan of 1994, as amended by Act 141-2018, with principal offices at 355 F.D. Roosevelt Avenue, San Juan, Puerto Rico, represented herein by its Secretary, Hon. Manuel Laboy Rivera, of legal age, engineer, single, and resident of Gurabo, Puerto Rico.

**I. RECITALS AND GENERAL AWARD INFORMATION**

**WHEREAS**, pursuant to Public Law 115-56 (hereinafter, the "Appropriations Act") and the Federal Register Notice dated February 9, 2018, at 83 FR 5844, the U.S. Department of Housing and Urban Development (hereinafter, "HUD") has awarded \$1,507,179,000 in Community Development Block Grant Disaster Recovery (CDBG-DR) funds (also referred to as "Federal Award") to the PRDOH for activities authorized under Title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.) and described in the PRDOH's approved Action Plan (hereinafter, the "Action Plan").

**WHEREAS**, according to the approved Action Plan, Puerto Rico intends to undertake an **Economic Development Program that consist of a portfolio that includes investments in Small Business Assistance, Workforce and Economic Recovery and Expansion** (hereinafter, the "Action Program" of the "Program"). The Action Plan allocated \$191,000,000 to DDEC for production and compliance management services;

**WHEREAS**, this version of the Agreement covers as specified in Exhibits A through D details for:

1. \$35,000,000 for Contractor Construction and Commercial Revolving Loan; and
2. \$50,000,000 for Small Business Financing

that have a combined CDBG-DR budget allocation of \$85,000,000;

**WHEREAS**, as DDEC strengthens its internal capacity and with its program partners, it will submit amendments to the Agreement to cover the above-listed portfolio of CDBG-DR funded economic development programs as specified in the HUD-approved Hurricanes Maria and Irma Action Plan;

**WHEREAS**, the PRDOH wishes to engage the Subrecipient to assist the PRDOH in utilizing such funds to carry out the Program to be funded with CDBG-DR funds, pursuant to this Agreement;

**WHEREAS**, the CDBG-DR funds made available for use by the Subrecipient under this Agreement constitute a Subaward of the PRDOH's Federal Award, the use of which must be in accordance with requirements imposed by Federal statutes, regulations, and the terms and conditions of the PRDOH's Federal Award; and

**WHEREAS**, under Reorganization Plan No. 4 of 1994, as amended, DDEC's Secretary has legal authority to enter this Agreement and has agreed to undertake the corresponding administrative responsibilities under the Program. By signing this Agreement, DDEC's Secretary assures PRDOH that Subrecipient shall comply with all the requirements described herein.

### GENERAL AWARD INFORMATION

The Subaward from PRDOH to the Subrecipient is for the purpose of carrying out a portion of the Federal Award described in Section I above; thus, a federal assistance relationship is created with the Subrecipient. This Agreement shall be updated to reflect any changes to the Federal Award and the following award information.

Subrecipient Contact Information:	Secretary Honorable Manuel Laboy Rivera Departamento de Desarrollo Economico 355 Franklin Delano Roosevelt Hato Rey, PR 00918
CDBG-DR Grantee Federal Award Identification Number:	PRDOH DUNS #:054115628
CDBG-DR Grantee Federal Award Date:	September 20, 2018
Indirect Cost Rate for the Federal Award:	Indirect Cost Rate applicable to the Subaward to the Subrecipient: See Section V(A) of this Agreement.
Federal Award project description:	See Exhibit A for Scope Work
Subrecipient Unique Identifier:	DUNS number: 0788313390000
Subaward Period of Performance:	Start Date: Effective Date, as defined in Section IV of this Agreement. End Date: twenty-four (24) months from Start Date
Total amount of Federal Award committed to the Subrecipient:	\$35,000,000 for the Contractor Construction and Commercial Revolving Loan and \$50,000,000 for the Small Business Financing that have a combined budget allocation of \$85,000,000 to be funded by CDBG-DR.

Amount of funds obligated under Subrecipient Agreement:	\$85,000,000
Total Amount of Federal Funds Obligated to Subrecipient:	\$85,000,000

**NOW, THEREFORE**, in consideration of the need for recovery from Hurricanes Irma and Maria and the premises and mutual covenants described herein, the parties mutually agree to the terms described in this Agreement.

**II. SCOPE OF WORK**

The Subrecipient shall be responsible for performing the activities detailed in **Exhibit A** (hereinafter, the "Scope of Work") of this Agreement, which may be amended from time to time. The Subrecipient shall complete the Scope of Work in a manner consistent with the terms and conditions of this Agreement and applicable Federal and local statutes and regulations.

**A. DDEC Management Responsibilities**

1. DDEC shall be responsible for performing the activities detailed in Exhibit A herein attached and made integral part of this Agreement (the "Scope of Work"), which may be amended from time to time. The DDEC shall complete the Scope of Work in a manner satisfactory to the PRDOH and consistent with the terms and conditions of this Agreement and applicable Federal and local statutes and regulations.
2. DDEC shall be responsible for the production and CDBG-DR compliance management activities of all programs and projects specified in Exhibit A Scope of Work;
3. As needed, DDEC shall develop the following management tools and systems for every CDBG-DR program and/or project that is under its management authority:
  - a. Program Design
  - b. Process Map
  - c. Levels of Accomplishment – Performance Goals and Timelines as specified in Exhibit B
  - d. Staffing Plan as specified in Exhibit C
  - e. Budget as specified in Exhibit D
  - f. Policies and Procedures Guidelines that align with PRDOH guidelines
4. DDEC shall develop all tools and systems listed above in consultation with PRDOH. PRDOH reserves authority and discretion to review and approve such management tools and systems listed above.
5. Any proposed budget set forth for the above noted programs and project managed by DDEC shall clearly specify proposed funding for administrative costs and/or program delivery costs and/or design or planning costs, and/or construction costs, to the extent that such costs are considered applicable categories for funding.

**B. "Categorical Exclusion" under the National Environmental Policy Act (NEPA)**

1. The above-noted programs provide grants and loans for working capital for and non-affixed equipment and meet the standards of "Categorical

Exclusion" under the National Environmental Policy Act (hereinafter, "NEPA").

2. Should DDEC fund a grant or loan that involves acquisition, demolition and/or improvements to real estate and/or affixed equipment, it shall notify PRDOH for guidance the required process for completing Environmental Review. DDEC acknowledges and agrees to not engage in any choice limiting activities related to such projects until it satisfies PRDOH Environmental Review requirements and PRDOH provides DDEC in written notification with terms and conditions for how to proceed.

### C. General Administration

#### **Prohibited Activities**

1. DDEC may only carry out the roles and responsibilities described in this Agreement and the activities related to the performance of the Scope of Services described in **Exhibit A** of this Agreement.
2. The Subrecipient may only carry out the activities described in the Scope of Work of this Agreement. The Subrecipient is prohibited from charging to the PRDOH the costs of CDBG and/or CDBG-DR ineligible activities, including those described at 24 CFR 570.207, as may be amended from time to time, and from using funds provided herein or personnel employed in the administration of activities under this Agreement for political activities, inherently religious activities, or lobbying. The Subrecipient may be financially liable for the carry out of activities outside of the parameters of the Scope of Work of this Agreement.

### D. Program Delivery (CDBG-DR Eligible Activities)

Activity #1: Economic Development Assistance to For-Profit Business, Section 105(a)(17)

Activity #2: Microenterprise Assistance, Section 105(a)(22)

### E. National Objectives

All activities funded with CDBG-DR funds must meet one of the CDBG-DR program's National Objectives: (i) benefit low-and moderate-income persons; (ii) aid in the prevention or elimination of slums or blight, or; (iii) meet community development needs having a particular urgency, as defined in 24 CFR 570.208.

The Subrecipient certifies that the activities carried out under this Agreement shall meet the following national objective(s) and satisfy the following criteria:

- Low- and moderate-Income (LMI) Area Benefit;
- Low- and Moderate-Income (LMI) Limited Clientele (Microenterprises);
- Low- and Moderate-Income (LMI) Job Creation/Retention;
- Urgent Need

The Subrecipient shall ensure that the Designated Projects meet the applicable CDBG-DR National Objective(s) and that the Promoters complete the applicable forms to document the National Objective(s).

### F. Levels of Accomplishment – Performance Goals and Timelines

The Subrecipient shall complete the activities required under the Scope of Work of this Agreement in accordance with the timeframes and performance goals established in **Exhibit B** of this Agreement.

### G. Nonperformance Standard

If at the end of the two (2) years the program activity has not begun or has not accomplished the performance objectives set forth by the PRDOH, the PRDOH, may, at its option, terminate this Agreement and recapture funds allocated. No contract extensions shall be granted unless the Subrecipient can document circumstances beyond its control that prevented start of the activity. The PRDOH shall review the properly filed and documented circumstances which are alleged to have prevented the initiation of activity and exclusively reserves the right to decide relative to the reasons stated as well as the prevailing circumstances.

### **Staffing**

The Subrecipient shall supervise and direct the completion of all activities under this Agreement. Any changes in assigned key personnel (hereinafter, the "Key Personnel") assigned or their responsibilities under the activities are subject to the prior approval of the PRDOH. If possible, it is the best practice for Subrecipient to provide PRDOH with ample written notice to the personnel changes and requests. Ample notice in this context shall be ten (10) business days. If that is not possible, then Subrecipient shall make all reasonable effort to notify PRDOH of changes.

At a minimum, Subrecipient shall assign the staff with the identified responsibilities to the identified activities as described in **Exhibit C** of this Agreement.

Depending on the needs of each program DDEC shall provide staff and/or procure and engage subrecipients and/or professional service contractors to assist with production, operations and grants management compliance activities and responsibilities.

As a reimbursement-based program, tasks and deliverables contained in the Project Application and in the PRDOH's approval thereof must be conducted in a manner satisfactory to PRDOH and in compliance with applicable federal and state requirements, laws, and regulations. DDEC shall monitor the performance of its staff, subrecipients and contractors against goals and performance standards as stated in the Program Design.

## **III. PERFORMANCE MONITORING AND REPORTING**

### A. Monitoring

PRDOH shall monitor the performance of Subrecipient as necessary and in accordance with regulations on Subrecipient Monitoring and Management, 2 CFR 200.330 – 2 CFR 200.332, to ensure its compliance with all of the requirements of this Agreement, including the timeframes and performance goals associated with the activities included in the Scope of Work (**Exhibit A**). Substandard performance, as specified in policies and procedures reviewed and approved by PRDOH, shall constitute noncompliance with this Agreement. If action to correct such substandard performance is not taken by the Subrecipient within thirty (30) days after being notified by PRDOH, PRDOH may impose additional conditions on the Subrecipient and suspend or terminate this Agreement, disallow all or part of the cost of the activity or action not in compliance or initiate other remedies for noncompliance, as appropriate and permitted under 2 CFR 200.338.

### B. Reporting

Subrecipient shall submit regular monthly progress reports to PRDOH, on the form and with the content to be specified and required by PRDOH. PRDOH shall later notify Subrecipient in writing the guidelines and requirements applicable to the

submission of the monthly progress reports, and such notification shall be deemed incorporated by reference to this Agreement.

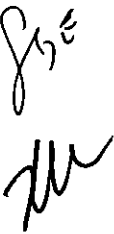
#### IV. EFFECTIVE DATE AND TERM

Subrecipient hereby acknowledges that this Agreement is subject to the execution of a grant agreement between the Government of Puerto Rico or the PRDOH, and HUD (hereinafter, the "Grant Agreement"); and the availability of the allocated CDBG-DR funds. The Subrecipient also acknowledges and agrees that any suspension, cancellation, or termination of the CDBG-DR allocation(s) shall result in the immediate suspension, cancellation, or termination of this Agreement, upon PRDOH's notice.

##### **Effective Date:**

Accordingly, this Agreement shall become effective and the parties shall become bound by all provisions applicable to them pursuant to this Agreement on the date on which the conditions set forth below have been fully satisfied or waived by the Parties (the "Effective Date"):

- (i) this Agreement has been fully executed and delivered; and
- (ii) the Grant Agreement has been fully executed and delivered and shall have become effective.

 The PRDOH authorizes the Subrecipient to incur costs for activities undertaken in accordance with this Agreement prior to the Effective Date of this Agreement, including costs incurred in compliance with 24 CFR section 570.200(h)(1) and HUD CDBG-DR Allocation Rules contained in the February 9, 2018 Federal Register Notice, as further established in Section VI of this Agreement.

##### **Term:**

The term of this Agreement (hereinafter, the "Term") commences on the Effective Date and expires on the later of: (i) November 16, 2024; (ii) the date as of which the Parties agree in writing that all Close-Out Requirements<sup>1</sup> have been satisfied or, where no Close-Out Requirements are applicable to this Agreement, the date as of which the Parties agree in writing that no Close-Out Requirements are applicable hereto; or (iii) such later date as the Parties may agree to in a signed document.

#### V. BUDGET

The Subrecipient shall complete all activities in the Scope of Work of this Agreement (Exhibit A) in accordance with the Budget herein incorporated as Exhibit D (the "Budget").

The Budget shall include a reserve of two-percent of the Subaward for PRDOH's administrative costs and expenditures related to the Program.

The PRDOH may require a more detailed budget breakdown than the one contained herein, and the Subrecipient shall provide such supplementary budget information in a timely fashion in the form and content prescribed by the PRDOH.

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<sup>1</sup> Close-Out Requirements" means all requirements to be satisfied by each party in order to close-out this Agreement and the CDBG-DR funds provided herein in accordance with applicable Requirements of Law, including the execution and delivery by one or more of the parties of all close-out agreements or other legal instruments and the taking of any actions by one or more of the Parties in connection with such close-out, in any case as required under applicable Requirements of Law.

Any amendments to the budget must be approved in writing and signed by the PRDOH.

A. Indirect Costs

Any indirect costs charged must be consistent with the conditions set forth herein. Indirect costs may be charged to PRDOH under a cost allocation plan prepared in accordance with 2 CFR part 200, subpart E, and shall be included in the Budget (**Exhibit D**).

B. Program Income

All program income (as defined at 24 C.F.R. 570.500) generated by activities carried out with the CDBG-DR Funds must be reported to PRDOH, and PRDOH shall determine on a case-by-case basis whether such Program Income may be retained by the Subrecipient. If PRDOH approves in writing the Subrecipient's retention of Program Income, the Subrecipient may only use the Program Income for the eligible activities identified under this Agreement. Program income is subject to all applicable CDBG laws and regulations for so long as it exists. Any interest earned on cash advances from the U.S. Treasury and from funds held in a revolving fund account is not Program Income and shall be remitted promptly to the PRDOH.

C. Reversion of Assets

**Use and Reversion of Assets**

The use and disposition of real property and equipment under this Agreement shall be in compliance with the requirements of 24 CFR Part 84 and 24 CFR 570.502, 570.503, and 570.504, as applicable, which include but are not limited to the following:

1. The Subrecipient shall transfer to PRDOH any CDBG-DR funds on hand and any accounts receivable attributable to the use of funds under this Agreement at the time of expiration, cancellation, or termination.
2. Real property under the Subrecipient's control that was acquired or improved, in whole or in part, with funds under this Agreement in excess of \$25,000 shall be used to meet one of the CDBG National Objectives pursuant to 24 CFR 570.208 until five (5) years after expiration of this Agreement [or such longer period of time as PRDOH deems appropriate]. If the Subrecipient fails to use CDBG-DR assisted real property in a manner that meets a CDBG National Objective for the prescribed period of time, the Subrecipient shall pay PRDOH an amount equal to the current fair market value of the property less any portion of the value attributable to expenditures of non-CDBG-DR funds for acquisition of, or improvement to, the property. Such payment shall constitute Program Income to the PRDOH. The Subrecipient may retain real property acquired or improved under this Agreement after the expiration of the five-year period [or such longer period of time as PRDOH deems appropriate].

In all cases in which equipment acquired, in whole or in part, with funds under this Agreement is sold, the proceeds shall be Program Income (prorated to reflect the extent to that funds received under this Agreement were used to acquire the equipment). Equipment not needed by the Subrecipient for activities under this Agreement shall be (a) transferred to the PRDOH for the CDBG-DR program or (b) retained after compensating the PRDOH [an amount equal to the current fair market value of the equipment less the percentage of non-CDBG-DR funds used to acquire the equipment].

## VI. PAYMENT

### Amount:

This Agreement shall include the reimbursement of funds to the Subrecipient expended on approved CDBG-DR items. Funding is contingent on a CDBG-DR award to PRDOH or a Grant Agreement between the Government of Puerto Rico or the PRDOH, and HUD, and PRDOH's receipt of CDBG-DR funds. It is expressly agreed and understood that the total funding amount to be paid by the PRDOH to the Subrecipient under this Agreement shall not exceed the amount specified in the Budget (**Exhibit D**). Such payment shall be compensation for all services required, performed and accepted under this Agreement. However, PRDOH reserves the right to reduce the funding amount if CDBG-DR funding is not provided at the currently anticipated levels and/or if the actual costs for the approved activities are less than those set forth in the Budget (**Exhibit D**).

Any additional funds to complete the services requested by the PRDOH to the Subrecipient shall be subject to funds availability and shall require an amendment to this Agreement.

### Requests for Payments:

Subrecipient shall submit to PRDOH requests for payments of activities under this Agreement and consistent with the approved Budget (hereinafter, the "Request for Payment") on a monthly basis. Each Request for Payment shall be broken down into requested reimbursements against the Budget line items specified in **Exhibit D**.

The Requests for Payments must be submitted with all supporting invoices, bills, time sheets, monthly reports, and any other document necessary to justify the payment, or any other supporting document requested by PRDOH. The Request for Payment form must also be accompanied by documentation from the Subrecipient demonstrating that all procurements for which payment is requested have been made in accordance with this Agreement.

If PRDOH determines that the submitted Request for Payment and supporting documents are acceptable, then the invoice shall be approved for payment.

An authorized representative of the PRDOH shall review each Request for Payment and, if adequate, shall approve and process its payment. Payments to the Subrecipient shall be made by check or electronic funds transfer (EFT). PRDOH reserves the right to conduct any audit it deems necessary.

In order for the Subrecipient to receive payment for any work performed hereunder, the following certification must be included in each Request for Payment submitted to the PRDOH:

**"Under penalty of absolute nullity, I certify that no public servant of the Puerto Rico Department of Economic Development and Commerce is a party to or has an interest in the profits or benefits that are the product of the contract subject of this invoice, and to be a party to or have an interest in the profits or benefits of resulting from the contract, under this invoice a prior dispensation has been issued. The sole consideration to furnish the contracted goods or services subject of the contract is the payment agreed upon with the authorized representative of the parties. The amount that appears in the invoice is fair and correct. The work has been performed, the products have been delivered and the services rendered, and no payment has been received for them."**

The PRDOH shall pay to the Subrecipient CDBG-DR funds available under this Agreement based upon information submitted by the Subrecipient for allowable costs permitted under this Agreement and consistent with the approved Budget. With the exception of advances, payments shall be made for eligible and



allowed expenses actually incurred by the Subrecipient, and not to exceed actual cash requirements. PRDOH reserves the right to adjust payments in accordance with advance fund and program income balances available in Subrecipient accounts.

**Pre-agreement costs are eligible for payment under the terms and conditions of the Action Plan and this Agreement.**

Subrecipient may submit for reimbursement those costs incurred for activities undertaken in accordance with this Agreement prior to the Effective Date of this Agreement, and in compliance with 24 CFR section 570.200(h), 2 CFR 200 and HUD CDBG-DR Allocation Rules contained in the February 9, 2018 Federal Register Notice and subsequent notices as applicable. Specifically, pre-agreement costs may include the following: activities supporting program development, action plan development and stakeholder involvement support, and other qualifying eligible costs incurred in response to an eligible disaster covered under Public Law 115-56. These costs include the cost for salary, employer fringe benefits, and direct operating cost for each employee based on their individual percentage of time spent on the planning of the CDBG-DR program during a pay period.

Any cost associated with the disaster recovery efforts shall be allocated based on the total time spent on CDBG-DR activities versus other duties for a particular month. PRDOH may allow the reimbursement of pre-agreement costs associated with eligible disaster recovery activities dating back to the date of the disaster(s) for Subrecipients with appropriate documentation.

**VII. NOTICES**

All notices, requests, approvals, and consents of any kind made pursuant to this Agreement shall be in writing and shall be deemed to be effective as of the date sent by certified mail, return receipt requested, or email. All notices and other written communications under this Agreement shall be addressed to the individuals in the capacities indicated below, unless otherwise modified by subsequent written notice. Communication and details concerning this Agreement shall be directed to the following contract representatives:

CDBG-DR Grantee:	Hon. Fernando A. Gil-Enseñat, Secretary Puerto Rico Department of Housing 606 Barbosa Avenue Juan C. Cordero Building Rio Piedras, Puerto Rico 00918 E-Mail: fgil@vivienda.pr.gov
Subrecipient:	Hon. Manuel Laboy Rivera, Secretary Departamento de Desarrollo Económico y Comercio PO Box 362350 San Juan, Puerto Rico 00936-2350 E-Mail: <a href="mailto:manuel.laboy@ddec.pr.gov">manuel.laboy@ddec.pr.gov</a> and <a href="mailto:jorge.l.morales@pridco.pr.gov">jorge.l.morales@pridco.pr.gov</a> With copy to: Jorge Morales, PE

**VIII. AMENDMENT AND TERMINATION**

A. Amendments

This Agreement may be amended provided that such amendments make specific reference to this Agreement, comply with programmatic policies, procedures, and guidelines, are executed in writing and signed by a duly authorized representative of each party, and approved by PRDOH. Such

amendments shall not invalidate this Agreement, nor relieve or release the parties from their obligations under this Agreement.

The PRDOH may, in its discretion, amend this Agreement to conform with Federal, state or local governmental guidelines, policies and available funding amounts, or for other reasons. If such amendments result in a change in the funding, the scope of services, or schedule of the activities to be undertaken as part of this Agreement, such modifications shall be incorporated only by written amendment signed by both the PRDOH and the Subrecipient.

However, PRDOH reserves the right to notify in writing to Subrecipient any applicable policies, procedures, regulations, requirements or guidelines, whether existing or to be established, as well as changes and/or amendments thereof, and the notified policies, procedures, regulations, requirements or guidelines shall be deemed incorporated by reference to this Agreement without the need of executing a separate written and signed amendment.

## B. Suspension or Termination

### 1. Termination for Cause

The PRDOH may terminate this Agreement, in whole or in part, upon 30 days' notice, whenever it determines that the Subrecipient has failed to comply with any term, condition, requirement, or provision of this Agreement. Failure to comply with any terms of this Agreement, include (but are not limited to) the following:

- a. Failure to comply with any of the rules, regulations or provisions referred to herein, or such statutes, regulations, executive orders, and HUD guidelines, policies or directives as may become applicable at any time;
- b. Failure, for any reason, of the Subrecipient to fulfill in a timely and proper manner its obligations under this Agreement;
- c. Ineffective or improper use of funds provided under this Agreement; or
- d. Submission by the Subrecipient to the PRDOH reports that are incorrect or incomplete in any material respect.

Subrecipient shall have up to thirty (30) days to resolve issues listed above to the satisfaction of PRDOH.

### 2. Termination for Convenience of the PRDOH

The PRDOH may terminate this Agreement any time by a notice in writing from the PRDOH to the Subrecipient. If the Agreement is terminated by the PRDOH as provided herein, the Subrecipient shall be paid an amount which bears the same ratio to the total compensation as the services actually performed bear to the total services of the Subrecipient covered by this Agreement, less payments of compensation previously made, provided that if less than sixty percent (60%) of the services covered by this Agreement have been performed upon the effective date of such termination, the Subrecipient shall be reimbursed (in addition to the above payment) for that portion of actual out-of-pocket expenses (not otherwise reimbursed under this Agreement) incurred by the Subrecipient during the effective period of the Agreement which are directly attributable to the incomplete portion of the services covered by this Agreement.

This Agreement may also be terminated in whole or in part by either the PRDOH or the Subrecipient, or based upon agreement by both the PRDOH and the Subrecipient in accordance with the requirements in 2 CFR part 200, subpart D.

### 3. Notification and Recoupment of Costs Incurred Prior to Termination

The PRDOH shall promptly notify the Subrecipient, in writing, of its determination and the reasons for the termination together with the date on which the termination shall take effect and any other notifications required under 2 CFR part

200, subpart D. Upon termination, the PRDOH retains the right to recover any improper expenditures from the Subrecipient and the Subrecipient shall return to the PRDOH any improper expenditures no later than thirty (30) days after the date of termination. In the case of a Termination for Convenience only, the PRDOH may, at its sole discretion, allow the Subrecipient to retain or be reimbursed for costs reasonably incurred prior to termination, that were not made in anticipation of termination and cannot be canceled provided that said costs meet the provisions of this Agreement, 2 CFR Part 200, Subpart E, Cost Principles, and any other applicable state or Federal statutes, regulations or requirements.

## **IX. OTHER FEDERAL REQUIREMENTS**

This Agreement includes terms and conditions of the PRDOH's Federal Award or CDBG-DR Grant that are imposed on the Subrecipient, and the Subrecipient agrees to carry out its obligations in compliance with all the obligations described in this Agreement.

### A. General Compliance

*JSE*  
*M*  
The Subrecipient shall comply with all applicable provisions of the Housing and Community Development Act of 1974, as amended, and the regulations at 24 CFR part 570, as modified by the Federal Register notices that govern the use of CDBG-DR funds available under this Agreement. See Federal Register Notice 83 FR 5844 (February 9, 2018). Notwithstanding the foregoing, (1) the Subrecipient does not assume any of the PRDOH's responsibilities for environmental review, decision-making, and action, described in 24 CFR part 58 and (2) the Subrecipient does not assume any of the PRDOH's responsibilities for initiating the review process under the provisions of 24 CFR Part 52. The Subrecipient shall also comply with all other applicable Federal, state and local laws, regulations, and policies that govern the use of the CDBG-DR funds in complying with its obligations under this Agreement, regardless of whether CDBG-DR funds are made available to the Subrecipient on an advance or reimbursement basis.

Where waivers or alternative requirements are provided for in the applicable Federal Register Notice dated February 9, 2018, at 83 FR 5844 or any future Federal Register Notice published by HUD ("HUD Notices"), such requirements, including any regulations referenced therein, shall apply.

The Subrecipient also agrees to comply with all other applicable Federal, State, and local laws, regulations, HUD Notices, policies, and guidelines, whether existing or to be established, provided the same are applied to activities occurring after the date the policy or guideline was established, governing the Grant Funds provided under this Agreement. In the event a conflict arises between the provisions of this Agreement and any of the foregoing, the Federal, State, and local laws, regulations, HUD Notices, policies, and guidelines shall control and this Agreement shall be interpreted in a manner so as to allow for the terms contained herein to remain valid and consistent with such Federal, State, and local laws, regulations, HUD Notices, policies and guidelines.

### B. Duplication of Benefits

The Subrecipient shall not carry out any of the activities under this Agreement in a manner that results in a prohibited duplication of benefits as defined by Section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 USC 5155) and described in Appropriations Act. The Subrecipient must comply with HUD's requirements for duplication of benefits, imposed by Federal Register notice on the PRDOH, which are published in a separate notice entitled "Clarification of Duplication of Benefits Requirements Under the Stafford Act for Community Development Block Grant (CDBG) Disaster Recovery Grantees" (76

FR 71060, published November 16, 2011). The Subrecipient shall carry out the activities under this Agreement in compliance with the PRDOH's procedures to prevent duplication of benefits.

#### C. Drug-Free Workplace

The Subrecipient must comply with drug-free workplace requirements in Subpart B of part 2429, which adopts the government wide implementation (2 CFR part 182) of sections 5152-5158 of the Drug-Free Workplace Act of 1988 (Pub. L. 100-690, Title V, Subtitle D; 41 U.S.C. 701-707).

#### D. Insurance & Bonding

The Subrecipient shall carry sufficient insurance coverage and bonding from insurers licensed to conduct business in the Government of Puerto Rico to protect all contract assets from loss due to any cause, including but not limited to theft, fraud, and/or physical damage. The Government of Puerto Rico, the Puerto Rico Department of Housing and the Puerto Rico Public Housing Administration shall be named as additional insured on all such insurance. The Subrecipient shall meet all other insurance requirements as the PRDOH may impose from time to time. In addition, all insurance carriers and bonding companies shall meet minimum size and financial stability/financial rating requirements as may be imposed by the PRDOH from time to time. Certificates of insurance shall be provided to the PRDOH and full and complete copies of the policies and/or bonds shall be provided to the PRDOH upon its request for same.

Notwithstanding the above, for construction or facility improvement performed by the Promoters, the Subrecipient shall ensure that the Promoters, at a minimum, comply with the bonding requirements at 2 CFR Part 200, subpart D.

#### E. Independent Contractor

Nothing contained in this Agreement is intended to, or shall be construed in any manner, as creating or establishing the relationship of employer/employee between the parties. The Subrecipient shall at all times remain an "independent contractor" with respect to the efforts to be performed under this Agreement. The PRDOH shall be exempt from payment of all Unemployment Compensation, FICA, retirement, life and/or medical insurance and Workers' Compensation Insurance, as the Subrecipient is an independent entity.

#### F. Hold Harmless

The Subrecipient shall and hereby agrees to hold harmless, defend (with counsel acceptable to the PRDOH) and indemnify the PRDOH and each and all of its successors, affiliates, or assigns, and any of their employees, officers, directors, attorneys, consultants, agents, managers, and affiliates, from and against any and all damages, costs, attorneys' fees, claims, expenses, injuries, property damage, causes of action, violations of law, violations of this Agreement, and losses of any form or nature arising from or related to the conduct of the Subrecipient in the performance of the efforts called for in this Agreement. This indemnity shall expressly include, but is not limited to, the obligation of the Subrecipient to indemnify and reimburse the PRDOH for any and all attorneys' fees and other litigation or dispute resolution costs incurred or to be incurred in the PRDOH's enforcement of this Agreement or any portion thereof against the Subrecipient or otherwise arising in connection with the Subrecipient's breach, violation, or other non-compliance with this Agreement. This clause shall survive indefinitely the termination of this Agreement for any reason.

## G. PRDOH Recognition

Unless otherwise directed by the PRDOH, the Subrecipient shall ensure recognition of the role of HUD and the PRDOH in providing funding, services, and efforts through this Agreement. Unless otherwise directed by the PRDOH, all activities, facilities, and items utilized pursuant to this Agreement shall be prominently labeled as to role of HUD and of the PRDOH. In addition, the Subrecipient shall include a reference to the support provided herein in all publications made possible with funds made available under this Agreement. The PRDOH reserves the right to direct specific reasonable recognition requirements on a case-by-case basis, including but not limited to, the size and content, waiver, removal or addition of such recognition.

## H. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

The Subrecipient shall comply with the applicable provisions in 2 CFR part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR part 200. These provisions include:

### 1. Financial & Program Management

The Subrecipient shall expend and account for all CDBG-DR funds received under this Agreement in accordance with:

#### a. Accounting Standards

The Subrecipient agrees to comply with 2 CFR Part 200 Subpart D §302 - §303 and agrees to adhere to the accounting principles and procedures required therein, utilize adequate internal controls, and maintain necessary source documentation for all costs incurred.

#### b. Cost Principles

The Subrecipient shall administer its program in conformance with Cost Principles as outlined in 2 CFR Part 200 Subpart E, as applicable. These principles shall be applied for all costs incurred whether charged on a direct or indirect basis.

## I. Documentation and Record Keeping

### 1. Records to be Maintained

The Subrecipient shall maintain all records required by applicable law to be maintained, including but not limited to the Federal regulations specified in (1) 2 CFR Part 200; (2) 24 CFR 570.506; and (3) the applicable HUD Notices that are pertinent to the activities to be funded under this Agreement, as well as any additional records required by the PRDOH. Such records shall include but not be limited to:

- a. Records providing a full description of each activity undertaken;
- b. Records demonstrating that each activity undertaken meets one of the National Objectives of the CDBG-DR programs, as modified by the HUD Notices;
- c. Records required to determine the eligibility of activities;
- d. Records required to document the acquisition, improvement, use, or disposition of real property acquired or improved with CDBG-DR funds;
- e. Records documenting compliance with the fair housing and equal opportunity components of the CDBG-DR program;
- f. Financial records as required by (1) 24 CFR 570.502; and (2) 2 CFR Part 200;

g. Other records necessary to document compliance with Subpart K of 24 CFR Part 570.

2. Access to Records

The Subrecipient shall furnish and cause each of its own subcontractors to furnish all information and reports required hereunder and shall permit access to its books, records and accounts by the PRDOH, HUD or its agent, or other authorized Federal officials for purposes of investigation to ascertain compliance with the rules, regulations and provisions stated herein.

3. Record Retention and Transmission of Records to the PRDOH

The Subrecipient shall retain all financial records, supporting documents, statistical records, and all other records pertinent to the Agreement for a period of four (4) years. The retention period begins on the date of the submission of the PRDOH's Quarterly Performance Report (QPR) in which the activities assisted under the Agreement are reported on for the final time. Notwithstanding the above, if there is litigation, claims, audits, negotiations or other actions that involve any of the records cited and that have started before the expiration of the four (4) year period, then such records must be retained until completion of the actions and resolution of all issues, or the expiration of the four (4) year period, whichever occurs later.

Prior to close-out of this Agreement, the Subrecipient must transmit to the PRDOH records sufficient for the PRDOH to demonstrate that all costs under this Agreement met the requirements of the Federal award.

The Subrecipient shall retain financial records, supporting documents, statistical records, and all other Subrecipient records pertinent to this Agreement and any subaward for which the Subrecipient is performing the Activities for the longer of 3 years after the expiration or termination of this Agreement, or 3 years after the submission of the PRDOH's annual performance and evaluation report.

4. Client Data and Other Sensitive Information

The Subrecipient shall maintain client data demonstrating client eligibility for services provided. Such data shall include, but not be limited to, client name, address, income level or other basis for determining eligibility, and description of service provided. Such information shall be made available to PRDOH monitors or their designees for review upon request.

The Subrecipient must comply with 2 CFR §200.303 and shall take reasonable measures to safeguard protected personally identifiable information, as defined in 2 CFR 200.82, and other information HUD or the PRDOH designates as sensitive or the Subrecipient considers sensitive consistent with applicable Federal, state, local, and tribal laws regarding privacy and obligations of confidentiality.

The Subrecipient shall comply with all State or local requirements concerning the privacy of personal records, consistent with 24 CFR 570.508 (local governments) and 570.490(c) (States).

J. Close-Out

The Subrecipient obligation to PRDOH shall not end until all close-out requirements are completed. Activities during this close-out period may include, but are not limited to: making final payments, disposing of program assets (including the return of all unused materials, equipment, unspent cash advances, program income balances, and accounts receivable to the PRDOH), properly addressing Program Income (as that term is defined in section VI (A)(19)(a) of the HUD Notice

83 Fed. Reg. 5844, 5856 (February 9, 2018, as may be amended by HUD)), balances, and accounts receivable to the PRDOH), determining the custodianship of records, and the Subrecipient certification of compliance with the terms of this Agreement. Notwithstanding the foregoing, the terms of this Agreement shall remain in effect during any period that the Subrecipient has control over CDBG-DR funds, including Program Income.

Notwithstanding the terms of 2 CFR 200.343, upon the expiration of this Agreement, the Subrecipient shall transfer to the recipient any CDBG-DR funds on hand at the time of expiration and any accounts receivable attributable to the use of CDBG-DR funds, further, any real property under the Subrecipient's control that was acquired or improved in whole or in part with CDBG-DR funds (including CDBG-DR funds provided to the Subrecipient in the form of a loan) shall be treated in accordance with 24 CFR 570.503(b)(7).

#### K. Audits, Inspections, and Monitoring

All Subrecipient records with respect to any matters covered by this Agreement shall be made available to the PRDOH, HUD, and the Comptroller General of the United States, or any of their authorized representatives, at any time during normal business hours, as often as deemed necessary, to audit, examine, and make excerpts or transcripts of all relevant data. Any deficiencies noted in audit reports must be fully cleared by the Subrecipient within 30 days after receipt by the Subrecipient. Failure of the Subrecipient to comply with the above audit requirements shall constitute a violation of this Agreement and may result in the withholding of future payments and/or termination.

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##### 1. Single Audit

The Subrecipient must be audited as required by 2 CFR part 200, subpart F when it is expected that the Subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.

##### 2. Inspections and Monitoring

The Subrecipient shall permit the PRDOH and auditors to have access to the Subrecipient's records and financial statements as necessary for the PRDOH to meet the requirements of 2 CFR part 200.

This review must include: (1) reviewing financial and performance reports required by the PRDOH; (2) following-up and ensuring that the Subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the Subrecipient from the PRDOH detected through audits, on-site reviews, and other means; and (3) issuing a management decision for audit findings pertaining to this Federal award provided to the Subrecipient from the PRDOH as required by 2 CFR §200.521.

##### 3. Corrective Actions

The PRDOH may issue management decisions and may consider taking enforcement actions if noncompliance is detected during audits. The PRDOH may require the Subrecipient to take timely and appropriate action on all deficiencies pertaining to the Federal award provided to the Subrecipient from the pass-through entity detected through audits, on-site reviews, and other means. A timely and appropriate action shall be predicated on reasonable standard wherein the Subrecipient utilizes all available resources to correct the noted issue or issues. In response to audit deficiencies or other findings of noncompliance with this Agreement, the PRDOH may impose additional conditions on the use of the CDBG-DR funds to ensure future compliance or provide training and technical assistance as needed to correct noncompliance.

#### L. Procurement and Contractor Oversight

The Subrecipient shall not enter into any contract for goods or services with any entity without the written consent of the PRDOH prior to the execution of such contract. Unless specified otherwise within this Agreement, the Subrecipient shall procure all materials, property, equipment, or services in accordance with the requirements of the PRDOH's procurement policies and procedures, and 2 CFR 200.318-326, as applicable, including but not limited to the need to appropriately assess the lease versus purchase alternatives. PRDOH's procurement policies, procedures and protocol package is herein included as **Exhibit E. See Exhibit E Procurement Package.**

Subrecipient shall include the PRDOH's Supplementary Conditions (as revised from time to time by the PRDOH in accordance with applicable law, rule or regulation), attached hereto as **Exhibit F**, in any contract entered into under this Agreement. Subrecipient shall also require all contractors to flow down the PRDOH's Supplementary Conditions, as well as termination for convenience of the PRDOH, to all subcontractors as well as the requirement to flow down such terms to all lower-tiered subcontractors. These Supplementary Conditions include required terms for project contracts, HUD General Provisions, Participation by Minority Group Members and Women Requirements and Procedures for Contracts with Housing Trust Fund Corporation, Standard Clauses for Contracts with the PRDOH and required diversity forms.

The Subrecipient must comply with CDBG-DR regulations regarding debarred or suspended entities at 24 CFR 570.609 or 24 CFR 570.489(l) as appropriate. CDBG-DR funds may not be provided to excluded or disqualified persons.

The Subrecipient shall maintain oversight of all activities under this Agreement and shall ensure that for any procured contract or agreement, its contractors perform according to the terms and conditions of the procured contracts or agreements, and the terms and conditions of this Agreement.

#### M. Federal Funding Accountability and Transparency Act (FFATA)

The Subrecipient shall comply with the requirements of 2 CFR part 25 Universal Identifier and System for Award Management (SAM). The Subrecipient shall have an active registration in SAM in accordance with 2 CFR part 25, appendix A, and have a Data Universal Numbering System (DUNS) number. The Subrecipient shall also comply with provisions of the Federal Funding Accountability and Transparency Act, which includes requirements on executive compensation, and 2 CFR part 170 Reporting Subaward and Executive Compensation Information.

#### N. Relocation, Real Property Acquisition, and One-for-one Housing Replacement

The Subrecipient shall comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (URA), 42 USC 4601 – 4655, 49 CFR part 24, 24 CFR part 42, and 24 CFR 570.606.

In addition to other URA requirements, these regulations (49 CFR § 24.403(d)) implement Section 414 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 USC § 5181, which provides that "Notwithstanding any other provision of law, no person otherwise eligible for any kind of replacement housing payment under the [URA] shall be denied such eligibility as a result of his being unable, because of a major disaster as determined by the President, to meet the occupancy requirements set by such Act".

Section 414 of the Stafford Act (including its implementing regulation at 49 CFR 24.403(d)(1)), is waived to the extent that it would apply to real property acquisition, rehabilitation or demolition of real property for a CDBG-DR funded



project commencing more than one year after the Presidentially declared disaster undertaken by the grantees, or subrecipients, provided that the project was not planned, approved, or otherwise underway prior to the disaster.

O. Nondiscrimination

1. 24 CFR part 6

The Subrecipient shall comply with 24 CFR part 6, which implements the provisions of section 109 of title I of the Housing and Community Development Act of 1974 (Title I) (42 U.S.C. 5309). Section 109 provides that no person in the United States shall, on the ground of race, color, national origin, religion, or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with Federal financial assistance.

The Subrecipient shall adhere to the prohibitions against discrimination on the basis of age under the Age Discrimination Act of 1975 (42 U.S.C. 6101-6107) (Age Discrimination Act) and the prohibitions against discrimination on the basis of disability under section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) (Section 504). Section 109 of the HCDA makes these requirements applicable to programs or activities funded in whole or in part with CDBG-DR funds. Thus, the Subrecipient shall comply with regulations of 24 CFR part 8, which implement Section 504 for HUD programs, and the regulations of 24 CFR part 146, which implement the Age Discrimination Act for HUD programs.

2. Architectural Barriers Act and the Americans with Disabilities Act

The Subrecipient shall ensure that its Activities are consistent with requirements of Architectural Barriers Act and the Americans with Disabilities Act.

The Architectural Barriers Act of 1968 (42 U.S.C. 4151-4157) requires certain Federal and Federally funded buildings and other facilities to be designed, constructed, or altered in accordance with standards that insure accessibility to, and use by, physically handicapped people. A building or facility designed, constructed, or altered with funds allocated or reallocated under this part after December 11, 1995, and that meets the definition of "residential structure" as defined in 24 CFR 40.2 or the definition of "building" as defined in 41 CFR 101-19.602(a) is subject to the requirements of the Architectural Barriers Act of 1968 (42 U.S.C. 4151-4157) and shall comply with the Uniform Federal Accessibility Standards (appendix A to 24 CFR part 40 for residential structures, and appendix A to 41 CFR part 101-19, subpart 101-19.6, for general type buildings).

The Americans with Disabilities Act (42 U.S.C. 12131; 47 U.S.C. 155, 201, 218 and 225) (ADA) provides comprehensive civil rights to individuals with disabilities in the areas of employment, public accommodations, State and local government services, and telecommunications. It further provides that discrimination includes a failure to design and construct facilities for first occupancy no later than January 26, 1993, that are readily accessible to and usable by individuals with disabilities. Further, the ADA requires the removal of architectural barriers and communication barriers that are structural in nature in existing facilities, where such removal is readily achievable—that is, easily accomplishable and able to be carried out without much difficulty or expense.

The Subrecipient agrees to comply with the non-discrimination in employment and contracting opportunities laws, regulations, and executive orders referenced in 24 CFR 570.607, as revised by Executive Order 13279. The applicable non-discrimination provisions in Section 109 of the HCDA are still applicable.

3. Title VI of the Civil Rights Act of 1964 (24 CFR part 1)

a. General Compliance:

The Subrecipient shall comply with the requirements of Title VI of the Civil Rights Act of 1964 (P. L. 88-352), as amended and 24 CFR 570.601 and 570.602. No person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity funded by this Agreement. The specific nondiscrimination provisions at 24 CFR 1.4 apply to the use of these funds. The Subrecipient shall not intimidate, threaten, coerce, or discriminate against any person for the purpose of interfering with any right or privilege secured by title VI of the Civil Rights Act of 1964 or 24 CFR part 1, or because he has made a complaint, testified, assisted, or participated in any manner in an investigation, proceeding, or hearing under 24 CFR part 1. The identity of complainants shall be kept confidential except to the extent necessary to carry out the purposes of 2 CFR part 1, including the conduct of any investigation, hearing, or judicial proceeding arising thereunder.

b. Assurances and Real Property Covenants:

As a condition to the approval of this Agreement and the extension of any Federal financial assistance, the Subrecipient assures that the program or activities described in this Agreement shall be conducted and the housing, accommodations, facilities, services, financial aid, or other benefits to be provided shall be operated and administered in compliance with all requirements imposed by or pursuant to this part 1.

If the Federal financial assistance under this Agreement is to provide or is in the form of personal property or real property or interest therein or structures thereon, the Subrecipient's assurance herein shall obligate the Subrecipient or, in the case of a subsequent transfer, the transferee, for the period during which the property is used for a purpose for which the Federal financial assistance is extended or for another purpose involving the provision of similar services or benefits, or for as long as the recipient retains ownership or possession of the property, whichever is longer. In all other cases the assurance shall obligate the Subrecipient for the period during which Federal financial assistance is extended pursuant to the contract or application.

This assurance gives the PRDOH and the United States a right to seek judicial enforcement of the assurance and the requirements on real property.

In the case of real property, structures or improvements thereon, or interests therein, acquired with Federal financial assistance under this Agreement or acquired with CDBG-DR funds and provided to the Subrecipient Under this Agreement, the instrument effecting any disposition by the Subrecipient of such real property, structures or improvements thereon, or interests therein, shall contain a covenant running with the land assuring nondiscrimination for the period during which the real property is used for a purpose for which the Federal financial assistance is extended or for another purpose involving the provision of similar services or benefits.

If the Subrecipient receives real property interests or funds or for the acquisition of real property interests under this Agreement, to the extent that rights to space on, over, or under any such property are included as part of the program receiving such assistance, the nondiscrimination requirements of this part 1 shall extend to any facility located wholly or in part in such space.

4. Affirmative Action

a. Approved Plan

The Subrecipient agrees that it shall carry out pursuant to the PRDOH's specifications an Affirmative Action Program in compliance with the President's Executive Order 11246 of September 24, 1966, as amended, and implementing regulations at 42 CFR chapter 60. The PRDOH shall provide Affirmative Action guidelines to the Subrecipient to assist in the formulation of such program. The Subrecipient shall submit a plan for an Affirmative Action Program for approval prior to the release of funds under this Agreement.

b. Women- and Minority-Owned Businesses (W/MBE)

The Subrecipient shall take the affirmative steps listed in 2 CFR 200.321 (b)(1) through (5) to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible when the Subrecipient procures property or services under this Agreement.

As used in this Agreement, the terms "small business" means a business that meets the criteria set forth in section 3(a) of the Small Business Act, as amended (15 U.S.C. 632), and "minority and women's business enterprise" means a business at least fifty-one (51) percent owned and controlled by minority group members or women. For the purpose of this definition, "minority group members" are Afro-Americans, Spanish-speaking, Spanish surnamed or Spanish-heritage Americans, Asian- Americans, and American Indians. The Subrecipient may rely on written representations by businesses regarding their status as minority and female business enterprises in lieu of an independent investigation.

c. Notifications

The Subrecipient will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the labor union or worker's representative of the Subrecipient's commitments hereunder, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

d. Equal Employment Opportunity and Affirmative Action (EEO/AA) Statement

The Subrecipient shall, in all solicitations or advertisements for employees placed by or on behalf of the Subrecipient, state that it is an Equal Opportunity or Affirmative Action employer.

P. Labor and Employment

The Subrecipient is prohibited from using funds provided herein or personnel employed in the administration of the program for: political activities; inherently religious activities; lobbying; political patronage; or nepotism activities.

1. Labor Standards

The Subrecipient shall comply with the in labor standards in Section 110 of the Housing and Community Development Act of 1974, as amended, and ensure that all laborers and mechanics employed by contractors or subcontractors in the performance of construction work financed in whole or in part with assistance received under this Agreement shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis Bacon Act, as amended (40 U.S.C. 3141, et seq.), and 29 CFR part 1, 3, 5, 6, and 7, provided, that this requirement shall apply to the rehabilitation of residential property only if such property contains not less than 8 units.

The Subrecipient agrees to comply with the (18 U.S.C. 874) and its implementing regulations of the U.S. Department of Labor at 29 CFR part 3 and part 5. The

Subrecipient shall maintain documentation that demonstrates compliance with applicable hour and wage requirements. Such documentation shall be made available to the PRDOH for review upon request.

Q. Section 3 of the Housing and Urban Development Act of 1968

1. Compliance

Compliance with the provisions of Section 3 of the HUD Act of 1968, as amended, and as implemented by the regulations set forth in 24 CFR 135, and all applicable rules and orders issued hereunder prior to the execution of this Agreement, shall be a condition of the Federal financial assistance provided under this Agreement and binding upon Grantee, Subrecipient, and any of Subrecipient's sub-subrecipients, contractors, and subcontractors. Failure to fulfill these requirements shall subject Grantee, Subrecipient, and any of Subrecipient's sub-subrecipients, contractors, and subcontractors, as well as their successors and assigns, to those sanctions specified by the agreement through which Federal assistance is provided. Subrecipient certifies and agrees that no contractual or other impediment exists that would prevent compliance with these requirements.

Subrecipient further agrees to comply with the "Section 3" requirements stated below and to include verbatim this language in all subsequent sub-subrecipient agreements, contracts, and subcontracts executed under this Agreement:

"A. The work to be performed under this Agreement is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (section 3). The purpose of section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

B. The parties to this Agreement agree to comply with HUD's regulations in 24 CFR part 135, which implement section 3. As evidenced by their execution of this Agreement, the parties to this Agreement certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.

C. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

D. The contractor agrees to include this section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.

E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.

F. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this Agreement for default, and debarment or suspension from future HUD assisted contracts.

G. With respect to work performed in connection with section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act ( 25 U.S.C. 450e) also applies to the work to be performed under this Agreement. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and sub contracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this Agreement that are subject to the provisions of section 3 and section 7(b) agree to comply with section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b)."

Subrecipient further agrees to ensure that opportunities for training and employment arising in connection with a housing rehabilitation (including reduction and abatement of lead-based paint hazards), housing construction, or other public construction project are given to low- and very low-income persons residing within the metropolitan area in which the CDBG-DR funded project is located; where feasible, priority should be given to low- and very low-income persons within the service area of the project or the neighborhood in which the project is located, and to low- and very low-income participants in other HUD programs; and award contracts for work undertaken in connection with a housing rehabilitation (including reduction and abatement of lead-based paint hazards), housing construction, or other public construction project to business concerns that provide economic opportunities for low- and very low-income persons residing within the metropolitan area in which the CDBG-DR funded project is located; where feasible, priority should be given to business concerns that provide economic opportunities to low- and very low-income residents within the service area of the neighborhood in which the project is located, and to low- and very low- income participants in other HUD programs.

Subrecipient certifies and agrees that no contractual or other legal impediment exists that would prevent compliance with these requirements.

## R. Conduct

### 1. Hatch Act

The Subrecipient shall comply with the Hatch Act, 5 USC 1501 – 1508, and shall ensure that no funds provided, nor personnel employed under this Agreement, shall be in any way or to any extent engaged in the conduct of political activities in violation of Chapter 15 of Title V of the U.S.C.

### 2. Conflict of Interest

The Subrecipient agrees to abide by the provisions of 2 CFR Part 200, as applicable, and 24 CFR 570.611, which include (but are not limited to) the following:

- a. It is presumed that the Subrecipient is subject to state and local ethic laws and regulations related to the conduct of its officers, employees or agents engaged in the award and administration of this Agreement.

- b. In the event the Subrecipient is not, the Subrecipient shall maintain written standards of conduct governing the performance of its employees engaged in the award and administration of this Agreement. No employee, officer, or agent shall participate in the selection, award, or administration of a contract supported by Federal funds if a real or apparent conflict of interest would be involved. Such a conflict would rise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected for an award. The officers, employees, and agents of the recipient shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, or parties to sub agreements. However, recipients may set standards for situations in which the financial interest is not substantial, or the gift is an unsolicited item of nominal value. The standards of conduct shall provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the recipient.
- c. No covered persons who exercise or have exercised any functions or responsibilities with respect to CDBG-DR assisted activities, or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest in any contract, or have a financial interest in any contract, subcontract, or agreement with respect to the CDBG-DR assisted activity, or with respect to the proceeds from the CDBG-DR assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for a period of one (1) year thereafter. For purposes of this paragraph, a "covered person" includes any person who is an employee, agent, consultant, officer, or elected or appointed official of the PRDOH, the Subrecipient, or any designated public agency.

3. Lobbying Certification

The Subrecipient hereby certifies that:

- a. No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement;
- b. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions;
- c. It shall require that the language of paragraph (i) through (iv) of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly; and

- d. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is required by section 1352, title 31, U.S.C. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

S. Religious Activities

The Subrecipient agrees that funds provided under this Agreement shall not be utilized for inherently religious activities prohibited by 24 CFR 570.200(j), such as worship, religious instruction, or proselytization.

T. Environmental Conditions

PRDOH is the responsible entity for performing all environmental related and required activities, and Subrecipient is not delegated with such activities.

1. Prohibition on Choice Limiting Activities Prior to Environmental Review

The Subrecipient must comply with and be responsible for the limitations in 24 CFR 58.22 even though the Subrecipient is not delegated the requirement under Section 104(g) of the HCD Act for environmental review, decision making, and action (see 24 CFR part 58) and is not delegated the Grantee's responsibilities for initiating the review process under the provisions of 24 CFR Part 52. 24 CFR 58.22 imposes limitations on activities pending clearance, and specifically limits commitments of HUD funds or non-HUD funds by any participant in the development process before completion of the environmental review. A violation of this requirement may result in a prohibition on the use of Federal funds for the activity.

2. Air and Water

The Subrecipient shall comply with the following requirements insofar as they apply to the performance of this Agreement:

- Air quality. (1) The Clean Air Act (42 U.S.C. 7401 et. seq.) as amended; particularly section 176(c) and (d) (42 U.S.C. 7506(c) and (d)); and (2) Determining Conformity of Federal Actions to State or Federal Implementation Plans (Environmental Protection Agency—40 CFR parts 6, 51, and 93).
- Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251, et seq., as amended, including the requirements specified in Section 114 and Section 308 of the Federal Water Pollution Control Act, as amended, and all regulations and guidelines issued thereunder;
- Environmental Protection Agency (EPA) regulations pursuant to 40 CFR Part 50, as amended.
- Executive Order 11990, Protection of Wetlands;
- The Wild and Scenic Rivers Act of 1968, as amended, (16 U.S.C.S. 1271);
- The Safe Drinking Water Act of 1974, as amended (42 U.S.C.S. 30f et. seq.);
- The Clean Water Act of 1977 (Public Law 95-217);

3. Flood Disaster Protection

The Subrecipient shall comply with the mandatory flood insurance purchase requirements of Section 102 of the Flood Disaster Protection Act of 1973, as amended by the National Flood Insurance Reform Act of 1994, 42 USC 4012a. Additionally, the Subrecipient shall comply with Section 582 of the National

Flood Insurance Reform Act of 1994, as amended, (42 U.S.C. 5154a), which includes a prohibition on the provision of flood disaster assistance, including loan assistance, to a person for repair, replacement, or restoration for damage to any personal, residential, or commercial property if that person at any time has received Federal flood disaster assistance that was conditioned on the person first having obtained flood insurance under applicable Federal law and the person has subsequently failed to obtain and maintain flood insurance as required under applicable Federal law on such property. Section 582 also includes a responsibility to notify property owners of their responsibility to notify transferees about mandatory flood purchase requirements.

In accordance with the requirements of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4001), the Subrecipient shall assure that for activities located in an area identified by the Federal Emergency Management Agency (FEMA) as having special flood hazards, flood insurance under the National Flood Insurance Program is obtained and maintained as a condition of financial assistance for acquisition or construction purposes (including rehabilitation).

#### 4. Lead-Based Paint

The Subrecipient agrees that any construction or rehabilitation of structures containing residential units with assistance provided under this Agreement shall be subject to HUD Lead-Based Paint Regulations at 24 CFR 570.608, and 24 CFR Part 35, Subpart B. Such regulations pertain to all CDBG assisted housing and require that all owners, prospective owners, and tenants of properties constructed prior to 1978 be properly notified that such properties may include lead-based paint. Such notification shall point out the hazards of lead-based paint and explain the symptoms, treatment and precautions that should be taken when dealing with lead-based paint poisoning and the advisability and availability of blood lead level screening for children under seven. The notice should also point out that if lead-based paint is found on the property, abatement measures may be undertaken. The regulations further require that, depending on the amount of Federal funds applied to a property, paint testing, risk assessment, treatment and/or abatement may be conducted.

#### 5. Historic Preservation

The Subrecipient agrees to comply with the Historic Preservation requirements set forth in the National Historic Preservation Act of 1966, as amended (16 U.S.C. 470) and the procedures set forth in 36 CFR Part 800 and 801, Advisory Council on Historic Preservation Procedures for Protection of Historic Properties, insofar as they apply to the performance of this Agreement, as well as any other applicable laws or regulations relating to historic properties.

In general, this requires concurrence from the State Historic Preservation Officer for all rehabilitation and demolition of historic properties that are fifty years old or older or that are included on a Federal, state, or local historic property list.

#### 6. Implementation of Mitigation Measures

The Subrecipient agrees to comply with and timely implement any and all mitigation measures and other requirements set forth in any environmental reviews, environmental assessments, or environmental impact statements performed or to be performed in connection with, or records of decision or any similar documents, issued or to be issued in connection with, the CDBG-DR Program, as may be applicable to this Agreement. It is the Subrecipient's responsibility to ensure that it has complete copies of all such documents.

## **X. ASSIGNMENT**

The Subrecipient shall not assign or transfer any interest in this Agreement without the prior written consent of the PRDOH.



**XI. SEVERABILITY**

If any provision of this Agreement is held invalid, the remainder of the Agreement shall not be affected thereby, and all other parts of this Agreement shall nevertheless be in full force and effect.

**XII. SECTION HEADINGS AND SUBHEADINGS**

The section headings and subheadings contained in this Agreement are included for convenience only and shall not limit or otherwise affect the terms of this Agreement.

**XIII. WAIVER**

The PRDOH's failure to act with respect to a breach by S does not waive its right to act with respect to subsequent or similar breaches. The failure of the PRDOH to exercise or enforce any right or provision shall not constitute a waiver of such right or provision.

**XIV. GOVERNING LAW: JURISDICTION**

This Agreement shall be governed by, interpreted and enforced in accordance with the laws of the Government of Puerto Rico and any applicable federal laws and regulations. The parties further agree to assert any claims or causes of action that may arise out of this Agreement in the Puerto Rico Court of First Instance, San Juan Part, notwithstanding jurisdiction may be averred in any U.S. District Court, including for diversity of citizenship.

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**XV. COMPLIANCE WITH LAW**

It is the intention and understanding of the Parties hereto that each and every provision of law required to be inserted in this Agreement should be and is inserted herein. Furthermore, it is hereby stipulated that every such provision is deemed to be inserted and if, through mistake or otherwise, any such provision is not inserted herein or is not inserted in correct form, then this Agreement shall forthwith, upon the application of any Party, be amended by such insertion so as to comply strictly with the law and without prejudice to the rights of any Party.

**XVI. SUBROGATION**

The Subrecipient acknowledges that funds provided through this Agreement are Federal funds administered by HUD under the CDBG-DR Program and that all funds provided by this Agreement are subject to audit, disallowance, and repayment. Any disagreement with adverse findings may be challenged and subject to Federal regulation, however, the Subrecipient shall promptly return any and all funds to the PRDOH, which are found to be ineligible, unallowable, unreasonable, a duplication of benefits, or non-compensable, no matter the cause. This clause shall survive indefinitely the termination of this Agreement for any reason.

**XVII. COMPTROLLER REGISTRY**

The PRDOH shall remit a copy of this Agreement to the Office of the Comptroller for registration within fifteen (15) days following the date of execution of this Agreement and any subsequent amendment hereto. The services object of this Agreement may not be invoiced or paid until this Agreement has been registered


by the PRDOH at the Comptroller's Office, pursuant to Act No. 18 of October 30, 1975, as amended by Law No. 127 of May 31, 2004.

**XVIII. ENTIRE AGREEMENT**

This Agreement constitutes the entire agreement among the parties for the use of funds received under this Agreement and it supersedes all prior or contemporaneous communications and proposals, whether electronic, oral, or written among the parties with respect to this Agreement.

**IN WITNESS THEREOF**, the parties hereto execute this Agreement in the place and on the date first above written.

**[Signature Page Follows]**

Handwritten initials or signature in the left margin, consisting of two lines of cursive script.

**PUERTO RICO DEPARTMENT OF HOUSING, CDBG-DR Grantee**

By: 


Name: Fernando A. Gil-Enseñat

Title: Secretary

Date: November 16, 2018

S.S. 660-55-8579

**PUERTO RICO DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE,  
Subrecipient**

By: 

Name: Manuel Laboy Rivera

Title: Secretary

Date: November 16, 2018

S.S. 660-65-4753



DEPARTMENT OF HOUSING  
CDBG DR PROGRAM

MOU EXHIBIT A-1 – SCOPE OF WORK  
FOR

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CONTRACTOR CONSTRUCTION AND  
COMMERCIAL REVOLVING LOAN  
PROGRAM

DDEC ECONOMIC DEVELOPMENT  
PROGRAMS

November 16, 2018 V VERSION NO.3

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**MOU Exhibit A-1 Scope of Work**  
 for  
**Contractor Construction and Commercial Revolving Loan Program**  
 for  
**DDEC CDBG-DR Economic Development Programs]**  
**PUERTO RICO DEPARTMENT OF HOUSING**  
 Version Control

VERSION NUMBER	DATE REVISED	DESCRIPTION OF REVISIONS
1.0	10/10/2018	First Draft by Jeremy Newberg
2.0	10/20/2018	Revised Scope only to CRL and SBF and clarify tasks, deliverables and pay points
3.0	11/15/2018	MOU ready copy

**APPENDIX A: SCOPE OF WORK**  
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## 1. PROGRAM OVERVIEW/BACKGROUND

This Exhibit A-1 Scope Work cover the \$35 million Contractor Construction and Commercial Revolving Loan (CCRL) that will be administered by the Departamento de Desarrollo Económico y Comercio (DDEC).

DDEC will provide marketing, production and compliance management for the CCRL program in partnership with PRDOH. The Economic Development Bank of Puerto Rico (BDE for its acronym in Spanish), will serve as loan underwriter, administrator and servicer under a subrecipient agreement with DDEC. DDEC will also engage subrecipient and professional service provider program partners to assist with program production and compliance management as needed.

The CCRL will help build the capacity of contractors in the construction trades, renewable energy, and water purification systems to secure and succeed in working on as much of the CDBG-DR and related federally funded construction work as possible. The CCRL will serve as an affordable and accessible source of capital to help Puerto Rico based contractors with working capital liquidity to recover and expand their businesses. To manage risk the CCRL will incorporate a balance of rigorous community economic development lending practices and technical assistance to help borrowers build capacity and succeed within program rules.

DDEC will measure its success with the CCRL based on how the program helps:

- 
1. Puerto Rico based general contractors, subcontractors and local labor secure and succeed in implementing substantial disaster recovery related contracts and local employment;
  2. Contractors and subcontractors build capacity and experience to secure a sustainable book of business in the broader Puerto Rican economy and graduate to mainstream business banking relationships and;
  3. Local labor builds the skills and experience to secure long-term gainful employment in the Puerto Rico economy.

As part of the monthly draw and/or payment processes, borrowers will report on:

- Number, dollar amount and types of DR related contracts secured by contractor borrower
- Number local labor employed in DR related contracts.

The recovery funds serving to rebuild the island's housing and infrastructure will serve as a vital injection of funds into the local economy if properly structured. Providing local contractors access to start-up and mobilization capital will build local reconstruction capacity and maximize the amount of funds recirculated into the island's economy. The CCRL will provide capital to bridge payments on construction contracts and working capital for business recovery and expansion including items such as staff and/or services to expand grant compliance and financial management capacity. The CCRL will have the following components:

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### **1.1. CAPACITY BUILDING CAPITAL INVESTMENT**

Borrowers can apply for a Capacity Building Capital Investment limited to \$50,000 based on need. This investment can be drawn at loan closing to cover costs related to help a contractor be more competitive and to secure and successfully manage new CDBG-DR construction work. This is the first phase of the CCRL which will not be subject to repayment terms until the contractor secures a construction contract or one (1) passes whichever comes first. Once the contractor secures a construction contract and DDEC approves additional borrowing, the Capacity Building Capital Investment gets included into the overall loan balance and repayment terms.

### **1.2. CONSTRUCTION BRIDGE FINANCING AND WORKING CAPITAL**

The second phase of the CCRL begins when the contractor secures a DR related construction contract. Borrower can be approved for up to \$1,000,000, less however much is provided for the Capacity Building Investment prior to construction. Lines of credit will be sized based on the value of construction contracts and the business recovery and expansion plan.

The combined maximum line of credit is \$1,000,000 which will be made available to borrowers demonstrating an ability to repay the loan and meet the underwriting and compliance criteria. Compensating factors may be used to assist in determining an applicant's bankability based on flexible underwriting criteria.

### **1.3. RELATIONSHIP MANAGERS TO CULTIVATE QUALIFIED BORROWERS**

In addition to flexible capital, DDEC will provide capacity building support to target contractor borrowers, especially in more rural inland areas on the island. Many contractors may need Technical Assistance (TA) to learn an expanded range of construction, business and contract management, accounting and reporting skills to meet the requirements of government-funded disaster recovery construction projects. CDBG-DR provides the flexibility to deploy TA to help target contractors grow and sustain their business operations within the discipline and accountability of a lending relationship.

DDEC will convene an RFP process to engage Relationship Managers to provide TA for business recovery and growth planning and support in producing vetted grant and/or loan applications. This role is a combination of lender, TA provider, coach and voice of encouragement, grit, persistence and accountability as borrowers recover and grow their businesses.


The Relationship Manager will work with DDEC and its underwriter BDE to identify the financial product and terms and conditions that best matches the needs and capacity of the applicant.

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## 2. TASKS FOR CCRL

DDEC and the contracted subrecipients and professional service providers under DDEC management supervision shall furnish the following program production and grant compliance management services to successfully operate above-listed disaster recovery programs, including, but not limited to the following:

### 1. Program Operations Support

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- 1.1. Work closely with the PRDOH officials, and its designees in preparing and maintaining the overall project plan for all phases of the Program(s), manage day-to-day operations, improve processes for quality and efficiency, implement policy changes, and adapt to a program close out environment;
  - 1.2. Ensure reporting on various aspects of the project which reflects the major activities for the reporting period as specified by PRDOH (e.g. monthly, quarterly);
  - 1.3. Coordinate with the PRDOH, as requested, to ensure that the media and the general public remain informed through media messages, community outreach, public relations, and public education efforts;
  - 1.4. Coordinate with the PRDOH Information Technology (IT) services;
  - 1.5. Regularly communicate potential risks, issues, and statuses with the PRDOH.


### 2. Outreach, Planning and Program Design

- 2.1. Conduct outreach meetings with stakeholders and Prospective Relationship Manager Program Partners to gain insight on unmet needs and opportunities to improve program design;
- 2.2. Complete Program Design and generate Grant and Loan Production Process Maps;
- 2.3. Generate Loan Production Projections and Program Budget and provide periodic updates as needed;
- 2.4. Generate Staff Schedule
- 2.5. Generate Program Launch and Operations Budget that covers Planning, Direct, Activity Delivery and discreet Administration costs;
- 2.6. Complete documentation that CCRL is categorically exempt from Environmental Review;
- 2.7. Populate Subrecipient Agreements for PRDOH and DEDEC and subsequently for DDEC and its subrecipients such as BDE and the to be procured Relationship Managers as required by PRDOH.

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### 3. Mobilization and Launch

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- 3.1. Draft program summary to be posted on PRDOH, DDEC and BDE websites with links to the CCRL webpage on the DDEC website and loan application;
  - 3.2. Draft, test and refine CCRL Loan Application Template that can be completed in digital and paper formats;
  - 3.3. Provide a toll-free phone number and email address with designated staff for customer inquiries;
  - 3.4. Help BDE with establishing data collection points and reporting template within their Loan Origination and Servicing information systems for customer tracking, servicing and reporting and system of record;
  - 3.5. Draft, maintain and periodically update production and compliance reporting templates;
  - 3.6. Prepare and manage Request for Proposal process for Regional Field and Intermediary Relationship Manager program partners;
  - 3.7. For program partners, negotiate terms and conditions for engagement and populate subrecipient agreements and/or professional services contracts using PRDOH templates;
  - 3.8. Draft and periodically update CCRL underwriting criteria;
  - 3.9. Draft and periodically update CCRL policies and procedures guide;
  - 3.10. Generate a CCRL Frequently Asked Questions (FAQ) resource;
  - 3.11. Generate grant and loan documents templates that meet HUD CDBG-DR and Puerto Rico requirements;
  - 3.12. Generate, maintain and periodically update CCRL CDBG-DR compliance file checklist;
  - 3.13. Provide training and on-going support for DDEC and BDE staff and program partners;
  - 3.14. Develop an integrated and multi-platform outreach and marketing programs to cultivate prospective borrowers for CCRL;
  - 3.15. Develop a CCRL Production Plan with monthly production goals for: Intake, Completed Applications, Underwriting, Loan Commitments and Settlements;
  - 3.16. Coordinate with PRDOH, DDEC and BED to set up CCRL in DRGR.

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#### 4. Loan Application Intake

- 4.1. Implement the integrated outreach and marketing plan to cultivate loan applications;
- 4.2. Deploy and support Field Relationship Managers in up to eleven (11) cities where PRDOH or DDEC have offices and deploy Intermediary Relationship Managers to cultivate pipelines of borrowers for loan application intake;
- 4.3. Provide technical assistance as needed to help borrowers complete loan applications and recovery and business growth plans that meet the underwriting criteria of the CCRL.

#### 5. Processing – Eligibility

- 5.1. For each application submitted conduct eligibility reviews based on CDBG-DR and PRDOH compliance rules and CCRL policies and procedures;
- 5.2. Set up applicant file based on CDBG-DR file checklist to facilitate grant and/or loan processing, monitoring and closeout.

#### 6. Processing - DOB/VOB


- 6.1. Conduct Duplication of Benefits and Verification of Benefits reviews for each grant and loan application;
- 6.2. Conduct subsequent analysis and calculation of maximum eligible CDBG-DR assistance based on DOB/VOB analysis.

#### 7. Packaging

- 7.1. After application passes initial review for financial feasibility and program and CDBG-DR compliance eligibility, the Relationship Manager will package the application for submission for underwriting which will include:
  - Coordination of Benefits Analysis to calculate maximum CDBG-DR grant and/or loan assistance;
  - Analysis of financial feasibility of application for grant and loan and proposed terms and conditions for Underwriter review and justifications thereof and
  - Review and upload application to BDE Loan Origination web-based portal with scanned supporting documentation for Underwriting and processing.
- 7.2. DDEC will conduct a Quality Control / Quality Assurance review of the application package prior to submission for Underwriting.

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## 8. Underwriting

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- 8.1. BDE will conduct underwriting review of the application based on CCRL Underwriting Criteria and Policies and Procedures;
  - 8.2. As needed, BDE will send questions and/or requests for clarification to Relationship Manager for follow-up with applicant;
  - 8.3. If an application meets underwriting and program criteria BDE will draft a Credit Memo that summarizes the underwriting analysis, credit strengths and weaknesses, strategies for risk mitigation and proposed terms and conditions for loan approval;
  - 8.4. Depending on type and size of grant and/or loan, either an authorized manager or the CCRL Credit Committee will review Credit Memo and decide to proceed with loan approval and terms and conditions;
  - 8.5. Draft a CCRL Commitment Letter:
  - 8.6. Conduct QA/QC review of Commitment Letter and all documents required from applicants of the Program and third parties and ensure that the provided documents are sufficient according to Program policies;
  - 8.7. Relationship Manager will review Commitment Letter with Borrower in detail;
  - 8.8. Upon receipt of signed Commitment Letter, DDEC will set-up CCRL loan in DRGR and coordinate with BDE and PRDOH for reservation of cash equal to loan amount to be ready for loan settlement date;
  - 8.9. From time to time as construction contractor borrowers may secure additional disaster recovery related contracts, DDEC with Relationship Manager and BDE can update compliance review and financial underwriting to adjust the amount of CCRL funds available for funding within the revolving loan structure.

## 9. Closing Coordination and Funding

- 9.1. Coordinate funding requests and make sure cash is available for funding of CCRL transactions;
- 9.2. Generate a CCRL loan and compliance documents required for loan settlement and funding;
- 9.3. Review loan documents and performance, compliance and reporting requirements with Borrower before Settlement;
- 9.4. Set up a bank account that it will use to deposit CCRL funds and also for electronic funds transfers for monthly payments interest and principal;

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- 9.5. Engage legal services to manage loan settlements either in person or remotely in coordination with the Relationship Managers;
- 9.6. Conduct closings in accordance with mutually agreed upon procedures for approved applications and record the required documents.
- 9.7. Support and address questions and issues related to each applicant's closing.
- 9.8. Assist applicants with resolving subrogation issues.
- 9.9. Review loan settlement documents and update project file in DRGR.

#### **10. Servicing - Processing**

- 10.1. Calculate Interim interest due on outstanding loan balances and manage preparation of monthly billing statements for interest and/or principal payment dues from borrowers;
- 10.2. Manage receipt of payments from borrowers and subsequent adjustment to loan account balances;
- 10.3. Remit funds received to segregated Program Income account that DDEC will use for subsequent eligible activities within the CCRL;
- 10.4. Notify Relationship Managers of borrowers who may be behind in their loan payments;
- 10.5. Update Loan Origination Systems and provide updated reports to DDEC required for tracking portfolio performance and compliance reporting.

#### **11. Servicing - Case Management**

- 11.1. Periodically, check in with borrower related to progress in securing new business and implanting their recovery and business expansion plans and provide technical assistance as needed;
- 11.2. As borrowers secure additional disaster related construction contracts and need more working capital, prepare and submit updated financial and compliance information for Underwriter review to adjust the amount of funds authorized for draws on the CCRL;
- 11.3. As borrowers secure additional disaster related construction contracts and need more working capital, facilitate updates of loan documents and DRGR data entry as needed;
- 11.4. As needed, follow-up with borrowers and assist with a plan to catch up on late monthly interest and/or principal loan payments;

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## 12. Servicing - Workouts

12.1. If and when a borrower fails to make payments in a timely manner and is in distress where the loan is approaching default status, DDEC and BDE will implement the steps in the Loan Workout Plan which is included in the Policies and Procedure Guidelines.

## 13. Task 5 Long-Term Compliance and Monitoring

13.1. Monitor the subrecipients and contracted professional service providers for compliance with their Agreements, loan documents, and other closing documents signed by all applicants.

13.2. Perform periodic compliance sampling and send annual compliance letters and checklists to applicants.

13.3. Verify all information submitted by applicants is recorded in the system of record; contact the applicant to resolve any missing or incomplete items.

13.4. Set up on-site visits and perform on-site monitoring interviews if necessary.

## 14. Task 6 Quality Assurance/Quality Control

14.1. Perform routine quality checks of all operational/functional areas to ensure that Program performance standards are being met.

14.2. Periodically review operational procedures to ensure that all procedures follow CDBG-DR Program requirements and comply with federal requirements. Update procedures as necessary.

14.3. Perform a comprehensive final review of all applicant files, as part of the CDBG-DR Program quality assurance process. The file for each applicant must be reviewed for accuracy and completeness prior to being archived.

14.4. Report results to PRDOH on a routine basis.

14.5. Retain applicant files according to the PRDOH's record retention policy.

## 15. Task 7 Issue Tracking and Fraud, Waste and Abuse Coordination

15.1. Respond to PRDOH's request to perform process management, file review, reporting and document management, as required for the following:

15.2. Internal and external audits (Federal, PRDOH, and Legislative);

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15.3. Potential fraud investigations; and

15.4. Responses to Freedom of Information Act requests (public record's request), subpoenas, and prosecutorial support.

#### **16. Task 8 Document Management and Records Retention**

16.1. Store, archive, and retrieve physical documents and electronic images of all paper documents, applicant-related emails, correspondence, training material, and policy and procedures.

16.2. Establish and maintain protocols for physical file management to include, among other things, access to a file, tracking of location and possession of a file, and return of a file. This assumes that the Proposer will provide the necessary secure space and storage equipment to perform such function. It also assumes that the Proposer will maintain soft copy backups of originals in their custody or control.



#### **17. Task 9: Accounting and Reporting**

17.1. Account for and reconcile all federal funds requested and drawn from HUD and awarded to grant recipients, all funds returned by applicants and their insurance companies (through the insurance subrogation process) and all other funds returned by applicants and those who decide to no longer participate in any of the program.

17.2. Administer the collection and processing of insurance subrogation funds. These funds will be reviewed and accounted for according to Program policies and procedures.

17.3. Reconcile with the PRDOH, on an established periodic basis, a complete inventory of all items furnished by the PRDOH, including items such as: equipment, furniture, computers, telephones, laptops, network printers, network equipment, etc.

17.4. Review Request for Payments from grantees and subrecipients for CDBG-DR awards. This will include review of all reimbursement of eligible costs as well as costs feasibility.

#### **18. Task 10: Applicant Relations**

18.1. The portfolio of applications will require the staff to provide program support for inquiries made by the applicants via phone, email, or online web submission.

18.2. Track all inquiries in the system of record.



- 18.3. Coordinate outreach efforts, including call-out campaigns and letter campaigns as required by the PRDOH.
- 18.4. Provide written correspondence to all applicants to relay the status of their file at critical stages.
- 18.5. Provide applicant consultation services to applicants as required. This includes providing technical assistance to facilitate communication between applicant and work site personnel for timely completion of construction.

#### **19. Task 11: Ramp-Down and Program Close Out**

- 19.1. Transition from full program operations (processing applications, closing loans, etc.) to compliance and monitoring operations as the applicant set requires.
- 19.2. Initiate program close-out in accordance with the terms and conditions of the contemplated contract, applicable laws and regulations.

#### **20. Task 12: Grant Recovery/Recapture**

- 20.1. This task will require the Program Manager to provide a grant recovery/recapture plan that will focus on pursuing remedies according to policies and procedures due to duplication of benefits. Grant recovery/recapture activities could and should include work-out plans, foreclosure, recapture, collection, disposal of property and properties that could be acquired.

### **3. TIME OF PERFORMANCE**

Since the CCRL involves a revolving line of credit, it should generate substantial program income which could extend the useful life of the program to up to five (5) years.

DDEC will use Activity Delivery Costs from the initial grant and subsequent program income to fund DDEC staff and its subrecipients and contractors based on volume of production.

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GOVERNMENT OF PUERTO RICO  
Department of Housing

Housing

Infrastructure

Planning

Economic Recovery

# DEPARTMENT OF HOUSING CDBG DR PROGRAM

## MOU EXHIBIT A-2 – SCOPE OF WORK FOR

### *ML* SMALL BUSINESS FINANCING GRANT AND LOAN PROGRAMS

### DDEC ECONOMIC DEVELOPMENT PROGRAMS

[November 16,] [2018] V [VERSION NO.3]

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**MOU Exhibit A-2**  
**Small Business Financing Grant and Loan Programs Program for**  
**DDEC CDBG-DR Economic Development Programs]**  
**PUERTO RICO DEPARTMENT OF HOUSING**  
**Version Control**

VERSION NUMBER	DATE REVISED	DESCRIPTION OF REVISIONS
1.0	10/10/2018	First Draft by Jeremy Newberg
2.0	10/20/2018	Revised Scope only to SBF and clarify tasks, deliverables and pay points
3.0	11/16/2018	MOU ready copy

**APPENDIX A: SCOPE OF WORK**  
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## 1. PROGRAM OVERVIEW/BACKGROUND

This Scope Work covers the \$50 million Small Business Financing Program (SBF) that will be administered by the Departamento de Desarrollo Económico y Comercio (DDEC).

DDEC will provide marketing, production and compliance management for the SBF program in partnership with PRDOH. The Economic Development Bank of Puerto Rico (BDE for its acronym in Spanish), will serve as loan underwriter, administrator and servicer under a subrecipient agreement with DDEC. DDEC will also engage subrecipient and professional service provider program partners to assist with program production and compliance management as needed.

The SBF Program provides Recovery Grants to microenterprises and Small Businesses Recovery and Expansion Loans for more established Small Businesses for economic development purposes. Eligible businesses also receive technical assistance throughout the life of the loan by connecting them to any additional tools needed to operate successfully. The Action Plan documents how the entire island of Puerto Rico suffered from storm damage. Therefore, every small business on the island, provided they can provide evidence of unmet needs and a credit worthy business, can apply for assistance.

To manage risk the Small Business Financing grant and loan program will incorporate a balance of rigorous community economic development lending practices and technical assistance to help SBF Clients build capacity and succeed within program rules. DDEC will measure its success with the SBF based on how the program helps:

- 
1. Provide grants and loans to help implement economic recovery and expansion plans that improves the PR economy
  2. Help retain and expand employment of LMI labor who are Puerto Rico residents
  3. Provide technical assistance to help small businesses graduate to more traditional banking relationships with financial institutions
  4. Leverage CDBG-DR funds to attract private capital to serve financing needs of small business.

As part of the monthly draw and/or payment processes, SBF Clients will report on:

- Interim Income and Expense Statements
- Progress on securing new contracts and performing on existing contracts
- Number of jobs created and/or retained, and wages paid to local labor of employed by SBF Clients.

The SBF will have the following components:

### 1.1. RECOVERY GRANT PROGRAM



The Recovery Grant will help microenterprises and small businesses re-start operations and/or invest in growth opportunities in the wake of the hurricanes by providing grants of no more than \$50,000 for working capital and non-affixed equipment. The amount of the grant and timing of draws will be determined by the recovery and growth business plan and the underwriting process. Some businesses may be required to draw on the grant in increments as business performance benchmarks are completed.

## 1.2. RECOVERY AND EXPANSION LOANS

### 1.2.1. OPTION A: WORKING CAPITAL REVOLVING LINE OF CREDIT

The Working Capital Revolving Line of Credit Program will provide up to \$100,000 to cover working capital and non-affixed equipment expenses for businesses that can provide evidence of capacity to support short term debt. The amount of the Line of Credit will be set based on the recovery plan, management capacity and contracts or related evidence of receivables of small business SBF Clients. The Line of Credit will be 100% funded by CDBG-DR and will have a one (1) year term with options to renew based on performance.

### 1.2.2. OPTION B: TERM LOAN FOR LARGER PROJECTS

The Term Loan for Larger Projects will leverage CDBG-DR funds with private capital for larger loans that can fund working capital, equipment, assets that can be collateralized and acquisition and/or improvement to real estate and related business facilities.

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CDBG-DR funds will provide a guarantee or a loan loss reserve of up to 25% of the loan amount. The loan amount and repayment term for each Term Loan will be set based on the useful life of the collateral, the financial feasibility of the project and the capacity of the business. BDE will work with DDEC to identify sources of capital to fund the Term Loans with the CDBG-DR credit enhancement.

The Term Loan program addresses an unmet need of access to capital for larger projects where private financing sources remain reluctant to lend based on perceived risks of the post-disaster Island economy. The Term Loan is a strategic financing option for businesses that have a clear growth plan and management capacity that will result in expanded employment for Puerto Rico residents. Term Loan for Larger Projects can be used to:

- Acquisition, construction, renovations and/or repairs of land and buildings that will be used for business facilities, operations and production purposes;
- Acquisition and/or leasing of land for business operations and production such as agriculture;
- Construct tenant improvements/finishes;
- Lease space in or purchase an existing building;
- Purchase capital equipment;
- Purchase of technology, equipment and software;
- Purchase of inventory and;
- Working capital as listed above.

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Eligible applicants can apply for the grant and the loan options in coordination with the Relationship Manager who will offer guidance in terms what type and amount of assistance best serves their unmet business recovery and growth needs. DDEC and BDE will underwrite applications for grant and loan programs based on:

- CDBG Economic Development underwriting criteria as specified in the CDBG-DR Notice with a focus on: credit, capacity, collateral, capital and character; and
- CDBG-DR and Puerto Rico compliance requirements.

### **1.3. RELATIONSHIP MANAGERS TO CULTIVATE QUALIFIED SBF CLIENTS**

DDEC will provide capacity building support to target contractor SBF Clients, especially in more rural inland areas on the island. Many contractors may need Technical Assistance (TA) to learn an expanded range of construction, business and contract management, accounting and reporting skills to meet the requirements of government-funded disaster recovery construction projects. CDBG-DR provides the flexibility to deploy TA to help target microenterprises grow and sustain their business operations within the discipline and accountability of a lending relationship.

DDEC will convene an RFP process to engage Relationship Managers to provide TA for business recovery and growth planning and support in producing vetted grant and/or grant and loan applications. This role is a combination of lender, TA provider, coach and voice of encouragement, grit, persistence and accountability as SBF Clients recover and grow their businesses. The Relationship Manager will work with DDEC and its underwriter BDE to identify the financial product and terms and conditions that best matches the needs and capacity of the applicant.

## **2. TASKS FOR SMALL BUSINESS FINANCING GRANT AND LOAN PROGRAM**

DDEC and the contracted subrecipients and professional service providers under DDEC management supervision shall furnish the following program production and grant compliance management services to successfully operate above-listed disaster recovery programs, including, but not limited to the following:

### **1. Program Operations Support**

- 1.1. Work closely with the PRDOH officials, and its designees in preparing and maintaining the overall project plan for all phases of the Program(s), manage day-to-day operations, improve processes for quality and efficiency, implement policy changes, and adapt to a program close out environment;
- 1.2. Ensure reporting on various aspects of the project which reflects the major activities for the reporting period as specified by PRDOH (e.g. monthly, quarterly);

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- 1.3. Coordinate with the PRDOH, as requested, to ensure that the media and the general public remain informed through media messages, community outreach, public relations, and public education efforts;
- 1.4. Coordinate with the PRDOH Information Technology (IT) services;
- 1.5. Regularly communicate potential risks, issues, and statuses with the PRDOH.


## **2. Outreach, Planning and Program Design**

- 2.1. Conduct outreach meetings with stakeholders and Prospective Relationship Manager Program Partners to gain insight on unmet needs and opportunities to improve program design;
- 2.2. Complete Program Design and generate Grant and Loan Production Process Maps;
- 2.3. Generate Loan Production Projections and Program Budget and provide periodic updates as needed;
- 2.4. Generate Staff Schedule
- 2.5. Generate Program Launch and Operations Budget that covers Planning, Direct, Activity Delivery and discreet Administration costs;
- 2.6. Complete documentation that SBF is categorically exempt from Environmental Review, except for loans that involve acquisitions, demolition and/or improvements to real estate and/or affixed equipment affixed to real property;
- 2.7. Populate Subrecipient Agreements for PRDOH and DEDEC and subsequently for DDEC and its subrecipients such as BDE and the to be procured Relationship Managers as required by PRDOH.

## **3. Mobilization and Launch**

- 3.1. Draft program summary to be posted on PRDOH, DDEC and BDE websites with links to the SBF webpage on the DDEC website and grant and loan application;
- 3.2. Draft, test and refine SBF Grant and Loan Application Template that can be completed in digital and paper formats;
- 3.3. Provide a toll-free phone number and email address with designated staff for customer inquiries;
- 3.4. Help BDE with establishing data collection points and reporting template within their Loan Origination and Servicing information systems for customer tracking, servicing and reporting and system of record;

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- 3.5. Draft, maintain and periodically update production and compliance reporting templates;
  - 3.6. Prepare and manage Request for Proposal process for Regional Field and Intermediary Relationship Manager program partners;
  - 3.7. For program partners, negotiate terms and conditions for engagement and populate subrecipient agreements and/or professional services contracts using PRDOH templates;
  - 3.8. Draft and periodically update SBF underwriting criteria for grants and loans;
  - 3.9. Draft and periodically update SBF policies and procedures guide;
  - 3.10. Generate an SBF Frequently Asked Questions (FAQ) resource;
  - 3.11. Generate grant and loan documents templates that meet HUD CDBG-DR and Puerto Rico requirements;
  - 3.12. Generate, maintain and periodically update SBF CDBG-DR compliance file checklist;
  - 3.13. Provide training and on-going support for DDEC and BDE staff and program partners;
  - 3.14. Develop an integrated and multi-platform outreach and marketing programs to cultivate prospective SBF Clients;
  - 3.15. Develop an SBF Production Plan with monthly production goals for: Intake, Completed Applications, Underwriting, Loan Commitments and Settlements;
  - 3.16. Coordinate with PRDOH, DDEC and BED to set up SBF in DRGR.

#### 4. Loan Application Intake

- 4.1. Implement the integrated outreach and marketing plan to cultivate grant and loan applications;
- 4.2. Deploy and support Field Relationship Managers in up to eleven (11) cities where PRDOH or DDEC have offices and deploy Intermediary Relationship Managers to cultivate pipelines of SBF Clients for loan application intake;
- 4.3. Provide technical assistance as needed to help SBF Clients complete grant and loan applications and recovery and business growth plans that meet the underwriting criteria of the SBF.

#### 5. Processing – Eligibility



- 5.1. For each application submitted conduct eligibility reviews based on CDBG-DR and PRDOH compliance rules and SBF policies and procedures;
- 5.2. Set up applicant file based on CDBG-DR file checklist to facilitate grant and/or loan processing, monitoring and closeout.

#### **6. Processing - DOB/VOB**

- 6.1. Conduct Duplication of Benefits and Verification of Benefits reviews for each grant and loan application;
- 6.2. Conduct subsequent analysis and calculation of maximum eligible CDBG-DR assistance based on DOB/VOB analysis.

#### **7. Packaging**

- 7.1. After a grant and/or loan application passes initial review for financial feasibility and program and CDBG-DR compliance eligibility, the Relationship Manager will package the application for submission for underwriting which will include:
  - Coordination of Benefits Analysis to calculate maximum CDBG-DR grant and/or loan assistance;
  - Analysis of financial feasibility of application for grant and loan and proposed terms and conditions for Underwriter review and justifications thereof and
  - Review and upload application to BDE Loan Origination web-based portal with scanned supporting documentation for Underwriting and processing.
- 7.2. DDEC will conduct a Quality Control / Quality Assurance review of the application package prior to submission for Underwriting.

#### **8. Underwriting**

- 8.1. BDE will conduct underwriting review of the application based on SBF Underwriting Criteria and Policies and Procedures;
- 8.2. As needed, BDE will send questions and/or requests for clarification to Relationship Manager for follow-up with applicant;
- 8.3. If an application meets underwriting and program criteria BDE will draft a Credit Memo that summarizes the underwriting analysis, credit strengths and weaknesses, strategies for risk mitigation and proposed terms and conditions for loan approval;
- 8.4. Depending on type and size of grant and/or loan, either an authorized manager or the SBF Credit Committee will review Credit Memo and decide to proceed with grant and loan approval and terms and conditions;

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- 8.5. Draft an SBF Commitment Letter;
- 8.6. Conduct QA/QC review of Commitment Letter and all documents required from applicants of the Program and third parties and ensure that the provided documents are sufficient according to Program policies;
- 8.7. Relationship Manager will review Commitment Letter with SBF Client in detail;
- 8.8. Upon receipt of signed Commitment Letter, DDEC will set-up the SBF grant and/or loan in DRGR and coordinate with BDE and PRDOH for reservation of cash equal to loan amount to be ready for grant and/or loan settlement date;
- 8.9. From time to time Clients may secure additional contracts, DDEC with Relationship Manager and BDE can update compliance review and financial underwriting to adjust the amount of SBF funds available for funding within the Option A Revolving Loan structure.

## 9. Closing Coordination and Funding

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- 9.1. Coordinate funding requests and make sure cash is available for funding of SBF transactions;
  - 9.2. Generate an SBF grant and loan and compliance documents required for loan settlement and funding;
  - 9.3. Review grant and loan documents and performance, compliance and reporting requirements with Borrower before Settlement;
  - 9.4. Set up a bank account that it will use to deposit SBF funds and also for electronic funds transfers for monthly payments interest and principal;
  - 9.5. Engage legal services to manage loan settlements either in person or remotely in coordination with the Relationship Managers;
  - 9.6. Conduct closings in accordance with mutually agreed upon procedures for approved applications and record the required documents.
  - 9.7. Support and address questions and issues related to each applicant's closing.
  - 9.8. Assist applicants with resolving subrogation issues.
  - 9.9. Review grant and loan settlement documents and update project file in DRGR.


## 10. Servicing - Processing

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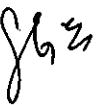
- 10.1. Calculate Interim interest due on outstanding loan balances and manage preparation of monthly billing statements for interest and/or principal payment dues from SBF Clients;
- 10.2. Manage receipt of payments from SBF Clients and subsequent adjustment to loan account balances;
- 10.3. Remit funds received to segregated Program Income account that DDEC will use for subsequent eligible activities within the SBF;
- 10.4. Notify Relationship Managers of SBF Clients who may be behind in their loan payments;
- 10.5. Update Loan Origination System and provide updated reports to DDEC required for tracking portfolio performance and compliance reporting.

### 11. Servicing - Case Management

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- 11.1. Periodically, check in with borrower related to progress in securing new business and implanting their recovery and business expansion plans and provide technical assistance as needed;
  - 11.2. As SBF Clients secure additional disaster related construction contracts and need more working capital, prepare and submit updated financial and compliance information for Underwriter review to adjust the amount of funds authorized for draws on the SBF;
  - 11.3. As SBF Clients secure additional disaster related construction contracts and need more working capital, facilitate updates of loan documents and DRGR data entry as needed;
  - 11.4. As needed, follow-up with SBF Clients and assist with a plan to catch up on late monthly interest and/or principal loan payments;

### 12. Servicing - Workouts

- 12.1. If and when an SBF Grant Client fails to perform as agreed with grant agreements, and is in distress where the grant is approaching default status, DDEC and BDE will implement the steps in the Grant Client Compliance Enforcement Plan which is included in the Policies and Procedure Guidelines.
- 12.2. If and when an Option A or B Loan borrower fails to make payments in a timely manner and is in distress where the loan is approaching default status, DDEC and BDE will implement the steps in the Loan Workout Plan which is included in the Policies and Procedure Guidelines.



### 13. Task 5 Long-Term Compliance and Monitoring

- 13.1. Monitor the subrecipients and contracted professional service providers for compliance with their Agreements, loan documents, and other closing documents signed by all applicants.
- 13.2. Perform periodic compliance sampling and send annual compliance letters and checklists to applicants.
- 13.3. Verify all information submitted by applicants is recorded in the system of record; contact the applicant to resolve any missing or incomplete items.
- 13.4. Set up on-site visits and perform on-site monitoring interviews if necessary.

### 14. Task 6 Quality Assurance/Quality Control

- 14.1. Perform routine quality checks of all operational/functional areas to ensure that Program performance standards are being met.
- 14.2. Periodically review operational procedures to ensure that all procedures follow CDBG-DR Program requirements and comply with federal requirements. Update procedures as necessary.
- 14.3. Perform a comprehensive final review of all applicant files, as part of the CDBG-DR Program quality assurance process. The file for each applicant must be reviewed for accuracy and completeness prior to being archived.
- 14.4. Report results to PRDOH on a routine basis.
- 14.5. Retain applicant files according to the PRDOH's record retention policy.

### 15. Task 7 Issue Tracking and Fraud, Waste and Abuse Coordination

- 15.1. Respond to PRDOH's request to perform process management, file review, reporting and document management, as required for the following:
- 15.2. Internal and external audits (Federal, PRDOH, and Legislative);
- 15.3. Potential fraud investigations; and
- 15.4. Responses to Freedom of Information Act requests (public record's request), subpoenas, and prosecutorial support.

### 16. Task 8 Document Management and Records Retention

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- 16.1. Store, archive, and retrieve physical documents and electronic images of all paper documents, applicant-related emails, correspondence, training material, and policy and procedures.
- 16.2. Establish and maintain protocols for physical file management to include, among other things, access to a file, tracking of location and possession of a file, and return of a file. This assumes that the Proposer will provide the necessary secure space and storage equipment to perform such function. It also assumes that the Proposer will maintain soft copy backups of originals in their custody or control.

### **17. Task 9: Accounting and Reporting**

- 17.1. Account for and reconcile all federal funds requested and drawn from HUD and awarded to grant recipients, all funds returned by applicants and their insurance companies (through the insurance subrogation process) and all other funds returned by applicants and those who decide to no longer participate in any of the program.
- 17.2. Administer the collection and processing of insurance subrogation funds. These funds will be reviewed and accounted for according to Program policies and procedures.
- 17.3. Reconcile with the PRDOH, on an established periodic basis, a complete inventory of all items furnished by the PRDOH, including items such as: equipment, furniture, computers, telephones, laptops, network printers, network equipment, etc.
- 17.4. Review Request for Payments from grantees and subrecipients for CDBG-DR awards. This will include review of all reimbursement of eligible costs as well as costs feasibility.

### **18. Task 10: Applicant Relations**

- 18.1. The portfolio of applications will require the staff to provide program support for inquiries made by the applicants via phone, email, or online web submission.
- 18.2. Track all inquiries in the system of record.
- 18.3. Coordinate outreach efforts, including call-out campaigns and letter campaigns as required by the PRDOH.
- 18.4. Provide written correspondence to all applicants to relay the status of their file at critical stages.
- 18.5. Provide applicant consultation services to applicants as required. This includes providing technical assistance to facilitate communication between applicant and work site personnel for timely completion of construction.

### 19. Task 11: Ramp-Down and Program Close Out

- 19.1. Transition from full program operations (processing applications, closing loans, etc.) to compliance and monitoring operations as the applicant set requires.
- 19.2. Initiate program close-out in accordance with the terms and conditions of the contemplated contract, applicable laws and regulations.

### 20. Task 12: Grant Recovery/Recapture

- 20.1. This task will require the Program Manager to provide a grant and/or loan recovery/recapture plan that will focus on pursuing remedies according to policies and procedures due to duplication of benefits. Grant and/or loan recovery/recapture activities could and should include work-out plans, foreclosure, recapture, collection, disposal of property and properties that could be acquired.



## 3. TIME OF PERFORMANCE

The Option A Loan within the SBF is a revolving line of credit that should generate program income which could extend the useful life of the program to up to five (5) years.

DDEC will use Activity Delivery Costs from the initial grant and subsequent program income to fund DDEC staff and its subrecipients and contractors based on volume of production.

## 4. UNIFIED PRODUCTION PLATFORM FOR CONTRACTOR REVOLVING LOAN AND THE SMALL BUSINESS FINANCING PROGRAMS

The Contractor Revolving Loan and the Small Business Financing programs will be managed on the same grant and loan marketing, underwriting, financial, servicing and compliance management platforms.

**DDEC** will provide marketing, production and compliance management for the CRL and SBF programs. For Both programs DDEC will engage:

Economic Development Bank of Puerto Rico (Banco de Desarrollo Económico (**BDE**)) to serve as loan underwriter, administrator and servicer under a subrecipient agreement with DDEC and

After a public procurement process, qualified organizations to serve as **Relationship Managers** to assist with marketing, technical assistance, loan application production and issue resolution.



# DEPARTMENT OF HOUSING CDBG DR PROGRAM

## **MOU EXHIBIT B-1 – TIMELINES AND PRODUCTION GOALS**

**FOR**

## **CONSTRUCTION AND COMMERCIAL REVOLVING LOAN PROGRAM**

## **DDEC ECONOMIC DEVELOPMENT PROGRAMS**

 November 16, 2018 V VERSION NO. 3.0



**MOU Exhibit B-1**  
**Construction and Commercial Revolving Loan Programs Program for**  
**DDEC CDBG-DR Economic Development Programs]**  
**PUERTO RICO DEPARTMENT OF HOUSING**  
**Version Control**

VERSION NUMBER	DATE REVISED	DESCRIPTION OF REVISIONS
1.0	10/10/2018	First Draft by Jeremey Newberg
2.0	10/20/2018	Revised Scope only to SBF and clarify tasks, deliverables and pay points
3.0	11/16/2018	MOU ready copy

**1. TIMELINE**

DDEC and its program partners will mobilize, launch and operate the CCRL based on the following timeline:

<u>Phases</u>	<u>Start</u>	<u>Finish</u>	<u>Notes</u>
Mobilization	July 2018	January 2019	1. Negotiate terms and execute Subrecipient Agreement between DDEC and BDE; 2. Complete procurement of Relationship Managers and staff augmentation partners and execution of agreements; 3. Develop Management tools and systems; 4. Train staff and program partners in CCRL outreach and marketing, loan origination, CDBG-DR compliance, underwriting, servicing, financial management and reporting systems.

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Launch	January 2019		<ol style="list-style-type: none"> <li>1. PRDOH reviews and approves production processes, management systems and document templates developed by Team;</li> <li>2. Web-site and application intake portal is tested and operational;</li> <li>3. Commence outreach and marketing plan;</li> <li>4. Begin intake of applications.</li> </ol>
Loan Production & Operations	January 2019	December 2024	<ol style="list-style-type: none"> <li>1. 24-month period to generate to expend \$35 Million allocation throughout the island given HUD rule requiring spend down of Program Income first;</li> <li>2. Assumes CRL produces Program Income which results in 279 loan commitments for \$70 Million based on average loan balance of approximately \$250,000 outstanding. (See attached Production Model);</li> <li>3. DDEC follow PRDOH's schedule and requirements for conducting periodic compliance monitoring of subrecipients, contractors and program.</li> </ol>
Closeout	January 2025	December 2024	<ol style="list-style-type: none"> <li>1. Loans are paid off in full either from cash form borrowers or refinancing;</li> <li>2. DDEC follows PRDOH CDBG-DR project file and program closeout procedures, including reconciliation of account balances in DRGR.</li> </ol>

Please see attached "DDEC-PRDOH MOU Exhibit B-2a Timelines and Production Goals – Contractor Revolving Loan 10-22-2018" for detailed Production Model and Assumptions.

## 2. PRODUCTION GOALS

DDEC and its program partners shall complete the following production goals for CCRL:

### 1. Expend \$35 Million allocated to CCRL within 24 Month Production Period from Program Launch

- 1.1. Complete intake and technical assistance with approximately 575 applicants in order to process 279 through eligibility, underwriting and settlement within 24-month operations period;
- 1.2. In response to HUD rules that requires expenditure of Program Income before draw down of CDBG-DR grant funds, DDEC will generate loan commitments of at least \$70 million for the CCRL revolving line of credit;

### 2. Establish Robust Reporting System to Track Loan Production and Progress on Program Goals

- 2.1. DDEC will develop a project tracking and reporting systems that measures how the CCRL based on how the program helps:
  - a. Puerto Rico based general contractors, subcontractors and local labor secure and succeed in implementing substantial disaster recovery related contracts and local employment;
  - b. Contractors and subcontractors build capacity and experience to secure a sustainable book of business in the broader Puerto Rican economy and graduate to mainstream business banking relationships and;
  - c. Local labor builds the skills and experience to secure long-term gainful employment in the Puerto Rico economy.
- 2.2. DDEC will set up as part of the monthly draw and/or payment processes that borrowers will report on:
  - a. Number, dollar amount and types of DR related contracts secured by contractor borrower
  - b. Number local labor employed in DR related contracts.

### 3. Maintain Safety and Soundness of loan portfolio within the context of the business risk

- 3.1. DDEC will track progress on this goal by:
  - a. Monitoring how well borrowers repay loans within the terms and conditions of the revolving line of credit and adjusting underwriting and loan terms as needed;
  - b. Monitoring and supporting progress on borrowers to implement their recovery and growth plans.

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# DEPARTMENT OF HOUSING CDBG DR PROGRAM

## **MOU EXHIBIT B-2 – TIMELINES AND PRODUCTION GOALS FOR SMALL BUSINESS FINANCING PROGRAM**

### **DDEC ECONOMIC DEVELOPMENT PROGRAMS**

November 16, 2018 V VERSION NO 3.0

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**MOU Exhibit B-2**  
**Small Business Financing Program for**  
**DDEC CDBG-DR Economic Development Programs]**  
**PUERTO RICO DEPARTMENT OF HOUSING**  
**Version Control**

VERSION NUMBER	DATE REVISED	DESCRIPTION OF REVISIONS
1.0	10/10/2018	First Draft by Jeremy Newberg
2.0	10/20/2018	Revised Scope only to SBF and clarify tasks, deliverables and pay points
3.0	11/15/2018	MOU ready copy

**1. TIMELINE**

DDEC and its program partners will operate the SBF based on the following timeline:

<u>Phases</u>	<u>Start</u>	<u>Finish</u>	<u>Notes</u>
Mobilization	July 2018	January 2019	1. Negotiate partnership with BDE and execute Subrecipient Agreement between DDEC and BDE; 2. Complete procurement of Relationship Managers and staff augmentation partners and execution of agreements; 3. Develop Management tools and systems; 4. Train staff and program partners in SBF outreach and marketing, loan origination, CDBG-DR compliance, underwriting, servicing, financial management and reporting systems.

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Launch	January 2019		<ol style="list-style-type: none"> <li>1. PRDOH reviews and approves production processes, management systems and document templates developed by Team;</li> <li>2. Web-site and application intake portal is tested and operational;</li> <li>3. Commence outreach and marketing plan;</li> <li>4. Begin intake of applications.</li> </ol>
Loan Production & Operations	January 2019	December 2024	<ol style="list-style-type: none"> <li>1. 24-month period to generate to expend \$35 Million allocation throughout the island given HUD rule requiring spend down of Program Income first;</li> <li>2. Assumes CRL produces Program Income which results in 279 loan commitments for \$70 Million based on average loan balance of approximately \$250,000 outstanding. (See attached Production Model);</li> <li>3. DDEC follow PRDOH's schedule and requirements for conducting periodic compliance monitoring of subrecipients, contractors and program.</li> </ol>
Closeout	January 2025	December 2024	<ol style="list-style-type: none"> <li>1. Loans are paid off in full either from cash form borrowers or refinancing;</li> <li>2. DDEC follows PRDOH CDBG-DR project file and program closeout procedures, including reconciliation of account balances in DRGR.</li> </ol>

Please see attached "DDEC-PRDOH MOU Exhibit B-2a Timelines and Production Goals - Small Bus Fin 10-22-2018" for detailed Production Model and Assumptions.

## 2. PRODUCTION GOALS

DDEC and its program partners shall complete the following production goals for SBF:

### 1. Expend \$35 Million allocated to SBF within 24 Month Production Period from Program Launch

- 1.1. Complete intake and technical assistance with approximately 575 applicants in order to process 279 through eligibility, underwriting and settlement within 24-month operations period;
- 1.2. In response to HUD rules that requires expenditure of Program Income before draw down of CDBG-DR grant funds, DDEC will generate loan commitments of at least \$70 million for the SBF revolving line of credit;

### 2. Establish Robust Reporting System to Track Loan Production and Progress on Program Goals

- 2.1. DDEC will develop a project tracking and reporting systems that measures how the SBF based on how the program helps:
  - a. Puerto Rico based general contractors, subcontractors and local labor secure and succeed in implementing substantial disaster recovery related contracts and local employment;
  - b. Contractors and subcontractors build capacity and experience to secure a sustainable book of business in the broader Puerto Rican economy and graduate to mainstream business banking relationships and;
  - c. Local labor builds the skills and experience to secure long-term gainful employment in the Puerto Rico economy.
- 2.2. DDEC will set up as part of the monthly draw and/or payment processes that borrowers will report on:
  - a. Number, dollar amount and types of DR related contracts secured by contractor borrower
  - b. Number local labor employed in DR related contracts.

### 3. Maintain Safety and Soundness of loan portfolio within the context of the business risk

- 3.1. DDEC will track progress on this goal by:
  - a. Monitoring how well borrowers repay loans within the terms and conditions of the revolving line of credit and adjusting underwriting and loan terms as needed;
  - b. Monitoring and supporting progress on borrowers to implement their recovery and growth plans.

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# DEPARTMENT OF HOUSING CDBG DR PROGRAM

## **MOU EXHIBIT C-1**

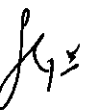
### **KEY PERSONNEL**

**FOR**

**CONSTRUCTION AND COMMERCIAL REVOLVING  
LOAN PROGRAM**

 **DDEC ECONOMIC DEVELOPMENT PROGRAMS**

November 16, 2018 VERSION NO.3.0



**MOU Exhibit C-1**  
**Construction and Commercial Revolving Loan Programs Program for**  
**DDEC CDBG-DR Economic Development Programs]**  
**PUERTO RICO DEPARTMENT OF HOUSING**  
**Version Control**

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1.0	10/10/2018	First Draft by Jeremey Newberg
2.0	10/20/2018	Revised Scope only to SBF and clarify tasks, deliverables and pay points
3.0	11/16/2018	MOU ready copy

**1. UNIFIED PRODUCTION PLATFORM FOR CRL AND SBF PROGRAM**

The CRL and the SBF programs will be managed on the same grant and loan marketing, underwriting, financial, servicing and compliance management platforms.

**DDEC** will provide marketing, production and compliance management for the CRL and SBF programs.

DDEC will engage Economic Development Bank of Puerto Rico (Banco de Desarrollo Económico (**BDE**)) to serve as loan underwriter, administrator and servicer under a subrecipient agreement with DDEC.

In November 2018, DDEC will procure qualified organizations to serve as **Relationship Managers** to assist with marketing, technical assistance, loan application production and issue resolution.

The Relationship Manager will act as a "Street Banker" who serves as principal contact for eligible small business grant and loan applicants (Applicants). Relationship Managers will provide technical assistance to applicants on business recovery and growth planning in support of producing vetted grant and/or loan applications. This role is a combination of lender, Technical Assistance (TA) provider, coach and voice of encouragement, grit, persistence and accountability as applicants recover and grow

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their businesses. Under the management direction of DDEC, the Relationship Manager will serve both the CRL and SBF programs. DDEC will train Relationship Managers to identify the financial product(s) that best matches the needs and capacity of the applicant's business.

DDEC will engage two types of Relationship Managers. **Field Relationship Managers** will be individual staff directly hired and/or subcontracted and assigned a geographic territory for cultivation of applicants and will deliver application intake and TA services at one of eleven (11) DDEC or PRDOH Client Services offices throughout the Island.

DDEC will also engage local or regional organizations as **Intermediary Relationship Managers** that will serve specific business types and/or industries such as manufacturing, agriculture, retail or technology. Qualified Intermediary Relationship Managers must provide evidence of that they have cultivated and can deliver a pipeline of qualified applicants for the CRL and/or SBF grant and loan programs.

## 2. COMPLIANCE MANAGEMENT PLATFORM FOR ALL PROGRAMS

DDEC will establish a "**Grants Management Platform**" for all of its CDBG-DR economic development and resilience programs where staff will manage the following tasks:

- 
- Planning, program design and implementation
  - Policies and Procedures
  - Procurement and Contract Management
  - Issue Resolution and Production Support
  - Financial management
  - CDBG-DR Compliance and Monitoring
  - Data Systems and Reporting
  - Training
  - Human Resources
  - Communications and Community Outreach

DDEC staff deployed in the Grants Management Platform will embrace the variable nature of their roles and functions through the lifecycle of the DR economic development programs and projects from start-up, launch, operations through closeout and repeat.

## 3. PRODUCTION MANAGEMENT FOR ALL PROGRAMS

Based on the Action Plan Amendment and the Program Designs for each of the above listed CDBG-DR funded programs, DDEC will manage the start-up, operations, refinement and closeout of the programs listed above. In Section 1.

In addition to the Grants Management Platform, DDEC will cultivate and administer **Program and Project Management Platform** based on the following categories:

- Grant and Loan Production



- Program and Subrecipient Oversight and Support
- Commercial Real Estate Development and Finance

DDEC will build its staffing and management systems to serve the following functions based on its portfolio of programs as specified in the Action Plan.

### 3.1. GRANT AND LOAN PRODUCTION

DDEC will dedicate staff and systems to the marketing, technical assistance, underwriting, servicing and financial management functions required to successfully meet the unmet needs of small businesses to be served by the following grant and loan programs:

- ✓ Construction and Commercial Revolving Loan
- ✓ Small Business Financing

Functions include:

- Customer cultivation via outreach and marketing
- Coaching and support of businesses in a case management model to generate quality applications
- Underwriting, originations and servicing
- Cash management from DRGR draws to line of credit draws and customer repayments and account reconciliations over three to five years
- Contract management and support of BDE and the Relationship Managers
- Policy clarification and issue resolution
- Data analysis and reporting

#### 3.1.1. PRODUCTION PARTNERS

In a separate subrecipient agreement, DDEC will engage and manage BDE to serve as grant and loan underwriter, administrator and servicer.

DDEC will procure and manage subrecipients and contractors to serve as Field and Intermediary Relationship Managers to assist with marketing, grant and loan origination, technical assistance and accountability to perform as agreed in grant and loan agreements.

#### 3.1.2. PRODUCTION SYSTEMS

DDEC, in partnership with BDE, will make modifications to the BDE Loan Origination management information system to serve as the platform for:

- CDBG-DR compliance System of Record
- Applicant intake and eligibility processing

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- Grant and loan underwriting, processing and servicing
- Production reporting

All grant and loan applications will be accessed and submitted from an online, web-based, password protected portal.

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### 4. CONTRACTOR REVOLVING LOAN PROGRAM

Below is the Staffing Plan for the CCRL which reflects a combination of DDEC staff, BDE and Relationship Managers.

Staffing Plan:		Contractor Construction and Commercial Revolving Loan										EXHIBIT C-1 Key Personnel	
Role	Potential Resource	Location	Projected Staff Need	# of Staff	FTE	Duration (Mo)	Hourly Rate	Cost / Role	Cost Share	Prorated Cost	Notes		
Deputy Secretary (Executive Oversight)	DDEC	On-site	1	1	0.2	24	\$150.00	\$124,800	24%	\$30,124	Some role/costs will be shared across all ED programs.		
Program Coordinator (Executive Management)	DDEC	On-site	1	1	1	24	\$50.00	\$208,000	100%	\$208,000			
Deputy Coordinator	DDEC	On-site	1	1	1	24	\$40.00	\$166,400	100%	\$166,400			
Administrative Assistant	DDEC	On-site	2	2	1	24	\$32.50	\$135,200	100%	\$135,200			
Operations Manager	DDEC and/or Procured Partners TBD	On-site	1	1	1	24	\$39.00	\$162,240	100%	\$162,240			
Processor: Eligibility Reviewer		Remote	1	1	1	11	\$32.50	\$61,967	24%	\$14,957			
Processor: DOB Reviewer		Remote	1	1	1	11	\$32.50	\$61,967	24%	\$14,957			
Processor: Eligibility/DOB QC		Remote	1	1	1	11	\$32.50	\$61,967	24%	\$14,957			
DRGR / Reporting Specialist		Remote	1	1	1	20	\$32.50	\$112,667	24%	\$27,195			
Program Appeal Reviewer		Remote	1	1	1	20	\$32.50	\$112,667	24%	\$27,195			
Press Secretary / Elected Official Liaison	DDEC	On-site	1	1	1	24	\$35.00	\$145,600	24%	\$35,145			
Marketing / Business Development Specialists	DDEC and/or Procured Partners TBD	On-site		3	3	12	\$35.00	\$218,400	100%	\$218,400			
BDE Liaison - Compliance and Credit Specialist		On-site		1	1	24	\$35.00	\$145,600	100%	\$145,600			
Regional Relationship Managers (Intake)	DDEC and/or Procured Partners TBD	On-site	8	8	8	14	\$35.00	\$679,467	100%	\$679,467			
Regional Relationship Managers (Servicing)		On-site	2	2	2	10	\$32.50	\$112,667	100%	\$112,667			
Relationship Manager - Intermediary	Procured Partners TBD	On-site				24	\$4,000	\$446,400	100%	\$446,400	Unit price model; partner managed.		
<i>Percent of Total Units Processed by Intermediary: 40%</i>													
CFO - Executive Supervision	BDE	On-site/Remote	1	1	0.25	24	\$150.00	\$156,000	100%	\$156,000			
Credit Manager	BDE	On-site/Remote	1	1	0.25	24	\$75.00	\$78,000	100%	\$78,000			
Underwriter	BDE	On-site/Remote	1	1	1	12	\$35.00	\$72,800	100%	\$72,800			
Grant/Loan Processor	BDE	On-site/Remote	1	1	1	12	\$35.00	\$72,800	100%	\$72,800			
Legal Services	BDE or Procured Legal	On-site/Remote				20	\$250.00	\$69,750	100%	\$69,750			
Disbursement & Servicing Processor	BDE	On-site/Remote	3	3	3	20	\$35.00	\$364,000	100%	\$364,000			
Collections Processor	BDE and/or Procured Partner TBD	On-site/Remote	3	3	3	20	\$35.00	\$364,000	100%	\$364,000			
Workout Processor		On-site/Remote	1	1	1	20	\$35.00	\$121,333	100%	\$121,333			
Workout Legal Services		On-site/Remote	1	1	0.2	20	\$35.00	\$24,267	100%	\$24,267			
Information System and Reporting	BDE	On-site/Remote	1	1	1	24	\$35.00	\$145,600	100%	\$145,600			
Cash Manager and Bookkeeper	BDE	On-site/Remote	1	1	1	24	\$35.00	\$145,600	100%	\$145,600			
RM & Borrower Services Specialist	BDE or Procured TBD	On-site/Remote		1	1	24	\$35.00	\$145,600	100%	\$145,600			
Production & Compliance Management Support and Training	Professional Services Contractor	On-site / Remote		3	3	24	\$200.00	\$2,496,000	24%	\$602,483	Services & Fee to be shared across all Econ Devel programs		
<b>Total Cost of Staffing</b>				44		39.9					<b>\$4,801,138</b>		
<i>Cost of Staffing / Loan</i>												<i>\$17,208</i>	

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# DEPARTMENT OF HOUSING CDBG DR PROGRAM

## MOU EXHIBIT C-2

### KEY PERSONNEL

FOR

*W* SMALL BUSINESS FINANCING PROGRAM

DDEC ECONOMIC DEVELOPMENT PROGRAMS

November 16, 2018 V VERSION NO.3.0

*SG*

**MOU Exhibit C-2**  
**Small Business Financing Program for**  
**DDEC CDBG-DR Economic Development Programs]**  
**PUERTO RICO DEPARTMENT OF HOUSING**  
**Version Control**

VERSION NUMBER	DATE REVISED	DESCRIPTION OF REVISIONS
1.0	10/10/2018	First Draft by Jeremey Newberg
2.0	10/20/2018	Revised Scope only to SBF and clarify tasks, deliverables and pay points
3.0	11/16/2018	MOU ready copy

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**1. UNIFIED PRODUCTION PLATFORM FOR SBF AND CCRL PROGRAMS**

The SBF and CCRL programs will be managed on the same grant and loan marketing, underwriting, financial, servicing and compliance management platforms.

**DDEC** will provide marketing, production and compliance management for the CRL and SBF programs.

DDEC will engage Economic Development Bank of Puerto Rico (Banco de Desarrollo Económico (**BDE**)) to serve as loan underwriter, administrator and servicer under a subrecipient agreement with DDEC.

In November 2018, DDEC will procure qualified organizations to serve as **Relationship Managers** to assist with marketing, technical assistance, loan application production and issue resolution.

The Relationship Manager will act as a "Street Banker" who serves as principal contact for eligible small business grant and loan applicants (Applicants). Relationship Managers will provide technical assistance to applicants on business recovery and growth planning in support of producing vetted grant and/or loan applications. This role is a combination of lender, Technical Assistance (TA) provider, coach and voice of encouragement, grit, persistence and accountability as applicants recover and grow

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their businesses. Under the management direction of DDEC, the Relationship Manager will serve both the CRL and SBF programs. DDEC will train Relationship Managers to identify the financial product(s) that best matches the needs and capacity of the applicant's business.

DDEC will engage two types of Relationship Managers. **Field Relationship Managers** will be individual staff directly hired and/or subcontracted and assigned a geographic territory for cultivation of applicants and will deliver application intake and TA services at one of eleven (11) DDEC or PRDOH Client Services offices throughout the Island.

DDEC will also engage local or regional organizations as **Intermediary Relationship Managers** that will serve specific business types and/or industries such as manufacturing, agriculture, retail or technology. Qualified Intermediary Relationship Managers must provide evidence of that they have cultivated and can deliver a pipeline of qualified applicants for the CRL and/or SBF grant and loan programs.

## 2. COMPLIANCE MANAGEMENT PLATFORM FOR ALL PROGRAMS

DDEC will establish a "**Grants Management Platform**" for all of its CDBG-DR economic development and resilience programs where staff will manage the following tasks:

- 
- Planning, program design and implementation
  - Policies and Procedures
  - Procurement and Contract Management
  - Issue Resolution and Production Support
  - Financial management
  - CDBG-DR Compliance and Monitoring
  - Data Systems and Reporting
  - Training
  - Human Resources
  - Communications and Community Outreach

DDEC staff deployed in the Grants Management Platform will embrace the variable nature of their roles and functions through the lifecycle of the DR economic development programs and projects from start-up, launch, operations through closeout and repeat.

## 3. PRODUCTION MANAGEMENT FOR ALL PROGRAMS

Based on the Action Plan Amendment and the Program Designs for each of the above listed CDBG-DR funded programs, DDEC will manage the start-up, operations, refinement and closeout of the programs listed above. In Section 1.

In addition to the Grants Management Platform, DDEC will cultivate and administer **Program and Project Management Platform** based on the following categories:

- Grant and Loan Production
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- Program and Subrecipient Oversight and Support
- Commercial Real Estate Development and Finance

DDEC will build its staffing and management systems to serve the following functions based on its portfolio of programs as specified in the Action Plan.

### 3.1. GRANT AND LOAN PRODUCTION

DDEC will dedicate staff and systems to the marketing, technical assistance, underwriting, servicing and financial management functions required to successfully meet the unmet needs of small businesses to be served by the following grant and loan programs:

- ✓ Construction and Commercial Revolving Loan
- ✓ Small Business Financing

Functions include:

- Customer cultivation via outreach and marketing
- Coaching and support of businesses in a case management model to generate quality applications
- Underwriting, originations and servicing
- Cash management from DRGR draws to line of credit draws and customer repayments and account reconciliations over three to five years
- Contract management and support of BDE and the Relationship Managers
- Policy clarification and issue resolution
- Data analysis and reporting

#### 3.1.1. PRODUCTION PARTNERS

In a separate subrecipient agreement, DDEC will engage and manage BDE to serve as grant and loan underwriter, administrator and servicer.

DDEC will procure and manage subrecipients and contractors to serve as Field and Intermediary Relationship Managers to assist with marketing, grant and loan origination, technical assistance and accountability to perform as agreed in grant and loan agreements.

#### 3.1.2. PRODUCTION SYSTEMS

DDEC, in partnership with BDE, will make modifications to the BDE Loan Origination management information system to serve as the platform for:

- CDBG-DR compliance System of Record
- Applicant intake and eligibility processing

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- Grant and loan underwriting, processing and servicing
- Production reporting

All grant and loan applications will be accessed and submitted from an online, web-based, password protected portal.

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#### **4. SMALL BUSINESS FINANCING PROGRAM**

Below is the Staffing Plan for the SBF which reflects a combination of DDEC staff, BDE and Relationship Managers.



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Staffing Plan:		Small Business Financing						Exhibit C-2a Key Personnel				
Role	Potential Resource	Location	Projected Headcount Need	# of Staff	FTE	Duration (Mo)	Hrly Rate	Cost/Role	Cost Share	Prorated Cost	Notes	
Deputy Secretary (Executive Oversight)	DDEC	On-site/Remote	1	1	0.2	24	\$ 150.00	\$ 124,800	34%	\$ 43,034	Some role/costs will be shared across all ED programs.	
Program Coordinator (Executive Management)	DDEC	On-site/Remote	1	1	1	24	\$ 50.00	\$ 208,000	100%	\$ 208,000		
Deputy Coordinator	DDEC	On-site/Remote	1	1	1	24	\$ 40.00	\$ 166,400	100%	\$ 166,400		
Administrative Assitant	DDEC	On-site/Remote	2	2	1	24	\$ 32.50	\$ 135,200	100%	\$ 135,200		
Operations Manager	DDEC	On-site/Remote	1	1	1	24	\$ 39.00	\$ 162,240	100%	\$ 162,240		
Processor: Eligibility Reviewer	DDEC and/or Procured Partners TBD	Remote	2	2	2	11	\$ 32.50	\$ 123,933	34%	\$ 42,736		
Processor: DOB Reviewer		Remote	3	3	3	11	\$ 32.50	\$ 185,900	34%	\$ 64,103		
Processor: Eligibility/DOB QC		Remote	2	2	2	11	\$ 32.50	\$ 123,933	34%	\$ 42,736		
DRGR / Reporting Specialist		Remote	1	1	1	20	\$ 32.50	\$ 112,667	34%	\$ 38,851		
Program Appeal Reviewer		Remote	1	1	1	20	\$ 32.50	\$ 112,667	34%	\$ 38,851		
Press Secretary / Elected Official Liasion	DDEC	On-site	1	1	1	24	\$ 35.00	\$ 145,600	34%	\$ 50,207		
Marketing / Business Development Specialists	DDEC and/or Procured Partners TBD	On-site		2	2	12	\$ 35.00	\$ 145,600	100%	\$ 145,600		
BDE Liasion - Compliance and Credit Specialist		On-site		1	1	24	\$ 35.00	\$ 145,600	100%	\$ 145,600		
Regional Relationship Managers (Intake)	DDEC and/or Procured Partners TBD	On-site	22	22	22	14	\$ 35.00	\$ 1,868,533	100%	\$ 1,868,533		
Regional Relationship Managers (Servicing)		On-site	9	9	9	10	\$ 32.50	\$ 507,000	100%	\$ 507,000		
Relationship Manager - Intermediary	Procured Partners TBD	On-site				24	\$ 4,000.00	\$ 2,225,600	100%	\$ 2,225,600	Unit price model; partner managed.	
Percent of Total Units Processed by Intermediary:							40%					
CFO - Executive Supervision	BDE	On-site/Remote	1	1	0.3	24	\$ 150.00	\$ 187,200	100%	\$ 187,200		
Credit Manager	BDE	On-site/Remote	1	1	0.3	24	\$ 75.00	\$ 93,600	100%	\$ 93,600		
Underwriter	BDE	On-site/Remote	5	5	5	12	\$ 35.00	\$ 364,000	100%	\$ 364,000		
Grant/Loan Processor	BDE	On-site/Remote	5	5	5	12	\$ 35.00	\$ 364,000	100%	\$ 364,000		
Legal Services	BDE or Procured Legal	On-site/Remote				20	\$ 250.00	\$ 347,750	100%	\$ 347,750		
Disbursement & Servicing Processor	BDE	On-site/Remote	12	12	12	20	\$ 35.00	\$ 1,456,000	100%	\$ 1,456,000		
Collections Processor	BDE and/or Procured Partner TBD	On-site/Remote	12	12	12	20	\$ 35.00	\$ 1,456,000	100%	\$ 1,456,000		
Workout Processor		On-site/Remote	3	3	3	20	\$ 35.00	\$ 364,000	100%	\$ 364,000		
Workout Legal Services		On-site/Remote	1	1	0.2	20	\$ 35.00	\$ 24,267	100%	\$ 24,267		
Information System and Reporting	BDE	On-site/Remote	1	1	1	24	\$ 35.00	\$ 145,600	100%	\$ 145,600		
Cash Manager and Bookkeeper	BDE	On-site/Remote	1	1	1	24	\$ 35.00	\$ 145,600	100%	\$ 145,600		
RM & Borrower Services Specialist	BDE or Procured TBD	On-site/Remote		5	5	24	\$ 35.00	\$ 728,000	100%	\$ 728,000		
Production & Compliance Management Support and Training	Professional Services Coordinator	On-site/Remote		3	3	24	\$ 200.00	\$ 2,496,000	34%	\$ 860,690		Services & Fee to be shared across all Econ Devel programs
<b>Total Cost of Staffing</b>					100	96				\$ 12,421,397		
<b>Cost of Staffing / Loan</b>										\$ 8,930		

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# DEPARTMENT OF HOUSING CDBG DR PROGRAM

## **MOU EXHIBIT D-1**

## **BUDGET FOR**

## **CONSTRUCTION AND COMMERCIAL REVOLVING LOAN PROGRAM**

## **DDEC ECONOMIC DEVELOPMENT PROGRAMS**

November 16, 2018, Version No. 3

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The budget for the staffing, services, systems, equipment, supplies, materials and related expenses for the \$35 million CCRL is \$5,500,000 over a 24 month production and expenditure period.

Please see "DDEC-PRDOH MOU Exhibit D-1a Budget - Contractor Revolving Loan 10-22-2018" for detailed budget for the 24-month grant period.

This budget does not include any additional funds that can be used for Administration and/or Activity Delivery Costs as derived from new Program Income.

## 1. DDEC

DDEC staff shall submit invoices for payment based on the time and materials method.

Staff will complete daily timesheets and work logs for work related to Activity Delivery, Planning and/or Administration costs.

For ADC work, staff shall list the loan applicant case number and track time and materials accordingly.

## 2. BDE

BDE staff will also keep timesheets and logs of case files they work on to better understand work volume and time needed for processing each case.

In the forthcoming subrecipient agreement between DDEC and BDE, DDEC will specify the pay points in a Unit-Based Pricing method of payment for all BDE services.

## 3. RELATIONSHIP MANAGERS

DDEC will procure qualified organizations to serve as **Relationship Managers** to assist with marketing, technical assistance, loan application production and issue resolution.

The budget below serves as the Internal Benchmark Budget for the procurement of Relationship Managers based on an estimate of time and volume of staff needed to complete the assignment within the 24-month contract period.

DDEC expects to engage several organizations with qualifications, capacity and ability to serve a wide range of businesses that reflect the unmet working capital needs of contractors throughout the Island. As part of the RFP submission process candidates must submit staffing plans and budgets for service delivery.

### 3.1. REGIONAL FIELD RELATIONSHIP MANAGERS

The **Regional Field Relationship Managers** will be individual staff directly hired and/or subcontracted and assigned a geographic territory for cultivation of applicants and will deliver application intake and TA services at one of eleven (11) DDEC or PRDOH Client

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Services offices throughout the Island. Field Relationship Manager staff shall submit invoices for payment based on the hourly time and materials method.

Field Relationship Manager staff will complete daily timesheets and work logs for work related to Activity Delivery, Planning and/or Administration costs.

For ADC work, Field Relationship Manager staff shall list the loan applicant case number and track time and materials accordingly.

### 3.2. INTERMEDIARY RELATIONSHIP MANAGERS

DDEC will also engage local or regional organizations as **Intermediary Relationship Managers** that will serve specific business types and/or industries such as manufacturing, agriculture, retail or technology. Qualified Intermediary Relationship Managers must provide evidence of that they have cultivated and can deliver a pipeline of qualified applicants for the CCRL and/or SBF grant and loan programs.

The Intermediary Relationship Managers will be paid on the Unit-Base Pricing Method. DDEC will review the pricing proposals from Intermediary Relationship Manager candidates from their RFP submission and then decide for similar Unit-Based pricing for:

1. Intake and Eligibility Reviews
2. Completion of Loan Application
3. Loan Commitment Execution
4. Settlement and Funding of Loan
5. Not to exceed hours for technical assistance before and after loan closing
6. Technical Assistance and Submission of Revised Loan Borrowing Limit Adjustment Request when borrower secures additional DR construction contracts and needs access to more CCRL funds up to the \$1 million limit.

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**Budget: Contractor Construction and Commercial Revolving Loan EXHIBIT D-1 Budget**

Length of Program (Mo)	24
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**Roles**

	Total Cost	Staff	Unit Price
Relationship Manager - Intermediary*	\$446,400	N/A	\$ 4,000.00

	Total Cost	Staff	Hourly Rate
Deputy Secretary (Executive Oversight)	\$30,124	1	\$ 150.00
Program Coordinator (Executive Management)	\$208,000	1	\$ 50.00
Deputy Coordinator	\$166,400	1	\$ 40.00
Administrative Assistant	\$135,200	2	\$ 32.50
Operations Manager	\$162,240	1	\$ 39.00
Regional Relationship Managers (Intake)	\$679,467	8	\$ 35.00
Regional Relationship Managers (Servicing)	\$112,667	2	\$ 32.50
Processor: Eligibility Reviewer	\$14,957	1	\$ 32.50
Processor: DOB Reviewer	\$14,957	1	\$ 32.50
Processor: Eligibility/DOB QC	\$14,957	1	\$ 32.50
DRGR / Reporting Specialist	\$27,195	1	\$ 32.50
Program Appeal Reviewer	\$27,195	1	\$ 32.50
Press Secretary / Elected Official Liasion	\$35,145	1	\$ 35.00
Marketing / Business Development Specialists	\$218,400	3	\$ 35.00
BDE Liasion - Compliance and Credit Specialist	\$145,600	1	\$ 35.00
<b>DDEC Total Cost of Staffing</b>	<b>\$1,992,506</b>		

DDEC

CFO - Executive Supervision	\$156,000	1	\$ 150.00
Credit Manager	\$78,000	1	\$ 75.00
Underwriter	\$72,800	1	\$ 35.00
Grant/Loan Processor	\$72,800	1	\$ 35.00
Legal Services	\$69,750	N/A	\$ 250.00
Disbursement & Servicing Processor	\$364,000	3	\$ 35.00
Collections Processor	\$364,000	3	\$ 35.00
Workout Processor	\$121,333	1	\$ 35.00
Workout Legal Services	\$24,267	1	\$ 35.00
Information System and Reporting	\$145,600	1	\$ 35.00
Cash Manager and Bookkeeper	\$145,600	1	\$ 35.00
RM & Borrower Services Specialist	\$145,600	1	\$ 35.00
<b>BDE Total Cost of Staffing</b>	<b>\$1,759,750</b>		

BDE

Production & Compliance Management Support and Training	\$602,483	3	\$ 200.00
<b>Total Cost of Staffing</b>	<b>\$4,801,138</b>		
Cost of Staffing / Loan	\$17,208		

**4. SUPPLIES AND EXPENSES**

DDEC will embark on a multimedia print and digital outreach and marketing campaign to generate qualified applicants for the CCRL. The majority of the funds will be expended in the first six (6) months of the program.

Misc. Agency Overhead reflect the Indirect Rate costs for DDEC to administer the CCRL.

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DDEC will furnish the Regional Field Relationship Managers and DDEC program management staff with new laptops and/or tablets, mobile software, broadband access, printers and scanners so that they have the tools anywhere on the island to provide quality technical assistance and assist applicants with completion of CCRL loan applications either at the Vivienda or DDEC Service Centers or on-site with an applicant. In addition to the hardware and software, DDEC will procure and engage a technical support service that will be charged with maintaining the performance and security of all digital communications and management information tools, especially stable and robust broadband internet access throughout the island.

DDEC staff and Field Relationship Managers who have to travel with their own vehicles for client calls, community outreach and marketing events and related program support will submit with their timesheets mileage logs for reimbursement based on the Commonwealth of Puerto Rico maximum of \$0.40 a mile.

<b>Supplies and Overhead</b>				
	<i>Total Cost</i>	<i>Period (Mo)</i>	<i>Units</i>	<i>Cost/Unit</i>
Marketing (print and digital copy, brochures and advertising)	\$180,000	24	1	\$7,500
Misc Agency Overhead	\$165,538	24	1	\$6,897
Tech Support for Communications, Computers and Info Systems	\$120,000	24	1	\$5,000
Office Supplies:				
Laptops/Tablets	\$30,000	1	12	\$2,500
Printers	\$6,000	1	12	\$500
Scanners	\$6,000	1	12	\$500
Cell Phone	\$11,400	1	12	\$950
Printing Supplies	\$28,800	24	12	\$100
Internet/Mobile Fees	\$57,600	24	12	\$200
Misc Office Supplies	\$28,324	24	12	\$98
Auto Mileage				
<i>PR Rate/Mile</i>				
<i>Miles/Yr/Staff</i>				
Reimbursement	\$0.400	12,000		\$400
Prorated Rent	\$0	24	12	\$0
<b>Total Cost of Supplies and Overhead</b>	<b>\$748,862</b>			
<i>Total Cost of Supplies and Overhead</i>	<i>\$748,862</i>	13.49%		
<i>Cost of Supplies and Overhead / Loan</i>	<i>\$2,684</i>			
<b>Total Projected Activity Delivery Costs</b>	<b>\$5,550,000</b>			
Projected Cost of Activity Delivery / Loan	\$19,892			
Budget as % of Total Allocation	15.9%			

Majority of Budget paid from Activity Delivery Costs. Some portion of CDBG-DR Compliance will be paid from Administration TBD.

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# DEPARTMENT OF HOUSING CDBG DR PROGRAM

## **MOU EXHIBIT D-2**

## **BUDGET FOR**

## **SMALL BUSINESS FINANCING PROGRAM**

## **DDEC ECONOMIC DEVELOPMENT PROGRAMS**

November 16, 2018, Version 3.0

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The budget for the staffing, services, systems, equipment, supplies, materials and related expenses for the \$50 million SBF is \$13,735,000,000 over a 24 month production and expenditure period.

The higher cost compared to the CCRL is a function of the extra case management and loan application preparation and processing time related to high volume of grants in addition to loan in the SBF program design.

Please see "DDEC-PRDOH MOU Exhibit D-2a Budget - Small Business Financing 10-22-2018" for detailed budget for the 24-month grant period.

This budget does not include any additional funds that can be used for Administration and/or Activity Delivery Costs as derived from new Program Income.

## 1. DDEC

DDEC staff shall submit invoices for payment based on the time and materials method.

Staff will complete daily timesheets and work logs for work related to Activity Delivery, Planning and/or Administration costs.

For ADC work, staff shall list the loan applicant case number and track time and materials accordingly.

## 2. BDE

BDE staff will also keep timesheets and logs of case files they work on to better understand work volume and time needed for processing each case.

In the forthcoming subrecipient agreement between DDEC and BDE, DDEC will specify the pay points in a Unit-Based Pricing method of payment for all BDE services.

## 3. RELATIONSHIP MANAGERS

DDEC will procure qualified organizations to serve as **Relationship Managers** to assist with marketing, technical assistance, loan application production and issue resolution.

The budget below serves as the Internal Benchmark Budget for the procurement of Relationship Managers based on an estimate of time and volume of staff needed to complete the assignment within the 24-month contract period.

DDEC expects to engage several organizations with qualifications, capacity and ability to serve a wide range of businesses that reflect the unmet working capital needs of contractors throughout the Island. As part of the RFP submission process candidates must submit staffing plans and budgets for service delivery.

### 3.1. REGIONAL FIELD RELATIONSHIP MANAGERS

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The **Regional Field Relationship Managers** will be individual staff directly hired and/or subcontracted and assigned a geographic territory for cultivation of applicants and will deliver application intake and TA services at one of eleven (11) DDEC or PRDOH Client Services offices throughout the Island. Field Relationship Manager staff shall submit invoices for payment based on the hourly time and materials method.



Field Relationship Manager staff will complete daily timesheets and work logs for work related to Activity Delivery, Planning and/or Administration costs.

For ADC work, Field Relationship Manager staff shall list the loan applicant case number and track time and materials accordingly.

### **3.2. INTERMEDIARY RELATIONSHIP MANAGERS**

DDEC will also engage local or regional organizations as **Intermediary Relationship Managers** that will serve specific business types and/or industries such as manufacturing, agriculture, retail or technology. Qualified Intermediary Relationship Managers must provide evidence of that they have cultivated and can deliver a pipeline of qualified applicants for the SBF and/or SBF grant and loan programs.

The Intermediary Relationship Managers will be paid on the Unit-Base Pricing Method. DDEC will review the pricing proposals from Intermediary Relationship Manager candidates from their RFP submission and then decide for similar Unit-Based pricing for:

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1. Intake and Eligibility Reviews
  2. Completion of Loan Application
  3. Loan Commitment Execution
  4. Settlement and Funding of Loan
  5. Not to exceed hours for technical assistance before and after loan closing
  6. Technical Assistance and Submission of Revised Loan Borrowing Limit Adjustment Request when borrower secures additional DR construction contracts and needs access to more SBF funds up to the \$1 million limit.
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**Budget: Small Business Financing Exhibit D-2a Budget**

Length of Program (Months)	24
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<b>Roles</b>			
	Total Cost	Headcount	Unit Price
Relationship Manager - Intermediary*	\$2,225,600	N/A	\$ 4,000.00

	Total Cost	Headcount	Hrly Rate
<b>DDEC</b>			
Deputy Secretary (Executive Oversight)	\$43,034	1	\$ 150.00
Program Coordinator (Executive Management)	\$208,000	1	\$ 50.00
Deputy Coordinator	\$166,400	1	\$ 40.00
Administrative Assitant	\$135,200	2	\$ 32.50
Operations Manager	\$162,240	1	\$ 39.00
Regional Relationship Managers (Intake)	\$1,868,533	22	\$ 35.00
Regional Relationship Managers (Servicing)	\$507,000	9	\$ 32.50
Processor: Eligibility Reviewer	\$42,736	2	\$ 32.50
Processor: DOB Reviewer	\$64,103	3	\$ 32.50
Processor: Eligibility/DOB QC	\$42,736	2	\$ 32.50
DRGR / Reporting Specialist	\$38,851	1	\$ 32.50
Program Appeal Reviewer	\$38,851	1	\$ 32.50
Press Secretary / Elected Offical Liasion	\$50,207	1	\$ 35.00
Marketing / Business Development Specialists	\$145,600	2	\$ 35.00
BDE Liasion - Compliance and Credit Specialist	\$145,600	1	\$ 35.00
<b>DDEC Total Cost of Staffing</b>	<b>\$3,659,091</b>		

<b>BDE</b>			
CFO - Executive Supervision	\$187,200	1	\$ 150.00
Credit Manager	\$93,600	1	\$ 75.00
Underwriter	\$364,000	5	\$ 35.00
Grant/Loan Processor	\$364,000	5	\$ 35.00
Legal Services	\$347,750	N/A	\$ 250.00
Disbursement & Servicing Processor	\$1,456,000	12	\$ 35.00
Collections Processor	\$1,456,000	12	\$ 35.00
Workout Processor	\$364,000	3	\$ 35.00
Workout Legal Services	\$24,267	1	\$ 35.00
Information System and Reporting	\$145,600	1	\$ 35.00
Cash Manager and Bookkeeper	\$145,600	1	\$ 35.00
RM & Borrower Services Specialist	\$728,000	5	\$ 35.00
<b>BDE Total Cost of Staffing</b>	<b>\$5,676,017</b>		

Production & Compliance Management Support and Training	\$860,690	3	\$ 200.00
<b>Total Cost of Staffing</b>	<b>\$12,421,397</b>		
Cost of Staffing / Loan	\$8,930		

**4. SUPPLIES AND EXPENSES**

DDEC will embark on a multimedia print and digital outreach and marketing campaign to generate qualified applicants for the SBF. The majority of the funds will be expended in the first six (6) months of the program.

Misc. Agency Overhead reflect the Indirect Rate costs for DDEC to administer the SBF.

DDEC will furnish the Regional Field Relationship Managers and DDEC program management staff with new laptops and/or tablets, mobile software, broadband access, printers and scanners so that they have the tools anywhere on the island to

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provide quality technical assistance and assist applicants with completion of SBF loan applications either at the Vivienda or DDEC Service Centers or on-site with an applicant. In addition to the hardware and software, DDEC will procure and engage a technical support service that will be charged with maintaining the performance and security of all digital communications and management information tools, especially stable and robust broadband internet access throughout the island.

DDEC staff and Field Relationship Managers who have to travel with their own vehicles for client calls, community outreach and marketing events and related program support will submit with their timesheets mileage logs for reimbursement based on the Commonwealth of Puerto Rico maximum of \$0.40 a mile.

Supplies and Overhead				Total Cost	Period (Mo)	Units	Cost/Unit
Marketing (print and digital copy, brochures and advertising)				\$180,000	24	1	\$7,500
Misc Agency Overhead				\$165,538	24	1	\$6,897
Tech Support for Communications, Computers and Info Systems				\$120,000	24	1	\$5,000
Office Supplies:							
Laptops/Tablets				\$90,000	1	36	\$2,500
Printers				\$18,000	1	36	\$500
Printing Supplies				\$18,000	1	36	\$500
Scanners				\$34,200	1	36	\$950
Cell Phone				\$86,400	24	36	\$100
Internet/Mobile Fees				\$172,800	24	36	\$200
Misc Office Supplies				\$83,065	24	36	\$96
Milage based on Federal Reimbursement Rate							
	PR Rate/Mile	Miles/Yr/Staff					
	\$0.400	12,000	\$345,600	24	36	\$400	
Prorated Rent				\$0	24	36	\$0
<b>Total Cost of Supplies and Overhead</b>				<b>\$1,313,603</b>			

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Total Cost of Supplies and Overhead	\$1,313,603.10	9.56%
Cost of Supplies and Overhead / Loan	\$944	

Total Projected Activity/Delivery Costs	\$13,735,000
Projected Cost of Activity/Delivery / Loan	\$937.4
Activity/Delivery % of Total Allocation	2.75%

Majority of Budget paid from Activity Delivery Costs. Some portion of CDBG-DR Compliance will be paid from Administration TBD.

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