



MEMORANDUM

TO: City Manager

FROM: Zach Davis-Walker, Director of Intergovernmental Affairs / Economic Development Division

DATE: February 5, 2026

SUBJECT: Proposed CDBG-Funded Forgivable Microloan Program (Up to \$10,000) and Use of CDBG Funds for Application Intake and Underwriting Services

I. PURPOSE

The purpose of this memorandum is to outline a proposed structure for a City-administered forgivable microloan program funded through the City's federal Community Development Block Grant (CDBG) allocation, including the City's intent to administer application intake, eligibility review, and underwriting functions through the City's Grants Division consistent with federal CDBG administrative requirements.

II. FEDERAL AUTHORITY

The Community Development Block Grant (CDBG) program is authorized under the Housing and Community Development Act of 1974, as amended, codified at 42 U.S.C. §§ 5301–5321.

CDBG funds must be used for eligible activities that meet a CDBG National Objective, including activities which benefit low- and moderate-income persons. See 42 U.S.C. § 5301(c) and 42 U.S.C. § 5304(b)(3).

For entitlement jurisdictions, HUD regulations authorize eligible economic development activities, including direct assistance to businesses, under 24 C.F.R. § 570.203 (Special Economic Development Activities), provided that applicable underwriting, documentation, and public benefit requirements are satisfied.

III. PROPOSED PROGRAM STRUCTURE (HIGH-COMPLIANCE MODEL)

Staff recommends structuring the program as a CDBG-funded Forgivable Microloan Program, providing financial assistance to eligible small businesses in amounts not to exceed \$10,000 per applicant.

Under this model, the City would execute a written loan agreement with each assisted business. The loan would be structured as a forgivable microloan, with forgiveness conditioned upon compliance with the program requirements and continued business operations for a defined period (e.g., 12 months), as set forth in the loan agreement.

This structure provides enforceable compliance controls while maintaining a streamlined small-dollar assistance model.

Program administration and compliance review responsibilities shall be performed by the City's Grants Division to ensure independent eligibility and underwriting determinations.

IV. NATIONAL OBJECTIVE COMPLIANCE (REQUIRED)

Each microloan would be documented to meet a HUD CDBG National Objective, most likely through the Low- and Moderate-Income (LMI) Benefit category, consistent with the statutory requirement that entitlement recipients ensure funded activities principally benefit low- and moderate-income persons. See 42 U.S.C. § 5301(c) and 42 U.S.C. § 5304(b)(3).

Staff recommends incorporating eligibility criteria and file documentation requirements designed to clearly demonstrate LMI benefit, consistent with HUD entitlement program compliance practices.

V. ELIGIBLE USES OF FUNDS (RECOMMENDED LIMITATIONS)

To ensure the program remains well within HUD compliance expectations, staff recommends limiting eligible uses of microloan funds to clearly supportable business-related expenditures, including:

- purchase of business equipment and tools
- point-of-sale systems and operational software
- exterior signage and façade improvements
- security improvements (cameras, lighting, related installation)
- accessibility and code compliance improvements
- limited inventory directly tied to business operations

Staff recommends prohibiting the use of funds for:

- payroll or owner compensation
- repayment of existing debt
- rent and utility payments
- cash withdrawals or undocumented expenditures
- prohibited business categories (e.g., alcohol, tobacco, adult-oriented uses)

VI. DISBURSEMENT METHOD AND INTERNAL CONTROLS

To strengthen compliance and minimize misuse risk, staff recommends structuring disbursements as reimbursement-based or vendor-direct payments, including:

- submission of quotes/invoices prior to approval
- reimbursement only upon proof of purchase and receipts
- vendor-direct payments where feasible

This approach provides stronger documentation and audit defensibility.

VII. WRITTEN AGREEMENTS AND MONITORING REQUIREMENTS

Each assisted business would be required to execute a written microloan agreement prior to disbursement. The agreement would include, at minimum:

- eligible use restrictions
- documentation requirements
- compliance and monitoring requirements
- default provisions and repayment/recapture terms
- loan forgiveness conditions
- record retention provisions
- certifications required under applicable federal requirements

Staff would also establish a monitoring and closeout procedure, including a post-award verification period (e.g., 6–12 months) to confirm compliance and continued business operations.

VIII. PROGRAM ADMINISTRATION AND INTERNAL COMPLIANCE OVERSIGHT

To ensure consistent underwriting practices and compliance with federal Community Development Block Grant (CDBG) requirements, the City proposes administering application intake, eligibility review, underwriting analysis, and compliance documentation through the City of Lauderhill Grants Division.

The Grants Division shall be responsible for:

- Application intake administration;
- Eligibility and National Objective verification;
- Financial and programmatic underwriting review;
- Preparation of funding recommendations;
- Compliance file assembly and maintenance; and
- Post-award monitoring activities.

Consistent with HUD regulations under 24 C.F.R. Part 570, program promotion and business assistance functions shall remain operationally separate from eligibility determination and underwriting responsibilities to preserve objectivity and maintain adequate internal controls.

The Economic Development Division may support outreach, business engagement, and implementation assistance activities but shall not participate in underwriting or eligibility determinations.

IX. RECOMMENDED NEXT STEPS

If approved, staff recommends proceeding with the following implementation steps:

1. Draft formal Program Guidelines, application forms, and underwriting checklist.
2. Develop an evaluation rubric and standardized loan file documentation package.
3. Establish internal intake and underwriting procedures administered through the City Grants Division.
4. Prepare standard microloan agreement templates with forgiveness and recapture provisions.
5. Launch an initial pilot round of applications with a defined open/close period.

X. IMPLEMENTATION SUMMARY

The proposed CDBG-funded Forgivable Microloan Program (up to \$10,000) is a practical, community-responsive economic development initiative that is authorized under the CDBG statutory framework (42 U.S.C. §§ 5301–5321) and HUD entitlement regulations (24 C.F.R. § 570.203). Administration of intake, underwriting, and compliance oversight through the City’s Grants Division provides centralized program control, strengthens internal documentation practices, and supports audit-defensible administration consistent with HUD entitlement requirements.