



Ignite Erie Funding

Economic Development & Small Business Financing

Program Guidelines | December 2014



Section I. Introduction

About ECGRA.

The Erie County Gaming Revenue Authority was incorporated in February of 2008 in the Commonwealth of Pennsylvania for the purpose of creating and administering a grant-making process for gaming funds that come from the Pennsylvania Department of Revenue. Funding projects that act as a catalyst for economic development is central to the Authority's mission.

Ignite Erie Summary.

The term "Ignite Erie" comes from a forum created and co-hosted by ECGRA and 26 agencies in November 2013. The forum brought together over 350 entrepreneurs, educators, policy-makers, subject matter experts, and elected officials to discuss the future of inner-city investment and innovation-based economic development. This funding strategy is a partial result of those who provided insight and feedback on how to move the region forward and ignite its entrepreneurial spirit.

Ignite Erie draws on the collective economic development literature related to the role small businesses, universities, and metropolitan regions play in the growth of the economy. Funding streams have been created to fill a gap in the financing system, leverage private sector investment, and incentivize collaboration.

Three Funding Programs.

These guidelines are divided into three sections:

I. Inner-city Small Business Development

The economist, Michael Porter, believes that America's distressed cities are the greatest challenge the nation faces. Strategies ranging from *laissez-faire* to large government spending programs have failed to yield the kind of results necessary for neighborhoods like inner-city Erie to escape the label of "distressed". ECGRA intends to underwrite efforts to revitalize inner-city Erie by recognizing that commercial corridors and neighborhoods are an essential building block of our economy. As an economic development approach, ECGRA views these places as assets to be invested in, but only if their true competitive advantage can be identified and amplified.

ECGRA is soliciting grant applications from eligible organizations that can recognize the competitive advantage of the inner-city and develop a cohesive strategy to revitalize it one neighborhood at a time. Gaming funds will not be sufficient for this task. Applicants will need to demonstrate their ability to work collaboratively with banks, developers, and small business owners to ignite commercial activities in the inner-city of Erie.

II. Industry-University Business Acceleration

In *The Path Forward*, the leaders of Erie County's universities identify an important role for their institutions to play in the development of the region's economy. ECGRA is challenging the university community to collaborate and make this strategic

goal a reality. Across the country, universities are collaborating with each other, startup entrepreneurs, small business, manufacturing, labor, healthcare, and local government to create an atmosphere conducive to innovation. Some are using their students and faculty to develop products or new processes. Others are sponsoring and facilitating incubator and accelerator programs on their campuses or in the community. Many universities now have entrepreneurship programs that teach the fundamentals of business, as well as challenge their students to engage in the marketplace.

Brookings Institute scholar Heike Mayer identifies a useful theoretical model to view industry-university business acceleration through the lens of our region's advantages. One must begin by realizing what we are not. The Erie region does not have the innovation infrastructure that a Research Triangle or Silicon Valley has at their fingertips. There are no federal labs, no major research institutions, no venture capital offices, and no technology clusters centered on software development and programming.

Instead, Mayer writes that "second tier regions" like Erie, need to get beyond the magic list of ingredients and high tech rankings that are often identified as present by those who write about thriving communities. Instead, she defines second tier regions as those strong in applied sciences where innovation takes place at the production level, and with universities that have a focus on applied programs. ECGRA is challenging the university community to come together and lead an effort to bring the applied sciences to local industry, basement tinkers, and ambitious students that are the innovative entrepreneurs of our community.





III. Small Business Financing

Serial entrepreneur Brad Feld divides small business into two categories: those who draw their customers from the *local* economy, and those who are *global* in their reach. Each requires a distinct approach to financing. Each requires a broad spectrum of financing tools ranging from equity to debt. Regional competitiveness factors often cite financial innovations that recognize the need to diversify funding for business concepts, formations, growth, maturity, and reinvention. ECGRA's small business financing strategy has been focused on developing new partners throughout the investment continuum – in some cases, new partners that have historically made little to no investment in the Erie economy.

Creating a small business financing strategy this diverse has proven difficult to structure and explain. Borrowing from the FB Heron Foundation, a nationally known foundation focused on making mission-related investments (MRIs) that create jobs, ECGRA has developed an *Impact Investing Policy*. This statement of financial strategy lays out the guideposts for considering MRIs in entities that are pursuing a double bottom line approach to their decision-making process. Central to the impact investment movement, ECGRA values MRIs that make sense both financially and have a social/community development benefit.

Targeted Economic & Community Impact.

The intended impact of Ignite Erie Funding is to:

-  Create jobs through investments in the region's small businesses
-  Utilize small business development as a tool to catalyze new investment in inner-city neighborhoods and commercial districts suffering from blight and lack of private capital
-  Accelerate intellectual property-based products and technology transfer to companies through industry-university partnership models
-  Provide Erie companies access to new and hybrid financial products at the micro-finance, debt, and venture capital levels

Funding Authority.

The Authority is formed pursuant to the provisions of the Economic Development Financing Law, Act of August 23, 1967 P.L. 251, as amended, 73 P.S. &371, et seq., the Pennsylvania Race Horse Development and Gaming Act, Act of July 5, 2004 P.L. 572, as amended, 4 PA.C.S.A. &1403(c)(2)(v) and the Home Rule Charter of the County of Erie. Funding for the Authority is contingent upon receipt of funds from the Pennsylvania Department of Revenue.

Section II. Inner-city Small Business Development

Purpose.

Erie's inner-city is a regional force in the economy and can grow with strategic investments capable of recognizing and exploiting inherent competitive advantages in the market. Small business development in impoverished census tracts is at the heart of a strategy to improve commercial corridors and revitalize neighborhoods. This funding is designed to seed an organization with the mission, capacity and knowledge of how to tap into the unrealized potential of inner-city markets and entrepreneurs.

ECGRA is soliciting grant applications from eligible organizations that can recognize the competitive advantage of the inner-city and develop a cohesive strategy to revitalize it one neighborhood at a time. Gaming funds will not be sufficient for this task. Applicants will need to demonstrate their ability to work collaboratively with banks, developers, and small business owners to ignite commerce activities in the inner-city of Erie.

Eligibility Criteria.

The applicant for funding shall be an IRS designed 501c3, a Community Development Financing Institution, or an SBIC approved entity. The applicant must be able to provide proof that they are in good standing with their respective regulatory agency.

Eligible Use of Funds.

The following are eligible uses of funds:

- | | |
|---|--------------------------------------|
| 1. Personnel (full-time, part-time, temp) | 5. Professional Consultants |
| 2. Marketing | 6. Supplies |
| 3. Construction | 7. Equipment/Facilities |
| 4. Contracted Services | 8. Outcomes/M Measurement & Tracking |

Ineligible Use of Funds.

Funds may not deviate from the approved grant budget.

Geographic Focus.

The activities funded must take place within the boundaries of Erie County, Pennsylvania with a focus on inner-city neighborhoods and the commercial corridors that support them.

Budget & Match.





Budget Form – Each application shall be complete in its entirety in order to be eligible. It will also demonstrate the following in the form of a budget:

1. Requested amount from ECGRA: a maximum of \$50,000 per project annually for a total of three years; there is no minimum. The total amount of funds available for the granting period over three years is \$150,000.
2. Your agency's contribution in the form of cash (do not list in-kind).
3. Other agency or funder contribution - include source, cash only (do not list in-kind).

4. Total project cost – cash only (do not list in-kind).
5. A 1:1 cash match, which is required for this program. Existence of an endowment does not count toward the match. Gaming funds from other sources cannot be used toward match.







Cash Match- real cash contributed to the project. ECGRA's compliance procedure will illustrate the process of documenting cash match.

The following are generally accepted as cash match/contributions:

-  Cash contributed by your organization
-  Equipment or supplies to be purchased by your organization for project activities
-  Personnel to be hired by the organization to help with the project, who will not be hired if the grant is not funded
-  Grants from other government agencies or foundations (not gaming funds)

In-kind- Defined as things that could exist (or could happen) without the grant.

The following are generally accepted as in-kind contributions:

-  Personnel time given to the project
-  An individual on loan from another organization
-  Use of existing equipment or supplies
-  Use of existing laboratory equipment or facilities
-  Waived or unrecovered indirect cost amount
-  Office space

Section III. Industry-University Business Acceleration

Purpose.

Igniting Erie's entrepreneurial spirit will take the collective efforts of many organizations and individuals throughout the region. If Erie County wants an entrepreneur-friendly environment, it must build an ecosystem that supports the entrepreneur through the various stages of product and service development. When it comes to research and development of intellectual property and technology-based companies, access to the university is a crucial advantage. Multiple universities capable of collaborating to assist an entrepreneur is a distinct advantage.

One of the fundamental tenants of ECGRA's approach to economic development is that all companies receiving gaming funds would benefit from access to business development support in the form of technical assistance. Applicants for business acceleration funding need to demonstrate their established relationships with institutions that will complement their research and development strengths in service to the entrepreneur.

Eligibility Criteria.

The applicant for funding shall be an IRS designed 501c3, a Community Development Financing Institution, or an SBIC approved entity. The applicant must be able to provide proof of good standing with their respective regulatory agency.

Eligible Use of Funds.

The following are eligible uses of funds:

1. Personnel (full-time, part-time, temp)
2. Marketing
3. Mini-grants
4. Contracted Services
5. Professional Consultants
6. Supplies
7. Equipment/Facilities
8. Outcomes/M Measurement & Tracking

Ineligible Use of Funds.




Funds may not deviate from the approved grant budget.



Geographic Focus.

The activities funded must take place within the boundaries of Erie County, Pennsylvania. The intent of this grant is to assist entrepreneurs that create jobs in Erie County.

Budget & Match.





Budget Form – Each application shall be complete in its entirety in order to be eligible. It will also demonstrate the following in the form of a budget:

-  Requested amount from ECGRA: a maximum of \$250,000 per project annually for a total of three years; there is no minimum. The total amount of funds available for the granting period over three years is \$750,000.
-  Your agency's contribution in the form of cash (do not list in-kind).
-  Other agency or funder contribution - include source, cash only (do not list in-kind).

-  Total project cost – cash only (do not list in-kind).
-  A 1:1 cash match, which is required for this program. Existence of an endowment does not count toward the match. Gaming funds from other sources cannot be used toward match.







Cash Match- real cash contributed to the project. ECGRA's compliance procedure will illustrate the process of documenting cash match.

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-  Waived or unrecovered indirect cost amount
-  Office space

Section IV. Impact Investing in Small Business Financing

What is Impact Investing?

Impact investing is a movement centered on rethinking how governments, philanthropic institutions and corporations make investments in the United States. The philosophy behind economic decision-making realizes that there are benefits and consequences for investments beyond financial return. According to Judith Rodin, President of The Rockefeller Foundation, impact investments are intended to be a “middle way” providing financial returns as well as social and environmental benefits. The benefits to the community are equally weighted to the financial return.

ECGRA has adopted an Impact Investing Policy to guide the Board in making Mission-Related Investments (MRIs) that spur the economy and strengthen the community. Independent funding sources like gaming revenues provide the agility and flexibility to address the financing needs of the small business community. Having a full spectrum of financing products available for starting, growing and reinventing small business is crucial to job and wealth creation.

The MRI strategy recognizes that grants and the message that grant-making sends to an applicant is not appropriate in all circumstances. Some nonprofits, business and local governments need larger amounts of capital to grow or reinvent themselves. MRIs can provide the necessary flexibility in recognizing the financial needs of a promising enterprises. ECGRA is interested in accepting loan proposals or MRIs in three asset classes.

Three Asset Classes.

In any investment strategy, there needs to be an understanding of the types of financial vehicles that are preferable to the entity making the investment. ECGRA has determined that making loans in three asset classes are preferable in implementing an MRI strategy: Cash, Fixed Income, and Alternative Investments. The asset classes have varying levels of benefit and risk. They have been chosen after a careful review of the literature.

Asset Class	Description
Cash	Linked Deposits with local banks, credit unions & CDFIs to accomplish small business financing goals
Fixed Income	Senior and subordinate debt in revolving loans funds, SBA-backed loans, affordable housing projects, social impact bonds targeted to Erie County
Alternative Investments	Growth, venture and working capital for industry and business

Section V. Ignite Grant Requirements & Terms

Application Submission.

Applications for Ignite Erie Funding shall be submitted to the Erie County Gaming Revenue Authority utilizing an on-line grant application provided to the public through www.ecgra.org.

1. All submissions must be submitted no later than 4:30 p.m., January 8, 2015.
2. Program Inquiries should be directed to:

Diane Kuvshnikov
ECGRA, Grant Compliance
(814) 897-2690
dianek@ecgra.org

Approval Process.

Receipt: Upon receipt of the application and required supporting material, the staff, working with the Board's review committee, will determine eligibility.

Review: The review committee will evaluate the application and determine if it meets the required parameters outlined by the Board.

Approval: The Authority's Board of Directors will receive funding recommendations from the review committee.

Notification: The Authority will notify all applicants.

Contract Terms.

Grant contracts shall be for a period of thirty-six (36) months. One (1) option to extend the terms of the contract for a period of twelve (12) months may be granted by the Authority. Detailed, written justification for the contract extension shall be submitted to the Authority for review and consideration. If the funds allocated to the applicant are not expended on or before the expiration of the grant contract, including the extension period, the unused portion of the funds shall be returned to the Authority.

Post-Approval Process.

Following approval by the ECGRA Board of Directors, the Executive Director will issue a letter of agreement to the grantee, which must be signed by the primary applicant and returned. The agreement may detail additional requirements with which the grantee must comply, including, but not limited to: project audit, financial grant closeout report, maintenance of records, public relations, and any other information the board or staff deem relevant.





The grant contract agreement and any subsequent amendments will not be executed until all of the following have been resolved to the satisfaction of the Executive Director:

1. The grantee must be in compliance with ECGRA's policies on audits relative to the submission of closeout reports on any previous contracts with ECGRA, regardless of the program or funding source.
2. The grantee must be current in payment of all state and local taxes unless it has entered into an agreement satisfactory to the respective taxing authority and is fully in compliance with the terms thereof.
3. The grantee must certify that it will not discriminate against any employee or against any applicant for employment because of race, religion, color, handicap, national origin, age, or sex.
4. The grantee must be in compliance with IRS reporting standards.

After the grant agreement has been fully executed and the proper documentation provided to ECGRA, the payment to the grantee will be made via check.

ECGRA will monitor the activities of the applicant and the grant contract agreement to ensure that the grantee fulfills the conditions of the grant. This may include a site visit or random audit of income and expenses. Upon request and as required by the agreement, the grantee must furnish ECGRA with all data, reports, contracts, documents, and other information relevant to the activities of the applicant.

Grant Closeout Requirements.

-  All recipients of funds are required to provide a closeout report quantifying the progress toward accomplishing approved deliverables.
-  Closeout reports are due no later than March 31, 2016.
-  All grant recipients will be required to submit financial documentation as part of the closeout report. A closeout report template will be provided to you electronically.
-  **Non-compliance** with these requirements may prevent the grantee from obtaining funding or payment from any ECGRA grant program and/or funding from ECGRA's programmatic partners.

ECGRA staff will promptly advise the ECGRA Board of Directors of any failure in performance by the grantee. If it is determined that the grantee provided any material misrepresentations or that funds were used for activities not permitted under the terms of the grant contract agreement, the grantee contract agreement will be considered in default and immediate repayment will be demanded. In addition, the matter may be referred to the appropriate authorities for investigation.

Section VI. Mission Related Investment Requirements & Terms

Small Business Financing Qualification Requirement.

Applicants for funding within the Small Business Financing program must be determined to be qualified in order to be considered an eligible applicant for an MRI within the three asset classes. The asset classes include linked deposits, fixed income and alternative investments. The Erie County Gaming Revenue Authority has established minimum qualification requirements that an applicant must meet prior to being determined to be a qualified applicant for the Small Business Financing program. In addition, ECGRA will establish review committees to analyze proposals submitted by those applicants accepted as pre-qualified.

The members of the review committees for each of the three asset classes should have practical experience within each asset class. Such practical experience could be, for example, as a funder, user of services, or practitioner within an asset class. Review committee members are to be appointed by the chair of the Erie County Gaming Revenue Authority.

The purpose of the qualification procedure is to ensure that the investment made by the Erie County Gaming Revenue Authority through the Small Business Financing program will have the most impact within a particular asset class. The minimum qualification requirements shall focus on, but not be limited to, whether the applicant has a positive record of success in impact investment in a particular asset class, the geographic region served by the applicant, and the history of investments, and their success, within an asset class within Erie County. Additionally, applicants shall submit impact investment metrics or historical ratings on the Global Impact Investment Network (GIIN) as evidence of its qualifications. The Prequalification form and instructions can be found in Appendix C.

Qualification in the Alternative.

ECGRA shall also permit applications for qualification in the alternative. Such applications are to be submitted by those entities which do not meet the minimum requirements but which believe that they should be determined to be qualified applicants for the Small Business Financing program. These applications shall focus on the relative experience of the applicant within the asset class and shall explain, in narrative form, why the applicant's particular history and circumstance would warrant a finding of qualification in the alternative.

Any entity which desires to apply for qualification in the alternative shall have, at a minimum, been formally operating within the asset class for no less than a period of one year, shall have made or facilitated prior investments within the asset class within Erie County, or in a similar market, in a minimum amount to be reviewed by the review committee. Applicants for

qualification in the alternative shall refer to the application for pre-qualification and provide at a minimum all applicable information contained on such form.

Each review committee is to generate a recommendation to the Board of Directors of the Erie County Gaming Revenue Authority as to whether certain applicants are to be considered to be qualified, or qualified in the alternative. The Erie County Gaming Revenue Authority Board of Directors shall make the final determination as to whether an application is determined to be qualified, or qualified in the alternative.

Review Committee.

Each review committee shall be appointed by the Chair. Each review committee is charged with reviewing their particular asset class's minimum requirements and making additional information requests they deem appropriate.. Any additional requirements will be considered by the Erie County Gaming Revenue Authority's Board of Directors. Following approval of the minimum requirements, interested applicants shall submit proposals for qualification, or qualification in the alternative, to apply for the Small Business Financing program. All such qualification proposals shall be in writing and in a form substantially similar to the form created by each review committee.

Upon having been determined to be qualified, or qualified in the alternative, each applicant for funding under the Small Business Financing program shall be requested to submit an MRI proposal. Each such applicant shall attend at least one meeting with the appropriate review committee to review their proposal and discuss the project. Following the review of the proposal and the formal meeting, each review committee is to develop recommendations to the Erie County Gaming Revenue Authority Board of Directors as to the funding recommendation within each asset class. Additionally, the head of each asset class review committee shall collectively cause to be prepared a formal written and oral report to the Board of Directors of the Erie County Gaming Revenue Authority. The formal report shall contain each application for qualification and qualification in the alternative, the results of the qualification or qualification in the alternative determination, the funding recommendation within each asset class, and a rationale based upon the funding recommendation.

Section VII. Grant & MRI Schedule

Grant Schedule*

- Thursday, December 11, 2014 – ECGRA releases the Ignite Erie Program Application & Guidelines and posts to www.ecgra.org.
- Thursday, January 8, 2015 – Applications are due by 4:30 p.m.
- Thursday, February 12, 2015 – The ECGRA Board of Directors will approve funding recommendations.

MRI Schedule*

- Thursday, December 11, 2014 – ECGRA releases the Ignite Erie MRI Guidelines
- Thursday, January 8, 2015 – Applications are due by 4:30 p.m.
- Thursday, February 12, 2015 – The ECGRA Board of Director will receive MRI recommendations from review committees.

*All grant and MRI schedules are subject to change by ECGRA.

Appendix A

Ignite Grant Application Checklist

- Applicant Profile
- Annual Summary Statistics
- Narrative
- Budget Form & Narrative

- Organizational Attachments
 - List names, titles and provide a brief job description for each of the project's leadership.
 - Provide a list of your Board of Directors/Supervisors with information about their occupations. Please include email and mailing addresses.

- Organizational Planning Attachments
 - Copy of your organization's most recent Annual Report or Year End Review
 - Copy of your organization's strategic plan or guiding document (executive summary if available)

- Financial Management Attachments
 - Copy of IRS 501c3 determination letter
 - Copy of your most recent 990 Long Form or 990N or ePostcard

- Risk Management Attachments
 - Copy of current Directors' and Officers' Liability Insurance policy
 - Copy of current general liability insurance policy
 - Copy of non-discrimination policy or language in your bylaws

- Other Support Material Attachments
 - Provide support material for your application in the form of:
 - Business Models
 - Communications Plans
 - Letters of Support

Appendix B

Ignite Grant Application EVALUATION FORM

Reviewer: _____

Date of Review: _____

Please rate each of the following by circling the response which best describes your rating of the project against each criterion.

HOW WOULD YOU RATE THE FOLLOWING:	EXCEL- LENT	VERY GOOD	GOOD	FAIR	POOR
1. Demonstrated community involvement.....	5	4	3	2	1
2. Demonstrated impact on economic development.....	5	4	3	2	1
3. Demonstrated impact on quality of life.....	5	4	3	2	1
4. Demonstrated good governance & leadership practices.....	5	4	3	2	1
5. Demonstrated good organizational planning and management practices.....	5	4	3	2	1

6. What were the strengths of the application?

7. What were the weaknesses of the application?

8. What are your suggestions to improve the application?

9. Please feel free to add any comments or suggestions.



Erie County Gaming Revenue Authority

Prequalification for Mission-Related Investments

Due January 8, 2015 by 4:30 p.m.

The pre-qualification process will determine if an applicant has the requisite resources and experience to be considered for a mission-related investment under the Authority's Impact Investment Strategy for Small Business Financing. If the applicant does not meet the requirements set forth, they may apply for pre-qualification in the alternative justifying the reasons.

Contact Name

Organization

Address 1

Address 2

City/State/Zip Code

Phone Number

Fax Number

Email Address

Project Name:

Project Description:

Choose Asset Class:

<input type="checkbox"/> Cash	Linked Deposits with local banks, credit unions & CDFIs to accomplish small business financing goals
<input type="checkbox"/> Fixed Income	Senior and subordinate debt in revolving loans funds, SBA-backed loans, affordable housing projects, social impact bonds targeted to Erie County
<input type="checkbox"/> Alternative Investments	Growth, venture and working capital for industry and business

Amount Requested: \$ _____

- The applicant meets the qualifications
- The applicant will be applying in the alternative

Pre-Qualification Requirements

Applicant must affirm the following:

- Applicant must have at least two years of experience in the asset class they are requesting funds through.
- Applicant must have a record of financial success in the asset class.
- Applicant must have experience in serving the Erie County, Pennsylvania market.
- Applicant must be willing to have a physical location in Erie County, Pennsylvania.

Applicants shall provide the following information:

Financials

- The current balance sheet and income statement
- Most recent financial audit
- A list of any credit lines, including the identification of the financial institutions holding the credit line, contact name and phone number at the institution, current total line of credit, current balance available, and effective date of the state balances

- A list of other funders/investors that are currently participating in the financing of your organization, the amounts they are providing, the type of financial support, contact name and phone number at the institution
- Proof of directors and officers liability insurance

Organizational

- A list of the organization's principals and their contact information.
- A description of the staffing capacity, expertise and organizational structure.
- A history of your organization's experience in the asset class.
- Proof of any community development designations or credentials.
- A documented plan to engage historically underutilized businesses and disadvantaged populations in distressed census tracts and industries.

Litigation

- A description of any suits or arbitration proceedings your organization has been involved in the last five years.
- A description of any judgments, claims, arbitration proceedings or suits involving principals or employees pending outstanding against your organization or its officers.
- Disclose if your organization, its officers, owners or agents have ever been convicted of charges relating to conflicts of interest, bribery, or been barred from doing business with public agencies?

References

- Provide project specific references along with contact information.

Other

- Applicant should provide anything other information that is relevant to assisting ECGRA and the Review Committee in their assessment.