

EXHIBIT A

Scope of Work

1. Business Financial Assistance Program Start Up

a. CDS will review the City's CDBG Business Assistance Program narrative in cooperation with the City and State Housing and Community Development staff to develop procedures and the timeline for program implementation.

b. CDS will prepare and utilize, subject to City approval, CDBG-compliant program application forms, loan closing documents, agreements, and any other documents as may be necessary to implement the Program. CDS has developed a standard loan application form packet which has been reviewed and approved periodically by HCD staff. We will provide these documents as well as the laser pro loan closing documents we use to City staff for review and approval. We will also review the document organization system we have developed with City staff and improve upon the system based on City staff input.

c. CDS will assist City staff with HCD required administrative report forms for monthly grant drawdown's, bi annual & annual reporting, and grant closing activities as needed by City staff. We are very familiar with the reporting requirements and timelines associated with the CDBG ED program. These reporting functions, and the corresponding documentation, will be completed in cooperation with, and on approval of, City staff on an as needed basis. CDS will also prepare, at the City's request, any additional reporting documentation for use at the local level.

d. In addition to the tasks described above, CDS will work with City staff to expand CDBG knowledge and capacity with regard to utilization of CDBG funds in accordance with City program goals and objectives. CDS will update staff on a regular basis regarding the ongoing implementation of CDBG ED programs.

2. Business Loan Program Project Application Outreach

a. CDS routinely works with both the private and public sectors in order to facilitate and implement cost effective services on behalf of local small businesses and prospective borrowers. CDS works with City staff, local banks, especially SBMC, the Chamber of Commerce and the EDFC to find and work up potential loans.

The most efficient marketing program is based on networking and word of mouth with loan application and program reference material being available at the local level through websites and at convenient locations. CDS will provide information for the City, Chamber, and local banks regarding the program and how to contact us. Referrals will be made from these sources and local businesses.

b. CDS will prepare information sheets regarding the program for reference by our referral network and for the general public.

c. CDS will cultivate the program network as described in section 2.a. in order to market the program throughout the city. CDS will meet regularly with local bank staff to market the loan program and search out referrals and companion loans. The face-to-face meetings, when appropriate, will be followed up with telephone contacts to bank commercial loan department contacts. CDS staff will participate in providing loan program webinars. CDS will also work closely with staff to advise potential borrowers of the availability of business loan funds, provide information as needed, and pursue potential deals as appropriate.

d. CDS will review and assist applicants with the loan application process and, as early on in the process as practicable, advise the applicant of the credit worthiness of the application and the potential fit with the CDBG business loan program. If the loan makes sense, we will package the deal and carry it forward.

e. Whenever possible CDS will refer applicants to local appropriate service providers when more work is necessary to prepare the applicant for future consideration. This is an important element of what we do.

f. The very best way to market this program is to successfully complete loans that work for the City and the business. It is the business community and the banks that will market the program for us if we do our jobs properly.

3. Business Loan Processing

a. CDS has two offices. The Colusa County office is located at 100 Sunrise Blvd. Suite A, in the Colusa County Industrial Park. The other CDS office is located at 3895 Main Street, Kelseyville CA 95451. Most of our loan processing work will be done in the Kelseyville office. On site meetings will occur in Fort Bragg at the business location. CDS will not package a loan without first meeting the business owner at their place of business.

- a. CDS will work with State CDBG staff to confirm CDBG eligibility based on job creation/retention potential and other criteria, maintain documentation, and perform tracking of job creation and public benefit. CDS has processed over 750 CDBG business loans over the past 30 years which have required ongoing communication and problem solving with bank and CDBG program staff.
- b. CDS analyzes every loan application utilizing the fundamental five Cs of credit analysis to determine creditworthiness and the CDBG Six Underwriting Criteria. The criteria are addressed in each loan proposal we prepare. This assessment includes running a credit check on each applicant with over 20% ownership of the business. Also, HCD now uses an employment forecast spreadsheet developed by CDS as part of the project review process. We will continue to use this spreadsheet as part of our loan proposals.
- c. CDS will use standard underwriting criteria in conjunction with CDBG ED overlay requirements during the underwriting process to mitigate lending risk as much as possible.
- d. CDS interviews the applicant, visits the business site, gathers the necessary documentation, analyzes the information, prepares the loan proposal, presents the loan proposal, documents the loan decision, prepares the additional necessary supporting documentation, prepares the loan check sheet and signature documents.
- e. CDS then prepares loan closing documents, prepares escrow instructions, and will work with City staff to properly disburse the loan funds.
- f. CDS will work with staff to arrange the loan committee meetings, present the proposal to the committee, and if approved, complete the approval process, prepare the loan closing documents and title instructions, work with staff on the drawdown of funds, assist, and report on job creation/retention fulfillment, low/mod income placements.

4. Loan Closing & Documentation

- a. CDS uses LaserPro® loan closing documentation software, the commercial loan industry standard. All loan conditions are reviewed by the loan committee and HCD staff for appropriateness. Hard copy originals of all loan closing documents will be provided for review by City staff.
- b. CDS follows appropriate program underwriting criteria and analysis for each loan using the appropriate CDBG Economic Development Business Loan Review Checklist to ensure compliance with CDBG Federal overlay requirements, National Objectives, Public Benefit and underwriting requirements. CDS participates in the development CDBG underwriting criteria and utilizes the HCD CDBG ED loan checklist on a routine basis.

- c. CDS will utilize LaserPro® documents and CDBG public benefit documentation in accordance with the loan conditions of each approved loan. These include promissory note, business loan agreement, deed of trust, UCC filings and other loan and loan closing documents required, utilizing industry standard documents that are CDBG-compliant.
- d. CDS will provide specific escrow instructions based on the conditions set by the loan committee and HCD staff after the preliminary title search is completed and the loan has been approved.
- e. CDS will communicate with the title company throughout the process. We often utilize Fidelity Title Company as they are experienced with CDBG lending practices.
- f. When we are able to arrange a companion loan, we will coordinate the issues of security, disbursement, and use of funds with the participating lender. CDS is an experienced lender, we prefer companion loans with local banks because we can share risk and spread our resources further.

5. Monitor Loan Performance

- a. If needed, CDS will assist the City with loan modifications as needed and present the modifications to the CDBG Loan Committee for review and approval. If approved, the modification is then memorialized and the loan documents revised to reflect the modification.
- b. If requested to do so, CDS will routinely perform required post loan closing tasks including monitoring the on-going viability of the borrowers, including recommendations for action if necessary; monitoring and documentation of job creation/retention as required; and periodic site visits to verify availability and condition of collateral, examine business records and procedures, and offer assistance, obtain annual business financials, tax returns, and make sure all insurance coverage documentation is in place.

6. General Administration Activities

- a. CDS will update loan related documents as needed in accordance with HCD CDBG ED program guidelines and requirements. Mr. Lucas talks with CDBG management staff on a weekly basis, and is up to date on CDBG program requirements.
- b. CDS will provide, in cooperation with the staff, ongoing liaison and advocacy on the City's behalf with the CDBG ED program field representatives and the program manager regarding all CDBG issues. CDS will perform this function at the direction of City staff. We will also act as an interpreter and advocate on behalf of the loan applicants and recipients.
- c. CDS will assist the City with implementing the program by providing routine updates on program changes and interpretations, as well as by being responsive to specific questions posed by staff by email or telephone. We acknowledge that the CDBG ED program is often changing;

therefore, we make a practice of regular communication with HCD staff. Whenever we are unclear, we contact staff for discussion and determination. On another level, as business lenders, we have a good deal of experience with assisting small and medium sized businesses. We often provide technical assistance to prospective borrowers, thus improving their debt service capacity.

d. CDS prepares all loan files in accordance with established business loan practices and in compliance with HCD CDBG program requirements. We will prepare all the necessary loan and CDBG compliance documentation, keeping copies of the files for day to day reference and reporting. The original loan agreements and all support documentation will be kept in a fire proof safe with the City for reference and legal purposes.

e. After termination of the contract, CDS will provide to the City all documents we have prepared on behalf of the program in an orderly fashion to ensure the proper transition of files, including status of follow-up items, grant close out, and other related documentation.

f. CDS has experienced many grant monitoring site visits and grant close outs. We will work with staff to make the necessary preparations and assist City staff to insure the close out occurs properly. CDS will prepare in advance of the actual monitoring by providing accurate and complete documentation in accordance with HCD standards. We will identify and correct any gaps and assist in scheduling the monitoring. CDS staff will be present during the monitoring. CDS will draft any follow up or response information needed as a result of the monitoring.

7. CDBG OTC On Call Duties

CDS will perform such other on-call duties, as may be necessary, but which cannot be specified in advanced so as to reasonably assure the successful implementation of the program and compliance with applicable regulations and policies promulgated by the State Department of Housing and Community Development. These activities may include writing and/or processing Over-the-Counter grant applications approved by HCD for economic development projects, attending HCD program workshops to ensure knowledge of the most current guidelines, research, report writing, grant application writing, market surveys and other duties as requested.

If the City determines that a business is appropriate for CDBG OTC financing, CDS will conduct the underwriting process in much the same way as presented in section 3 above. However, the interaction with HCD staff and the business applicant is much more detailed and time consuming when preparing an OTC. Historically, OTC projects require a grant application process separate from any existing open grants held by the jurisdiction. Therefore, the OTC application process can take up to nine months to complete. The cost for preparing an OTC can be as much as \$42,000, (280 hrs. x \$150/hr.) dependent on the complexity of the deal and the readiness and capacity of the business to provide us with the documentation we need. Because

of this, CDS would perform a preliminary determination of eligibility and appropriateness for consideration by the city and HCD before pursuing an OTC application.

Budget and Schedule of Charges

Our proposal is based on the assumption that HCD will approve the City CDBG funding application in the amount of \$570,000 of which \$51,519.36 (17% of FY23-24 PI Receipts) is administration and 10% (\$57,000) is Activity Delivery. We are proposing our standard hourly rate for services to be provided at \$150 an hour. This rate includes all reproduction, supplies, and related costs. We do not bill for travel time. Our cost for services is \$9,000 for administrative work and \$57,000 for activity delivery.

Work Schedule

CDS is prepared to begin program implementation upon the approval to proceed from the City of Fort Bragg. We anticipate disbursing the available loan funds within twelve months of the beginning of program implementation.

Insurance

CDS will provide documentation of the required insurances if the City selects CDS to perform the services described above.

Consultant Agreement

CDS will agree to the contract provided with the RFP.