Attachment III: Guidehouse guidance on the Capital Investment Program per Commissioner Goldstein

i. <u>Enumerated Capital Expenditures</u>

As it relates to the Capital Investment Grant Program, the Final Rule establishes four categories of use that include enumerated eligible capital expenditures.

Assistance to Small Businesses

- *Impacted Small Businesses*
  - *Installation and improvements of ventilation systems*
  - *COVID-19 mitigation measures in small businesses (e.g., developing outdoor spaces)*
- *Impacted Small Business Startups and Microbusinesses*
  - *Negative economic impact of COVID-19; for example, if small business startups or microbusinesses in a locality faced greater difficulty accessing credit than prior to the pandemic or <u>faced increased costs to starting the business</u> due to the pandemic or if particular small businesses or microbusinesses had lost <u>expected startup capital due</u> to the pandemic*
- *Disproportionally Impacted Small Businesses (those in QCTs)*
  - *Certain capital investments (ex. rehabilitation of commercial properties, storefront improvements, and façade improvements) for disproportionally impacted businesses*

Assistance to Nonprofits *– same activities listed for Small Businesses should apply*

Impacted Industries

- *Maintenance of existing equipment and facilities*
- *Installation and improvements of ventilation systems*
- *COVID-19 mitigation measures in entities within impacted industries (e.g., developing outdoor spaces, ventilation)*

Assistance to Households

- *Job and workforce training centers*
- *Improvements to or new construction of childcare, daycare, and early learning facilities*

ii. <u>Capital Expenditures Beyond Enumerated Uses</u>

Beyond the enumerated capital expenditures, SFR recipients can identify impact or disproportionate impact to a specific household, business or nonprofit or to a class of households, businesses or nonprofits, and design a response that addresses or responds to the impact including responses with capital expenditures.

The following guidance can be used to identify a COVID-19 public health or negative economic impact on an entity or a class of entities:

- *<u>"Impacted" entities</u> are those impacted by the disease itself or the harmful consequences of the economic disruptions resulting from or exacerbated by the COVID19 public health emergency. For example, a small business that saw lower revenue during a period of closure would have experienced impacts of the pandemic*

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- *"Disproportionately impacted" entities are those that experienced disproportionate public health or economic outcomes from the pandemic; Treasury recognizes that preexisting disparities, in many cases, amplified the impacts of the pandemic, causing more severe impacts in underserved communities*

These impacts may be identified at either the entity level or at a class level. If impacts are identified at the entity level, documentation supporting the impact the entity experienced (e.g., documentation of lost revenues from a small business) should be retained. If impacts are identified for a class, – a group of small businesses, or nonprofits – first the class and the impact that the class faced should be identified. Then, recipients only need to document that the entities served fall within that class. For example, an SFR recipient could identify that restaurants in the downtown area faced substantial declines in revenue due to decreased foot traffic from workers; the recipient could develop a program to respond to the impact on that class and only needs to document that the businesses being served are restaurants in the downtown area.

The response should be related and reasonably proportional to the extent and type of impact experienced, and reasonably designed to benefit the impacted population or class. Any capital expenditure should follow the relevant documentation and reporting guidelines.

"Reasonably proportional" refers to the scale of the response compared to the scale of the harm, as well as the targeting of the response to beneficiaries compared to the amount of harm they experienced. Recipients should consider relevant factors about the harm identified and the response to evaluate whether the response is reasonably proportional.

- *For example, recipients may consider the size of the population impacted and the severity, type, and duration of the impact. Recipients may also consider the efficacy, cost, cost-effectiveness, and time to delivery of the response.*
- *For disproportionately impacted communities, recipients may design interventions that address broader pre-existing disparities that contributed to more severe health and economic outcomes during the pandemic*

Certain capital expenditures are considered generally ineligible

- *construction of convention centers, stadiums or other large capital projects intended for general economic development or to aid impacted industries*

iii. Capital Expenditures Documentation and Reporting Requirements

SFR Recipients must complete and meet the requirements of a written justification for capital expenditures equal to or greater than $1 million.

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If a project has total capital expenditures of	and the use is enumerated by Treasury as eligible, then	and the use is beyond those enumerated by Treasury as eligible, then
Less than $1 million	No Written Justification required	No Written Justification required
Greater than or equal to $1 million, but less than $10 million	Written Justification required but recipients are not required to submit as part of regular reporting to Treasury	Written Justification required and recipients must submit as part of regular reporting to Treasury
$10 million or more	Written Justification required and recipients must submit as part of regular reporting to Treasury	

(Table from Overview of the Final Rule, pg. 30)