



# **Community Economic Development (CEDO) Policy**

**Kitigan Zibi Anishinabeg**

# Community Economic Development (CEDO) Policy

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Whereas there is a need to establish a detailed Policy for KZA's CEDO program;

Whereas KZA wishes to encourage business development and avoid constraints;

Whereas this Policy must ensure sound fiscal management and value for funding while allowing for proactive economic development that will create self-sustaining jobs to evolve within Kitigan Zibi Anishinabeg;

Whereas there is a need to provide all possible support for the development and enhancement of business development which will lead to sustainable employment for KZA community members;

Whereas it is the goal of the CEDO Policy to provide maximum support in a timely manner to all KZA applicants as per the conditions of this Policy;

Therefore effective immediately, the following CEDO Policy shall apply and shall replace any previously adopted policies and/or guidelines;

## 1. Eligibility Criteria

The following is a list of conditions that must be met by the KZA Applicant in order to be considered eligible for a loan or business subsidy for his/her project:

- 1.1 The Applicant must be a registered Kitigan Zibi Anishinabeg member who is over the age of 18 to apply for CEDO assistance.
- 1.2 CEDO assistance shall be available for business projects located within Algonquin territory as defined by KZA.
- 1.3 The Kitigan Zibi Anishinabeg CEDO policy requires 51% documented ownership by a registered Kitigan Zibi Anishinabeg member for any business it assists financially.
- 1.4 All CEDO approved loans will be subject to written and signed contractual agreements detailing the terms and conditions of the loan at all times.

- 1.5 No CEDO loan will be considered if the Kitigan Zibi Anishinabeg member making a request for such a loan owes an outstanding debt or is in default of any loans with the Kitigan Zibi Anishinabeg e.g. housing/repairs revolving loan, accounts receivable. Consideration may also be given to past repayment history with the Band.
- 1.6 Businesses or potential businesses must be profit driven in order to access financial assistance through the CEDO policy. Specific fundraising activities or projects will not be considered eligible to access a CEDO loan.
- 1.7 That at no time shall CEDO funding be considered and/or made available for the purchase of a car, truck, four-wheeler, ski-doo or recreational vehicle or as a personal loan
- 1.8 All CEDO loan defaults will result in a penalty of not being eligible to apply for CEDO loans for a period of 1 year. The CEDO loan must be repaid in full preceding the start date of the 1 year penalty time.

## **2. CEDO Business Micro Loans (up to \$3,000)**

- 2.1. Small micro-business loans of up to \$3,000 may be allowed, and will be subject to written contractual agreements that allow deductions of 30% of all revenue from all sources until the loan is paid in full if in default.
- 2.2. The Community Services Director or her/his replacement may approve micro loans up to \$3,000.
- 2.3. The CEDO micro loan application must include the following:
  - (1.a) Letter describing the business project, list of budgeted costs and the total amount requested for a CEDO loan.
  - (1.b) price quotes for purchases or expenses.
- 2.4. The maximum payback period for a small business loan up to \$3,000 will not exceed twelve months.
- 2.5. No collateral is required for loans up to \$3,000.
- 2.6. Individuals applying for a CEDO micro loan must not have any outstanding debts owed to the Kitigan Zibi Band

- 2.7. Approved loans will have funds made payable to the loan applicant by cheque. In specific cases the Community Services Director or her/his replacement may direct that payment be made through a Purchase Order to local suppliers.
- 2.8. In situations where a cheque has been issued to an individual for a loan, the individual will be required to provide a copy of all purchase receipts (or invoices) for the entire amount within **sixty (60) days**. If the receipts are not provided to the Economic Development Sector within 60 days the CEDO micro loan will be cancelled and an Accounts Receivable account will be setup for the individual. Once this penalty has been enacted, the KZA will proceed with carrying out deductions of 30% from all sources of revenue until the loan is fully repaid.

### 3. CEDO Business Loans (between \$3,000 - \$25,000)

- 3.1. All CEDO business loans over \$3,000 must be approved by Band Council through a resolution.
- 3.2. The maximum allowable CEDO Loan will be fifty thousand dollars (\$50,000) based on \$25,000 @ 1% interest and \$25,000 at the regular annual KZA adopted interest rates for revolving loans. A CEDO loan will be subject to written agreements that allow deductions of 30% of all revenue from all sources until the loan is paid in full if in default.
- 3.3. The KZA business promoter or entrepreneur seeking a CEDO loan over \$3,000 must submit a detailed and viable business plan to the Economic Development Sector. The business plan must demonstrate that the applicant has invested 10% of his cash or personal assets into the total business project costs.
- 3.4. The business plan will be evaluated and reviewed by the Economic Development sector within a maximum of 21 working days and a competent independent consultant that will issue an opinion on the viability of the business plan. The cost of this review shall be the responsibility of the KZA.
- 3.5. No collateral is required for a CEDO Business Loan that is under \$25,000 for entrepreneurs who have a viable business plan. For all CEDO Business loans over \$25,000, the applicant must have C.P land or other goods of value that can be used as collateral to guarantee the entire loan amount.
- 3.6. The maximum payback period for a CEDO loan between \$3,000 and \$25,000 will not exceed **forty-eight (48) months**; for CEDO loans over \$25,000 and up to \$50,000 will not exceed **seventy-two (72) months**. Repayment of these larger loans to begin in the second month (60 days) of the start of the business operation.

- 3.7. A band or private business that has potential to create large numbers of sustainable jobs (10 or more) that may require a CEDO loan exceeding the authority of this policy will be subject to Band Council review and approval by duly adopted Band Council Resolution that shall stipulate the terms and conditions of the loan agreement.
- 3.8.** Business Loans (\$3,000 to \$ 50,000) will be subject to written contractual agreements that allow deductions of 30% of all revenue from all sources until the loan is paid in full if in default.

#### **4. Funding Assistance for Business Plan Development**

- 4.1. The CEDO program may financially assist at a cost share of 50% to a maximum of \$5,000 once the potential entrepreneur has presented written proof of his/her business interest and that personal funding is available to pay his/her 50% of the cost to develop the plan. Other eligible preparatory costs for business plan development can include environmental, market and feasibility studies. Any costs over and above the maximum contribution of \$5,000 will be the responsibility of the potential entrepreneur.
- 4.2. CEDO funding assistance for business plan development cannot be combined with the KZHRDB program which funds 25% of business plan development. Individuals will not be allowed to access funding from both programs for the same business plan project.
- 4.3. The CEDO policy may provide financial assistance in the preparation of business plans that exceed five thousand dollars providing documented or other proof is available that such a study would lead to a substantial number of jobs (10+) for KZA members that may be sustained for a long period of time (24 months or more).
- 4.4. Matching dollars for the development of a business plan must be in real finding (cash). Proof will required that such personal funds are available.
- 4.5. Applicants must take an active role in their business planning and will be responsible to pay their 50% up front for the development of a business plan and such funding will be expensed first before the CEDO program contributes its 50%.
- 4.6.** In order for an entrepreneur to qualify for matching funding for a business plan, the consultant must first submit a price quote and a workplan which must include the timeframe and methodology used to complete the business plan, along with a resume(s) of the consultant(s) which outlines experience directly related to the business project.

## **5. CEDO Marketing and Professional Services Program Fund**

- 5.1 This fund provides new businesses with financial assistance to implement a marketing strategy or to access professional services. The MPSP Fund is a cost-sharing agreement between the KZA and the entrepreneur, wherein upon approval, KZA covers 75% of eligible costs, up to a maximum of **\$2,000** and where the client's contribution is established at 25% of the costs. Funding for this program is limited to one financial contribution per client per fiscal year. Examples of eligible professional services are: accounting or bookkeeping costs, business registration, incorporation costs, lawyers, business consultants, graphic artists and website developers, advertising, marketing, signage, business cards, brochures, flyers, vehicle decal signs, promotional giveaways.
- 5.2 To be eligible for funding, the applicant must be defined as new KZA business in the start-up phase or a business that is less than 3 years old. The MPSP Fund is specifically intended to help start-ups in their first few years of business.
- 5.3 To apply for funding, an entrepreneur must provide the Economic Development Sector with a copy of a vendor invoice for each of the expenses that have been identified as an eligible cost under the Marketing and Professional Services Fund.

## **6. CEDO Business Grants (for loans over \$3,000)**

- 6.1 A business promoter who has been approved for a CEDO Loan over \$3,000 may access a business start-up grant which will be 10% the total project costs up to a maximum of \$25,000. This grant becomes available one month after the business is officially in operation.
- 6.2 A business that has potential to create large numbers of self-sustainable jobs (5 or more) for KZA registered band members and requests a CEDO start-up grant exceeding \$25,000 will be subject to Band Council review and approval by duly adopted Band Council Resolution. A grant agreement shall establish the terms and conditions as well as stipulate the percentage of job positions within the business that employs Kitigan Zibi band members.

## **7. CEDO Equipment Loans for Forestry and KZ workers (under \$3,000)**

- 7.1 Small loans under \$3,000 to purchase a chainsaw or brush cutter, tools or essential work clothing may be allowed without collateral provided there is written proof from an employer that he/she has insurable work for a given period exceeding 10 weeks or more.

- 7.2 The Community Services Director or her/his replacement must approve all CEDO equipment loans.
- 7.3 Individuals applying for a CEDO equipment loan must not have any outstanding debts owed to the Kitigan Zibi Band.
- 7.4 Individuals must provide price quotes for the equipment from a reputable supplier.
- 7.5 Approved loans will be subject to written and signed contractual agreements detailing the terms of the loan payments which will be repayable by weekly payroll deductions during the period allotted for insurable work.
- 7.6** Approved loans for equipment will be issued Purchase Orders (P.O.) for the supplier/vendor.

## **8. CEDO Loan for Large Forestry Machines/Equipment**

- 8.1 All CEDO Loans for Forestry Equipment over \$3,000 must be approved by Band Council through resolution.
- 8.2 CEDO Loan for Large Forestry Machines/Equipment requires a complete and viable business plan.
- 8.3 Where a Band Member wants to borrow funds to purchase a large truck, skidder or industrial equipment, such request will require documented proof that there is work for the equipment purchased and there is proof that the applicant has the license and skills to be self-employed or that he/she has qualified operators.
- 8.4 Purchase of forestry equipment such as wood skidder, feller buncher, crawler shovel or tractor, hauling truck or other heavy industrial equipment, will require documented proof that a minimum of three prices were accessed from different dealers selling equipment of the same specifications.
- 8.5 The purchase of used equipment will require an evaluation from an accredited evaluator to ensure the deal price is in conformity with the general market value for such equipment. This evaluation will need to be submitted as part of the application. In some cases the CEDO program will oversee/engage an evaluator.
- 8.6 Approved loans will be subject to written and signed contractual agreements detailing the terms of the loan repayments and that allow deductions of 30% of all revenue from all sources until the loan is paid in full if in default.

- 8.7 Once a loan is approved, the invoice for the equipment must be submitted to the Economic Development Sector so that a cheque can be issued to the dealer for payment.
- 8.8 All requests for CEDO funding for this type of loan are subject to the availability of funds.

## **9. CEDO Loan for Machinery Repair**

- 9.1 Band Members who own forestry heavy equipment or other industrial machinery who experience cash flow problems to repair their machinery may request a CEDO loan not exceeding \$7,000 which must be guaranteed by C.P. Land or other collateral.
- 9.2 All CEDO Loans for Machinery Repair that are over \$3,000 must be approved by Band Council through resolution.
- 9.3 All applications for repair costs must provide written estimates from a qualified repair shop.
- 9.4 Approved loans will be subject to written and signed contractual agreements detailing the terms of the loan payments and that allow deductions of 30% of all revenue from all sources until the loan is paid in full if in default.
- 9.5 Once a loan is approved, the invoice for the equipment must be submitted to the Economic Development Sector so that a cheque can be issued for the vendor/supplier for payment.
- 9.6 Requests for another machinery repair CEDO loan may only be considered when the initial loan has been fully repaid.
- 9.7 All requests for CEDO funding for this type of loan are subject to the availability of funds.



## **10. Collateral for CEDO BUSINESS LOANS**

- 10.1 Collateral is required for CEDO Business Loans over \$25,000. The collateral used to guarantee a loan may be C.P land or other goods of value.
- 10.2 Certificate of Possession (CP) land confirmed and used for collateral which is transferred to the Kitigan Zibi Anishinabeg cannot be harvested or altered in any manner during the loan agreement.
- 10.3 The maximum value for C.P. land to use for CEDO loan collateral, is established at \$150 an acre for regular bush land and \$1,000 an acre for each acre adjacent to a maintained road, lake or river where such land may be used for housing or cottage purposes, e.g. average lot is sixty-five acres with four acres facing a maintained road, lake or river which would be valued accordingly; four acres @ \$1000 for land facing road, lake or river which equals 4 x 1,000 and 61 acres @ \$150/acre = \$9,150 for a total of \$13,150 maximum allowable.
- 10.4 For those who do not have land lots to sign over as collateral KZA may consider a co-signer with land and who is willing to sign over their land for collateral. The co-signer must accept that in case of loan default, the Band can deduct from their wages; and that land held in collateral cannot be harvested or altered during the agreement period. Co-signed land can only be used as a guarantee for one loan.
- 10.5 No C.P. land where the main residence of a Band member is situated may be used as collateral for a CEDO loan.
- 10.6 All potential costs of land surveys, if required, for C.P. land to be used as collateral will be at the expense of the person requesting the CEDO loan.
- 10.7 Any loan default where land is used as collateral leaves the land in the Band's name if the default is not fully repaid for six consecutive months after the default period. In such a case, the loan is forgiven and the land remains with the Band and the CEDO account adjusted accordingly.

## **11. CEDO Program Funding**

- 11.1 All requests for CEDO funding are subject to the availability of funds, recommended by the Economic Development Sector and approved by Band Council Resolution.

- 11.2 Whenever possible, the Applicant should make every effort to access funding from other government sources to help them succeed in their business aspirations.
- 11.3 Annual priority of CEDO funding will always be given to those projects that create the most jobs for KZA members and/or other First Nations members and that are financially self-sustaining.
- 11.4 The Band Council may authorize the use of CEDO funding for seasonal jobs. Such authorization will be done by Band Council Resolution after consultation with the Band's Economic Development Sector.
- 11.5 The Band Council may authorize the use of CEDO funding for youth entrepreneurial proposal projects submitted by the Youth Employment Coordinator. Such authorization will be done by Band Council Resolution after consultation with the Band's Economic Development Sector.
- 11.6 This policy comes into effect the date it has been approved by KZA Band Council and therefore any CEDO funding request will be subject to the guidelines stated within this policy. Once approved this policy will supersede any previous CEDO policies.
- 11.7 Any existing business loans over \$3,000 on or before the day this policy has gone into effect will be considered "Grandfathered" in terms of being able to access the Payback Incentive Grant (from CEDO Policy 2012 – section # 31) and this right is extended until the last scheduled payment of their loan contract. These specific clients are grandfathered to ensure that the grants that were in effect during the signing of their loan contract are not unfairly lost as a result of the new CEDO policy changes.
- 11.8 This Policy is subject to change by the KZA Band Council.

This CEDO Policy was duly adopted by KZA BCR 56 on December 15, 2015.