



Intake Two of the Community Adjustment Fund (CAF) in Southern Ontario

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1. Introduction

Intake Two of the Community Adjustment Fund in southern Ontario will support projects in and around affected communities such as resource-based and manufacturing communities depending on a single industry, as well as communities affected by the economic downturn.

New for Intake Two:

- commercial enterprises (with a focus on small- and medium-sized enterprises, defined as having up to 1,000 employees) have been added as eligible applicants;
- projects must be completed by March 31, 2011;
- a business plan or business case must be submitted in support of the application; please refer to the templates provided on the [website](#); and
- for ease of applying and to allow for the uploading of larger attachments, you can now submit your application online.

2. Eligible communities

To be eligible for CAF support, projects must be located in a southern Ontario community* that has a population of less than 250,000 and

- has experienced an increase in Employment Insurance beneficiaries equal to or greater than 20 per cent over a one-year period; or
- has experienced major layoffs resulting in significant job losses and has a lack of alternate employment opportunities.

Priority will be given to communities that have a population of 100,000 or less and are supported by a single industry.

*Southern Ontario is defined as including the following 2006 Statistic Canada Census Divisions:

1 Stormont, Dundas and Glengarry; 2 Prescott and Russell; 6 Ottawa; 7 Leeds and Grenville; 9 Lanark; 10 Frontenac; 11 Lennox and Addington; 12 Hastings; 13 Prince Edward; 14 Northumberland; 15 Peterborough; 16 Kawartha Lakes; 18 Durham; 19 York; 20 Toronto; 21 Peel; 22 Dufferin; 23 Wellington; 24 Halton; 25 Hamilton; 26 Niagara; 28 Haldimand-Norfolk; 29 Brant; 30 Waterloo; 31 Perth; 32 Oxford; 34 Elgin; 36 Chatham-Kent; 37 Essex; 38 Lambton; 39 Middlesex; 40 Huron; 41 Bruce; 42 Grey; 43 Simcoe; 46 Haliburton; and 47 Renfrew.

Click [here](#) to view the communities that form part of each Census Division.

Click [here](#) to view population sizes of communities.

3. Eligible applicants

To qualify under CAF an applicant must meet one of the following criteria:

- is a commercial enterprise (with a focus on small- and medium-sized enterprises (SMEs), defined as having up to 1,000 employees),
 - the focus of this program will be on existing businesses with a proven track record (that can provide at least one year's worth of financial statements) that are seeking to expand, modernize, innovate, and/or improve their competitiveness.
- is an SME group or association;
- is an incorporated not-for-profit organization whose primary mission is business support or economic development;
- is an organization or institution dedicated to the promotion and dissemination of knowledge and know-how, including colleges, polytechnic institutes, universities or post-secondary teaching institutions;
- is an Aboriginal organization;
- is a municipality or municipal organization; or
- is a cooperative.

Note: Business start-ups will not be supported.

4. Ineligible sectors

Sectors that are ineligible include:

- retail/wholesale;
- real estate;
- government services;
- accommodation and food services; and
- services of a personal or social nature.

5. Eligible projects

To be eligible for support, projects must be:

- completed by March 31, 2011 with no obligation for continued spending; and
- incremental (i.e., investment from CAF will allow the work to start sooner, broaden the scope of the project, or allow the completion of a project that otherwise would not be completed).

Examples of eligible projects include:

- expansion of SME production capacity, production technology, access to markets, and other SME projects that improve a business's competitiveness;
- support of SME development by not-for-profit organizations;
- support/enhancement/development of business incubators;
- construction/expansion/improvement of technology and innovation centres;
- technology commercialization projects by universities, colleges, polytechnic institutes and post-secondary teaching institutions;
- improvement/expansion/construction of transportation infrastructure where a clear case for business development can be made;
- improvements to community-owned tourism facilities (conference centres, exhibition halls); and
- revitalization and development of downtown core and waterfront areas.

6. Ineligible projects

Ineligible projects include:

- business start-ups (defined as entities that cannot provide at least one year's worth of financial statements);
- mergers and acquisitions;
- restructuring businesses;
- projects that increase slaughterhouse capacity;
- projects that do not conform with Canada's obligations set out under the Softwood Lumber Agreement, NAFTA, or other trade agreements;
- projects that provide direct assistance to workers; and
- projects that are eligible for funding under existing federal infrastructure programs, if funding from these programs is available.

7. Funding Available

Under the second intake, \$127.8 million will be made available to eligible projects. Financial assistance awarded under this program is provided in the form of contributions, which must have a leveraging effect and a direct economic impact on the region and must comply with the provisions of the Treasury Board's [Policy on Transfer Payments](#).

Contributions to commercial enterprises are repayable. Contributions to non-profit organizations or municipalities for projects that are not profit generating are generally non-repayable.

For capital projects, up to 50 per cent funding is available. For non-capital projects, up to 75 per cent funding is available. These funding limits represent thresholds for total government assistance including federal, provincial and municipal contributions.

These funding limits do not apply to:

- municipalities, not-for-profit groups and Aboriginal recipients;
- non-commercial projects from for-profit organizations; or
- projects where total government assistance is \$100,000 or less.

In the above cases, applicants will normally be expected to contribute a minimum of 10 per cent of the eligible costs of the project. Funding limits will be determined on a case-by-case basis based on demonstrated financial need for the implementation of the project, taking into account the financial capacity of the proponents to invest their own funds and to access traditional commercial financing sources.

Project proponents must commit to measure and report on the results obtained through the implementation of projects funded by FedDev Ontario.

8. Eligible costs

To be considered an eligible cost, expenses must:

- be directly related to the project;
- be deemed reasonable and necessary for project execution; and
- be incurred after the project has received the Agency's approval.

Agency priorities, policies and guidelines are taken into account in the analysis of costs.

9. Ineligible Costs

The following costs are not eligible:

- cost of membership in a professional body;
- fines and penalties;
- capital depreciation;
- non-incremental wages and/or fees for administrators;
- land or vehicle purchase;
- the tax on goods and services (GST or any similar tax) and any Ontario sales tax eligible for repayment or input tax credit;
- the applicant's current debts;
- any costs that are not incremental to the applicant;
- any costs that are not directly related to the project; and
- ongoing or normal operating costs.

10. Capital projects

Up to 50 per cent funding is available for eligible costs which include, but are not limited to:

- machinery and equipment needed for the project;
- working capital requirements related to an expansion project;
- site improvements such as land clearing and paving required for the project;
- leasehold improvements required for the project;
- leased equipment and expenditures under conditional sales contracts;
- infrastructure (such as water and sewer) required for a specific business development initiative;
- intangible assets such as patents, trademarks and licenses;
- start-up costs such as insurance and interest capitalized during construction; and
- the construction or acquisition of a building.

11. Non-capital projects

Up to 75 per cent funding is available for eligible costs which include, but are not limited to:

- **Marketing:** Includes the development of a marketing plan, the hiring of marketing expertise to implement the plan, and related marketing activities such as labelling, packaging, promotional materials, advertising, product demonstrations and participation at trade shows.
- **Training:** Includes the development of a training plan, the hiring of training expertise to implement the plan and related activities such as training materials, seminar fees, and wages during the time that employees received off-the-job training.
- **Productivity/Quality Improvement:** Includes the development of a productivity or quality improvement plan, the hiring of expertise to implement the plan, and related activities such as obtaining a recognized quality certification such as ISO, and the cost of needed technical equipment.
- **Innovations:** Includes costs related to researching and developing new or improved products, services and processes such as the labour costs of expertise, materials, special equipment, testing and patents.
- **Consultant Advice:** Includes the cost of hiring a qualified consultant to prepare a business plan, feasibility study, investigate licensing opportunities, conduct a venture capital search, technology transfer search or provide advice to improve your business skills.
- **Contract Bidding:** Includes the cost of improving your competitive ability to bid on and acquire public and private sector contracts.
- **Business Proposal Development:** Includes the cost of turning your idea into a viable business proposal, for example, the completion of feasibility study, prototype development, and gathering information on markets and raw material suppliers.
- **Business Support:** Not-for profit organizations may qualify for assistance towards activities that support the business community, entrepreneurship or economic development.

12. Project assessments

The objective of CAF is to provide economic stimulus to mitigate the short-term impacts of the economic downturn by creating employment opportunities and to address transitional and adjustment challenges in restructuring communities.

In order to meet this objective, projects will be assessed based on the degree to which they contribute to the expected outcomes of:

- job creation or preservation;
- the creation, expansion or strengthening of a business; and
- the enhancement of competitiveness and sustainability of communities and businesses.

Priority will be given to projects that:

- create immediate and sustained employment;
- create the most jobs per dollar invested;
- build on collaborative agreements already in place (e.g., federal-provincial agreements and existing programs);
- provide a legacy of longer-term ecological and/or economic benefits; and
- demonstrate leveraging of other sources of financing.

Projects will also be assessed against the following criteria:

- ability to start quickly and be completed by March 31, 2011;
- diversification of local economy;

- compatibility with CAF objectives;
- economic impact of the project;
- long-term economic viability of the project;
- incremental nature of the assistance;
- demonstrated financial need for implementation of the project, taking other existing funding sources into account;
- demonstrated evidence that the project meets a recognized need and significantly contributes to a region's economic development;
- applicant's management capacity;
- viability of the enterprise or organization;
- applicant's financial contribution to the project;
- level of risk involved; and
- undue adverse impacts on competition.

FedDev Ontario will take other federal government funding into consideration when determining eligibility under this program. Only in exceptional circumstances will CAF funds be used to support projects that are eligible for funding under other federal government programs.

13. Environmental Assessment

All projects receiving federal funding must be reviewed under the *Canadian Environmental Assessment Act* and may require a federal environmental assessment in addition to any provincial or municipal assessment already conducted.

14. Application Process

Applications will be accepted until January 18, 2010 at 3 p.m. Multi-year projects will not be considered. Please refer to the [How to Apply](#) section of the Fed Dev Ontario website at www.southernontario.gc.ca for information and instructions on the application process.