

CITY OF CORTLAND
MICROENTERPRISE PROGRAM GUIDELINES - 2018

Funded by: The New York State Office of Community Renewal (OCR) under the
State's Community Development Block Grant Program

MICROENTERPRISE DEFINITION:

A microenterprise is a new or existing business that consists of, or will consist of five or fewer persons, including the business owner or owners. The "five or fewer test" is based on total headcount regardless of the number of hours worked by each employee. To be eligible for assistance, an existing or newly formed microenterprise must meet a low-to-moderate income test in one of two ways; (1) the business owner(s) must be low-to-moderate in income (LMI), or (2) a majority of the jobs to be created must be low-to-moderate income jobs and/or available to low-to-moderate income persons. LMI status is based on family size and gross, annual income. Income limits are provided in Attachment 1. The determination of whether a job meets the low-to-moderate income test is discussed in Attachment 2.

PROGRAM PURPOSE:

The purpose of the Microenterprise Program is to provide training and financial assistance to entrepreneurs, start-up businesses, and existing businesses that will create opportunities or jobs for persons who are low-to-moderate in income. The Program is especially interested in assisting entrepreneurs who are low-to-moderate income persons and do not have access to other sources of capital.

STATE REVIEW OF PROJECTS/STATE DETERMINATION:

The local applicant awards are subject to final approval by the NYS Office of Community Renewal (OCR). By signing below, the applicant or business owner agrees to hold the funding source, the US Department of Housing and Urban Development (HUD); the NYS Housing Trust Fund Corporation (HTFC); the NYS Office of Homes and Community Renewal (HCR) and the NYS Office of Community Renewal (OCR); HUD's, HTFC's, HCR's and OCR's offices, agencies and their employees; the City, its employees and their agents, harmless from any legal recourse as a result of the State's determination.

LOCATION OF PROGRAM:

To be eligible for assistance the microenterprise must be located in the City of Cortland, and the business location must be zoned appropriately for the proposed use.

ELIGIBILITY:

1. **At the time of application, a business must consist of five or fewer persons including the owner(s).** To meet the "five or fewer" test, the City will look at the total headcount at the time of application, regardless of the number of hours worked by the owner(s) and its employees.

2. The project must meet a low-to-moderate income test; that is, either the owner(s) must be low-to-moderate in income based on family size and gross, annual income; or the project must result in the creation of jobs, the majority of which meet the low-to-moderate income test. The City will make this determination with information provided by the applicant (See submission requirements included with the application for information needed to document the applicant is an LMI owner).
3. Not-for-profit entities are not eligible for the Program.

CONDITIONS OF ELIGIBILITY:

1. If a business is owned or started by a person that meets the LMI test, they may **not** have to create jobs. The exception is for repeat applicants that received funding under a prior grant or Program. If additional funding is provided, the LMI person will have to create at least one full-time or full-time equivalent (FTE) job regardless of their income status. When in doubt, please ask.

If the owner(s) is/are **not** low-to-moderate in income, they will be required to create at least one full-time, or full-time equivalent permanent job. Jobs that require 40 hours a week are considered full-time jobs. This requirement can also be met by creating two part-time jobs at 20 hours per week. Jobs must be available to LMI persons pursuant to a program definition (See Attachment 2)

2. All City payments including, but not limited to taxes and water and sewer charges, **must be current** for the business as well as the business owner(s) (i.e. taxes and fees on personal residence if in the City, etc.).
3. **All applicants must have a current business plan that clearly identifies the microenterprise project.** Assistance preparing a business plan can be provided free of charge by the Small Business Development Centers (SBDC) at Onondaga Community College (OCC) or SUNY Binghamton. SBDC representatives from OCC will meet with applicants in Cortland by appointment. Contact the Cortland Business Development Corporation at 756-5005 to set up an appointment. Call SUNY Binghamton SBDC at 607-777-4024 for availability.
4. Existing businesses must demonstrate how the use of microenterprise funds will allow for an expansion of the business that will result in increased profitability.

MICROENTERPRISE PRIORITIES:

The City may prioritize assistance to businesses (1) located in the City's central business district; (2) owned by Veterans with military service; (3) that have been in operation six months or less at the time of application; (4) owned by LMI persons (5) seeking funds for hard assets.

ELIGIBLE USES OF FUNDS: Funds can be used

1. to purchase machinery, equipment, furniture and fixtures including, but not limited to, manufacturing, processing, or display equipment; computer hardware; office furniture, display fixtures, or other equipment/fixtures that directly support the business activities of the applicant. All machinery, equipment, furniture, and fixtures acquired with City funds shall be stored and used at the business's primary City location and will be secured by the City via a UCC filing;

2. to acquire real property;
3. for working capital purposes (“soft costs”). The specific use(s) of working capital must be detailed in the application.;
4. to purchase inventory. The general type and amount of inventory must be detailed in the application. The City reserves the right to file a UCC lien on the business and its assets;
5. to purchase software that is specifically related to the business activity of the applicant. The City reserves the right to file a UCC lien on the business and its assets.;
6. for other uses, not specifically noted above, deemed appropriate by the City, and determined to be eligible by the State.

INELIGIBLE USES OF FUNDS- The following are not eligible for funding:

1. Payment on or refinancing existing debt; payment of interest on interim financing;
2. Any activity(ies) that will result in the loss of a job or jobs or the reduction of hours for any existing employee;
3. Purchase or lease of motor vehicles;
4. Purchase of alcohol tobacco or tobacco related products;
5. Construction, building renovations and/or improvements and other types of construction or labor-related activities; Building materials or supplies used in renovations are generally not eligible, but specific questions can be directed to the NYS OCR to make a final determination;
6. Religious or political activities;
7. Lobbying and/or governmental activities;
8. Costs incurred prior to approval of grant award to the business;
9. Other activities or businesses that are reasonable objectionable to the City such as adult entertainment or gambling.

FINANCIAL ASSISTANCE:

1. The total amount of assistance available per project is \$5,000 to \$35,000. The amount to be provided per project will be determined by the City’s MAP Review Committee based on a review of the application and supporting documentation. The City’s Common Council must provide final approval for those projects/applicants that are recommended for award by the MAP Review Committee.
2. Assistance is in the form of a deferred payment loan (DPL). A DPL is similar to a grant in that there is no monthly repayment required. However, all or a portion of the DPL is subject to recapture if the business closes or relocates outside the City within five (5) years of project completion. The amount of funds recaptured is based on the amount of time the business operated in the City and the amount of funds provided.

3. The City can fund up to 90% of a project's cost up to a maximum of \$35,000 per project. A minimum of 10 % of the total project cost (equity) must be provided by the owner and available in owner's funds at time of application. The equity cannot be in the form of debt. Project costs in excess of the \$35,000 maximum must be provided by the owner and documented as available at the time of application.
4. **This is a reimbursement program:** The State disburses funds based on PAID receipts. Recipients should be aware that they have to purchase the items to be paid for with Micro funds up front with check, credit/debit card, cash or a line of credit and then be reimbursed after submission of a PAID receipt to the State funding source. If your project is approved, please discuss this process with Thoma Development to ensure you have the ability and adequate cash flow to undertake the project based on the reimbursement process. A maximum of two disbursement requests will be submitted to the State for each project.

EQUITY CONTRIBUTION:

Awardees must provide a minimum of 10% equity to the project. Applicants must provide documentation of availability of equity at the time the application is submitted for review. The 10% equity contribution must be in the form of owner's cash and cannot be associated with debt.

JUSTIFICATION FOR AND LIMITATION OF FUNDING:

The amount of funding awarded to the City for this Program is limited. It is likely that there will be more requests than there is money. Therefore, applicants should carefully justify in narrative form the need for each item for which funds are requested and show how it relates and/or will impact the success of the project, and/or how elimination of the item will impact on the success of the project.

Since funding is limited it is likely that some projects may be awarded some, but not all of the funding requested. Accordingly, your application should list each item requested for the project in order of priority.

SMALL BUSINESS TRAINING:

Training is a required part of the Microenterprise Program. New York State Homes and Community Renewal (HCR) requires all participating business owners to complete a business ownership or entrepreneurial training course that is approved by them. The applicant must provide proof of successful completion of such training. No funds will be disbursed without such proof. If a Program participant has already completed one of the approved training courses, completion must have been within 24 months of Microenterprise approval. The City's Program Administrator will provide specific information to each applicant with respect to the State-approved training programs.

DISBURSEMENT OF FUNDS:

City microenterprise funds will be disbursed based on a mutually agreed upon schedule between the City and the applicant following the approval of the owner's microenterprise application. Two disbursements are permitted per project. Documentation of costs and proof of payment must be provided prior to disbursement of funds. The type of documentation required will be based on the expense to be paid for; i.e. equipment/working capital/inventory, etc. The equity contribution must be documented prior to complete disbursement of all Microenterprise funds.

TAX CONSEQUENCES:

The City has requested an opinion from the State whether award of funds to a business/individual under this Program will or will not trigger tax consequences to the participant. The State, in turn, has requested an opinion from the U.S. Department of Housing and Urban Development (HUD), which provides funding to the State for this purpose. HUD and/or the State has/have not provided an opinion or any information that may assist you with this issue. The City cannot and does not render any opinion or make any representation with respect to whether the funds provided hereunder are considered taxable income. To determine the tax consequences of receiving funds under the Microenterprise Program, applicants/participants should contact a tax specialist or their own accountant.

PROJECT PITCH:

Applicants may be requested to provide a short presentative or “pitch” with a question and answer period in front of the MAP Review Committee at the Committee’s request.

BUSINESS PLAN AND CASH FLOW STATEMENTS:

Applications submitted without a business plan and cash flow statements will not be considered. Assistance with the preparation of a business plan can be found on-line or from the SBD Centers noted under the heading “Conditions of Eligibility” at (3) above. Additionally, the City’s consultants, Thoma Development can provide an outline upon request.

NEED:

State Program regulations note that Microenterprise assistance is for individuals/businesses that do not have access to traditional means of financing. Business Plans must include a section on the NEED for funding and why public funds are necessary for their project.

OTHER TERMS AND CONDITIONS:

- 1) An Agreement between the City and the microenterprise owner(s) will be executed prior to the disbursement of any funds. This Agreement will detail the terms and conditions of the funding.
- 2) The Microenterprise owner will be responsible to repay the City, in full or in part, if the business ceases operation, is sold or moves outside the City prior to the end of the five-year regulatory period. The amount to be repaid will depend on the length of time the business was in existence after project completion. No repayment will be required if the business meets the five-year regulatory period.
- 3) All low-to-moderate income jobs to be created through this Program will be verified pursuant to a process established by the New York State Office OCR. The process requires the completion and submission of certain forms and reports to which the project owner must agree. The employment monitoring will continue until such time as the job’s obligation is met.

- 4) Funded businesses must carry insurance on the contents of their businesses to cover, at a minimum, the award provided by the City under this Program. If the business has other loan obligations outstanding, the insurance should be adequate to cover all other obligations, in addition to the City's, at a minimum. The City will be listed as loss payee on the business's policy and a certificate of insurance will be required to document coverage. The Microenterprise must also carry liability insurance.
- 5) The Microenterprise is required to comply with all local, State, and federal laws, regulations or requirements that would normally and routinely apply to such businesses, and as may be required of recipients of State and/or federal funding.
- 6) The Microenterprise will hold harmless the City and its agents, as well as the State and its agents by signing the Deferred Payment Loan Agreement.
- 7) The Microenterprise applicant/participant must document a need for MAP assistance. The City must make a determination that assistance it is both necessary and appropriate to provide the assistance. Microenterprise funding should be the funding of last resort.
- 8) The City has the right to amend these guidelines at any time in order to conform to State requirements or requests/suggestions, or to adjust for clerical errors or errors of omission. Applicants or potential applicants that have requested a program package will be notified of any changes or amendments, if in the City's opinion said changes will impact on the applicant's submissions or project design.
- 9) Applicants must have site control at the time of application including ownership of the project site, or a lease with a term of five years.
- 10) Project locations must be zoned appropriately for the project.
- 11) Other regulations and/or State policies may apply to the Program that are not included herein. The applicant should ask whenever there are questions or concerns with respect to eligibility of a project or activity.

ATTACHMENTS:

1. Income limits for Cortland City as determined by the US Department of Housing and Urban Development
2. Determining "low-to-moderate income" jobs
3. Obtaining a DUNS number for your business

ATTACHMENT #1
LOW-TO-MODERATE INCOME LIMITS FOR CORTLAND COUNTY
Effective April 2019

| FAMILY SIZE | MAXIMUM INCOME LIMIT |
|-------------|----------------------|
| 1 | \$39,550 |
| 2 | \$45,200 |
| 3 | \$50,850 |
| 4 | \$56,500 |
| 5 | \$61,050 |
| 6 | \$65,550 |
| 7 | \$70,100 |
| 8 | \$74,600 |

The Applicant/Business Owner(s) or the employees will be considered low-to-moderate in income if the family's **gross annual** income does not exceed the maximum income noted for that family size.

For example, if a family has two adults and three children (total five persons) the income opposite the number "5", which is \$61,050, is the maximum income that family can earn on an annual basis. If the family's gross, annual income is less than \$61,050 they are considered a "low-to-moderate" income family. If the family's gross annual income is greater than \$61,050, they do not meet the low-to-moderate income test. Family is defined as those persons in a household that are related by marriage, birth or adoption.

A Microenterprise with two or more owners will qualify under the low-to-moderate income criteria if, and only if, 51% of the owners meet the low-to-moderate income criteria. If the owners do not meet this criterion, then the Microenterprise must qualify under the criteria to create jobs that are low-to-moderate in income. (See Attachment 2 below)

ATTACHMENT #2
DETERMINING LOW-TO-MODERATE INCOME JOBS

To be eligible for funding under the City's Microenterprise Program, the project must meet the low-to-moderate income benefit test in one of two ways; either (1) the business owner(s) must be low-to-moderate in income, or (2) the jobs to be created must be filled by or available to low-to-moderate income persons. If the business owner is low-to-moderate in income, this section can be ignored.

If a business owner (or all owners) is/are not low-to-moderate in income, their project must result in the creation of jobs, 51% of which are considered low-to-moderate income jobs. In addition, the business owner must provide first consideration for the jobs to be created to those persons who are low-to-moderate in income. Jobs may be claimed to be available to low-to-moderate income persons when both the following conditions are met:

- 1) The jobs **do not** require special skills that can only be acquired with substantial (i.e. one year or more) training or work experience, and/or education beyond high school is not a prerequisite to fill such jobs, unless the business agrees to hire and train unqualified persons; **and**
- 2) Actions are taken by the business owner to ensure that low-to-moderate income persons receive "first consideration" when hiring for such jobs.

Principles involved in providing "first consideration" are as follows:

- 1) The business owner must use a hiring process that under normal circumstances would result in at least 51% of those interviewed meeting the low-to-moderate income status test;
- 2) The business owner must consider a sufficient number of low-to-moderate income job applicants to give reasonable opportunity to fill the position with a low-to-moderate income person;
- 3) The business owner must give consideration to the distance from the residence of a low-to-moderate income job applicant and the availability of transportation to the job site in order for the job applicant to be considered a serious applicant for the job.

The City is required to monitor job creation activities to determine if the jobs to be created are filled by persons low-to-moderate in income or meet the first consideration test. To meet this obligation, the City is required and, therefore, the business owner agrees to follow a plan approved by the NYS OCR. Information on and the forms for completion included in the plan will be provided at a later date.

ATTACHMENT #3 OBTAINING A DUNS NUMBER FOR YOUR BUSINESS

The funds for which you are applying were awarded to the City of Cortland from the NYS Office For Community Renewal (OCR) as part of the federal Community Development Block Grant Program (CDBG). In keeping with federal regulations, the OCR **requires** that recipients of CDBG funds secure a DUNS number. If awarded funding, we cannot disburse funds until you obtain a DUNS number. If you are an existing business and already have a DUNS number at your current location, you do not need to obtain another one.

DUNS stands for Data Universal Numbering System. A DUNS is a unique nine-digit identification number provided by Dun and Bradstreet (D&B). All Microenterprise Program participants **must** have a DUNS number. This requirement is part of the Patriot Act and the federal government's determination that there is a need for improved statistical reporting for businesses that receive federal funds, such as the Microenterprise funds. There is no cost to obtain a DUNS number. It can be obtained via internet or by phone. (See below).

DUNS numbers are site-specific. Therefore, if your business has more than one location, you may have more than one DUNS number. If you are not sure if you have a DUNS number or if you have misplaced the number, you can search the website. If it is determined that you do not have a DUNS number, you will be requested to enter certain information about your business and will be assigned a number, free of charge. Enter this number on the application in the area requested and keep it in a safe place for future reference.

You can request a DUNS number online at the following web address: <http://fedgov.dnb.com/webform/displayHomePage.do> (when you get to the home page, click on "Begin the D-U-N-S Search/Request Process" option located on the left hand side of the home page). Most applicants have received their DUNS number in as few as 2-3 days.

You can also request a number by phone at 1-866-705-5711. Generally, this is quicker than requesting via the internet. Have the following information available:

- Legal Name
- Tradestyle, Doing Business As (DBA), or other name by which your organization is commonly recognized
- Physical Address, City, State and Zip Code
- Mailing Address (if different than physical address)
- Telephone Number
- Contact Name
- SIC Code (Line of Business)
- Number of Employees at your location
- Headquarters name and address (if there is a reporting relationship to a parent corporate entity)
- Is this a home-based business?