CITY OF REDLANDS

Microenterprise Assistance Program (MAP Grant) for Small Businesses
A Community Development Block Grant Funded Program

December 18, 2012
1.0 INTRODUCTION

1.0.1 The objective of the Microenterprise Assistance Program (MAP) Grant is to fulfill a need in the community; create opportunity for the establishment and expansion of microenterprise businesses within the City of Redlands; to create quality jobs, principally benefitting employees in the low-to-moderate income levels; and to preserve and expand the City’s tax base.

1.0.2 Program procedures, manuals, forms, documents and agreements shall be administered by the City’s Development Services Director, or his designees, in accordance with these program guidelines.

1.0.3 The total amount of CDBG funds available to award in MAP Grants each year is limited. Applications are accepted on a continuous, open cycle until all funds are exhausted.

1.0.4 The MAP Grant provides grants in amounts ranging from $5,000 to $25,000 to eligible businesses that want to establish a business or expand an existing business located within the City of Redlands. This is a grant, and does not have to be repaid as long as all program terms are met.

1.0.5 The MAP Grant was made possible through a Community Development Block Grant (CDBG) from the U.S. Department of Housing and Urban Development (HUD). CDBG funds are Federal funds and as such have a number of Federal requirements that must be met as further described in this document. MAP Grants are not from the City’s general fund.

1.1 ELIGIBILITY AND MINIMUM REQUIREMENTS

1.1.1 Microenterprise business applicants include private for-profit business concerns including corporations, limited liability corporations, partnerships (general and limited), or sole proprietorships that have legal standing as a business and are licensed by the City of Redlands.

1.1.2 Non-profit organizations are not considered microenterprises for the purposes of this program.

1.1.3 Applicants can also be individual persons/partnerships who wish to start a business but have not completed all the steps to open their business. A condition of funding for these applicants will be to have the business development process completed, such that they can be recognized by the City as a legal business. This can be documented by providing copies of a City of Redlands Business License, fictitious business name or trade name, etc.
1.1.4 To be eligible for the MAP Grant, the following minimum requirements must be met:

a. Business must be located within the Redlands city limits.

b. Business must have five (5) or fewer employees, one (1) or more of which must be the principal(s) who owns the business at the time of application. All employees, part-time and full-time, on the business payroll at the time of grant application will be counted. The term “employee” includes all owners of the business on the payroll, even if the owner’s “salary draws” are not done on a regular basis.

c. The proposed project must meet a National Objective and be an eligible activity under the Community Development Block Grant (CDBG) Act. In general, the project must either:

1. Be a business whose owner is certified as being low- to moderate-income; or
2. Create/retain jobs.

d. The CDBG program requires that at least 51% of the jobs, computed on a full-time equivalent basis, created or retained must be held by or made available to low- and moderate-income persons. The grant applicant must acknowledge that if it fails to create and/or retain the jobs identified in the agreement by the end of the project period and maintain them for a period of time (usually 18 months from the date of the award); it may be required to reimburse the City some or all of the grant funds awarded as a result of the new employment shortfall.

e. In counting the jobs to be used in the calculation for determining the percentage that benefit low-moderate income persons, the following criteria apply:

- Part-time jobs must be converted to full-time equivalents (FTE).
- Only permanent jobs count; temporary jobs may not be included.
- Jobs indirectly created by an assisted activity (spin-off jobs) or jobs located outside of the City may not be counted.

1.1.5 The City will not provide grant assistance in situations where it is determined that any representation, warranty or statement made in connection with the MAP Grant application is incorrect, false, misleading or erroneous in any material respect. In the event assistance has already been provided prior to the discovery of incorrect, false, or misleading representation, the City may initiate legal action to recover the funds.

1.1.6 Adult entertainment establishments, as defined in the Redlands Municipal Code, are ineligible for a CDBG funded MAP Grant.
1.2 AMOUNT OF MAP GRANT REQUEST

1.2.1 A MAP Grant can range from $5,000 to $25,000. The City will review the level of grant assistance requested and will consider the appropriateness of the project's scope, the level of demonstrated need and the financial resources of the applicant. If the City determines that a lesser amount is appropriate than the amount requested by the applicant, it may be necessary to revise the application before it is submitted in final form. The maximum award is not intended to serve as a target figure for requests for grant assistance.

1.3 USE OF PROGRAM FUNDS

1.3.1 MAP Grant funds must be justified and be used directly by the applicant to purchase capital goods; including machinery; fixtures; equipment; and/or to provide working capital to support operations.

1.3.2 MAP Grant funds may not be used to purchase portable equipment, such as personal computers, adding machines, desks, desk chairs, etc.; real estate; repay existing debt; undertake building façade or building interior renovations; refinance loans made by other lenders; subsidize interest payments on existing loans; lobbying any governmental entity; political or religious activities; or make any investments or payments that are outside the scope of the business.

1.3.3 MAP Grant funds may not be used for job pirating. This is the use of Federal funds to lure or attract businesses and its jobs away from one labor market to another.

1.3.4 All MAP Grant funding will be provided on a reimbursement basis.

1.4 PRE-APPLICATION REVIEW

1.4.1 A pre-application is required to be submitted to the City by all MAP Grant applicants. A review of this pre-application by the City will determine if the basic CDBG eligibility requirements exist in order to move forward in the application review process.

1.5 NON-REFUNDABLE APPLICATION FEE

1.5.1 The City will review the pre-application and provide authorization to continue. The application, along with all supporting documentation (business plan, financial pro-forma, financial statements, tax returns, information release authorization, budget, employment chart, etc., and a
non-refundable $100 application fee (to cover the costs of obtaining a current credit report and other hard costs necessary for the application review and qualification process) will be required in order to move the application forward in the review process.

### 1.6 ENVIRONMENTAL REVIEW

1.6.1 National Environmental Policy ACT (NEPA) regulations require an Environmental Review Record (ERR) to be submitted for each project/business funded with CDBG monies prior to award or approval of funds. The ERR level of review is based on the type of project proposed.

1.6.2 The environmental review must identify and address the physical, social and economic impacts of the entire proposed activity. The environmental review process must consider the impacts of the entire proposed activity.

1.6.3 Compliance with any other federal, state, county, or local environmental regulations, such as California Environmental Quality Act (CEQA), may also be required and will be based upon a review of the entire proposed activity.

### 1.7 PROCUREMENT

1.7.1 Federal procurement standards must be utilized by grantees when procuring services, supplies, or equipment that maximize free and open competition and the efficient, economical use of the CDBG funds.

### 1.8 APPLICATION REVIEW

1.8.1 MAP Grant applications shall be reviewed and evaluated based upon the following guidelines from the U.S. Department of Housing and Urban Development (HUD), Office of Community Planning and Development and by the Small Business Administration (SBA):

   a. Ability to repay the MAP Grant in case of default or termination of business based upon the following criteria:

      1. Balance Sheet Analysis
      2. Historical Earnings and Cash Flow Records
      3. Collateral
      4. Commitment
      5. Management Experience
      6. Direct Experience
7. Business Plan

All of the above criteria are important, and the absence of any one of the above criteria may be sufficient to deny a grant request.

b. The following conditions are considered undesirable without mitigating circumstances:

1. Requests for a grant to repay existing creditors;
2. Funds used to repay debt to applicant owner(s), partners, stockholders;
3. Requests for a grant to repay existing creditors;
4. Lack of profitable operations;
5. Grants to businesses with restricted membership or discriminatory groups/organizations;
6. Lack of sufficient equity/highly leveraged situations;
7. Personal or business bankruptcy, or prior business failure without sufficient, documented information to mitigate;
8. Poor personal or business credit as evidenced by many derogatory items including public record items, tax liens, judgments, or excessive existing credit;
9. Undocumented aliens;
10. Felony convictions, dishonorable discharge or “Bad Conduct” discharge from military service (each situation will be independently evaluated); and

1.9 CONFLICT OF INTEREST

1.9.1 In accordance with Title 24, Section 570.611 of the Federal Regulations, no member of the governing body and no official, employee or agent of the local government, nor any other person who exercises policy or decision-making responsibilities in connection with the planning and implementation of the CDBG program shall directly or indirectly be eligible for this program.

1.10 RELOCATION

1.10.1 Any MAP Grant request that would result in displacement of a person or a business, as defined by Federal or state relocation laws, is not eligible for a MAP Grant.
1.11 NON-DISCRIMINATION

1.11.1 Discrimination by the City against any applicant because of race, color, sex or sexual orientation, religion, age, national origin, disability or veteran’s status is prohibited by law. The City actively supports this legislation.

1.12 APPLICANT CONFIDENTIALITY

1.12.1 Employees of the City will not disclose any of the grantee’s personal confidential information as part of the grant approval process. Financial information supplied by the applicant, including but not limited to business operating statements, tax information, personal and business financial information, and similar data are considered to be confidential. All confidential information of businesses will only be disclosed to persons required to view the information as part of grant review and approval. All personal and business confidential information of grant applicants will be kept in a locked, secured storage facility and unavailable to persons outside of the program. If the City receives a request for public records related to a grant application, only non-confidential information, as verified by the City Attorney, will be provided.

1.13 DEFAULT

1.13.1 The following circumstances will be determined to be “Events of Default” which could trigger either full or partial repayment of the MAP Grant:

   a. If representations, conditions or warranties made by the MAP Grant recipient prove to be incorrect in any material respect when made or changed so that the statement becomes incorrect, whether voluntarily or involuntarily.

   b. Grant recipient fails to complete Entrepreneurial Training as defined in article 1.16.1.

   c. Grant recipient fails to create or retain at least 80% of the job requirements specified in the agreement.

   d. Grant recipient fails to meet the minimum of 51% of new jobs being made available to low- and moderate-income persons.

1.14 DATA UNIVERSAL NUMBERING SYSTEM (DUNS)

1.14.1 A DUNS number is required for all businesses who wish to receive a Federally funded MAP grant. The DUNS number is free and can be obtained online at: www.grants.gov/applicant/request_duns_number.jsp.
1.15 INCOME AND DEMOGRAPHIC DATA COLLECTION

1.15.1 Annual income level, household size, and demographic data, such as racial and ethnic background, must be collected by the grantee and provided to the City for any new hires resulting from the investment of CDBG funds in accordance with HUD requirements during the term identified in the funding agreement.

1.16 REQUIREMENT TO ATTEND ENTREPRENEURIAL TRAINING WORKSHOPS

1.16.1 To help alleviate risk and assure success, all MAP Grant recipients, independent of existing skills and experiences, must attend a minimum of three (3) City of Redlands sponsored small business educational workshops (or other pre-approved business training workshop sponsored by another organization) of their choosing within a one year period.

1.17 SITE AVAILABILITY

1.17.1 The grantee agrees to make the property/business available during reasonable hours to the City for monitoring and inspection purposes throughout the term defined in the agreement.

1.18 ADDITIONAL INFORMATION

1.18.1 Upon review of a submitted application, the City reserves the right to request additional information in order to assist the City with its evaluation of an application.

1.19 PROGRAM ELIGIBILITY

1.19.1 CDBG funded MAP Grants are limited to one per business. However, a MAP Grant recipient may also qualify to receive a CDBG funded Economic Development Loan.