



# SMALL BUSINESS GRANT POLICIES AND PROCEDURES

## **What is the purpose of the Prescott Cares Small Business Grant (SBG) Program?**

The COVID-19 pandemic has economically damaged small businesses everywhere including in Prescott, causing layoffs and closures. The City of Prescott has received \$428,197 in special Community Development Block Grants funds from the US Department of Housing and Urban Development under the “Coronavirus Aid, Relief, and Economic Security Act” (CARES Act) for preventing, preparing for, and responding to the Coronavirus (COVID-19).

The City of Prescott Community Development Department, has created the SBG Program to provide grants to two types of eligible small businesses to help them prevent, prepare for and respond to the Coronavirus. The City is partnering with the Prescott Chamber of Commerce Foundation to distribute these grants.

## **Must businesses be located in Prescott to be eligible for SBG Funds?**

Yes. There must be a brick and mortar business location in Prescott.

## **What are the two types of eligible small businesses?**

### 1) Low Moderate Income (LMI) Microenterprises

Prescott for-profit businesses with five or fewer employees INCLUDING the owner who must be LMI (Low to Moderate Income).

### 2) Other Small Businesses

Other *Prescott for-profit businesses* including (A) microenterprises that are NOT owned by LMI owners AND (B) small businesses with less than 30 employees.

## **How does an LMI Microenterprise qualify?**

### 1. The microenterprise has a low-moderate income owner.

A microenterprise that is owned by a low-moderate income (LMI) owner may qualify for a grant if the owner is LMI based on household size and income limits, using the “HUD 2020 Income Guidelines.” The owner will initially indicate the number of persons (related or not) that reside in owner’s household and the combined annual gross income in the household pursuant to the table below, based on the most current Adjusted CDBG Income Limits from HUD. However, owner household income will have to be **verified** as per paragraph 2 below.





# SMALL BUSINESS GRANT POLICIES AND PROCEDURES

| Number of persons in household | With gross annual income not to exceed: | Number of persons in household | With gross annual income no to exceed: |
|--------------------------------|---|--------------------------------|--|
| 1                              | \$36,200                                | 5                              | \$55,850                               |
| 2                              | \$41,400                                | 6                              | \$60,000                               |
| 3                              | \$46,550                                | 7                              | \$64,150                               |
| 4                              | \$51,700                                | 8                              | \$68,250                               |

2. LMI owners must provide documentation of their income such as the most recent tax returns, profit & loss reports detailing payments to owners, and similar documents. The City will rely on Annual Income as defined in accordance with [24 CFR Part 5.609](#).

### How do other small businesses qualify?

Small businesses that have fewer than 30 employees (so are NOT microenterprises) or (2) are microenterprises that are not owned by an LMI owner, may qualify under this section of the guidance.

ALL such businesses under this section MUST create or retain at least one permanent job. If more than one job is to be created or retained, at least 51 percent (computed on a full-time equivalent basis) must be held by LMI persons.

Job creation or retention requirements do not apply to LMI Income Microenterprises.

### Job Creation

If SBG funds are used to create jobs, there must be documentation indicating that at least 51 percent of the jobs will be held by LMI persons. The rehiring of laid off or furloughed employees is considered Job Creation.

### Job Retention

If SBG funds are used to retain jobs, there must be sufficient information documenting that the jobs would have been lost without the SBG funds and that one or both of the following applies to at least 51 percent of the jobs:

- The job is held by an LMI person; or
- The job can reasonably be expected to turn over within the following two years and steps will be taken to ensure that the job will be filled by an LMI person.





# SMALL BUSINESS GRANT POLICIES AND PROCEDURES

## **What can SBG funds be used for?**

SBG funds awarded by the City of Prescott may be used to pay the commercial rent/lease/mortgage **and/or** private utilities costs of the applicant business for up to three months. SBG funds can also be used to pay for expenses related to prevent, prepare for, and respond to the Coronavirus (COVID-19). Assisted businesses will be required to submit a W-9 form from the vendor to be paid (e.g., utility company, landlord, bank). Payments can be made for bills in arrears going back to the beginning of the pandemic (March 11, 2020). Payments cannot be made to individuals. Payments will be made directly to the business, mortgage holder, landlord or utility company.

Businesses may generally apply for assistance only once but this policy may change depending upon factors such as whether funding available and amount of applications received.

## **Do businesses have to pay back SBG funds to Prescott?**

If used for eligible costs, Cares funds do NOT have to be repaid, as they are grants. Business owners will be asked to sign a declaration of subrogation which means that they certify that none of the funds received by Prescott Cares will be a duplication of benefits of other awards from other entities. If it is discovered that recipients have been double paid for the same items, the City will ask the business to repay the grant funds.

## **What is the maximum grant allowed?**

The maximum grant for a low-moderate income microenterprise is \$5,000 and the maximum size of a grant for other small businesses is \$5,000. Grant size depends upon the requested amount and ability to demonstrate need.

## **When can businesses apply for the SBG funds?**

Applications are accepted between April 19<sup>th</sup> and May 15, 2021. Applications submitted with ALL required supporting documents will be considered for funds; partial or incomplete submittals will not be reviewed for eligibility.

## **What types of businesses are NOT eligible for SBG funds?**

Businesses larger than 30 employees and those who are not a micro business; home-based businesses, and adult entertainment businesses. Business must be brick and mortar that are located in Prescott and primarily serve Prescott residents.





# SMALL BUSINESS GRANT POLICIES AND PROCEDURES

## **How does the City monitor job creation or retention?**

The SBG Application Form requires each applicant to identify the number of employees computed on a full-time equivalent basis, titles of such employees, and whether positions are filled or vacant at the time the application is submitted. Each applicant must create or retain at least one job computed on a full-time equivalent basis that is or will be held by a low or moderate person. If an applicant pledges to create or retain more than one position, the applicant must ensure that 51% of the positions are held by low-moderate income persons.

Monitoring of job retention and creation will entail:

- 1) Determining the number of permanent full-time equivalent jobs retained and/or created.
- 2) Determining the percentage of such jobs held by low /moderate income persons.

To demonstrate compliance with job creation or retention requirements, an applicant must ensure that employees complete and sign a LOW MOD INCOME JOB CREATION OR RETENTION VERIFICATION FORM. The applicant must submit such forms to the Chamber. Based on information provided by the employer/employee, the City of Prescott must report to HUD on the number of permanent, FTE positions retained or created with the assistance of SBG funds.

## **What are “Underwriting Standards”?**

Grants provided to small business (other than to LMI Micro Enterprises) are subject to federal Underwriting Standards. HUD regulations at 24 CFR 570.209(a) guide the City in financially underwriting and selecting SBG recipients except that underwriting is not required for LMI micro enterprises. See Appendix A – Underwriting Standards, attached.

## **What other factors must the City establish via application, documentation or records?**

1. That the business has experienced a measurable loss of revenue due to COVID-19 as documented through weekly or monthly sales or income documentation.
2. That the business has less than \$2,000,000 in gross annual receipts as through profit and loss statement.
3. That the business can establish through acceptable documentation that it's been in operation as of March 11, 2020; and at least six months prior, September 11, 2019.





# SMALL BUSINESS GRANT POLICIES AND PROCEDURES

**What is meant by avoidance of “Duplication of Benefits”?** Under the federal Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act), the City must ensure that it prevents the “duplication of benefits” when using CDBG-CV funds, such as those used by the City under its SBG Program to assist small businesses impacted by COVID-19. Essentially, duplication of benefits occurs when a person, household, business, or other entity receives assistance from multiple sources for the same purpose and the total assistance received for that purpose is more than the total need. Each applicant will have to sign an affidavit that it will not apply for or accept other federal, state, local or private loans or grants or other assistance for the same purposes for which Prescott Cares funds will be used or in excess of total costs for that same purpose.

## **How does a business obtain SBG funds?**

An applicant must complete the required SBG funding application and submit ALL required supporting documents to the Chamber. The application is available at: [www.prescott.org](http://www.prescott.org) or calling 928-445-2000.

1. Complete the application form that is in Adobe Acrobat fill able format online, and save completed form to your desktop. The application may be completed online, but not SUBMITTED online.
2. Print out the completed form and make sure it is signed by you (applicant). Attach all required supporting documents.
3. Send the completed application AND required supporting documents by regular mail to 117 W. Goodwin Street, Prescott AZ 86303. Do NOT send original sensitive documents such as tax returns! Send copies.
4. Once submitted, The Chamber and City of Prescott will review applications and required supporting documents for completeness. Chamber staff will contact you if to obtain any missing documents, which you must send as soon as possible as only complete application packages will be reviewed for grant eligibility.
5. All applications, except those from microenterprises, are subject to required City of Prescott underwriting analysis. Microenterprise assistance will be limited to a cost reasonableness review.
6. Incomplete application packages (e.g., incomplete application form, failure to submit ALL required supporting documents) WILL NOT be accepted by the Chamber. A business cannot reserve its place in the application queue by submitting a partial or incomplete application.





# SMALL BUSINESS GRANT POLICIES AND PROCEDURES

7. The Chamber and City will review the completed application package and based on it and any required underwriting analysis will either accept or deny the application and will notify applicant by email. If an application is denied, the Chamber will state the reason why.

8. If an application is approved, the applicant will be required to sign either an LMI Microenterprise Agreement or a Small Business Job Creation or Retention Agreement, respectively with the City. The Agreement will contain conditions of the grant.

9. The City will provide the applicant with an executed copy of the Agreement. The Chamber will notify the applicant that invoices and other acceptable documents asking for grant funds may be submitted.

10. The applicant will be required to sign, under penalty of perjury, an AFFIDAVIT stating the applicant has not accepted/will not accept other federal, state, or local loans/grants for the same purpose for which the business will receive SBG funds from the City. Other funding sources include, but are not limited to, SBA Disaster Loans and the Paycheck Protection Program (PPP). Applicants must also assert that there are no outstanding state or local tax liens or legal judgments. Finally, the AFFIDAVIT requires that if the business does so accept such other assistance the business will immediately notify the Chamber and may be required to reimburse the City some or all SBG funds.

## **What documents must an SBG applicant submit with the application?**

Documents required to be submitted with a SBG Application include:

- A. Most recent business tax return filed.
- B. Profit and Loss Statement
- C. Bank statement
- D. Balance sheet prior three years
- E. Current balance sheet no older than 90 days
- F. Proof of quarterly tax payments if made quarterly
- G. Copy of lease or rental agreement, or mortgage, for your commercial premises in Prescott if you are seeking SBG assistance for commercial lease/rent/mortgage.
- H. Copy of utility bills for utilities for which you seek SBG assistance.
- I. Statement of cash flows





# SMALL BUSINESS GRANT POLICIES AND PROCEDURES

- J. Signed AFFIDAVIT regarding receipt of other funds. This will be provided to you by the Chamber IF and WHEN your application for assistance is approved.
- K. ONLY IF YOU ARE A LOW MOD INCOME OWNER OF A MICRO ENTERPRISE: provide most recent personal tax returns.
- L. Payroll reports for prior year and quarterly reports for current year.

**City reserves right to amend Policies and Procedures** - The City cannot foresee all contingencies and therefore reserves the right to make exceptions to these Policies and Procedures.

