

CITY OF NORWICH
SMALL BUSINESS GRANT (SBG) PROGRAM
POLICIES & PROCEDURES FOR CDBG-CV FUNDS

What is the purpose of the Norwich Small Business Grant (SBG) Program?

The COVID-19 pandemic has economically damaged small businesses everywhere including in Norwich, causing layoffs and closures. The City of Norwich has received \$219,569 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 Norwich Office of Community Development (CD) has created the SBG Program to provide grants to two types of eligible small businesses to help them continue to operate.

Must businesses be located in NORWICH to be eligible for SBG Funds?

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

What are the two types of eligible small businesses?

1) Low Moderate Income (LMI) Microenterprises

Norwich for-profit businesses with five or fewer employees INCLUDING the owner who must be LMI.

2) Other Small Businesses

Other *Norwich for-profit businesses* including (A) microenterprises that are NOT owned by LMI owners AND (B) small businesses with from six to 100 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 HUD-defined Income Limits Summary (below) However, owner household income will have to be **verified** as per paragraph 2 below.

Number of persons in household	With gross annual income not to exceed:		Number of persons in household	With gross annual income not to exceed:
1	\$54,950		5	\$84,800
2	\$62,800		6	\$91,100
3	\$70,650		7	\$97,350
4	\$78,500		8	\$103,650

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 CD office will rely on Annual Income as defined in accordance with 24 CFR Part 5.609.

How do other small businesses qualify?

Small businesses that (1) have from six to 100 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 an 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.

What can SBG funds be used for?

SBG funds awarded by the CD Office may be used to pay the commercial rent/lease/mortgage **OR** utilities costs of the applicant business for up to 3 (three) months. Assisted businesses will be required to submit a W-9 form from the vendor to be paid (e.g., utility company, landlord, bank).

Businesses may generally apply for assistance only once but this policy may change depending upon factors such as whether sufficient funds remain after initial allocations and whether the City receives additional funds from HUD for COVID-19 related purposes.

SBG funds may NOT pay for reimbursement of expenses incurred prior to date of execution of the agreement to be entered into between the City and SBG applicants. SBG funds may be used to pay arrearages or amounts past due for commercial rent/lease/mortgage or utilities.

Do businesses have to pay back SBG funds to Norwich?

No. Such funds if used for eligible costs do NOT have to be repaid as they are grants.

What is the maximum grant allowed?

The maximum grant is \$10,000. Grant size depends upon the **demonstrated cost of the monthly commercial lease, rent, or mortgage or utilities times 3 (three).**

When can businesses apply for the SBG funds?

Applications will be accepted through March 5, 2021. Only completed 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 ineligible for SBG funds?

Gun shops, pawn shops, cannabis businesses, franchises of national or regional chains, social clubs, home-based businesses, and adult entertainment businesses.

All businesses must be registered with the State of Connecticut.

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 by the CD Office 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 CD Office.

Based on information provided by the employer/employee, the CD Office 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 CD Office 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 for at least one year.

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.

Further HUD guidance is forthcoming and will be summarized here within a reasonable time after receipt of such guidance by the City. 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. Example: if a grantee receives Norwich SBG funds in the amount of \$2000 per month for September, October, and November, and the business receives \$2000 in other funds for these same months, this is a duplication of benefits.

Each applicant will be required 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 Norwich SBG 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 CD office. The application is available on the City website under the Community Development tab; then under the SBG Program.

1. Complete the application form that is in Adobe Acrobat fillable 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: 23 Union Street, Norwich, CT 06360 Attention: Tianne Curtis, or by email to tcurtis@cityofnorwich.org. Emailed applications and documents are preferred; hard copies mailed to the CD office will delay processing. Do NOT send original sensitive documents such as tax returns! Send copies.
4. Once submitted, CD will review applications and required supporting documents for completeness. CD staff will contact you to obtain any missing documents, which you must supply 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 CD 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 CD Office. A business cannot reserve its place in the application queue by submitting a partial or incomplete application.
7. The CD office 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 CD office 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 CD office will notify the applicant when 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 fund 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 judgements. Finally, the AFFIDAVIT requires that if the business does so accept such other assistance the business will immediately notify the CD Office 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. DBA License/Certificate from the City of Norwich or State of Connecticut
- B. Profit & Loss Statement for the past two (2) years and quarterly for the current year
- C. Bank statements for the prior two (2) months
- D. Balance sheet prior three (3) years
- E. Current balance sheet no older than 90-days
- F. Proof of tax payments
- G. Copy of lease, rental agreement or mortgage for your commercial premises in Norwich (if you are requesting SBG assistance for commercial lease/rent/mortgage)
- H. Copy of lease, rent or mortgage statement
- I. Signed release of information
- J. Copies of Utility bills you are requesting SBG assistance for
- K. Statement of Cash Flows
- L. Payroll reports for prior year and quarterly reports for current year
- M. Signed Duplication of Benefits Affidavit
- N. **If you are a Low/Mod Income (LMI) Owner of a Microenterprise**, provide your most recent personal tax returns

The CD office reserves the right to ask for further information under these Policies and Procedures in order to approve applications and/or process payments, including but not limited to, paystubs, cancelled checks, receipts, or copies of bank statements.

The City reserves the right to amend Policies and Procedures at any time

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

APPENDIX A TO NORWICH SMALL BUSINESS GRANT

POLICIES AND PROCEDURES

Underwriting Analysis and Supporting Documents

Per 24 CFR Part 570.209(a)

HUD requires that Underwriting Standards to be Reviewed and Analyzed

HUD regulations at 24 CFR 570.209(a), Guidelines and Objectives for Evaluating Project Costs and Financial Requirements, are designed to help the City with financially underwriting and selecting CDBG-assisted economic development projects like providing Norwich SBG funds to non-microenterprise businesses.

Underwriting must be conducted prior to the provision of CDBG-CV funds under the SBG Program. There are seven standards that must be met as shown below. Submittal of specified documentation (list of documents any of all of which may be required is shown at the end of this Appendix.

A. Applicant (Owner) Name:

B. Business Name:

C. Norwich Business Address:

Street Number:

Street Name:

Town: Norwich

State: CT

Zip Code:

D. Time frame for job creation, if applicable:

STANDARDS

Analysis of underwriting standards for SBG application are conducted pursuant to HUD regulations at 24 CFR 570.209(a), Guidelines and Objectives for Evaluating Project Costs and Financial Requirements. These regulations assist the City with financially underwriting and selecting CDBG-assisted economic development projects like providing SBG funds to the non-microenterprise businesses. Underwriting must be conducted by CD staff in conjunction with seCTer prior to the provision of CDBG-CV funds provided under the SBG Program to a for-profit business.

UNDERWRITING STANDARDS

1. Describe how it has been established that costs are reasonable.

The following documentation demonstrates that the expenses are correct, not overstated and have remained consistent. The business cash flow report and the lease, mortgage documentation and bills match. The Affidavit provides additional assurance as to the verity of the information given and that the business owner is not benefitting from an additional source.

- A. Copy of lease, rent, or mortgage statement showing business is CURRENT on lease, rental agreement, or mortgage
- B. Copy of utility bills for utilities for which you seek SBG assistance.
- C. Statement of cash flows
- D. Signed AFFIDAVIT regarding receipt of other funds.

ANALYSIS:

2. How has it been determined that all sources of project financing have been committed?

Applicants must list all federal, state, local or private funds applied for or received for the said business to determine if funds are for a project identical to the SBG project. SBG funds will not be granted if other funds have been awarded for the same project.

Source:	Amount:
Purpose:	Approved for such funds? Y N
Source:	Amount:
Purpose:	Approved for such funds? Y N
Source:	Amount:
Purpose:	Approved for such funds? Y N

ANALYSIS:

3. How has it been established that, to the extent practicable, CDBG-CV funds are not substituted for non-federal financial support?

The following documentation will demonstrate that the HUD CDBG-CV funding is not replacing nonfederal financial support. Any revenue/income or cash deposited would be reflected in the P&L, Bank Statements or Balance Sheet, the Affidavit provides additional assurance as to the verity of the information:

- A. Profit & Loss Statements for prior year and quarterly for this current year.
- B. Bank statements for the prior two months
- C. Balance sheet prior three years
- D. Signed AFFIDAVIT regarding receipt of other funds.

ANALYSIS:

4. Describe how it has been established that the project is financially feasible.

The following documentation will demonstrate that the business has been established for longer than 6 months and is an ongoing concern, i.e., it has the resources needed to continue operating indefinitely or to stay afloat to avoid bankruptcy.

- A. Most recent business tax return filed.
- B. Profit and Loss Statements for the prior year and quarterly for this current year.
- C. Bank statements for the prior two months
- 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. Statement of cash flows

ANALYSIS:

5. Describe how it has been established that to the extent practicable the return on the owner's equity investment will not be unreasonably high.

As this is a program to pay for operating expenses, such as rent, mortgage and utilities and not for investments in inventory and other assets that would generate a return on investment, a formal ROI analysis is not applicable. However, in order to ascertain that the business owner is in need of the aforementioned operating funds and does not have an abundance of assets and reserves, the following documentation will be reviewed:

- A. Profit and Loss Statements for the prior year and quarterly for this current year.
- B. Bank statements for the prior two months
- C. Balance sheet prior three years

ANALYSIS:

6. Describe how it has been established that to the extent practicable, CDBG funds (SBG funds) will be disbursed on a pro rata basis with other finances provided to the project.

A. Profit and Loss Statements for the prior year and quarterly for this current year.

B. Bank statements for the prior two months

ANALYSIS:

7. Describe how it has been established that the projected level of public benefit is reasonable.

In the case of the SBG loans, the following documentation will demonstrate that personnel have been laid off. The benefit of the SBG grant is job creation or retention:

A. Profit and Loss Statements for the prior year and quarterly for this current year.

B. Bank statements for the prior two months

M. IF YOU ARE A LOW/MOD INCOME OWNER OF A MICRO ENTERPRISE, your most recent personal tax returns are require

A. Payroll reports for prior year and quarterly reports for current year.

LIST OF DOCUMENTS THAT MAY BE REQUIRED TO CONDUCT UNDERWRITING

- A. DBA License/Certificate from City of Norwich
- B. Most recent business tax return filed.
- C. Profit and Loss Statement for the prior year and quarterly for the current year.
- D. Bank statements for the prior two months.
- E. Balance sheet prior three years
- F. Current balance sheet no older than 90 days
- G. Proof of quarterly tax payments if made quarterly
- H. Copy of lease or rental agreement, or mortgage, for your commercial premises in Norwich if you are seeking SBG assistance for commercial lease/rent/mortgage.
- I. Copy of lease, rent, or mortgage statement showing you are CURRENT on lease, rental agreement, or mortgage
- J. Copy of utility bills for utilities for which you seek SBG assistance.
- K. Statement of cash flows
- L. Signed AFFIDAVIT regarding receipt of other funds.
- M. **IF YOU ARE A LOW/MOD INCOME OWNER OF A MICRO-ENTERPRISE**, your most recent personal tax returns are required.
- N. Payroll reports for prior year and quarterly reports for current year.