



**Cumberland County, North Carolina
Community Development Department**

**SMALL BUSINESS RESILIENCY PROGRAM
APPLICATION GUIDELINES**

Community Development Block Grant (CDBG)

Application Period: May 14, 2020 – May 29, 2020



CUMBERLAND COUNTY COMMUNITY DEVELOPMENT SMALL BUSINESS RESILIENCY PROGRAM

BACKGROUND

The Small Business Resiliency Program was established in response to the economic impacts experienced by small businesses as a result of Presidentially Declared Disasters. This program describes eligible activities as defined in 24 CFR 570.203.

STATEMENT OF PURPOSE

Funds are made available by the U.S. Department of Housing and Urban Development through the Community Development Block Grant (CDBG) Program and are administered by the Cumberland County Community Development Department. The goal is to provide financial assistance to small for-profit businesses with up to ten (10) employees (including the owner) at the time of application with up to \$10,000 in grant funding.

ELIGIBLE APPLICANTS

For-profit businesses operating within the County outside the City of Fayetteville employing up to ten (10) individuals at the time of application submission may apply.

1. The business must possess the capacity to be successful with the use of CDBG funds;
2. If the business is a sole proprietorship or a partnership, each person owning an interest in the business must be at least 18 years old;
3. The business must have a valid tax identification number consisting of the owner's social security number, if the business is a sole proprietorship or Federal Employer Identification Number, if the business is other than a sole proprietorship; a State Employer Number, and a business bank account in the name of the business;
4. If the business is a corporation, limited liability company or limited partnership, it must be registered in good standing with the North Carolina Secretary of State;
5. The business must not currently be in bankruptcy; if the business is a sole proprietorship or a partnership no person owning an interest in the business may currently be in bankruptcy;
6. The business is current with property taxes and any fees that are collected with property taxes, or has a payment plan in place with the tax collector; and
7. Business will have general liability insurance in policy with sufficient coverage in place at the time the grant is received.

INELIGIBLE APPLICANTS

Certain business types are ineligible to apply. This includes but not limited to:

- Businesses Exclusively Residential;
- Franchises;
- Hotels or Motels;
- Liquor Stores;
- Financial / Lending Institutions;
- Private Membership or Fraternal Organizations/Businesses;
- Adult Oriented Businesses;
- National / Regional Chain Businesses;
- Bars and Night Clubs;
- Vape Shops and Hemp Shops;
- Tattoo Parlors and Body Piercing Shops;
- Gambling Business; and
- Businesses owned in part or fully by Cumberland County staff, administration, or leadership.

IMPLEMENTATION

The Small Business Resiliency Program will be implemented using the following two methods:

1. Microenterprise Method:
 - a. Business with 5 or fewer employees, paid with wages reported on a Form 1099;
 - b. Business has been in operation for at least 6 months; and
 - c. Owner's household qualifies as low to moderate income (LMI) per HUD income guidelines. If there are multiple owners or shareholders, at least 51% of the owners or shareholders must reside in households qualifying as LMI per HUD income guidelines.
2. Small Business Method:
 - a. Businesses with 10 or fewer employees paid with wages reported on a Form 1099;
 - b. Business has been in operation for at least 6 months;
 - c. Business must commit to retaining a minimum of one (1) Full-time Equivalent (FTE) job for one year after the receipt of the grant. FTE is calculated as 40 work hours per week and may be aggregated by multiple part-time employees;
 - d. At least 51% of the retained FTE jobs must be held by employees who reside in LMI households, as determined by a self-verification of household income.

CCCD will consider businesses qualifying under the LMI benefit categories indicated above. If a business does not qualify under the LMI criteria, then CCCD may consider qualifying businesses under the "Urgent Need" category, which has fewer qualification requirements. However, funding for the Urgent Need category is limited by federal regulations to 30% of the total available CDBG funding. Grant funding under the "Urgent Need" category shall only occur as long as those funds are available.

GEOGRAPHIC SERVICE AREA

Eligible businesses must provide services or make sales to customers within the Towns of Eastover, Falcon, Godwin, Hope Mills, Linden, Spring Lake, Stedman, Wade, and/or the unincorporated area of Cumberland County with LMI qualified owners and employees who reside in this geographic service area.

JOB RETENTION / CREATION

Priority consideration will be given to businesses that commit to retaining the greatest number of employees or jobs for at least one year after receipt of the grant.

MEETING CDBG NATIONAL OBJECTIVE REQUIREMENT

Under federal regulations, use of CDBG funds for economic development activities must meet the national objective of benefit to LMI persons under the Job Creation/Retention or Limited Clientele definition. As such, all applicants must meet at least one national objective through either the Small Business Method or the Microenterprise Method.

Small Business Method - Businesses qualifying under the Small Business may meet the national objective of benefit to LMI persons under the Job Creation definition. This is accomplished by retaining at least 1 FTE position held that is held by an employee who qualified as LMI prior to receiving the business receiving the grant. County staff will verify that employees listed meet HUD's LMI definition by requiring submission of a self-certification of household income from each employee whose position is being 'retained', as outlined in the program application and guidelines.

OR

Microenterprise Method - Businesses qualifying under the Microenterprise funding may be used to meet the national objective of benefit to LMI persons under the Limited Clientele definition. As such, microenterprise owners must be documented as meeting HUD's LMI household definition prior to receiving any a grant. County Staff must verify that microenterprise owner(s) meet HUD requirements by completing a review of the applicant's household annual income through submission of their most recently completed IRS Form 1040 and such other documentation needed to complete the income verification process to determine program eligibility. This information will be kept confidential to the extent permitted by law.

Under either the Small Business or the Microenterprise Method, additional verification may be requested through documentation of the owner's and/or business', payroll records, or other documents that are found to sufficiently document the number of FTE employees on staff and total FTE jobs retained.

As with other economic development program activities, if the County determines that the applicant income information is not accurate or over HUD's income limits, the business or owner is using funds for ineligible activities, or the business or owner is disqualified from receiving federal assistance, then all program services will cease immediately and any allocated funds will be **due and payable to the County immediately**.

NOTE: After funds are disbursed, household income may increase for the business owner or its employees without penalty. Applicants and associated employees are not obligated to remain low- or moderate-income households.

REIMBURSEMENT

The Small Business Resiliency Program applications will be processed in accordance with the information contained in the public releases of the Request for Proposals for the use of the grant funds.

Funds will be disbursed by reimbursement to the applicant for documented eligible project expenses or paid directly to third party vendors for purchase orders. Successful applicants will submit eligible expenses to CCCD staff on certified reimbursement invoices. Invoices will be paid within 30 days. Requests to provide advance payments will be considered on a case-by-case basis.

FUNDING AVAILABILITY AND TERMS

Funds are available as grants with a minimum request of \$1,000 and a maximum request of \$10,000 pending continued compliance with HUD regulations throughout the one-year grant cycle. Grant amounts will be determined according to the level of assistance needed for the business.

ELIGIBLE USE OF FUNDS

Funds may be used for the following:

- Working capital to meet payroll, pay rent and utilities or purchase inventory;
- Purchasing machinery and equipment (with or without installation costs);
- Professional Services including engineering, architectural, local permits or fees, business consulting services, but only as specifically approved by County staff;
- Marketing materials and advertising including website development and serving;

Funding for activities will be approved based on the business need during the emergency period.

INELIGIBLE USE OF FUNDS

In addition to CDBG-ineligible costs outlined in 24 CFR 570, funds under this Program may not be used to:

- Reimburse expenses incurred prior to of the application for the grant being approved;
- Pay off non-business debt, such as personal credit cards for purchases not associated with the business;
- Purchase personal expenses such as buying a new family car or making repairs to a participant's home;
- Direct financing to political activities or paying off taxes and fines; and
- Purchase personal items or support other businesses in which the owner may have an interest.

EVALUATION CRITERIA

Applications received for assistance must also meet the following minimum threshold requirements in order to be considered for program funding:

1. The business must be an eligible entity as described above;
2. The business must serve clients or customers located within the geographic area of Cumberland County described above; AND
3. The project must meet one of the three national objectives established by HUD.

The following criteria will be used to evaluate applications to the Small Business Resiliency Fund:

1. Pre-Covid 19 Emergency success of the Business;
2. Readiness to utilize the funding;
3. Success in maintaining a customer base during the Covid 19 Emergency;

4. Job and/or Employee Retention;
5. In addition to the criteria listed above, preference will be given to a:
 - a. Minority Business Enterprise (MBE) – a business in which more than 50% of the ownership or control is held by one or more minority individuals; and more than 50% of the net profit or loss of which accrues to one or more minority individuals; and/or
 - b. Woman-owned Business Enterprise (WBE) – a business in which more than 50% of the ownership or control is held by one or more women; and more than 50% of the net profit or loss of which accrues to one or more women; and a significant percentage of senior management positions of which are held by women.

OTHER HUD ELIGIBILITY REQUIREMENTS

Each project must demonstrate its compliance with other requirements established by the U.S. Department of Housing and Urban Development (HUD). These requirements include the following:

Reasonableness of Proposed Costs. The applicant must ensure that each cost element of for which funding is sought is reasonable and consistent with third-party, fair market prices. Assistance beyond the true cost would be an inappropriate use of funds.

No substitution of program funds for Private Sources of Funds. The applicant shall ensure that funds are not being substituted for available private debt financing or equity capital. The applicant must demonstrate the need for program funds and provide sufficient information to allow the County to make its own determination as well.

ADDITIONAL CONSIDERATIONS

Applications are processed on a competitive basis, with a recommendation provided by Cumberland County Community Development (CCCD) staff based upon the evaluation criteria noted above.

Applications will be processed as soon as possible to ensure that funding is provided in a timely manner to retain jobs.

CDBG Federal overlay compliance requirements, if not fully considered, can slow down the project timeline, or result in choice-limiting action.

Each business is unique and may require different specific information to document CDBG compliance.

POST AWARD REQUIREMENTS

In preparing an application, applicants should familiarize themselves with a number of post-award requirements which may have an impact on the structure and timing of projects. CCCD staff will require the assistance of recipient staff to meet these requirements.

1. Preliminary Awards.

Applicants may commence project activities only after an agreement has been approved by CCCD and any conditions of the grant funds have been met. No funds, private or public, may be spent for project activities prior to approval of the agreement.

2. Environmental Review.

Recipients of program funds are required to coordinate and cooperate with the CCCD staff to complete an Environmental Review Record (ERR). An environmental review is required by HUD to be completed by CCCD for each business funded with CDBG monies (24 CFR 58). The review must be completed prior to any grant award. The environmental review will comply with HUD's regulations regarding the National Environmental Policy Act (NEPA). CCCD is required to complete and certify the NEPA review. The level of environmental review is determined by the proposed use of the grant funds. The applicant will be informed of any additional application processing time due to the NEPA review. No costs will be charged to the applicant for this process.

3. Section 504 Requirements.

Recipients of grant funds are required to work with the CCCD staff to comply with the provisions of Section 504 of the Rehabilitation Act of 1973, as amended, which prohibits federally funded programs and activities from discriminating against qualified persons with disabilities. The requirements of Section 504 apply to any recipient of federal funds or any program or activities carried out directly or through another recipient, successor, assignee or transferee.

4. Administration.

Responsibility for administering the program rests with CCCD and the businesses receiving funding through the program. As noted above, this involves record keeping and monitoring by both entities, among other requirements, a few of which are covered in this brief section.

CCCD staff (including other County Departments and Partnering Agencies) will:

1. Market the Small Business Resiliency Program and promote enrollment dates;
2. Accept and process applications;
3. Complete Income Eligibility qualification and document number of employees;
4. Evaluate application requests;
5. Ensure a timely disbursement of funds;
6. Maintain grant files and fiscal records;
7. Administer grants and program income used to fund this program;
8. Ensure compliance with program guidelines; and
9. Provide County Boards and relevant committees annual program updates.

5. Federal Acquisition and Relocation Laws

Federal acquisition and relocation laws may be triggered when using CDBG funds (24 CFR 570.606). Acquisition laws, both federal and state, must be followed when CDBG funds are used to assist in the purchase of real property. In the same way, federal and state relocation laws apply if a person or a business is displaced because of the use of CDBG funding. The County staff will work with applicants to ensure that the business is in compliance.

6. No Conflict of Interest

No conflict of Interest is allowed, in accordance with Title 24, Section 570.611 of the Code of Federal Regulations. As such, 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 (including members of the grant selection committee and officers, employees, and agents of the grant selection committee, the administrative agent, contractors and similar agencies) in connection with the planning and implementation of the CDBG program shall directly or indirectly be eligible for this program. The County may review such matters on a case-by-case basis. The County staff must collect certain income and demographic data from applicants. The County staff will collect this information and keep it in the program file.

PROGRAM OPERATIONS AND GRANT APPLICATION PROCESSING

1. Program Marketing and Outreach

Program marketing will be conducted by CCCD and will affirmatively target women and minority-owned enterprises. Examples of marketing include media coverage with ads in local papers and distribution of marketing brochures to any local chamber of commerce and business networking organizations. Presentations may be scheduled for these groups as well as real estate groups, local commercial banks and other organizations. Local small business development centers or other similar entities may be used as a referral agency.

2. Equal Opportunity Compliance

The Small Business Resiliency Program will be implemented consistently with the County's commitment to State and Federal equal opportunity laws. No business shall be excluded from participation in, denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with CDBG program funds on the basis of any owner's or employee's religion, religious affiliation, age, race, color, ancestry, national origin, sex, marital status, familial status (number or ages of children), physical or mental disability, sexual orientation, or other arbitrary cause.

3. Applicant Confidentiality

All personal and business financial information will be kept confidential to the extent permitted by law. Small Business Resiliency Program participant files with personal and business confidential information will be kept in locked, secured storage units.

4. Dispute Resolution / Appeals Procedure

Applicants whose applications are not selected or not deemed eligible have the right to appeal the decision of CCCD, limited to procedural errors in the selection process. In the event that no such procedural errors are found to have occurred, the decision of CCCD shall be final. An aggrieved applicant may, within seven (7) business days after the selection of prospective eligible projects, appeal in writing to the Director of Cumberland County Community Development or their designee. The appeal must state all facts and arguments upon which the appeal is based. The Director, or the appointed Designee, will review the content of CCCD' solicitation document (RFP), the applicant's application, and the facts which form the basis for the appeal. The Director, or the appointed Designee, will render a written decision within thirty (30) business days of the receipt of the appeal.

5. Exceptions / Special Circumstances

The County will not make exceptions to policies and procedures outlined in the program guidelines derived from HUD requirements. The County reserves the right, to deviate from the County's policies and procedures in extenuating circumstances. A request for exception to program guidelines shall be submitted to CCCD staff in writing by applicant. Exceptions are defined as any action which would depart from policy and procedures stated in the guidelines. Federal regulations shall overrule this document in any case where conflict between the County and Federal regulations is apparent.

6. Application Process

Upon contract execution, the applicant may submit invoices to request reimbursement funds from the County. County staff will review invoice requests and initiate the reimbursement payment process. CDBG funds will only be disbursed for reimbursement to the borrower for documented eligible project expenses or may be paid directly to third party vendors for purchase orders.

****CUMBERLAND COUNTY COMMUNITY DEVELOPMENT'S RIGHT TO REJECT PROPOSALS****

CCCD reserves the right to reject any and all proposals received or to negotiate on the terms of the funds so as to best serve the interests of CCCD and the citizens of Cumberland County, based upon the proposal for funds being in compliance with the HUD regulations and the Small Business Resiliency Program's guidelines.

HELPFUL LINKS

For the most recent HUD income limits, please refer to the link below:
<https://www.huduser.gov/portal/datasets/il.html>.

24 CFR 570 – Community Development Block Grants

<https://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&rgn=div5&view=text&node=24:3.1.1.3.4&idno=24>

Basically CDBG

<https://www.hudexchange.info/resource/19/basically-cdbg-training-guidebook-and-slides/>

The Economic Development Toolkit: A Practical Guide to Constructing Your Economic Development Program

<https://files.hudexchange.info/resources/documents/Economic-Development-Toolkit-Manual.pdf>

Prohibition on Use of Community Development Block Grant Assistance for Job-Pirating Activities

<https://www.federalregister.gov/documents/2005/12/23/05-24428/prohibition-on-use-of-community-development-block-grant-assistance-for-job-pirating-activities>

OTHER APPLICABLE REGULATIONS

If you need a copy of these regulations, circulars, reporting requirements, etc., copies can be found on the HUD web site at www.hudexchange.info or request copies from Cumberland County Community Development. The following

are related Acts, OMB Circulars and regulations that must be complied with when using grant funds. The following is a list and brief description of some of these:

FEDERAL ACTS

- Title I of the Housing and Community Development Act of 1974, as amended.
- Title II of the Cranston-Gonzalez National Affordable Housing Act

FEDERAL REGULATIONS - CFR Title 24

- Part 570 - Community Development Block Grants
 - Sub Part A - General Provisions
 - Sub Part C - Eligible Activities
 - Sub Part D - Entitlement Grants
 - Sub Part J - Grant Administration
 - Sub Part K - Other Program Requirements
 - Sub Part O - Performance Reviews
- Part 58 - Environmental Review Procedures for the CDBG, Rental Rehabilitation and Housing Development Programs.
- Part 85 – Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments

- 2 CFR Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- 2 CFR Part 225 (formerly OMB Circular A-87)
- 2 CFR Part 230 (formerly OMB Circular 122)
- 2 CFR Part 220 (formerly OMB Circular A-21)
- 24 CFR Part 84

OMB CIRCULARS

- A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and other nonprofit organizations- Uniform Administrative Requirements.
- A-133, Audits of Institutions of Higher Education and Other Nonprofit Institutions.
- *A-129, Single Audits of State and Local Governments
- *A-97, Cost Principles for State and Local Governments