

**New York State
COMMUNITY DEVELOPMENT
BLOCK GRANT PROGRAM (CDBG)**

Microenterprise Assistance

FREQUENTLY ASKED QUESTIONS



**Homes and
Community Renewal**

OFFICE OF COMMUNITY RENEWAL

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MICROENTERPRISE FREQUENTLY ASKED QUESTIONS

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Program Guidelines and Application

Q.1 Is a Microenterprise defined as 5 or fewer employees using Full-Time Equivalents, or 5 or fewer employees by head count?

A.1 The definition of a Microenterprise is determined by a "five or fewer test," which is based on total employee headcount including the owner (not the number of FTEs).

Q.2 Do seasonal employees count towards the 5 or fewer total employees at the time of application?

A.2 If the seasonal position is not considered their primary employment, then their position would not count towards the 5 or fewer determination. If the seasonal position is considered their primary employment, it would be counted.

Q.3 If a business has 5 or fewer employees at the time of application, but the project will result in the creation of positions that puts that business over the "5 by head count", does that make them ineligible to apply?

A.3 No. Microenterprise business must be eligible at the time of application to the community. If a business exceeds 5 employees post-award, it does not affect eligibility. In fact, job growth is encouraged. However, it is important to note that if a business exceeds 5 employees as a result of receiving the award, they will not be eligible for assistance again under future microenterprise programs.

Q.4 Are NYS CDBG Microenterprise projects subject to the income limits at the time of award or at the time of application?

A.4 Applicants will need to reference the HUD Income Limits for the specific year that the Family Income Form will be completed, or be the most up-to-date HUD data at the time that individuals fill out the Family Income Forms.

Q.5 Can funds raised by crowd sourcing be used towards equity?

A.5 Yes, funds raised by crowdsourcing could be used towards their equity. Like traditional equity, the funds would need to be available and able to be documented at the time of application and must not have an obligation to be repaid.

Although crowdsourcing is technically allowable, traditional owner equity is still preferable. Crowdsourcing would diminish the proportion of a business' individual investment, and the purpose of the equity requirement is to have the business owner investing in their own business and have a demonstrable interest in the success of the endeavor.

Q.6 Can equity include bank financing?

A.6 No. Equity must be in the form of cash, with no associated debt. Bank loans cannot be part of the 10% minimum.

Q.7 Is the 10% equity match to the total grant amount or is it 10% of the total amount excluding program delivery and admin costs?

A.7 Equity must be at least 10% of the total project cost *including* program delivery and administrative costs.

- Q.8 Is a start-up defined as not having been in business for more than 6 months before the time of award or the time of application?
- A.8 A start-up is a business that has been in operation for less than 6 months prior to submitting their application for assistance to the community. This is a state programmatic definition.
- Q.9 If an existing business was purchased by a new owner in the last 6 months, is this business considered a start-up?
- A.9 If a new DUNS and tax ID were obtained, it may be considered new business or a start-up. If the business owner is still operating the business under the same DUNS and tax ID as the previous owner, it would not be considered a start-up. A change in business ownership does not automatically render a business a start-up. Contact OCR in the event that this relates to your project.
- Q.10 Do 50% of the businesses funded under the microenterprise program have to be start-ups?
- A.10 No, however at least 50% of the total CDBG award (less grant administration costs) must be awarded to start-up businesses. This does not mean that half of the total number of businesses awarded must be start-ups, since award sizes may vary.
- Q.11 At what point can a community re-apply for microenterprise assistance?
- A.11 A community can submit an application for a second award once $\frac{3}{4}$ of program funds have been expended, the project has been monitored, and all job reporting is complete. Communities with an open Microenterprise program should contact OCR before submitting another Microenterprise application.
- Q.12 Is construction an eligible use of funds under the NYS CDBG Microenterprise Program?
- A.12 No, construction is considered an ineligible expense under the NYS CDBG Microenterprise Program.
- Q.13 Is the purchase of construction materials, such as windows and doors, an eligible expense if the business proposes to do the work themselves?
- A.13 Contact OCR in the event that this relates to your project.

Grant Agreement

- Q.14 What steps are taken after a municipality receives an award?
- A.14 Once awarded, municipalities will receive an award letter along with *two* copies of the unsigned grant agreement. Both copies of the grant agreement must be signed by the Chief Elected Official and returned by mail to the Office of Community Renewal. Documents that should be included with the Grant agreement are Forms 1-1, 1-2, 7-2, and 8-1 and any documents identified in the Schedule A. Forms 1-1 and 1-2 require original signature. A grant agreement is not considered to be fully executed until all required documents are included. Once approved, the municipality will receive an executed grant agreement letter by mail. This is sent to the Chief Elected Official.

Environmental

Q.15 Is an environmental review required if the business is only purchasing machinery and equipment?

A.15 Yes, the Environmental Review is required of all NYS CDBG Economic Development Projects, regardless of the use of funds. OCR must issue a Release of Funds or Concurrence letter before costs are incurred or funds can be expended.

Q.16 Should the environmental review cover the CDBG-related costs of the project or the total scope and cost of the project?

A.16 The Environmental Review should be comprehensive of the total project cost and should reflect all project activities and funding sources, not just CDBG related activities.

Disbursements

Q.17 Can an applicant incur costs once awarded?

A.17 No. Applicants cannot incur costs until an Environmental Review has been completed, approved and the applicant has received a Release of Funds or Concurrence letter.

Q.18 What are the funding limits for each awarded microenterprise business?

A.18 Funding limits are between \$5,000 and \$35,000 for each microenterprise business. This does not include program delivery and grant administration costs.

Q.19 Can award funds be drawn down before businesses are selected?

A.19 OCR will allow for a portion of grant administration funds to be drawn down prior to businesses being selected. Funds associated with program delivery cannot be drawn prior to businesses being selected.

Q.20 What should be included in a request for draw?

A.20 Forms 1-6, and 1-6A should be included along with any documentation of expenditures, such as invoices. Under no circumstances will quotes or in-cart documentation from an online vendor be accepted. When a draw is being requested for a newly awarded business, Form 1-6B is needed in addition to Forms 1-6 and 1-6A.

Q.21 Are NYS CDBG funds subject to state and federal tax laws?

A.21 All awarded businesses should consult with a tax professional on how to determine any tax liabilities.

Q.22 Are there any expenses considered to be ineligible when submitting a drawdown request?

A.22 Yes. Funds requested for the repayment of existing debt (ie. a loan incurred prior to award, payments for equipment purchased prior to award, etc.) are ineligible. The purchase and/or lease of a motor vehicle is considered to be ineligible without prior approval from OCR. Also, the purchase of electronic equipment *might be eligible* including computers, laptops, phones, and other electronic equipment. Requests for equipment of this nature should be accompanied by a written agreement from the business owner(s) that they will only be used for business purposes.

- Q.23 Is the advancement of funds an allowable expense?
A.23 No. You cannot request funds for expenses that have not yet been incurred. For example, working capital costs including utility bills, rent, etc. are not allowable expenses if submitted prior to having been incurred.

Reporting

- Q.24 Can a business owner meeting an LMCMC National Objective be included or reported as a created job?

A.24 No. Meeting an LMCMC National Objective is not the same as job creation and should not be reported as a created job.

- Q.25 Do all applicants need to fill out a family income form, or just those who fall under the low- and moderate-income (LMI) households?

A.25 All persons applying for a job, not just those categorized as LMI, are required to fill out a Family Income Form. These forms should be maintained within the files.

- Q.26 Is a Family Income Form sufficient evidence of income verification for meeting an LMCMC national objective?

A.26 No. In addition to a Family Income form, a business owner will need to provide their most recent tax returns at the time of application.

- Q.27 Can retained jobs be used towards fulfilling a national objective?

A.27 No. Retention is not allowed under the Microenterprise Program.

- Q.28 If a business has more than one owner, are all owners required to complete the entrepreneurial training program?

A.28 No. If a business has more than one owner, at least one owner must complete the course.

- Q.29 If a business reporting an LMCMC national objective has more than one owner, how many of them need to qualify as LMI?

A.29 If there is more than one owner reporting an LMCMC national objective, at least 51% of the owners must qualify as LMI.

- Q.30 What is the difference between taken (held) by/made available to?

A.30 'Taken (Held) By' A job is considered to be taken by an LMI person if, at the time their employment starts, that person is a member of a family whose income falls at or below the applicable Section 8 Income Limits. Income is verified through a Family Income Form.

'Made Available To': A job is considered to be made available to an LMI person if the position does not require special skills acquired from substantial training or more than 1 year work experience, and education beyond high school and special licenses/certifications are not a prerequisite to employment. Also, the assisted business must take actions to ensure that LMI persons receive first consideration for filling such jobs.

- Q.31 Does each business have to create at least one FTE?

A.31 Each activity is required to meet a National Objective. There are two national objectives that are applicable to the microenterprise program. The first is low- and moderate-income job creation activities, or LMJ. The second is low- and

moderate-income owner, or LMCMC. When fulfilling an LMJ national objective, each funded business is required to create at least one LMI FTE. If more than 1 job is created, 51% of the jobs must benefit LMI individuals. When fulfilling an LMCMC national objective, a business owner must be qualified as low-to moderate income based on the HUD Income Limits. Income is verified through the most recent tax returns and a completed Family Income Form at the time of application.

Q.32 Should the Annual Performance Reports (APRs) reflect cumulative job reporting or just for the year being reported?

A.32 No. The January APRs and final APRs should only report jobs created within the year being reported and should not be cumulative. Applicants can submit a final APR at any time of the year and do not have to wait until the January reporting.

Q.33 Is the cost of the entrepreneurial training an eligible use of funds?

A.33 Yes. The cost of the entrepreneurial training is an eligible use of funds under the NYS CDBG Microenterprise Program.

Q.34 Is an application fee an eligible use of funds?

A.34 No. An application fee is not an eligible use of funds. Municipalities are not permitted to charge applicants a fee to apply.

Q.35 Can an employee or business owner obtain a waiver for a previously completed training program?

A.35 Yes, a waiver may be obtained by completing a request for a waiver. A request for a waiver for any individuals, who have previously completed a relevant training course within 24 months, or a reasonable timeframe, will need to include the following:

- o A review of the business's application for the program,
- o A letter from the Chief Elected Official requesting an exemption and stating why it is merited,
- o The resume of the entrepreneur, and
- o Proof of the training program(s) completed and certificates received (received with application)

A waiver is not considered approved by providing these things. Written approval will be submitted to the municipality by OCR if a waiver has been granted.

Closeout

Q.36 When is the project considered to be 'closed'?

A.36 A project is considered closed when 1) all funds have been disbursed 2) all job reporting documentation has been received and approved by OCR 3) a comprehensive monitoring visit has been conducted by OCR 4) any findings/concerns related to the monitoring are satisfactorily addressed 5) all required Federal Assistance Expenditure (FAE) forms and/or single audits have been received and approved by OCR 6) OCR issues a closeout packet electronically to the Recipient 7) the Recipient signs and returns the closeout packet, and 8) a Certificate of Completion is issued by OCR.