**Washington State CDBG Microenterprise Assistance - COVID-19 Guide**

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1. **Washington State Community Development Block Grant Program**

The Washington State Community Development Block Grant (CDBG) program, administered by the state Department of Commerce (Commerce), receives an annual allocation of federal funds from the US Department of Housing and Urban Development (HUD). In addition, Commerce is receiving additional CDBG Coronavirus (CDBG-CV) funds through the federal CARES Act.

**Purpose** - The CDBG primary national objective is to benefit low- and moderate-income (LMI) persons. LMI is defined as 80 percent of the county median income, adjusted by household size. In limited cases, CDBG funds may be used to alleviate qualifying urgent needs. LMI persons receive assistance through local programs and activities funded with a state CDBG grant. Based on the CARES Act, the purpose of CDBG COVID-19 funding is to prevent, prepare for, and respond to the coronavirus pandemic.

**Eligible Activities** - The state CDBG program funds a wide range of community and economic development activities. In response to COVID-19 impacts, CDBG Economic Opportunity Grants for COVID-19 Response Services and CDBG-CV funds are targeted towards urgent public services and facilities, and microenterprise assistance.

**Local Government Grant Recipients** – The state CDBG program awards grants to only those rural city/town and county governments *not* entitled to receive urban area CDBG funds directly from HUD. The local government grantees then use the CDBG funds for priority local programs and activities. The local government grantee can choose to pass funds to an economic/community development organization to administer a microenterprise assistance program as their grant subrecipient.

**CDBG Application Materials and Resources** – Materials and resources for local governments to apply for a state CDBG are available at [www.commerce.wa.gov/CDBG](http://www.commerce.wa.gov/CDBG).

1. **Local Microenterprise Assistance Programs**

CDBG funds are available to support local microenterprise assistance programs. Microenterprise assistance programs are administered by local governments, or (in most cases) the local government passes the CDBG funds to a local or regional economic/community development organization to administer the program (as a grant subrecipient). The local program assists qualifying microenterprises by providing technical assistance/training, processing financial assistance applications, packaging grants/loans, tracks jobs, and if applicable manages loan portfolio payments.

Each microenterprise assistance program must meet minimum CDBG requirements, but is designed locally to address economic development strategies and priorities, and leverage partnership opportunities for its specific area. Sample program materials are provided in this guide.

1. **CDBG Microenterprise – Who can receive assistance?**

HUD defines a microenterprise as a business having five or less employees, including the owner(s). In addition, the business must meet the following minimum requirements to be eligible to apply:

* Business owner must have a LMI household income (≤80%)
* Business must have a documented loss of income due to COVID-19
* Business must agree to share financial information
* Business or business owner must be located in the program’s service area
* Business must have a Washington State business license
* Businesses must be legal under federal requirements (i.e. not cannabis retailers)

The local program may establish additional requirements to prioritize funds, such as:

* Business must have a physical location and/or be located is a distressed neighborhood
* Business must have been in operation for over one year
* Businesses cannot be a franchise or chain
* Business was not able to access other assistance for claimed loss of revenue

1. **CDBG Microenterprise Assistance**

**Assistance Types and Funding Levels**- The local microenterprise assistance program’s proposed activities, budget and budget justification are submitted with the CDBG application. CDBG can fund the following microenterprise assistance activities:

1. Grants and loans to establish, stabilize, and expand microenterprises. Due to limited funds, high need, and the evolving availability/lack of availability of other microenterprise assistance, the maximum grant and loan amounts are set locally to optimize impact in your area. Generally, CDBG financial assistance is around $1,000-$5,000 and no more than $10,000 per qualifying microenterprise. While not recommended, especially for grants, the amount cannot exceed $35,000 per qualifying microenterprise.
2. Technical assistance, training, advice and business support services to owners of microenterprises and persons developing microenterprises. Support for existing, not developing, microenterprises is the initial focus of CDBG COVID-19 funding. Generally, the budget does not exceed 1 percent of the total funds passed to the local microenterprise assistance provider. This percentage amount could be increased as the COVID-19 emergency closures are lifted, resulting in greater need for business recovery technical assistance and training.
3. Operation and administration of the assistance program including staffing, pre- and post-assistance technical assistance, any loan servicing and collection activities, and any CDBG program income management. Generally, this is approximately $3,000 per month and does not exceed 10 percent of total funds passed to the local microenterprise assistance provider. The amount depends on the size of service area, length of program, available leveraged funds, current staffing, and economies of scale.

The local program may establish additional requirements to prioritize funds, such as:

* Terms and conditions for grant, forgivable loan, and/or loan assistance.
* Participation in required training, business planning, continuity of operations planning, or other economic development outcomes.

**Use of Assistance** – The CDBG COVID-19 Response Services and the CDBG-CV funding are to stabilize small, local businesses struggling during COVID-19 emergency closures and public health issues. These funds are to be prioritized for short term, day-to-day costs of operations of the business, such as covering payroll and rent. As the COVID-19 emergency shifts, remaining funds in the local grant may be available to assist with locally-prioritized microenterprise recovery needs. These CDBG funds are limited and must be equitably distributed to microenterprises facing urgent financial needs and lack of other resources.

**Timing of Assistance** – CDBG COVID-19 Response Services funds can cover eligible costs incurred as of the county amendment execution data until February 28, 2021. CDBG-CV funds can cover eligible costs incurred as of March 27, 2020 (CARES Act) until the CDBG contract end date in 2021 (to be determined).

1. **Income Qualification and CDBG National Objective**

CDBG-funded technical and financial assistance must benefit LMI persons, based on the microenterprise owner’s household income, family size, and the [CDBG income limits (80%)](https://deptofcommerce.app.box.com/v/income-limit-chart).

In limited cases, a microenterprise may qualify under the CDBG alternative national objective of alleviating a qualifying urgent need, if its business is to provide emergency response services or products (such as manufacturing masks, emergency food services, COVID-19 testing, etc).

1. **Program Administration**

The local government grant recipient and (if applicable) the economic/community development organization that administers the program (a grant subrecipient) is responsible for administering the local microenterprise assistance program, maintaining required records, and ensuring compliance with CDBG state and federal requirements.

**Microenterprise records** - The local microenterprise assistance program must maintain a file on each assisted microenterprise including:

* Certified application for assistance
* LMI income verification documents (such as tax documents, pay stubs), household size, and the income level (30%, 50% and 80% AMI)
* Number of employees documentation
* Washington State business license and [DUNS number](https://www.dnb.com/duns-number.html)
* Documentation of loss of income due to COVID-19
* Documentation of the business's monthly operating expenses. This helps to understand the ongoing operating needs of the business, measure the impact of the financial assistance, and determine the potential need for additional financial support from other sources.
* Ethnicity/race demographics and MWBE status for federal reports
* Use of funds and confirmation of NEPA exemption
* Executed COVID-19 Microenterprise Assistance Agreement

Applicant information collected must remain confidential, used only to meet federal and state record keeping requirements, and withheld as applicable from disclosure.

**Program administration records and eligible costs** – To request CDBG reimbursement, the local microenterprise assistance program must maintain records of direct costs tied to administer the CDBG-funded microenterprise assistance program, potentially including:

* Program staff salaries and benefits. This can include supervisory staff directly involved in the management of the microenterprise assistance program. For staff time to be eligible for reimbursement, staff must sign and supervisors must approve time sheets linking actual time worked to the CDBG fund source.
* Overhead/indirect costs. These costs must be tied to delivery of microenterprise assistance through an approved cost allocation plan. Example: the portion of costs established for operating and maintaining the space in which the service is located.
* The organization’s general executive management costs are not CDBG eligible unless tied to the microenterprise assistance program through an approved cost allocation plan. The cost allocation plan must be applied equitably and demonstrate the cost of providing the microenterprise assistance program.
* Professional services contracted according to CDBG procurement requirements[. See CDBG Management Handbook Section 5 –Procuring Professional Services.](https://deptofcommerce.app.box.com/v/section-05-procurement)
* CDBG cannot fund lobbying and political activities.

**Program administration reports**

* Project Detail Report for each CDBG payment request submitted to the local government grantee
* Beneficiary and Outcome Reports

**VII. CDBG General Administration**

**General grant administration records and eligible costs** – The local government grantee is responsible for administering and ensuring compliance for its CDBG contract with Commerce. A portion of the grant is available for eligible CDBG general administration costs. To request CDBG reimbursement, the local government grantee must maintain records of its CDBG grant administration costs, including:

* Program staff salaries and benefits. This can include supervisory staff directly involved in the management of the CDBG contract. For staff time to be eligible for reimbursement, staff must sign and supervisors must approve time sheets linking actual time worked to the CDBG fund source.
* Subrecipient oversight activities as outlined in the [CDBG Management Handbook, Section 18](https://deptofcommerce.app.box.com/v/section-18-subrecip-agreement), including a CDBG subrecipient agreement with the microenterprise assistance program provider.
* The local government grantee may keep a portion of the total grant for general administration costs. Generally, this is approximately $200-$500 per month, depending on the size of service area, length of program, number of subrecipients, available leveraged funds, and economies of scale.

**CDBG reimbursement request process**

* The local government grantee certifies eligible costs and submits to Commerce a completed state A19 Voucher following the financial requirements in the [CDBG Management Handbook, Section 4](https://deptofcommerce.app.box.com/v/section-04-financial-mgmt).
* Each A19 payment request must include costs documentation and a Project Status Report.
* A CDBG grantee can request additional documentation from its microenterprise assistance providers and contractors to meet their oversight requirements.

**NEPA Exemption** – The local government CDBG grantee can certify that the microenterprise assistance is categorically excluded/exempt under the National Environmental Policy Act (NEPA) if the assistance is used only for the following:

* Equipment purchase
* Inventory financing
* Interest subsidy
* Operating costs
* Other expenses not associated with construction or expansion

**VIII. Nondiscrimination and Inclusion**

Title VI of the Civil Rights Act of 1964 requires that, “No person shall, on the grounds of race, color or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.” In addition to ensuring nondiscrimination, local microenterprise assistance programs are strongly encouraged to ensure under-represented and non-English speaking business owners in your community have a fair chance of receiving assistance. Steps could include:

* Working with local advocacy and outreach groups to announce the assistance availability to hard-to-reach business owners in your community
* Allowing non-English speakers a fair amount of time to apply and gather the necessary documentation
* Tracking [MWBE](https://omwbe.wa.gov/) status

Guide Attachment A. for local program use.

***(insert Local Government Name /Service Provider Organization Name)***

**Community Development Block Grant Program (CDBG)**

**Microenterprise Assistance Application and Verification Form**

Up to $*(insert your max grant - generally up to $5,000; recommended no more than $10,000)* is available for qualifying microenterprise owners impacted by COVID-19 to stabilize your business in our community. To request assistance you must meet the program requirements, submit required documentation, and certify this form before *(insert due date),* 2020.

Funds are available on a limited basis. Submitting this application is not a guarantee of assistance. For your privacy, information collected will remain confidential, used only to meet federal and state record keeping requirements, and withheld as applicable from disclosure.

Please print:

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Owner Name(s)** |  | | | | | | | |
| **Owner Address** |  | | | | | | | |
| **Owner Phone** |  | **Business Phone** | | |  | | | |
| **Business Name** |  | | | | | | | |
| **Business Address** |  | | | | | | | |
| **Business Type** | **🞎** LLC **🞎** Partnership  **🞎** Sole Proprietor **🞎** Other | | | **In business since date** | |  | | |
| **Business Description** |  | | | | | | | |
| **Proposed Uses of Funds** | **🞎** Payroll **🞎** Rent/ Mortgage **🞎** Utilities  **🞎** Inventory **🞎** Other \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | | | | | | | |
| **Business Qualification Questions** | | | **Data** | | | | **YES** | **NO** |
| *MICROENTERPRISE*  Are you a WA St registered business having five or less employees, including the owner(s)? | | | # of FTE employees,  including owner(s):  #\_\_\_\_\_\_\_ | | | | **🞎** | **🞎** |
| *COVID-19 IMPACT -* Was your business impacted by COVID-19 resulting in a revenue loss of 25% or more from one year previous? | | | EST. % loss of revenue from one year previous:  \_\_\_\_\_\_\_% | | | | **🞎** | **🞎** |
| *COVID-19 IMPACT -* Was your business temporarily closed or services reduced by official order? | | | EST. # of days closed/ reduced: #\_\_\_\_\_\_\_ | | | | **🞎** | **🞎** |
| The business or business owner is **not** delinquent in any city, state or federal taxes; child support; or other penalties. | | | | | | | **🞎** | **🞎** |

* If you answered YES to all above, attach proof of business loss of revenue, such as (*insert documents you want to receive)*.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **LMI Household Income Qualification Questions** | | | | | | | | |
| Total Household Income is gross income (before deductions) from all sources of income (wages, child support, SSI, unemployment, pension, income from assets, etc.), from all adult family and non-family members in the household. | | | | | | | | |
| **Total Household Income during the last tax year or the last 12 months** | | | | | | | $ | |
| **Total Household Income anticipated during the next 12 months** | | | | | | | $ | |
| *CIRCLE*the number of people in your household, including yourself: | | | | | | | | |
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | | **8+** |
| [*insert county 80%*](https://deptofcommerce.app.box.com/v/income-limit-chart)**$** | [*insert county 80%*](https://deptofcommerce.app.box.com/v/income-limit-chart)**$** | [*insert county 80%*](https://deptofcommerce.app.box.com/v/income-limit-chart)**$** | [*insert county 80%*](https://deptofcommerce.app.box.com/v/income-limit-chart)**$** | [*insert county 80%*](https://deptofcommerce.app.box.com/v/income-limit-chart)**$** | [*insert county 80%*](https://deptofcommerce.app.box.com/v/income-limit-chart)**$** | [*insert county 80%*](https://deptofcommerce.app.box.com/v/income-limit-chart)**$** | | [*insert county 80%*](https://deptofcommerce.app.box.com/v/income-limit-chart)**$** |
| Is your **anticipated** total household income **LOWER** or **HIGHER** than the $ amount listed directly below the number of people circled above? | | | | | | **LOWER** | | **HIGHER** |
| **🞎** | | **🞎** |

* If you answered **LOWER**, attach proof of annual household income (such as latest tax return, quarterly tax, pay stubs, or bank statements)
* If you answered **HIGHER**, you may not qualify for CDBG microenterprise assistance without additional household income documentation, or you may be eligible for other assistance. Contact the *(insert Local Government Name /Service Provider Organization Name)* Microenterprise Assistance Program for further instruction.

**Conflict of Interest Disclosure:** I hereby declare that any person(s) employed by the *(insert Local Government Name and Service Provider Organization Name)*, who has direct or indirect personal or financial interest in this application or in any portion of the profits that may be derived there from, has been identified and the interest disclosed below:

Describe: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Applicant Certification:** *I certify the information given on this form is true and accurate to the best of my knowledge. I am aware there are penalties for willfully and knowingly giving false information. I authorize data verification by federal, state and local government representatives and will provide supporting documentation required (e.g. payroll records, tax fillings, bank account statements, etc.), if necessary.*

**Business Owner Signature:** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_

**Return the form to:** *(insert address and email and necessary contact information)*

|  |
| --- |
| **For Program Office Use Only** |
| Business and LMI Qualification Verified: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Staff initials/date  Funding Approval: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Manager initials/date  Account Number: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Approved Amount: $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

*These questions are optional and can be added by the microenterprise assistance service provider to further screen and prioritize applicants.*

***(insert Local Government Name /Service Provider Organization Name)***

**Community Development Block Grant Program (CDBG)**

**Microenterprise Assistance Application and Verification Form**

**Supplemental Questions**

Emergency Need

1. Describe the negative impact the COVID-19 pandemic has had on your business. Include the number of employees that have been laid off, if any.
2. Explain how the funding will help your business remain viable and prevent layoffs.
3. **If applicable**, describe how will you create new lines of business and services to meet new demand during the COVID-19 pandemic and the number of new jobs created.

Other funds

1. Describe your business revenues during COVID-19 and during a similar period prior to COVID-19.
2. Describe other funds you intend to apply for and the amounts and sources of those funds and total amount (e.g. SBA loan, WEDC SB 20/20f, unemployment insurance benefits, etc.).
3. Indicate if you are receiving any “Business Interruption Insurance” and the amount.
4. Describe any other gaps in financing you might have to prevent employee layoffs or create new jobs and your plan to fill those gaps.

*This data will be required from funded microenterprises, and could be requested at the time of application or before the Microenterprise Assistance Agreement with a business is executed.*

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| --- |
| Ethnicity/Race & Special Group Questions (opt.) |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Ethnicity** (select one) | | **🞎 Not Hispanic** | **🞎 Hispanic** | |
| **Race** (select one) | | | | |
| White | **🞎** | Asian | | **🞎** |
| Black or African American | **🞎** | Native Hawaiian or Pacific Islander | | **🞎** |
| American Indian or Alaskan Native | **🞎** | Other or Multi-Racial | | **🞎** |
| **Female Head of Household** | | **YES 🞎** | **NO 🞎** | |
| [**Minority- or Women’s Business Enterprise**](https://omwbe.wa.gov/) | | **YES 🞎** | **NO 🞎** | |
| **Business** [**DUNS number**](https://www.dnb.com/duns-number.html) | |  | | |

Guide Attachment B. for local program use. Excel spreadsheet available.

