

# City of Fullerton

COVID-19 Related

Small Business Emergency Assistance Program



# Program Guidelines

## Program Overview

The City of Fullerton has created the Small Business Emergency Assistance Program which will provide funding to small businesses in need of financial assistance to overcome temporary losses of revenue due to the COVID-19 public health emergency. The program is based on the availability of funds, program guidelines and submission of all required information and supportive documentation. Small businesses located in commercial or industrial spaces within the City of Fullerton employing up to ninety-nine (99) full-time, or full-time equivalent employees (two part-time equal one full-time employee) may be eligible to receive assistance of up to twenty thousand dollars (\$20,000). Funding is provided in the form of a loan that will convert to a grant in November 2021 provided certain conditions are met by the recipient. Funds received through the Small Business Emergency Assistance Program may be used to cover day-to-day business operating expenses such as rent, lease or mortgage payments, payroll, inventory, and utility expenses. Funds may also be used toward the cost of obtaining personal protective equipment or devices intended to enhance safety of the business, staff, and customers.

Sources of funds for the program are provided by the Federal Coronavirus Aid, Relief and Economic Security (CARES) Act received through City of Fullerton supplemental Community Development Block Grant (CDBG) funding for grants to prevent, prepare for, and respond to Coronavirus (CDBG-CV). The City will disburse \$100,000 for this program to provide economic support to small businesses impacted by COVID-19.

The City's Community and Economic Development Department will be responsible for oversight of the Small Business Emergency Assistance Program. Charitable Ventures (CV), an Orange County based nonprofit organization, will serve as the City's program partner and be responsible for processing applications and project support. City staff is obligated to fulfill the terms and conditions of the funds as established by the City Council, these program guidelines, and Federal, State, and local rules and regulations.

## **Eligibility**

To be eligible to apply for the Small Business Emergency Assistance Program, a business must meet certain criteria that has been established by the CARES Act, the U.S. Department of Treasury, CDBG-CV and the City of Fullerton. The business must demonstrate that it has been negatively impacted by COVID-19 in one or more of the following ways:

- The business has been forced to shut down by the State or local government at any time during the pandemic (beginning in March 2020);
- Sales from the business are down more than 25%, when comparing a three month period to the same three months in the most recent year (e.g November 2020-February 2021, compared to November 2019-February 2020)
- The business has had to lay off at least 1 of its employees (full or part time);
- One or more of the employees in the business have contracted COVID-19 while at work.

## *General Terms and Conditions*

The business applicant must also meet the following minimum requirements in order for their application be considered:

- The business must have a physical location in Fullerton;
- The business must be located in a commercial or industrial space. Home based businesses are NOT eligible
- The business must have an active Fullerton business license (obtained any time prior to 2021);
- The business would preferably generate sales-tax;
- Franchises are only eligible if they can demonstrate they did not receive any financial assistance from their franchiser since February 2020;
- The business must be in good standing with the City (current on bills, no liens or judgements, etc.), unless directly correlated to COVID-19 impacts;
- The business must employ (W-2) a minimum of one (1) individual and a maximum of ninety-nine (99) full time equivalent employees, including the owner;
- The business must submit the application and all required supporting documentation; and
- The business cannot be owned or operated by City employees and elected or appointed officials.

### *CDBG Eligibility*

Under Federal regulations, use of CDBG funded activities must meet the national objective of benefit to low and moderate (“low-mod) income benefit. Businesses may meet this low-mod criterion through serving a low-mod area, be a low-mod owner, or create/retain low-mod job(s). All business applicants must provide documentation meeting HUD’s low-mod income requirements prior to receiving a Small Business Emergency Assistance award.

For the purposes of this program, the business applicant must meet one of the following low-mod criteria to be considered for funding:

- The business owner’s current household income is at or below 80% of the Orange County median income, adjusted for household size; **OR**

- The business intends to retain at least one full-time equivalent, permanent low- and moderate-income job and the business owner(s) agrees that if the low- and moderate-income jobs are vacated, the business will take the necessary steps to fill the position with other low- and moderate-income employees.

The CDBG (Orange County) gross income thresholds are as follows:

MAXIMUM Household - GROSS Income Limits as of April 1, 2020							
1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
\$ 71,750	\$ 82,000	\$ 92,250	\$ 102,450	\$ 110,650	\$ 118,850	\$ 127,050	\$ 135,250
Gross Income Includes: All gross income (before any deductions) for persons 18 years of age and older including but not limited to, wages, bonuses, unemployment, social security, pensions, disability, child support, alimony, asset income from retirement accounts, checking accounts, savings account, CDs, stocks, bonds, etc.							

### *Forgiveness Provisions*

Funding is provided as a forgivable loan; if the recipient fulfills certain conditions in November 2021 it will convert to a grant and does not need to be paid back to the City of Fullerton.

These conditions are:

1. The business must demonstrate that they have used the funds for an allowed purpose under this program
2. The business must not have closed its facility or store in Fullerton.
3. It must still fulfill the low and moderate-income job thresholds noted in the CDBG eligibility criteria by either
  - a. Retaining said employees
  - b. Replacing lost employees with other qualified employees
4. The business must not have begun operating any lines of business that are unlawful or not allowed under the conditions of this program.

If the recipient is not able to meet these conditions, the funds must be repaid as soon as possible. Nominal interest of 2% per annum, compounded annually on the basis of a 365 day year, will be charged commencing on the second anniversary of the Effective Date of this Agreement (see Loan Agreement Section 2.1)

### *Eligible Activities*

Eligible activities for the use of funds should be used to cover day-to-day business operating expenses necessary to keep the business operating, such as rent, lease or

mortgage payments, payroll and benefits, inventory, utility expense, and/or PPE for the business. Businesses who have received other federal funding/assistance such as PPP or EIDL may not use these funds for the same expenses.

Business applicants will fill out the use of funds section of the application form that will provide a breakdown of how the funds will be spent within their business. Each business applicant will have to sign and verify that the use of funds will be spent on business expenses, such as those expressed above. Any use of funding other than that to support the business is strictly prohibited.

The U.S. Department of Treasury has issued guidance on the use of funds and the following is a nonexclusive list of expenditures that shall **NOT** constitute Eligible Expenses payable from the awarded amount:

- (1) Damages covered by insurance.
- (2) Payroll or benefits expenses for employees whose work duties are not substantially dedicated to mitigating or responding to the COVID-19 public health emergency.
- (3) Expenses that have been or will be reimbursed under any federal program, such as the reimbursement by the federal government pursuant to the CARES Act of contributions by States to State unemployment funds.
- (4) Reimbursement to donors for donated items or services.
- (5) Workforce bonuses other than hazard pay or overtime.
- (6) Severance pay.
- (7) Legal settlements.

### **Application Process**

The Small Business Emergency Assistance Program application will include information about the small business, the number of employees in the business, location of the business, amount of time the business, and month-by-month sales data that reflect a loss of sales from a comparable period.

Applications will be housed on Charitable Ventures' website, and available through a link

on the City website. Applications will be accepted starting at 8:00 a.m. on March 23, 2021 until 5:00 p.m. on April 13, 2021. This window may be extended if funding is available.

### *Required Documents*

The following documents must be submitted for consideration of application:

- Complete application;
- Current City of Fullerton Business License
- 2019 business and/or personal tax returns, interim returns or 2018 returns if 2019 has not been filed;
- 2019 business financial statements, which include balance sheet, 2019 profit and loss statement, 2020 profit and loss statement (January - December 2020);
- Bank statements for the last three months;
- 2019 and 2020 – Form 940 and Form 941 report for employment verification;
- Copy of current lease/grant deed demonstrating proof of commercial/industrial business address
- Owner/Employee self-certifications of household income if qualifying as low-mod income;
- Documentation supporting economic impacts resulting from COVID-19 (i.e. revenue loss, reduction in employee hours, layoffs, furloughs, modified business hours, etc.);
- Documentation supporting proposed use of assistance funds.

### *Evaluation Criteria*

Applications that meet the minimum eligibility requirements will be further evaluated to determine priority using the following scoring model:

1. Length of time in business in the City of Fullerton;
2. Ability to continue operating or re-opening based on 2019 and 2020 profit and loss statement.
3. Demonstrated Extent of Need and Impact of COVID-19

### **Application Review, Approval and Award Process**

The application and required documents will be received and reviewed by Charitable Ventures (CV) to determine completeness and eligibility. If Charitable Ventures determines that the application meets all the required criteria and no required documents are missing, the application package will be prepared for submission to the City's Small Business Emergency Assistance Program Committee for review. Organizations that meet the criteria but have a non-material deficit in the proposal (e.g. a missing piece of documentation) may be contacted and given an opportunity to remedy the error.

The City's Small Business Emergency Assistance Program Committee will review the applications and will select 5 qualified applicants. Applicants will be notified in writing about whether their application has been approved or denied. A list of all businesses awarded funds will be published on both the City's website and in marketing material that will be used on various channels.

#### *Disbursement of Funds*

The Small Business Emergency Assistance Program Committee will provide the eligible assistance funds upon approval and selection of the application, no later than May 1, 2021. Applicants must also submit documentation supporting that the initial funds were used to pay for employee payroll, rent/lease, mortgage payment, accounts payable, inventory, utilities or PPE.

#### *Post Award Follow Up*

Recipients will be required to complete a self-certification process for loan forgiveness by November 30, 2021. Exact details regarding this process will be sent to recipients no later than November 1, 2021.

#### *Program Complaint and Appeal Process*

Complaints concerning the Small Business Emergency Assistance Program should be made to the City of Fullerton Community and Economic Development Department. If unresolved in this manner, the complaint or appeal shall be made in writing and filed with the City Manager's Office.

### *City Reserved Rights*

The City of Fullerton reserves the unqualified right, in its sole and absolute discretion at any time: (1) to amend or terminate this program with no recourse for any proposing applicant; (2) to choose or reject any or all applications received in response to this program; (3) to modify the application deadlines; (4) to request additional information of the applicants as deemed necessary and appropriate by the City; (5) to conduct further due diligence with applicants or any third party; (6) to modify the City's objectives or the scope of the program; (7) to modify program requirements, general terms and conditions, or eligible activities; and/or (8) to disqualify any proposing applicant on the basis of any real or perceived conflict of interest that is disclosed or revealed by materials submitted or by any data available to the City.

### **Contact Information**

For questions or additional information regarding the Small Business Emergency Assistance Program, please contact Charitable Ventures at [fullerton@charitableventuresoc.org](mailto:fullerton@charitableventuresoc.org) or by phone at 714 597-6630 x134 (8-5 M-F)