



CITY OF NEWPORT BEACH

CDBG ECONOMIC DEVELOPMENT
GRANT PROGRAM

Program Guidelines

COVID-19 Related

Small Business Relief (Low Income)

August 14, 2020

OVERVIEW

ABOUT THE PROGRAM

The City of Newport Beach has created the CDBG Economic Development Grant Program, to provide one-time funding to small businesses located in the City with financial assistance to retain jobs and overcome economic impacts due to the COVID-19 public health emergency. The program is based on the availability of funds, adherence with program guidelines, and submission of all required information and supporting documentation.

Small businesses with 30 or fewer full-time (or equivalent part-time and full-time) employees may be eligible to receive a working capital grant of up to ten thousand dollars (\$10,000). The grant may be used for working capital to cover the day- to-day business operating expenses such as payroll expenses, rent/lease payments, mortgage payments, utility expenses, or other similar expenses that occur in the ordinary course of operations.

FUNDING AVAILABILITY

Source of funds for the program are provided by the City's annual allocation of Community Development Block Grant (CDBG) Program funds administered by the United States Department of Housing and Urban Development (HUD), as well as a supplemental allocation of CDBG funds under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act for grants to prevent, prepare for, and respond to the coronavirus pandemic (CDBG-CV). The CDBG Program and CARES Act provides the City of Newport Beach with funds in the amount of \$250,371 and \$219,324, respectively, that may be used to support community and economic development efforts in response to the COVID-19 pandemic.

As a disbursing agent for these funds, the City's Community Development Department shall be responsible for the administration of the CDBG Economic Development Grant Program. 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. As such, the City's Program Partner, the Orange County/Inland Empire Small Business Development Center ("SBDC") located on the California State University, Fullerton campus, shall be responsible for marketing the program, application processing, and preliminary determination of eligibility. The City will be responsible for accepting and reviewing supporting documentation from applicants, verification of HUD requirements, grant approval and grant funds disbursement.

Please carefully review these guidelines as successful applicants must submit complete applications before the deadline; provide documentation that they meet the eligibility requirements, terms and conditions; explain how the grant monies would be used toward necessary COVID-19 related business expenses; and later provide documentation demonstrating that the grant funding was used toward those expenses.

If the number of qualifying applications submitted exceeds the amount of funding that is available for disbursement, the City will implement a lottery system for all eligible small businesses.

GRANT AMOUNTS

Applicants are eligible to receive a grant of up to \$10,000 according to the following:

- Businesses with 5 or less employees are eligible for a grant up to \$5,000.
- Businesses with 6-10 employees are eligible for a grant up to \$7,500.
- Businesses with 11-30 employees are eligible for a grant up to \$10,000.

CITY RESERVED RIGHTS

The City 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 select 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.

ELIGIBILITY

To be eligible to apply for the CDBG Economic Development Grant Program, a business must meet certain criteria that has been established by HUD, the CARES Act, and the City of Newport Beach, and the business must demonstrate that it has been negatively affected by COVID-19.

BUSINESS MUST HAVE BEEN NEGATIVELY AFFECTED BY COVID-19

The business applicant must prove that their business has been negatively affected by COVID-19 in *one* of the following ways:

- The business has been deemed non-essential and has been forced to shut down by the state or local government;
- Sales from the business are down compared to the same time period in calendar year 2019 (Prior to March 1, 2020);
- The business has had to lay off at least one of its employees (full- or part-time employee); or
- One or more of the employees in the business have contracted COVID-19, while at work.

AND

CDBG ELIGIBILITY – HUD GUIDELINES

Under federal regulations, use of CDBG funds must meet certain national objectives to benefit persons of low- and moderate-income (“low-mod”). Businesses may meet this low-mod criterion by being a business owner and having an income that meets the low-mod criteria, or create and/or retain low-mod job(s). All businesses must provide documentation meeting HUD’s low-mod income requirements prior to receiving a business assistance grant. For the purposes of this program, the applicant must meet one of the following low-mod criteria to be considered for grant 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):
 - Can show that 51% of its employees are low- and moderate-income, full-time or equivalent employees; and
 - Agrees that the grant funds provided will ensure permanent employment of the retained employee for a period of two years; and
 - Agree that if the low- and moderate-income job retained under this program is vacated within two years of the date of assistance, the business will take the necessary steps to fill the position with another low- and moderate-income employee for two years following the date of assistance.

Additionally, at its discretion, the City may use the HUD national objective of urgent need in determining eligibility for this grant funding.

AND

NEWPORT BEACH TERMS AND CONDITIONS

The business applicant must meet the following minimum requirements to be considered for grant funding:

- The business must be a for-profit business independently owned and operated, with the principal office physically located within Newport Beach city limits, and the owner(s) and/or officers of the business must reside in Orange County;
- The business must be legal and located in a commercial or industrial space;
- The business must have an active Newport Beach business license for a minimum of six (6) months, as of the date of their application;
- The business has or will obtain a Data Universal Numbering System (DUNS) Number if a grant is awarded (Can be obtained at <http://fedgov.dnb.com/webform>).
- On March 1, 2020, the business must have thirty or fewer full-time, or an equivalent combination of full and part time employees, including the owner;
- The business must have average gross receipts of fifteen million dollars (\$15,000,000) or less over the previous three years;
- The business must disclose as of the date of the application whether they have received funding or capital through alternative sources and how the funds were utilized (e.g. Economic Injury Disaster Loan (EIDL) or Payroll Protection Program (PPP) Loan, City of Newport Beach’s Small

Business Emergency Relief Grant Program). If a business received PPP, EIDL funds, or a City of Newport Beach grant, it is still eligible to receive these CDBG Grant funds, however, priority will be given to applicants that have not received funding through these programs;

- The business must be in good standing with the City, meaning:
 - It must be current on its business license fees or in good standing on its payment plan;
 - If applicable, it must be current on its business improvement district assessment or in good standing on its payment plan;
 - If applicable, it must have a valid Marine Activities Permit;
 - It must not have any outstanding municipal code violations.
- The business must follow the State's and/or County's re-opening guidance for their industry; and
- The business must submit the application and all required supporting documentation;

FUNDING PRIORITY

In an effort to provide assistance to businesses located in the City's commercial and industrial areas, that provide services onsite, and that have been severely impacted by the COVID-19 public health emergency, priority will be given to:

- Retail;
- Restaurants; and
- Personal service establishments, specifically, hair salons and barber shops, nail salons, day spas, and small gyms / health clubs.

Qualified applications from these three types of businesses will be given priority during the grant allocation process in the following order:

- (1) The business has NOT received any other federal assistance under the Coronavirus Air, Relief and Economic Security Act (CARES Act) programs such as an Economic Injury Disaster Loan (EIDL) or under the Paycheck Protection Program (PPP), or through the City's Small Business Relief Grant Program.
- (2) The business received an EIDL.
- (3) The business received assistance under the PPP.
- (4) The business received a Small Business Relief Grant from the City.
- (5) The business received more than one type of assistance from a program listed above.

Any remaining grant monies will be allocated to any small business that meets the eligibility criteria, terms and conditions.

ELIGIBLE ACTIVITIES

Eligible activities for the use of funds should be used to cover fixed expenses for the business. The primary fixed expenses will include rent/lease or mortgage expense, payroll, utilities, inventory or other expenses that occur in the ordinary course of operations for the business. Grant monies may also be used toward the cost of obtaining personal protective equipment for staff and customers as well as devices intended to enhance safety of staff and customers, such as hands-free payment devices, sanitation supplies, and plexiglass partitions. To be eligible under this program, expenses must have been incurred after March 1, 2020, and all grant funds awarded must be fully expended on eligible expenses by June 30, 2021.

Applicants will fill out a use of funds form that will breakdown how the funds will be spent within their business. Each applicant will need 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 as outlined above is strictly prohibited. The business will be responsible for reimbursing the program for any expenses found to not be in compliance with the program's eligible activities.

The City may inspect the business premises to verify the grant monies are being used in accordance with the program requirements.

The U.S. Department of Treasury has issued guidance on the use of CARES Act funds and the following is a non-exclusive list of expenditures that **do not** constitute Eligible Expenses and **shall not** be paid using the grant funds:

- (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; and
- (7) Legal settlements.

Business expenses that have been reimbursed or paid for with money from the federal government are not eligible for the CDBG Economic Development Grant Program.

MARKETING AND OUTREACH

The City of Newport Beach and SBDC will create marketing and outreach pieces to promote the CDBG Economic Development Grant Program. The goal will be to alert small businesses throughout the city about the grant program and bring awareness to those small businesses that need this financial assistance.

The CDBG Economic Development Grant Program outreach and marketing will include:

- City's website and social media channels
- E-flyers
- Email campaign to business license holders
- Outreach through chambers of commerce, business improvement districts, and other merchant associations
- Press release
- Webinars about the grant program in English and Spanish

WEBINARS

The City of Newport Beach and SBDC will conduct two webinars, prior to the opening of the applications for the CDBG Economic Development Grant Program. The webinars will be conducted in English and Spanish and will outline the program, the application, and additional documents needed.

PRESS RELEASE

Prior to the application period, the City of Newport Beach will send out a press release to announce the program outlining program guidelines.

E-FLYERS

City staff and SBDC will create e-flyers to outline the program and discuss eligibility requirements. Flyers will be sent to business development partners within the city such as the Newport Beach Chamber of Commerce, Corona del Mar Chamber of Commerce, Newport Beach & Company, the business improvement districts, and others who have direct links to small business owners within the city.

APPLICATIONS

APPLICATION

The CDBG Economic Development Grant Program application will include information about the small business, the number of employees in the business, location of the business, amount of time in business and month-by-month sales from January 2019 through July 31, 2020. Applications will be available on SBDC's website, and through a link on the City of Newport Beach's website. Assistance with the application will be available by telephone.

APPLICATION PERIOD

Grant applications will be accepted from **Friday, August 14, 2020, 9:00 a.m. until Friday, August 28, 2020, 5:00 p.m.** Applicants may apply for the grant program by visiting www.newportbeachca.gov/cdbgedgrant and submitting the application online. The initial application period will close promptly at 5 p.m. on August 28th but may be extended if determined necessary by the City. However, if the number of applications exceeds the amount of funding available, then a lottery system will be implemented to prioritize applications.

Once applications have been reviewed and determined to meet the minimum eligibility requirements outlined below, they will be assigned a number and entered into a lottery for selection. The selected businesses will be notified beginning September 14, 2020 and will then be asked to submit all required business and financial documentation for review and verification.

APPLICATION/DOCUMENTATION REQUIREMENTS

The following documents must be submitted for consideration of a grant request:

- Complete grant application and all of its attachments;
- Active City of Newport Beach Business License at least 6 months prior to the date of application;
- 2019 business and personal tax returns (all pages), or 2018 if 2019 has not been filed;
- Monthly profit and loss statements covering the period from November 2019 through July 31, 2020;
- For seasonal businesses, monthly profit and loss statement covering the period from March 2019 through August 2020;
- Copy of lease/grant deed demonstrating proof of commercial/industrial business address:
 - For leases, documents must show the name of lessee and lease term;
 - For grant deed, documentation must show the name of the property owner;
- Employee self-certifications of household income, if qualifying employees as low/moderate income, **or** Business owner self-certification of household income, if qualifying as low/moderate business owner; and
- Documentation supporting proposed use of grant funds.

Additional documentation may be required to verify eligibility if required by the City after reviewing the documents listed above. Additional documents may include, but are not limited to:

- Bank statements for the most recent seven months (January 2020 through July 31, 2020)
- Forms DE9 – EDD Quarterly Contribution Return and Report of Wages for the quarters ending December 31, 2019, March 31, 2020, and June 30, 2020
- List of employees currently on payroll (full and part time, including owner)
- Completed IRS 4506-T for business owner and employees to verify submitted federal income tax returns
- Documentation supporting economic impact that has resulted from COVID-19 (details of economic impact, i.e., revenue loss, reduction in employee hours, layoffs, furloughs, modified business hours, etc.)

Although selection is not guaranteed, businesses should begin to collect the required documentation in order to expedite the approval process in the event they are selected.

GRANT REVIEW AND APPROVAL PROCESS

APPLICATION

The business applicant may apply for the grant program by submitting an application form via the application portal on the City's website at www.newportbeachca.gov/cdbgedgrant. No paper applications will be accepted. Telephone assistance with the application will be available during the application period by calling SBDC at (800) 616-7232, Monday through Friday, from 8 a.m. to 5 p.m.

REVIEW

The application will be reviewed by SBDC to determine application completeness and preliminary eligibility. If SBDC determines that additional information or supporting documents are needed to review an application, then the application is not considered complete. ***The application must be complete by the application submittal deadline of Friday, August 28, 2020, at 5 p.m.***

LOTTERY

The City anticipates the CDBG Economic Development Grant Program may have an overwhelming number of applications. If the number of applications far exceeds the amount of funding that is available for disbursement, the City will implement a lottery system for all preliminarily eligible small businesses. Once applications and preliminary eligibility have been approved, they will be assigned a number and entered into a lottery. Potential grant recipients will be contacted by email, phone and/or letter **starting the week of September 14, 2020.**

VERIFICATION AND ELIGIBILITY DETERMINATION

SBDC shall verify all application information, as necessary. If the grant request meets the criteria for preliminary eligibility, applicants will be asked to submit all required documentation. **All documentation must be submitted by September 30, 2020, at 5 p.m.** The application package and documents will be reviewed by the City's CDBG staff and consultant and prepared for funding. Funding decisions will be made upon receiving a complete application with all required documentation.

GRANT DISBURSEMENT

As each business submits a complete set of required documentation, it will be reviewed and verified, and funds will be disbursed to the individual business. For applicants who have already incurred eligible expenses, and submitted proof the expenses qualify for eligible activities, upon receipt of a fully executed grant agreement the City will release 100 percent (100%) of the grant funds. For applicants that have not already incurred expenses, fifty percent (50%) of the eligible grant funds will be disbursed to the business upon approval and receipt of a fully executed grant agreement. The remaining fifty percent (50%) of eligible grant funds will be disbursed upon the City's receipt of sufficient documentation the business spent the money on eligible activities within 60-days of the grant disbursement. Failure to spend the money and submit sufficient documentation within 60 calendar days will result in the remaining portion of the grant money being awarded to another applicant. Applicant must also submit documentation supporting that the additional grant funds were used to pay for eligible expenses.

POST GRANT FOLLOW UP

SBDC will continue to work one-on-one with each grantee over the next 12 months. All grantees will be required to update the City on their business, and whether additional employees have been hired or employees retained. A report will be created by SBDC and the City to document the success of the program to HUD.

PROGRAM COMPLAINT AND APPEAL PROCESS

Complaints concerning the CDBG Economic Development Grant Program should be made to the City of Newport Beach Community Development Department. If unresolved in this manner, the complaint or appeal shall be made in writing and filed with the City Manager's Office.

NOTICE OF GRANT AWARD OR DENIAL

All small businesses that have been awarded grants will be published on the City of Newport Beach's website.

EQUAL OPPORTUNITY POLICY

The City of Newport Beach shall not discriminate upon the basis of sex, age, race, creed, color, religion, national origin, marital status, ancestry or physical handicap in accepting applications and processing Program application.

CONTACT INFORMATION

For questions or additional information regarding the CDBG Economic Development Grant Program, please contact the following:

CITY OF NEWPORT BEACH

Community Development Department

100 Civic Center Drive Newport Beach, CA 92660

(949) 644-3200

economicdevelopment@newportbeachca.gov

For questions about the guidelines and application or assistance in completing the CDBG Economic Development Grant Program application and to set up a one-on-one consultation (at no cost), please contact the Small Business Development Center at:

ORANGE COUNTY/ INLAND EMPIRE SBDC NETWORK

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