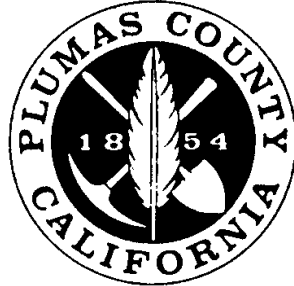


PLUMAS COUNTY & CITY OF PORTOLA



Microenterprise Business Assistance and Recovery Forgivable Loan Program

DRAFT PROGRAM GUIDELINES

RELEASED MAY 17, 2023

**FINAL PROGRAM GUIDELINES, APPLICATION,
AND CHECKLIST TO FOLLOW:**

ANTICIPATED RELEASE DATE JUNE 1, 2023

ANTICIPATED APPLICATION DEADLINE JULY 31, 2023

Board of Supervisors

Chair Dwight Ceresola, District 1
Supervisor Kevin Goss, District 2
Supervisor Tom McGowan, District 3
Vice Chair Greg Hagwood, District 4
Supervisor Jeff Engel, District 5

City Council

Bill Powers, Mayor
Pat Morton, Mayor Pro Tem
Stan Peiler, Council Member
Leah Turner, Council Member
Jim Murphy, Council Member

*Funded through the
Community Development Block Grant Coronavirus Rounds 2 and 3 (CDBG-CV2-3)
Coronavirus Aid, Relief, and Economic Security (CARES) Act*

DRAFT PROGRAM GUIDELINES

1. ABOUT THE PROGRAM

The County of Plumas (County) offers its **Microenterprise Business Assistance and Recovery Forgivable Loan Program (Program)** to provide financial assistance to legal operating private for profit microenterprise businesses in the unincorporated areas of Plumas County and within the City of Portola city limits who have been negatively impacted by the coronavirus (COVID-19) pandemic.

The financial assistance provided through the Program must demonstrate how the microenterprise prepared for, prevented, and/or responded to coronavirus (“COVID-19 nexus”).

2. FUNDING

The Program is made possible with Coronavirus Aid, Relief, and Economic Security (CARES) Act funding from the California Department of Housing and Community Development (HCD) through the Community Development Block Grant Coronavirus Aid (CDBG-CV) program of the US Housing and Urban Development (HUD), with a total of \$409,462 available.

To promote economic stability and to assist with eligible business expenses, the Program offers a one-time forgivable loan of up to \$50,000 per microenterprise business that has been negatively impacted by COVID-19.

CDBG regulations provide the following definition of a microenterprise business:

A commercial enterprise that has five or fewer employees, one or more of whom owns the business.

3. NATIONAL OBJECTIVE FOR PLUMAS MICROENTERPRISE ACTIVITIES

As a recipient of this funding, the County, and its recipients (i.e., microenterprises) are required to meet a HUD National Objective as stated in the CDBG statutes.

The County of Plumas Program is intended to comply with the microenterprise activity National Objective through the limited clientele (LMC)¹ criteria for benefits to low- or moderate-income households (LMI) if the microenterprise owner(s) qualify as LMI. In certifying LMI status, the applicant only needs to document the owner’s income, not that of any employee. It should be noted that there is a 3-year presumption of LMI status to allow for continued assistance.

¹ Low-or moderate-income limited clientele benefit Activities that benefit a limited clientele, at least 51% of whom are low- or moderate-income. LMC activities provide benefits to a specific group of persons rather than to all the residents of a particular area. 24 CFR 570.208(a)(2).

If the owner is not LMI, the National Objective may also be met by meeting the LMJ² low- and moderate-income job creation and retention criteria, which requires that a business create or retain at least one permanent full-time equivalent (FTE) job (1 FTE = 1,750 annual paid hours) for an employee of a LMI household.

Jobs created must be documented when the activity is completed.

As part of follow-up monitoring requirements, the microenterprise will be required to submit documentation (i.e., self-certification of household income) of jobs claimed to have been created or retained.

Up to two part-time positions may be combined to equal 1 FTE of which at least 51 percent of the positions (computed on an FTE basis) are to be made available to or held by LMI persons.

4. ELIGIBILITY REQUIREMENTS FOR MICROENTERPRISES

Only one application will be accepted per applicant, even if the applicant has multiple microenterprises within the County.

Microenterprise businesses interested in applying and receiving funding must meet all requirements to establish eligibility, as outlined below:

- ✓ Microenterprise is located within the County of Plumas, either in the unincorporated areas of the County or within the City of Portola city limits.
- ✓ Microenterprise is a for-profit business.
- ✓ Microenterprise employs no more than five employees, one or more of whom are the business owner(s).
- ✓ Microenterprise owner(s) or at least 1 full time employee (FTE) must meet the low/moderate income (LMI) qualifications (see 'Income Limits' Section 7 below).
- ✓ Microenterprise is required to register for a free Unique Entity Identifier (UEI) number at [SAM.gov](https://sam.gov) website.

² Activities undertaken to create or retain permanent jobs, at least 51% of which will be made available to or held by low- or moderate-income persons. 24 CFR 570.208(a)(4).

5. ELIGIBLE USES OF LOAN FUNDS

All microenterprises including established businesses and start-ups businesses are required to state the intended use of the loan funds as part of the application and that the loan funds will be used as specified in a loan agreement that the applicant will be asked to sign.

Eligible uses of the loan funds include reimbursement of costs for the following business activities incurred during the period that begins on March 13, 2020, and ends on May 11, 2023 (duration of the national disaster declaration COVID-19 Public Health Emergency):

- ✓ Commercial lease or mortgage payments
- ✓ Employee payroll (not including owner salary)
- ✓ Utility payments
- ✓ Reimbursement for expenses related to supporting operational needs to address COVID-19 requirements for opening and operating (e.g., personal protective equipment and supplies, items related to public health and safety, and temporary distancing measures, or movable equipment).

Note that any use of Program funds for construction or acquisition activities, including the installation of permanent fixtures or non-movable equipment, will invoke additional federal cross-cutting requirements. The County will advise the applicant on these requirements if these types of expenditures are proposed for the use of loan funds.

Federal Procurement Requirements

Where applicable, microenterprises must comply with federal procurement requirements per 2 CFR 200.318-200.326, whenever the microenterprise intends to engage a contractor, vendor or service provider using loan funds.

6. INELIGIBLE MICROENTERPRISES

The following businesses are considered ineligible to apply or receive assistance from the Program:

- Businesses with active code violations.
- Businesses with outstanding tax liens or legal judgments.
- Businesses currently in the process of bankruptcy proceedings.
- Gaming, liquor, or tobacco stores; and marijuana dispensaries and/or manufacturers.
- Business that is debarred from receiving federal funds.
- Any activity that does not comply with local, state, or federal laws.

7. INELIGIBLE USES OF FUNDS

- “Lost revenue” or potential revenue that was never realized
- Loan payments to small business associations
- Governmental uses or expenses
- Political activities

- Personal property
- Personal household savings
- Others as determined by federal HUD guidance

8. INCOME LIMITS

At least one business owner or one FTE employee must meet eligible income requirements with current household income at or below 80% of Plumas County area median income as shown in the table below. Gross income is defined as all income received, before deductions, of all household members 18 years or older. Such income includes wages, salaries, unemployment, assets, disabilities, and pensions.

Plumas County	Household Size (Number of Persons)							
HCD/HUD FY 2023 Maximum Income Limits	1	2	3	4	5	6	7	8
	\$46,950	\$53,650	\$60,350	\$67,050	\$72,450	\$77,800	\$83,150	\$88,550

9. ESTABLISHED MICROENTERPRISES REQUIRED DOCUMENTS

An established microenterprise is one that started operation prior to June 1, 2022.

Established microenterprises will be required to submit the following documents as part of the application and eligibility review:

- Completed and signed application.
- Payroll report or affidavit (signed by employees) documenting number of persons employed.
- Business tax returns for the year prior to the date of application for assistance.
- A profit and loss statement for the year prior to the date of the application.
- If the microenterprise was established before March 13, 2020, to determine an award amount that is necessary and reasonable, financial documentation for the period prior to the national disaster declaration shall be submitted, such as a profit and loss statement for 2019, or the 2019 business tax return.
- A cash flow projection for the subsequent year.
- A business plan that supports good prospects for viability going forward.
- Receipts substantiating costs for expected expenses (e.g., if loan will be used to cover rent, a rental or lease agreement will be requested; if funds will be used for inventory, then inventory receipts will be requested).
- Payroll information for the most recent month:
 - Include the name and address of each owner and each employee.
 - If none of the owners meet the income eligibility requirements, then at least one FTE employee must meet eligible income requirements with current household income at

or below 80% of Plumas County area median income as shown in the table above.

- [SAM.gov](https://sam.gov) UEI (Unique Entity ID).
- Tax ID/Employer Identification Number (EIN).
- All required operating permits and licensing.
- Copy of registration with the State of California’s Secretary of State, Articles of Incorporation/Organization, current Statement of Information, Fictitious Business Name Statement aka DBA), as applicable, which will be used to determine date of start of operation.
- Signed agreement of previously received Paycheck Protection Program (PPP) loan, Small Business Administration (SBA) fund, or any other COVID-19 federal relief funding, if applicable.
- Duplication of Benefits affidavit.
- Disclosure of delinquent or defaulted federal loans in the last seven years, if applicable.
- Copy of business insurance.
- Business W-9 form.

10. START-UP MICROENTERPRISES REQUIRED DOCUMENTS

A start-up microenterprise is one that started operation on or after June 1, 2022.

Start-up microenterprises will be required to submit the following documents as part of the application and eligibility review:

- Completed and signed application.
- A description of the proposed business activity.
- The owner’s skills and experience in relation to the business.
- A business plan that identifies the customer base, financial and planning objectives, and activities of the owner(s); actual annual revenues and expenses and/or projections for each of the three years following the business opening.
- Other sources of financial support needed for the operations over the next three years, either private or governmental.
- A marketing plan that demonstrates the business’s path to success.
- A financial plan for maintaining business accounts payable, receivable, expenses, payroll, payroll expenses, and other business financial data.
- Owner’s personal tax return for the year prior to the date of application to determine LMC eligibility (LMI household) to meet the National Objective.
- Recent credit report.
- [SAM.gov](https://sam.gov) UEI (Unique Entity ID).
- Tax ID/Employer Identification Number (EIN).

- All required operating permits and licensing.
- Copy of registration with the State of California’s Secretary of State, Articles of Incorporation/Organization, current Statement of Information, Fictitious Business Name Statement aka DBA), as applicable, which will be used to determine date of start of operation.

Note: The same 5 employee limit (including the owner[s]) applies to start-up businesses.

11. DETERMINING ELIGIBILITY

Microenterprises must submit a completed application and all associated documents including all completed checklists to establish eligibility.

12. APPLICATION PERIOD AND PROCESSING

The County anticipates releasing the Program application and checklist on June 1, 2023, and will review on a first come, first served basis, and anticipates keeping this application process open until July 31, 2023.

Applicants are encouraged to apply as soon as possible, once the application is available, and must complete and submit a completed funding application to the County. The County reserves the right to reopen the application period. All required documents must be submitted with the completed application to be considered. Applicants will be notified of their application’s approval or rejection and funding amount by the County.

Application Review and Processing

The application will be reviewed and evaluated according to the following priorities:

- The business meets the LMC National Objective or LMJ National Objectives of the Program
- The number of LMI jobs that the business sustains during a normal business cycle.
- The business demonstrates that it has lost a significant share (25% or more) of revenue due to the COVID-19 pandemic.
- The business demonstrates a strong chance of remaining open over the next 12 months.
- The business demonstrates in a business plan that the funds were used to prepare for, prevent, or respond to coronavirus (COVID-19 nexus).
- All eligibility criteria have been met.

13. UNDERWRITING CRITERIA

For all applications, the County will conduct the following level of underwriting review of the application in making a determination of a loan award.

1. That business expenses are reasonable.
2. That all identified sources of financing needed for the business are committed.
3. That to the extent practicable, CDBG funds are not substituted for non-Federal financial support.

4. That the business is financially viable.
5. That to the extent practicable, the return on the owner's equity investment will not be unreasonably high.
6. That to the extent practicable, CDBG funds are disbursed on a pro-rata basis with other financing provided to the business.

Loan applications for businesses that started operation after March 13, 2020, will be undergo a higher threshold of underwriting in accordance with HUD Guidelines³. The higher underwriting threshold will require that the applicant provide the following:

1. Business plan

Market Analysis, business plan, and/or similar analysis that allows the County to review the viability of the projected expansion or new business in the proposed or existing market

2. Past two (2) years tax returns

- a. Owner(s) tax returns shall be provided
- b. Owners may provide more than past 2 years, if helpful for demonstrating a pre-COVID financial trend

4. Sources and Uses

- a. Sources and uses statement for the business
- b. Commitment letters, bank statements, and/or other documentation supporting the firm commitment and/or availability of all funding necessary to support operations for one year.

5. Pro Forma Financial Statement

Projected cash flow statements for 12 months after receipt of CDBG funds and once in operation.

6. Debt Service Coverage Ratio (DCR) To show the repayment will be covered by the projected revenue of the business, the DCR shall be calculated. The DCR can be calculated using the applicant's business financials including income projections, bank records, profit and loss reports or owner's equity.

DCR equals the cash flow available for debt service divided by the debt service. The minimum requirements are as follows:

- i. 1.15 DCR before investment of CDBG funds
- ii. 1.05 DCR after investment of CDBG funds

If the DCR is below 1.05, a global service debt coverage ratio could be considered by the County, but the County will weigh and address the risks with the business owner if choosing to allow for a lower DCR. Global debt service coverage ratio combines both personal and business income and expenses.

³ Optional Underwriting for Tier 3: Microenterprises, Appendix D-7 HCD Underwriting Guidelines.

7. Personal Guarantee

Personal guarantee of full loan amount is required for all owners with 20% or greater ownership interest in the business. Note: the applicant will also be required to sign a Promissory Note.

It is strongly encouraged that all businesses engage with a technical assistance provider to assist in the providing the necessary information to successfully pass the underwriting review, especially for the higher threshold underwriting (see Section 18 for a technical assistance provider).

14. AWARDING THE LOAN

Upon verification of eligibility, the County will confirm with the microenterprise via email that their application for a loan is complete and, if all criteria have been met, a recommendation will be made to the County's ad hoc Microenterprise Loan Committee.

Following approval by the Loan Committee, the County will then provide the microenterprise owner(s) with a loan agreement outlining the terms and conditions of the loan and the terms under which the loan may be forgiven.

The applicant will be asked to sign, and have notarized, originals of the following documents:

- ✓ Loan agreement
- ✓ Promissory note
- ✓ Subrogation agreement (if applicable)

The loan agreement must demonstrate how the microenterprise prepared for, prevented, and/or responded to coronavirus ("COVID-19 nexus").

Upon receipt and execution of signed documents, the County will disburse the one-time loan up to the amount of \$50,000 for eligible microenterprise expenditures.

The loans are interest free and are 100 percent forgivable if criteria are met. There are no loan fees or prepayment penalties. Loans will be secured by a Promissory Note, other collateral is not required.

15. DUPLICATION OF BENEFITS

All microenterprises are required to complete a Duplication of Benefits (DOB) affidavit as part of the application process. This affidavit acknowledges the County's HUD requirement that any person or entity receiving CDBG-CV assistance may not also receive other public or private funding for the same purpose and must agree to repay assistance that is determined to be duplicative.

To meet HUD's requirements, the County has developed a method of assessing whether the use of CDBG-CV funds will duplicate financial assistance that is already received or is likely to be received by acting reasonably in evaluating need and the resources available to meet that need.

This assessment process is as follows:

1. Upon receipt of the completed application packet, the County will review the DOB affidavit to determine if the applicant has reported receiving any potentially duplicative assistance.
2. If so, the County or its Consultant, Michael Baker International, Inc., will request additional

information from the applicant, including:

- a. Dates that funds were received
 - b. Specific uses of funds received, including receipts and dates as appropriate.
3. Based on a review of this information, the County, or its Consultant, Michael Baker International, Inc., may:
- a. Determine that there is no duplication and proceed with consideration of the application for the full amount requested.
 - b. Determine that there is a partial duplication and proceed with consideration of the application for an amount that reduces the request by the DOB amount.
 - i. $(\text{Amount Requested}) - (\text{Amount of DOB}) = \text{Eligible Amount}$
 - c. Determine that there is a complete duplication and deny the application.
4. If an application moves forward and is approved, in whole or in part, the applicant will be required to sign a subrogation agreement to address concerns around the potential for future duplication (e.g., a Paycheck Protection Program application was made and was not denied but the applicant has not heard back).
5. If an application is approved in part, the County will also include in the funding documents specific information regarding on what the funds may be spent to avoid duplication of benefits.
6. The County or its Consultant, Michael Baker International, Inc., will require all successful applicants to provide documentation as to how funds are expended and will review this documentation to ensure no duplication has taken place.

All application documents, including the DOB affidavit and subrogation agreement, will be retained in compliance with HUD's record retention requirements.

16. LOAN FORGIVENESS

The level of forgiveness is up to 100% of the total loan amount.

In accordance with HUD Guidelines, the loan may be forgiven if the microenterprise documents, and attests, that it has continuously met the required National Objective of LMC (limited clientele where the microenterprise owner qualifies as LMI) or LMJ (job creation and retention).

The forgiveness period is a minimum of three months up to a nine-month period following the date of the loan agreement.

The National Objective must be met at the end of the forgiveness period. The borrower will be asked to submit a request for loan forgiveness that documents and attests to the following:

- The borrower is in compliance with the terms of the loan.
- The borrower has met all the requirements of the Program.
- The borrower has submitted payroll documentation as evidence of any Job Retention required under the terms of the loan agreement.

- The borrower provides to the County between three months and nine months from the execution date of the loan agreement evidence of payment of eligible costs incurred during the period beginning March 13, 2020, and ending on May 11, 2023.
- The borrower agrees to return any funds not expended on eligible costs.

The borrower will be required to sign a loan forgiveness affidavit that the terms and conditions of the loan have been met and provide additional evidence in the form of receipts, payroll reports, and/or rent statements that the loan funds were used as specified in the loan agreement.

Federal Requirements

Compliance with federal requirements will be reviewed and documented at loan forgiveness. The federal requirements pertain, but are not limited to: anti-lobbying certification; prohibitions against payments of bonus or commissions; Clean Air and Water Act; equal opportunity; Affirmative Action; Americans with Disabilities Act (ADA) of 1990; flood disaster protection; federal labor standards provisions (also known as Davis Bacon); lead based paint hazards; federal National Labor Relations Board (NLRB) certification; procurement; program income; relocation, displacement and acquisition; and additional requirements as required by HUD. Failure to comply with any applicable federal requirement will result in denial of forgiveness and the loan becoming due and payable one year from the date of the Promissory Note.

A recommendation for loan forgiveness will be made to the Microenterprise Loan Committee if all criteria for loan forgiveness have been met. If the borrower does not meet the requirements for loan forgiveness, the loan becomes due and payable one year from the execution date of the Promissory Note.

17. MONITORING

The applicant is responsible for providing documentation demonstrating that loan funds were used in the way they were intended. At each loan disbursement event and prior to determination of eligibility for forgiveness of the loan the County will review the microenterprise's application, and use of funds statement, to verify how the microenterprise said they intended to use the loan funds and will collect supporting documents such as rent and utility receipts and payroll records for the preceding period.

If a microenterprise finds it necessary to change their intended use of the funds, they will need to seek approval from the County in writing **before** making any changes and submit an updated itemized list of anticipated business expenses.

All documents collected from each applicant during the application and approval process including proof of uses of funds will be maintained in the Program participant file.

18. PROGRAM QUESTIONS AND CLARIFICATIONS

For questions or clarifications on the Draft Program Guidelines, prospective program applicants can contact:

Planning Department
Tracey Ferguson, Planning Director
555 Main Street
Quincy, CA 95971
530-283-6214
traceyferguson@countyofplumas.com

The Draft Program Guidelines are subject to change at the discretion of the County based on state and federal requirements and/or prospective program applicants' questions and clarifications.

The Final Program Guidelines, Application, and Checklist are anticipated to be released on June 1, 2023, with an application deadline of July 31, 2023.

19. BUSINESS TECHNICAL ASSISTANCE RESOURCE

Prospective program applicants can find technical assistance resources in completing a business plan and statements in support of this application by contacting the following:

Sierra Small Business Development
Center (SBDC)
Clint Koble, Advisor
530-375-0126
clint.koble@gmail.com

