



TEAM  KENTUCKY.

Small Business Grant Program



AGENDA

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Introduction to CDBG-DR

Small Business Grant Program (SBGP)

Program Category	Economic Revitalization
Budget	\$4,000,000
HUD-Identified MID Budget	\$3,200,000
Grantee-Identified MID Budget	\$800,000
% of Total CDBG-DR Allocation	5%
Maximum & Minimum Award	\$200,000 max / \$10,000 min

SBGP will provide recovery assistance grants to businesses destabilized due to the disasters, to help businesses recover from the impacts of the disasters and encourage businesses to re-open or expand.

- DLG will manage and administer the Program.
- Small business grants will be provided to businesses via Subrecipients (local governments).
- Application period scheduled for early summer.
- The Program is scheduled to end when all funds have been expended and all eligible participants have completed closeout, or 6 years after execution of the grant agreement with HUD.

Key CDBG-DR Differences

CDBG Economic Development

- ✓ Loan Program Structure
- ✓ Program Open to All UGLG's
- ✓ Businesses with less than 5 employees
- ✓ Includes Public Facilities
- ✓ Includes Non-Traditional Projects (Job Training, Counseling, and Support Services)
- ✓ National Objective is Job Creation or Retention

CDBG-DR SBGP

- ✓ Grant Structure (No Repayment)
- ✓ Program Available to HUD & State MIDs
 - ✓ SBA Small Business Definition
- ✓ Grants in Form of Working Capital or Equipment Based on Unmet Needs (Disaster Tie-Back)
 - ✓ National Objective Varies
- ✓ Grants \$50,000+ Require Job Creation/Retention
 - ✓ Prioritizes Underserved Communities
 - ✓ Accounts for Duplication of Benefits

Based on the U.S. Change Research Program's Fourth National Climate Assessment, **climate-related natural hazards, extreme events, and natural disasters disproportionately affect LMI individuals who belong to underserved communities** because they are less able to prepare for, respond to, and recover from the impacts of extreme events and natural hazards, or are members of communities that have experienced significant disinvestment and historic discrimination.

Therefore, HUD is imposing grantees to prioritize those underserved communities that have been impacted by the disaster and that were economically distressed before the disaster.

To satisfy this requirement, DLG will set-aside half of the Program funds (\$2,000,000) to prioritize underserved communities.

- Applies to the first year of the Program, if funds remain, they will be made available to all applicants.
- DLG will further encourage the participation of Business Applicants from underserved communities within outreach strategies, application questions, and the monitoring process.

Underserved communities that were economically distressed before the disaster include: but are not limited to, those areas that were designated as:

- Promise Zones
- Opportunity Zones
- Neighborhood Revitalization Strategy Areas,
- A tribal area
- or those areas that meet at least one of the distress criteria established for the designation of an investment area of Community Development Financial Institution at 12 CFR 1805.201(b)(3)(ii)(D).

May overlap with both protected classes and vulnerable populations.

Duplication of Benefits (DOB)

DOB occurs when an entity or individual receives assistance for the same purpose or need from multiple sources. Thus, the goal is to ensure federal assistance serves only to “supplement insurance and other forms of disaster assistance.”

Program controls include, but are not limited to:

1. Business Applicants will outline potential DOBs as part of the information submitted in their applications and after receiving an award through the *Duplication of Benefits Certification*.
2. All potentially duplicative funding sources will be verified through a due diligence process to verify all funding sources received and/or approved, as well as the purpose and use of the funds.
3. *Subrogation Agreement* is executed at the time of the award closing. If an approved business participant receives any proceeds not already verified during the duplication of benefits review process, the participant is subject to a repayment of those duplicative funds.



Collect information on potentially duplicative funding sources from all Business Applicants during the application phase.



Subrecipients perform a verification of benefits received and/or approved, identify their purpose, and use.



Subrecipients will provide verified information to DLG, who will use this information to calculate the final award amounts for eligible businesses.



After an award is granted, approved businesses should communicate any duplicative funds or face subrogation.

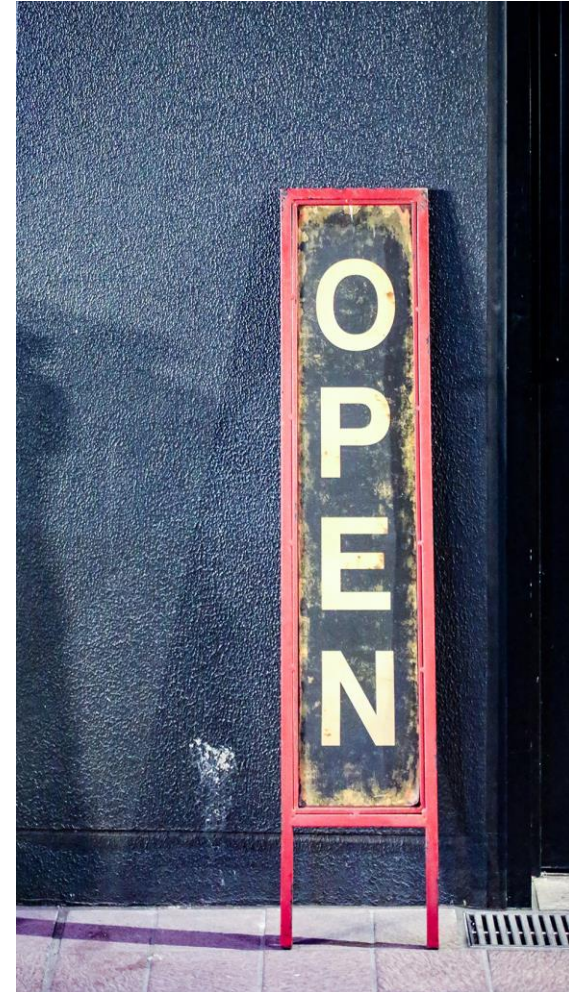


SBGP Award Determination



Eligible Uses of Funds

- Funds for the use of working capital expenses.
 - Employee salaries/wages
 - Mortgage payments or rent/lease.
 - Inventory and supplies.
 - Utilities.
- Funds for moveable/immovable equipment for the replacement or repairment of equipment lost or damaged during the disaster.
- Funds for new equipment necessary for business reopening.



The minimum amount for grant assistance is \$10,000 and the maximum amount \$200,000.

- The amount of grant assistance will be determined by calculation of unmet needs, eligible expenses, and ability to create or retain jobs (as applicable).
 - Requests of <\$50,000 are required to have at least \$10,000 in physical/financial losses.
 - Requests of \$50,000+ are required to have at least \$50,000 in physical/financial losses.
- Businesses requesting more than \$50,000, will be awarded \$50,000 for every one job to be created/retained, going up to \$200,000.

Award Methodology

- **Working Capital:** Calculated business average working capital expenses.
 - Using expenses for the last three consecutive months prior to program announcement (i.e., rent, employee wages, utility costs, inventory invoices)
- **Equipment:** Estimated cost for the replacement, repair, or purchase of the eligible equipment.
 - Equipment must be comparable to the damaged or destroyed equipment because of the disaster.
 - New equipment will only be applicable for businesses reopening, with justification.

DOB & Final Award Determination

After the maximum eligible award amount has been determined, DLG will perform a DOB Calculation and Final Award Calculation reducing the maximum eligible award amount by any duplicative assistance provided to the business.

Step	Calculation Element	Award Amount Calculation
1	Eligible Working Capital Award Amount	\$250,000
2	Eligible Equipment Award Amount	\$35,000
3	Business' Total Eligible Award Amount (Working Capital plus Equipment)	\$285,000
4	Verified Duplicative Assistance	\$62,000
5	Final Unmet Need Amount	\$223,000
6	Maximum SBGP Award Amount (Program Maximum)	\$200,000
7	Number of Jobs Projected to Create (If Applicable)	3
8	Maximum Grant Award Amount	\$150,000

Grant Conditions

Job Creation or Retention Requirement

- Eligible businesses receiving an award amount of \$50,000+ will be required to create or retain 1 job per every \$50,000 received.
- Businesses receiving \$49,999 or less will be required to report on any jobs created or retained within the term of their agreement.

Use of Funds Support Documentation

- Businesses will be required to provide documentation to support CDBG-DR funds received were used on eligible expenses.
- Businesses are only allowed to use the funds on eligible expenses for which they were awarded.

Immoveable Equipment Installation

- If the cost of installation is more than 13% of the total cost of the equipment, then Davis Bacon wage rates will apply.
- Installation costs <13 percent are considered incidental costs and Davis-Bacon wage rates will not apply.

Monitoring of Documents

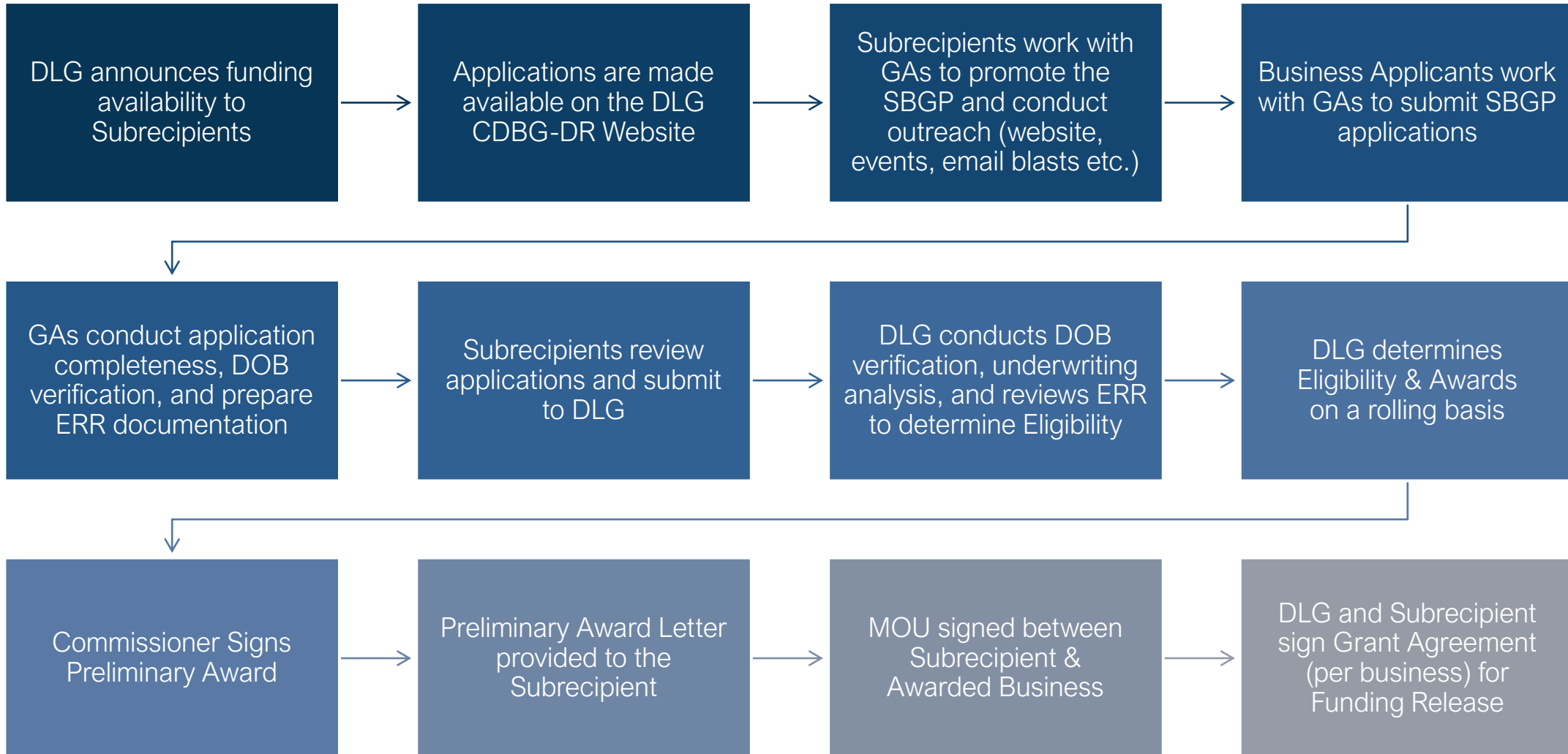
- All files related to the grant award are subject to review or audit either by DLG or outside sources such as HUD, state auditors, HUD Office of Inspector General, etc.



How to Apply



Application Process



Eligible Business Applicants

Entity Criteria:

- Must be either a for-profit business or a private non-profit organization.
- Businesses that have at least one full-time equivalent (FTE) employee and meets the definition of a small business established in Section 3(a) of the Small Business Act.
- Actively registered in the System for Award Management (SAM.gov) with a valid and current Unique Entity Identifier (UEI).

Operations Criteria:

- Operated at the time of the applicable 2021 disaster event.
- Must either (a) be currently operating or (b) demonstrate the ability to reopen upon receiving assistance from the Program.
- Small business size standards are matched to industries described in the North American Industry Classification System (NAICS).
- Pre-storm minimum annual gross revenue of \$25,000.
- The business should not have unresolved federal or state tax obligations or delinquencies – or prove they're on a payment plan.

Tie-Back to Disaster:

- Directly impacted by either eligible disaster event in 2021, as a documented physical and/or financial loss.
- Have eligible unmet needs after accounting for all insurance, federal, state, local and private assistance considered to be a duplication of benefit.

Subrecipient Application Submission

At a minimum, application files should include the following documentation:

- Subrecipient/Grant Administrator engagement and outreach efforts with business entities and impacted communities.
 - Includes efforts to engage disadvantaged and underserved communities.
- Application documentation and verification of documents:
 - Business applications received from Grant Administrators.
 - Communication with Business Applicants regarding the application and submission process.
 - *Application Verification File Checklist (Attachment 05)*
 - Application supporting documentation.
 - National Objective supporting documentation.
 - Duplication of Benefits verifications.
 - Environmental Review documentation and certifications.
 - Signed Program forms.

Evidentiary Materials

To be authorized to Draw Grant Funds, the Subrecipient will need to include the following evidentiary materials for each award:

1. Environmental review per 24 CFR, Part 58.
2. A Legally Binding Agreement with the Business Entity.
3. Duplication of Benefits information.
4. Evidence of Commitment for All Other Funds.
5. *Electronic Transfer of Funds Form (Attachment 3-4).*
6. *Authorized Signature Form (Attachment 3-3).*
7. Fully executed Grant Agreement.
8. Evidence of Budget Ordinance/Amendment indicating inclusion of the CDBG-DR funds, per award.
9. State Clearinghouse assurances and comments.
10. Approved Procurement Policy, including copy of adopted resolution for the CDGB-DR procurement code.
11. Procedure to Detect Fraud, Waste, and Abuse Policy.
12. Language Access Plan and Citizen Participation Plan.
13. Fair Housing Resolution, including designation of local Fair Housing/Equal Employment Opportunity responsible official.
14. Policy of Non-Discrimination on the Basis of Disability Status (for subrecipients with more than 15+ employees).
15. *Section 504 Accessibility Self Evaluation (Attachment 7-05) and Transition Plan.*
16. *Title VI Implementation Plan and Self Survey (Attachment 7-02).*
17. Written assurances as described in the **CDBG-DR Subrecipient Manual, Chapter 1: Project Administration.**



Resources

1. [Link](#) to CDBG-DR Website
2. [Link](#) to CDBG-DR Subrecipient Manual
3. [Link](#) to CDBG-DR SMGP Guidelines

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