



**Community Development Block Grant  
(CDBG)**

**COVID-19 Response  
Small Business Assistance Program Guidelines**





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**City of Roseville  
COVID-19 Response  
Small Business Assistance Program Guidelines**

**1. INTRODUCTION**

In response to economic hardships experienced by small businesses due to the COVID-19 pandemic, the City of Roseville (City) has established a business assistance program using Community Development Block Grant (CDBG) funding received from the U.S. Department of Housing and Urban Development (HUD). The COVID-19 Response Small Business Assistance Program (the Program) will provide short-term assistance to small businesses affected by the COVID-19 pandemic with a focus on support for job retention for low- and moderate-income persons and microenterprise businesses. These guidelines are intended to establish the Program and are subject to review and amendment as needed to respond to the evolving economic environment resulting from the pandemic.

*All federal requirements for CDBG funded assistance to for-profit entities will be followed unless waived or otherwise exempted by HUD.*

The City received initial funding for the Program through the Coronavirus Aid, Relief and Economic Security Act (CARES Act) enacted on March 27, 2020. CDBG CARES Act funds (CDBG-CV) must be used to prevent, prepare for, or respond to the COVID-19 pandemic. The funding is subject to requirements in the CARES Act including a restriction against duplication of benefits as required by the Robert T. Stafford Disaster Relief and Emergency Assistance Act and the Disaster Recovery Reform Act of 2018.

The City has opted to increase the number of businesses to be assisted by allocating additional Entitlement CDBG funds to the Program. Federal policies and procedures applicable to the use of CDBG funds are codified at 24 CFR Part 570. The Program will follow the HUD Guidelines and Objectives for Evaluating Project Costs and Financial Requirements at 24 CFR 570 Appendix A, unless waived or otherwise exempted by HUD.

**1.1. Purpose**

The Program will provide financial assistance to small businesses with a physical location in the City of Roseville to minimize staff reductions resulting from the economic impacts of the COVID-19 pandemic.

The Program is designed to assist with unmet financing needs of very small businesses that have been unable to access the funds needed to maintain operations due to the COVID-19 pandemic.

**1.2. Definitions and Abbreviations**

- **CARES Act** – Coronavirus Aid, Relief and Economic Security Act.

- **CDBG** – Community Development Block Grant funding received from HUD.
- **City** – the City of Roseville, City staff, or agents designated by the City to act on its behalf.
- **Full Time Equivalent (FTE) Job** – Equals at least 1,750 hours annually (approximately 34 hours per week). Two jobs may be added together to equal one FTE.
- **HUD** – The U.S. Department of Housing and Urban Development.
- **Low/Mod person** – A low- and moderate-income person is defined by HUD as a person whose family income does not exceed 80% of the HUD median income, adjusted for family size, for the Sacramento/Roseville/Arden Arcade metro area (see Appendix A for current income limits).

For COVID-19 related job creation or retention activities, a Low/Mod person may also be a person holding a job with annual wages that do not exceed 80% of the HUD median income limit for a one-person family (see Appendix A for current income limits).

- **Microenterprise** – The CDBG program defines a Microenterprise as a business with five or fewer employees, one or more of whom own the business.

## 2. TYPE OF ASSISTANCE AVAILABLE

The amount of funding available per business is four months of estimated Eligible Costs, not to exceed \$20,000. Funds will be provided in the form of a forgivable loan. If the business meets the requirements in Section 9 below, the loan will be forgivable.

## 3. MEETING A CDBG NATIONAL OBJECTIVE

All CDBG funded activities must meet one of the three CDBG National Objectives:

- Provide benefit to Low/Mod income persons or neighborhoods;
- Prevention or elimination of slums and blight; or
- Addressing an unplanned urgent need that poses a serious and immediate threat to the health and welfare of the community.

At least 70% of the City’s annual CDBG expenditures must meet the Low/Mod income National Objective.

Business Assistance Forgivable Loans must meet a National Objective in at least one of the three following methods. COVID-19 funds give priority to Low/Mod Job Retention and Microenterprise activities.

### 3.1. Low/Mod Income Owner Microenterprise – Priority Activity

Available to Microenterprise businesses with five or fewer employees, one of which must be an owner with family income under the federal CDBG income limits (Exhibit A). The City will verify owner’s family income using HUD approved methods.

### **3.2. Low/Mod Job Retention – Priority Activity**

Available to all eligible businesses, including Microenterprise businesses. CDBG funds are used to support a business that would lose job(s) without assistance. The business must employ at least one full time equivalent (FTE) job. At least 51% of the retained jobs must be held by or made available to Low/Mod Persons.

### **3.3. Low/Mod Job Creation**

Available to all eligible businesses, including Microenterprise businesses. The business must create at least one new full time equivalent (FTE) job and at least 51% of the jobs created must be held by or made available to Low/Mod Persons.

### **3.4. Urgent Need and Low/Mod Area Benefit**

As noted above, the focus of the Program is to support job retention for Low/Mod income persons. However, in rare circumstances, business assistance may qualify under the Urgent Need or Low/Mod Area Benefit National Objectives. Funds must be used to prevent, prepare for or respond to the COVID-19 pandemic.

Urgent Need requires that the City certify and document the following:

- The activity is designed to alleviate existing COVID-19 related conditions;
- The conditions pose a serious and immediate threat to the health or welfare of the community and are of recent origin or recently became urgent; and
- The City and the business are unable to finance the activity and that other sources of funds are not available.

Low/Mod Area Benefit may be used for businesses that provide necessary goods or services to persons living in an area with 51% or more low/mod income residents.

## **4. ECONOMIC DEVELOPMENT PUBLIC BENEFIT STANDARD**

*The Public Benefit Standard is not applicable to Microenterprise businesses or to activities approved under the Urgent Need National Objective.*

### **4.1. Low/Mod Job Retention and Job Creation National Objective Activities**

Businesses must demonstrate that with the assistance of Program funds, they may be expected to retain or create at least one permanent full time equivalent (FTE) job for every \$85,000 in funding expended. This will be determined using the underwriting criteria below.

Only permanent jobs may be counted. If part time positions are used for the Public Benefit Test, no more than two positions may be added together to create the one FTE. Seasonal jobs normally may not be counted. Seasonal jobs may be counted only if the job season lasts long enough to provide sufficient hours and pay to be considered the employee's main source of income.

### **4.2. Low/Mod Area Benefit National Objective Activities**

The service area of the business must be 51% or more Low/Mod based on HUD census

mapping data. Funding may not exceed \$1,700 per Low/Mod resident living in the business service area.

## **5. HUD CDBG REQUIREMENTS FOR ASSISTANCE TO A FOR-PROFIT ENTITY**

*All federal requirements for CDBG assistance to for-profit entities will be followed unless waived or otherwise exempted by HUD.*

### **5.1. Restrictions on Duplication of Benefits**

CDBG funds may not be used to supplant or duplicate private, federal, State or local government funding.

The Applicant must disclose any funds received in response to the COVID-19 pandemic from private sources, and from any federal, State or local government programs. Acceptance of other funding will not disqualify an applicant from the Program, but may affect the amount of funds available or eligible costs. Applicants will provide personal and business bank statements. The City will review the statements to identify any unreported influx of cash.

If a Borrower receives funds from any source for the same costs that are funded under this Program, the Borrower must repay the duplicative funding. Either the CDBG business loan or the other funding source may be repaid.

Other sources may include, but not are not limited to:

- Private sources including bank loans and the Roseville Advantage Financing Program;
- Small Business Administration (SBA) Paycheck Protection Program (PPP), Economic Injury Disaster Loan Program (EIDL) or Economic Adjustment Assistance Program (EAA);
- State of California iBank Small Business Disaster Relief Loan Guarantee Program;
- City of Roseville Business Stabilization Program;
- Placer County Shares Program;
- State of California Pandemic Unemployment Assistance; or
- Any other federal, State or local government program providing funding for items noted as eligible costs for this Program.

### **5.2. Prohibition of Job Pirating Activities**

CDBG funds may not be used to facilitate the relocation of a for-profit business from one labor market to another if the relocation is likely to result in a significant job loss to the original labor market.

### **5.3. DUNS Number**

The business must provide an active Data Universal Numbering System (DUNS) number.

#### **5.4. Debarment or Suspension**

The Applicant and all business owners may not be under debarment or suspension in the federal System for Award Management (SAM).

### **6. EQUAL OPPORTUNITY MARKETING**

Marketing of the Program will be accomplished through a variety of modes to provide all eligible small businesses within the City of Roseville with an opportunity to access funding. At a minimum, the Program will be announced in the local newspaper in English and Spanish; marketing brochures in English and Spanish; information posted on the City website; and marketing through business related newsletters; and other business venues.

### **7. APPLICANT ELIGIBILITY**

#### **7.1. Eligible Applicants**

Eligible applicants include locally owned restaurant, retail and service businesses with a physical storefront/office location in the City of Roseville. Applicant businesses may be private for-profit business concerns; corporations; partnerships; or sole proprietorships.

Businesses must employ at least full-time equivalent position (FTE), not counting the Owner. Businesses may have no more than 25 employees.

Applicants must have been financially viable prior to the advent of the COVID-19 pandemic. Financial viability will be determined based on business and personal financial information.

Applicants must have been in business and employing people for a minimum of one year prior to the COVID-19 pandemic (in business since March 1, 2019).

Applicants must have been in good standing with the City of Roseville as of February 1, 2020 (e.g. current on utility bills, no liens or judgements, no unresolved code violations).

Any bankruptcies must have been discharged at least 3 years.

Applicants must agree to adhere to the City's anti-discrimination policy (Exhibit B).

#### **7.2. Ineligible Applicants**

Federal CDBG regulations prohibit assistance to the following entities:

- Businesses or business owners are ineligible for assistance if a loan would create a conflict of interest as defined in this document or under HUD regulations.
- Businesses or business owners that are debarred or suspended under a federal program are ineligible for assistance. Debarment/suspension status will be determined using the SAM.gov website.
- Professional sports teams.



- Privately owned recreational facilities that serve a predominately higher-income clientele.
- A business or business owner that is the subject of unresolved findings of noncompliance related to previous CDBG assistance.

## 8. USE OF FUNDS

Funds provided by the Program must be used for the prevention of, preparation for, or in response to impacts from the COVID-19 pandemic. Financial assistance needed due to loss of revenue or increased costs due to the pandemic; due to related stay-at-home order, needed to address public health concerns related to the virus; or needed to retain jobs are considered to be in response to the COVID-19 pandemic.

### 8.1. Eligible Costs

Use of Program funds is restricted to working capital for COVID-19 related expenses required to remain in business, to retain jobs for Low/Mod Persons; to create new jobs for Low/Mod Persons; or to address the COVID-19 pandemic. Examples of eligible costs include:

- Employee salaries and benefits;
- Lease, mortgage payments or insurance for buildings where employees are working;
- Purchase of personal protective equipment (PPE), social distancing signage, thermometers, hand sanitizer dispensers, cleaning supplies and other items used to reduce the spread of the COVID-19 virus.

Utilities may be considered on a case-by-case basis. *HUD does not allow the Program to provide funds to pay utilities administered by the City of Roseville. This is considered a conflict of interest under federal guidelines.*

### 8.2. Ineligible Costs

- Costs incurred prior to final loan approval *unless allowed by HUD.*
- Costs incurred prior to the City's completion of environmental review *unless allowed by HUD.*
- Costs already funded by private sources including private bank loans; or from federal, State or local government programs.
- Costs associated with construction or renovation.
- Costs not associated with the prevention, preparation for, or in response to effects of the COVID-19 pandemic.

## 9. BUSINESS ASSISTANCE FORGIVABLE LOAN TERMS

**Maximum Loan Amount.** Maximum loan amount shall be four months of anticipated eligible costs based on business financial statements and projections, not to exceed \$20,000.

**Interest Rate.** Loans will be at zero percent interest rate.

**Loan Term.** The loan will terminate on June 30, 2021.

**Loan Disbursement Schedule.** The City will disburse 50% of loan funds upon execution of the Promissory Note and receipt of the Request for Initial Disbursement form signed by the Borrower. The remainder of loan funds will be disbursed upon receipt of documentation that the initial disbursement was spend on eligible costs and the Request for Final Disbursement form signed by the Borrower.

**Loan Forgiveness.** The City will forgive 100% of the loan, not to exceed \$20,000 provided:

- The borrower is in compliance with the terms of the loan;
- The borrower has met the requirements of the Program;
- The borrower has submitted payroll documentation as evidence of any Job Retention required under the Promissory Note;
- The borrower has provided evidence of payment of eligible costs to the City by June 30, 2021;
- The borrower has returned any funds not expended on eligible costs by June 30, 2021; and
- The borrower has submitted a Request for Loan Forgiveness form by June 30, 2021.

**Term of Payment.** If the borrower does not meet the requirements for loan forgiveness, repayment becomes due and payable on June 30, 2021.

**Loan Fee.** There are no loan fees.

**Prepayment Penalty.** None.

**Collateral Requirements.** All loans shall be secured by a Promissory Note. Other collateral is not required.

## **10. CONFIDENTIALITY**

The information submitted by Applicants and income self-certification forms provided by employees will be treated as confidential by the City to the extent permitted under State and federal law. The Loan Review Committee receives a summary of business information, not detailed business or personal information.

## **11. APPLICATION SUBMISSION REQUIREMENTS**

Applications are available by contacting the City of Roseville Economic Development Department. Due to health concerns related to the COVID-19 virus electronic documents are preferred; however, paper loan applications are allowed.

Applications will be reviewed on a first come, first served basis until funding is exhausted or the program is terminated.

Applications must be completed in full and signed by a person authorized to execute contracts on behalf of the business. Applications must include all requested attachments to be considered complete and ready for review.

## **12. UNDERWRITING CRITERIA FOR BUSINESS ASSISTANCE FORGIVABLE LOANS**

Normal business lending underwriting practices are difficult to apply in the uncertain economic climate created by the COVID-19 pandemic. The pandemic has resulted in unprecedented shelter-in-place orders, layoffs and enforced business closures. As businesses slowly are allowed to reopen, new rules and procedures are needed to ensure the health and safety of employees, customers and the community. The Program is designed to provide financing flexibility for businesses while still meeting federal CDBG business lending requirements. Program underwriting criteria are summarized in Exhibit C.

Review of applicants for CDBG assistance ensures that local economic needs are met and that the CDBG requirements are observed. The criteria below will be evaluated during the underwriting process to determine past earning record and future prospects; projected ability to pay fixed debt and expenses; and projected job retention or creation (if applicable).

### **12.1. HUD Underwriting Objectives**

Program underwriting criteria are established to ensure that the following HUD required CDBG underwriting criteria are met for loans *unless waived or otherwise exempted by HUD*.

- Project costs are reasonable;
- Other sources of financing needed for business success are committed;
- Documentation of need for CDBG funds, including verification that CDBG funds are not substituted for non-Federal financial funding or support;
- Business operations will be financially feasible with CDBG assistance;
- To the extent practicable, the return on the Borrower's equity investment will not be unreasonably high; and
- To the extent practicable, CDBG funds will be disbursed on a pro rata basis with other finances provided to the business.

HUD does not require the above criteria to be evaluated for Microenterprise businesses, however the City is required to create its own underwriting criteria for lending to a Microenterprise

### **12.2. Program Criteria for Business Assistance Loans**

Applicant's credit will be reviewed. Applicant and the business should demonstrate the ability to pay debts and bills prior to the COVID-19 pandemic (prior to March 1, 2020). Applicant should demonstrate good credit history prior to March 1, 2020. To the extent practicable, Applicant's financial projections should demonstrate the ability, with CDBG assistance, to pay debts and bills; and to retain and/or create any required jobs by February 1, 2021. Applicant's financial projections should demonstrate the need for

financial support as identified in the application. See Exhibit C- Loan Underwriting Matrix.

### **12.3. Exceptions to Underwriting Criteria**

The underwriting criteria are general guidelines that apply to most Applicants. Additional requirements or exceptions may be warranted, depending on the creditworthiness of the Applicant, the history of the business, or other Applicant-specific considerations.

## **13. APPROVAL AND APPEAL PROCESS**

Applications will be reviewed on a first come, first served basis.

Priority will be given to businesses providing Job Retention for Low/Mod Persons and to Low/Mod income Microenterprise business owners. Should any funding remain after priority businesses are assisted, businesses providing Job Creation for Low/Mod Persons will be considered.

### **13.1. Loan Advisory Committee**

Once underwriting is completed, a summary of the business and underwriting criteria will be presented to the Loan Advisory Committee, which is responsible for making recommendations for approval or denial to the Economic Development Manager. The Economic Development Manager or his/her designee will make the final approval or denial. The loan summary and its contents will be kept confidential to the maximum extent possible.

### **13.2. Approval/Denial**

If approved, the Applicant will be contacted to arrange to sign loan documents

If denied, the Applicant will be provided with a written explanation of the denial and any appeal process that may be available within seven (7) days.

### **13.3. Loan Disbursement**

Initial disbursement of 50% of approved funding will proceed as soon as all required documents are executed and Borrower submits a signed Request for Initial Disbursement to the City. Disbursement of remaining funds will be processed upon receipt of documentation that the initial disbursement was spent on eligible costs and the Borrower submits a Request for Final Disbursement to the City.

### **13.4. Appeal Process**

An appeal process is established to provide full opportunity for applicants and their business's circumstances to be considered for assistance. Applicants denied by the Economic Development Manager may request a second review by the Director of Economic Development (Director). Requests for appeal must be in writing and may be submitted through U.S. mail to: Director of Economic Development, City of Roseville, 311 Vernon Street, Roseville, CA 95678. Application denials by the Director may not be appealed.

## **14. OTHER FEDERAL REQUIREMENTS**

Federal requirements will be followed regarding 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.

### **14.1. Conflict of Interest**

Per State CDBG regulation §7126 (California Code of Regulations, Title 25), any activities that create a conflict of interest as defined in federal CDBG regulations at 24 CFR 570.611 are prohibited. In general, the conflict of interest prohibition applies to any person who is an employee, agent, consultant, officer, or elected official or appointed official of a recipient of CDBG funds, or of any public agencies, or subrecipients that receive CDBG funds. These persons who are in a position to participate in a decision-making process or gain inside information regarding CDBG funds and CDBG funded activities are prohibited from obtaining a financial interest or benefit from a CDBG assisted activity.

## **15. PORTFOLIO MANAGEMENT**

A loan file will be maintained for the period required under City and HUD file retention requirements. Loan files will be maintained for both approved and denied applications in compliance with City and HUD retention periods.

If a business is 30 days late on a monthly payment, the Borrower will be contacted by mail, email, phone and other methods to seek a resolution for getting the Borrower back into compliance with the loan terms.

If a business is 90 days late on payment, the City may consider implementing the default procedures below.

### **15.1. Ineligible Expenditure of Program Funds**

*Unless otherwise waived or exempted by HUD*, loan funds that do not meet Program requirements must be repaid.

Repayment of loan funds that were not spent on eligible costs are to be entered into the City's accounting system as a repayment of local funds rather than CDBG Program Income.

### **15.2. Loan Default Procedures**

If a Borrower defaults on loan payments, every effort will be made to develop a workout plan with the business owner.

If the Borrower cannot fulfill the terms of the loan or cannot fulfill a workout plan, the City, at its sole discretion, may exercise one or more of the following options. The City

will evaluate the cost in staff time, attorney fees and other expenses to determine the most effective and efficient course of action:

- Extend the time of payment or otherwise alter the terms of the remaining indebtedness;
- Accept additional security of any kind, including USB filing on business assets, real property trust deeds or a personal guarantee from a third party; and/or
- Write off a portion or the full amount of outstanding indebtedness.

**16. CONFLICT WITH FEDERAL LAW, REGULATION OR GUIDANCE**

If any portion of this document is in conflict with federal law, regulation or guidance regarding the CDBG program, federal requirements will apply.

## EXHIBITS

- A HUD Income Limits for Sacramento/Roseville/Arden Arcade
- B City of Roseville Anti-Discrimination Policy
- C Loan Underwriting Criteria Summary