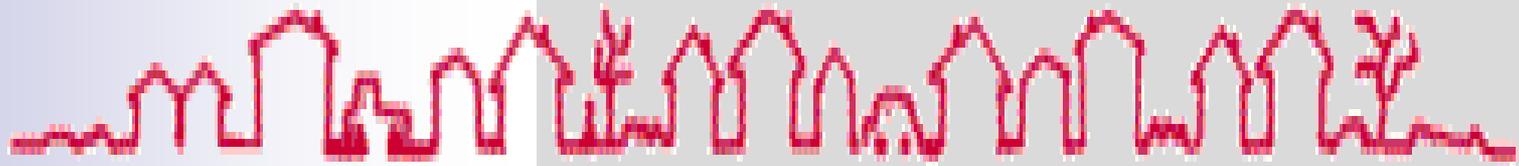




Community Development Block Grant Program - Microenterprise Activities

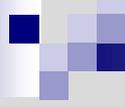


State of California
Department of Housing and Community Development



Introductions

- HCD staff Introductions
- Sign in, bathrooms, lunch, breaks
- Agenda, evaluation, Support Doc
- Participant Introduction
- Pre-quiz



Purpose of Training

- Introduce New Grant Management Manual Chapter (15) on the Microenterprise Program (Management Memo 13-04)
- Train on the Basics of the State's CDBG Microenterprise Program
- Train on the Key Changes to the State's Microenterprise Program identified in the New Chapter (15)
- Brainstorm Challenges to Implementing the State's Microenterprise Program

Discussion of CDBG Economic Development (ED) Activities

- Two ED Activities are Funded by CDBG
- Only Micro Activities will be Discussed
- Business Assistance (BA) Activity Topics will not be discussed, including:
 - No job creation/public benefit discussion
 - No BA guideline/underwriting discussion

Eligible CDBG Microenterprise Businesses

■ Eligible Microenterprise

- 5 or fewer employees, including owner(s)
- Persons developing microenterprise businesses
- Business Owner(s)/Persons must meet low-moderate income definition (80% AMI or below)

Note:

Nonprofit is not an eligible microenterprise

Eligible CDBG Microenterprise Activities

- Eligible Activities – Three Types
 - Technical Assistance Services (TA)
 - Direct Financial Assistance (FA)
 - Support Services

Note:

Microenterprise Activities are not subject to Job Creation Public Benefit test



Ineligible Activities

- CDBG Activity Ineligibility
 - Conduct of Government
 - Housing New Construction

- Microenterprise Ineligible Activities
 - Operating Costs for a Micro-incubator
 - Commercial Rehab (façade program)

Meeting a CDBG National Objective

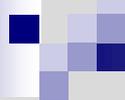
- Required to Make the Activity Eligible
- Low-Mod Income (LMI)
- Different Documentation Based on the CDBG Micro-Activity (More later)
- Limited Clientele (Not Low/Mod Area)

See Income Manual:

<http://www.hcd.ca.gov/fa/cdbg/IncomeManual.html>

Microenterprise Program Guidelines

- Required for all CDBG Microenterprise Activities
- Written by the Grantee to Potential Microenterprise clients
- Must be approved by the Department and formally adopted by the jurisdiction
- Alterations in “track changes”



Microenterprise Technical Assistance (TA)

- Technical assistance, advice and business coaching services
- Various ways to deliver services
- Start ups or existing businesses



Microenterprise Technical Assistance (TA)

What Are We Trying to Accomplish?

Microenterprise Technical Assistance (TA)

Methods of Service Delivery

- Group classes
- One-on-One Counseling
- Peer-to-Peer Counseling
- Online computer training
- Other?

Microenterprise Technical Assistance (TA) Deliverables

- Individual and Business Needs Assessment
- Business Plan Document (new/updated)
- Market Analysis Study & Marketing Plan
- Bookkeeping & Accounting Policies
- Product & Business Branding Plan
- Preliminary Design of Marketing Materials
- Other?

Meeting the National Objective for Microenterprise TA

Limited Clientele (LMC)

- Self-Certification Form (Use the Department's Form)
- Current for three years
- Keep documentation on file for monitoring and performance reporting purposes

Mixed Income Microenterprise TA Classes

- Difficult to substantiate expenditures
- Comply with requirements of OMB A-87 and OMB A-122
- CDBG funding can only pay for LMC Class Participants

Eligible Microenterprise TA Costs

- All Costs Directly Associated with the Provision of Microenterprise TA
- Doing an “assessment” prior to TA
- Indirect Benefits to TA Microbusinesses & Individuals Developing Microbusinesses

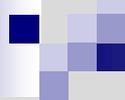
Note: TA is Not a Revolving Loan Account (RLA) Activity, not part of the Non-Revolving. Eligible under the PI Waiver Process

Activity Delivery under Microenterprise TA

- Not included with Microenterprise TA
(Public Service)

Note: *New in Chapter 15 and Will be Stated
in the 2014 NOFA*

- Considered direct activity costs



Ineligible Microenterprise TA Costs

- Costs Associated with Services to Non-profits
- Costs Associated with Services to Non-Microenterprise Individuals or Businesses
- Incubator Operating Costs
- Political Actions
- Conduct of Government

***Unallowable* Microenterprise TA Costs**

Direct Benefit: (Direct Financial Benefits)

- Examples: Rent, Marketing Materials, Loans and Grants, Equipment, Stock
- These Costs are eligible under Microenterprise Financial Assistance

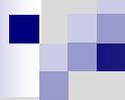
Microenterprise TA Federal Overlays

Federal Overlays are Very Limited in Scope:

- NEPA: exempt
- Relocation: Not Applicable
- Procurement/Sub-recipient: Likely
- Davis Bacon: Not Applicable
- Others

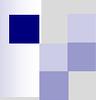
Microenterprise Financial Assistance (FA)

- Financial support including loans and grants to microenterprise businesses
- Start ups or existing businesses
- Tool to deliver flexible financing
- Must be a low/moderate income person



Microenterprise Financial Assistance (FA)

The Rules Under the FA Microenterprise Sub-Activity apply equally to Program Income from the Revolving Loan Account (RLA) and Grant Funds from a CDBG Contract



Microenterprise Financial Assistance (FA)

What Are We Trying to Accomplish?

Microenterprise Financial Assistance (FA) Basics

- Grants not to exceed \$10,000
- Loans not to exceed \$50,000
- Loans and Grants
 - not simultaneous
 - multiple

Microenterprise Financial Assistance (FA) Limited Clientele (LMC)

- 24 CFR Part 5 qualification process required

<http://www.hcd.ca.gov/fa/cdbg/IncomeManual.html>

- Remember the five or fewer rule (including owners)
- Part 5 applies to loans **and** grants

Note: *A Business ineligible under the Microenterprise program may be eligible under the Business Assistance Program*

Microenterprise Financial Assistance Loans vs. Grants

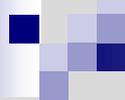
- Guidelines must be specific
- The potential borrower must be able to see the rules in writing (guideline purpose)
- Can a Grant to one Business be a Loan for another?

Microenterprise Financial Assistance Loan/ Grant Underwriting

- HUD job creation and six underwriting standards for public benefit evaluation does not apply to microenterprise financial assistance

Microenterprise Financial Assistance (FA)

- Department does not approve individual loans or grants
- Grantee must submit the Loan/Grant Certification Form (Reimbursement Requires this)



Microenterprise Financial Assistance (FA)

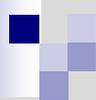
Microenterprise Loan/Grant
Certification Form

Microenterprise Financial Assistance (FA)

- Approval process must be in your guidelines (loan and grant committee recommended)
- Keep all project documentation on file for monitoring and performance reporting purposes

Activity Delivery under Microenterprise FA

- Costs to Verify Eligibility
 - Part 5 income determination
- Costs *outside* the loan and grant
 - Costs associated with financial underwriting a loan or grant
- Cost Category Chart



Activity Delivery under Microenterprise FA

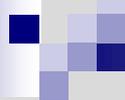
What costs should be included in the Loan or Grant?

What costs should not be included in the Loan or Grant?

Eligible Microenterprise FA Costs

- Two categories of Eligible costs
 - Activity Delivery
 - Part 5 determination
 - Financial underwriting
 - Federal Overlay requirements
 - Activity
 - Loans and Grants

Note: Under Microenterprise Activities, FA is a Revolving Loan Account (RLA) Activity.



Ineligible Microenterprise FA Costs

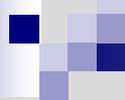
- Costs Associated with FA to Non-profits
- Costs Associated with FA to Non-Microenterprise Individuals or Businesses
- Incubator Operating Costs
- Political Actions
- Conduct of Government

***Unallowable* Microenterprise FA Costs**

- Until the loan and/or grant is approved activity delivery costs are not allowable
- Until the Department receives the Loan/Grant Certification Form FA costs are not allowable
- TA or Activity Delivery charges made to the loan and/or grant

Microenterprise FA Federal Overlays

- Federal Overlays must be Evaluated based on Each Project (Loan/Grant)
- NEPA: Will not be Exempt
- Relocation: Could be Triggered
- Procurement/Sub-recipient: Likely
- Davis Bacon: May apply
- Others



Microenterprise Support Services

- Not a standalone activity – must offer in conjunction with TA and/or FA programs
- Determine the need upfront
- Assist with child care and transportation to attend TA or apply for financial assistance

Microenterprise Support Services Federal Overlays

Federal Overlays are Very Limited in Scope:

- NEPA: exempt
- Relocation: Not Applicable
- Procurement/Sub-recipient: Likely
- Davis Bacon: Not Applicable
- Others

Microenterprise Activities

Common Threads

- Keep document files for all CDBG funded Microenterprise Activities
- Use PI in the Microenterprise FA RLA first
- Program Guidelines required for all Activities
- Reimbursement basis
- Reporting and Documentation

Sources of additional information

- CDBG Grant Management Memo

- <http://www.hcd.ca.gov/fa/cdbg/manual/>

- HUD ED Toolkit

- <http://www.hud.gov/offices/cpd/economicdevelopment/toolkit/index.cfm>



Quiz and Training Evaluation

- Time to take the post Quiz
- Please complete the evaluation before you leave...



THANK YOU

