

**CORTLAND COUNTY  
MICROENTERPRISE PROGRAM GUIDELINES – CDBG#286ME528-23**

Funded by: The New York State Office of Community Renewal (OCR) under the  
State's Community Development Block Grant Program

**MICROENTERPRISE DEFINITION:**

According to the New York State funding source, a microenterprise is a "...commercial enterprise that has five (5) or fewer employees, one (1) or more of which is the principal and owns the enterprise at the time of application. This includes both part-time and full-time employees. A microenterprise is a private for-profit business entity; corporation, partnership, or sole proprietorship that is legal, licensed and operating. Nonprofit entities are not microenterprises." Eligible entities can be new or existing businesses. If they are an existing business, the "five or fewer test" will include the owner or owners and all employees. The number is based on total headcount regardless of the number of hours worked by each employee. To be eligible for assistance, an existing or new microenterprise must also meet a low-to-moderate income test in one of two ways; (1) the business owner(s) must be low-to-moderate in income (LMI), or (2) a majority of the jobs to be created must be low-to-moderate income jobs and/or available to low-to-moderate income persons. LMI status is based on family size and gross, annual income. Income limits are provided in Attachment 1. The determination of whether a job meets the low-to-moderate income test is discussed in Attachment 2.

**PROGRAM PURPOSE:**

The purpose of the Microenterprise Program is, "... to provide resources to support and foster the development of microbusinesses by providing grants in conjunction with capacity building and entrepreneurial assistance". Specifically, the Program seek to provide training and financial assistance to entrepreneurs, start-up businesses, and existing businesses that will create opportunities or jobs for persons who are low-to-moderate in income. The Program is especially interested in assisting entrepreneurs who are low-to-moderate income persons and do not have access to other sources of capital.

**STATE REVIEW OF PROJECTS/STATE DETERMINATION:**

Applications for assistance will be reviewed by a local committee with recommendations for funding made to and approved by the local legislative body. The local applicant awards are subject to final approval by the NYS Office of Community Renewal (OCR). By signing below, the applicant or business owner agrees to hold the funding source, the US Department of Housing and Urban Development (HUD); the NYS Housing Trust Fund Corporation (HTFC); the NYS Office of Homes and Community Renewal (HCR) and the NYS Office of Community Renewal (OCR); HUD's, HTFC's, HCR's and OCR's offices, agencies and their employees; the County, its employees and their agents, harmless from any legal recourse or action, as a result of the State's determination.

**LOCATION OF PROJECT/BUSINESS:**

To be eligible for assistance the microenterprise must be located in Cortland County, and the business location must be zoned appropriately for the proposed use.

## **ELIGIBILITY:**

1. **At the time of application, a business must consist of five or fewer persons including the owner(s).** To meet the “five or fewer” test, the County will look at the total headcount at the time of application, regardless of the number of hours worked by the owner(s) and its employees.
2. The project must meet a low-to-moderate income test; that is, either the owner(s) must be low-to-moderate in income based on family size and gross, annual income; or the project must result in the creation of jobs, the majority of which meet the low-to-moderate income test. The County will make this determination with information provided by the applicant (See submission requirements included with the application for information needed to document the applicant is an LMI owner).
3. Not-for-profit entities are not eligible for the Program.

## **CONDITIONS OF ELIGIBILITY:**

1. If a business is owned or started by a person that meets the LMI test, they may **not** have to create jobs. The exception is for repeat applicants that received funding under a prior grant or Program. If additional funding is provided, the LMI person will have to create at least one full-time or full-time equivalent (FTE) job regardless of their income status. When in doubt, please ask.

If the owner(s) is/are **not** low-to-moderate in income, they will be required to create at least one full-time, or full-time equivalent, permanent job. Jobs that require 40 hours a week are considered full-time jobs. This requirement can also be met by creating two part-time jobs at 20 hours per week. Jobs must be available to LMI persons pursuant to a program definition (See Attachment 2)

2. All County payments including, but not limited to taxes and water and sewer charges, **must be current** for the business as well as the business owner(s) (i.e. taxes and fees on personal residence, if in the County, etc.).
3. **All applicants must have a current business plan that clearly identifies the microenterprise project.** Assistance preparing a business plan can be provided free of charge by the Small Business Development Centers (SBDC) at Onondaga Community College (OCC) or SUNY Binghamton. SBDC representatives from OCC will meet with applicants in Cortland by appointment. Contact the Cortland Business Development Corporation at 756-5005 to set up an appointment. Call SUNY Binghamton SBDC at 607-777-4024 for availability.
4. Existing businesses must demonstrate how the use of microenterprise funds will result in increased profitability and/or provide a new service or product that creates additional revenue.

## **MICROENTERPRISE PRIORITIES:**

The County may prioritize assistance to businesses (1) owned by veterans with military service; (2) that have been in operation six months or less at the time of application; (3) owned by LMI persons; and/or (4) that intend to use all or a majority of funding for hard assets. Other priorities may be identified at a later date.

These priorities will be part of a scoring system that will be used to rate and rank applications for funding. The scoring system will include, but may not be limited to, other measures such as adequacy of the business plan to provide roadmap for the success of the business; job creation and overall feasibility of the MAP project.

**ELIGIBLE USES OF FUNDS:** Funds can be used

1. to purchase machinery, equipment, furniture and fixtures including, but not limited to, manufacturing, processing, or display equipment; computer hardware; office furniture, display fixtures, or other equipment/fixtures that directly support the business activities of the applicant. All machinery, equipment, furniture, and fixtures acquired with County funds shall be stored and used at the business's primary County location and will be secured by the County via a UCC filing. Fixtures and equipment consist of moveable items that have no permanent connection to the structure of a building or its utilities;
2. to acquire real property after consultation with the County. Acquisition of real property is discouraged in most cases;
3. for working capital purposes ("soft costs"). The specific use(s) of working capital must be detailed in the application;
4. to purchase inventory. The general type and amount of inventory must be detailed in the application. The County reserves the right to file a UCC lien on the business and its assets including inventory purchased and replacements therefore;
5. to purchase software that is specifically related to the business activity of the applicant. The County reserves the right to file a UCC lien on the business and its assets;
6. for other uses, not specifically noted above, deemed appropriate by the County, and determined to be eligible by the funding source.

**INELIGIBLE USES OF FUNDS- The following are not eligible for funding:**

1. Payment on or refinancing of existing debt; payment of interest on interim financing;
2. Any activity(ies) that will result in the loss of a job or jobs or the reduction of hours for any existing employee;
3. Purchase or lease of motor vehicles;
4. Purchase of alcohol, tobacco or tobacco related products;
5. Construction, building renovations, and/or improvements and other types of construction or labor-related activities. Building materials or supplies used in renovations are generally not eligible, but specific questions can be directed to the NYS OCR for a final determination;
6. Religious or political activities;
7. Lobbying and/or governmental activities;

8. Costs incurred prior to approval of grant award to the business;
9. Other activities or businesses that are reasonably objectionable to the County such as adult entertainment or gambling.

**\*Awarded funds can not be advanced to Participants prior to purchase.**

#### **FINANCIAL ASSISTANCE:**

1. The total amount of assistance available per project is \$5,000 to \$35,000. The amount to be provided per project will be determined by the County's MAP Review Committee based on a review of the application and supporting documentation. The Cortland County Legislature must provide final approval for those projects/applicants that are recommended for award by the MAP Review Committee.
2. Assistance is in the form of a deferred payment loan (DPL). A DPL is similar to a grant in that there is no monthly repayment required. However, all or a portion of the DPL is subject to recapture if the business closes or relocates outside the County within five (5) years of project completion. The amount of funds recaptured is based on the amount of time the business operated in the County and the amount of funds provided.
3. The County can fund up to 90% of a project's cost up to a maximum of \$35,000 per project. A minimum of 10 % of the total project cost (equity) must be provided by the owner and documented as available in owner's funds at time of application. The equity cannot be in the form of debt. Project costs in excess of the \$35,000 maximum must be provided by the owner and documented as available at the time of application.
4. **This is a reimbursement program:** The State disburses funds based on PAID receipts. Recipients should be aware that they have to purchase the items to be paid for with micro funds up front with check, credit/debit card, cash or a line of credit and then be reimbursed after submission of a PAID receipt to the State funding source. If your project is approved, please discuss this process with Thoma Development to ensure you have the ability and adequate cash flow to undertake the project based on the State's reimbursement process. A maximum of two disbursement requests will be submitted to the State for each project.

#### **EQUITY CONTRIBUTION:**

Awardees must provide a minimum of 10% equity to the project. Applicants must provide documentation of availability of equity at the time the application is submitted for review. The 10% equity contribution must be in the form of owner's cash and cannot be associated with debt.

#### **JUSTIFICATION FOR AND LIMITATION OF FUNDING:**

The amount of funding awarded to the County for this Program is limited. It is likely that there will be more requests than there is money. Therefore, applicants should carefully justify in narrative form the need for each item for which funds are requested and show how it relates to and/or will impact the success of the project, and/or how elimination of the item will impact the success of the project.

Since funding is limited, it is likely that some projects may be awarded some, but not all of the funding requested. Accordingly, your application should list each item requested for the project in order of priority.

**SMALL BUSINESS TRAINING:**

Training is a required part of the Microenterprise Program. New York State Homes and Community Renewal (HCR) requires all participating business owners to complete a business ownership or entrepreneurial training course that is approved by them. The applicant must provide proof of successful completion of such training. No funds will be disbursed without such proof. If a Program participant has already completed one of the approved training courses, completion must have been within 24 months of Microenterprise approval. The County's Program Administrator will provide specific information to each applicant with respect to the State-approved training programs. The cost of training must be paid for by the applicant/participant, will not be reimbursed by the County, but can be credited as part of the project equity.

**DISBURSEMENT OF FUNDS:**

County microenterprise funds will be disbursed based on a mutually agreed upon schedule between the County and the applicant following the approval of the owner's microenterprise application. Two disbursements are permitted per project. Documentation of costs and proof of payment must be provided prior to disbursement of funds. The type of documentation required will be based on the paid expense; i.e. equipment, working capital, inventory, etc. The equity contribution must be documented prior to complete disbursement of all Microenterprise funds.

**TAX CONSEQUENCES:**

The County has requested an opinion from the State whether award of funds to a business/individual under this Program will or will not trigger tax consequences to the participant. The State, in turn, has requested an opinion from the U.S. Department of Housing and Urban Development (HUD), which provides funding to the State for this purpose. HUD and/or the State has/have not provided an opinion or any information that may assist you with this issue. The County cannot and does not render any opinion or make any representation with respect to whether the funds provided hereunder are considered taxable income. To determine the tax consequences of receiving funds under the Microenterprise Program, applicants/participants should contact a tax specialist or their accountant.

**PROJECT PITCH:**

Applicants may be requested to provide a short presentative or "pitch" with a question and answer period in front of the MAP Review Committee at the Committee's request.

**BUSINESS PLAN AND CASH FLOW STATEMENTS:**

*Applications submitted without a business plan and cash flow statements will not be considered.* Assistance with the preparation of a business plan can be found on-line or from the SBD Centers noted in paragraph #3 under the heading "Conditions of Eligibility" above. Additionally, the County's consultants, Thoma Development can provide a Business Plan outline upon request.

**NEED:**

State Program regulations note that Microenterprise assistance is for individuals/businesses that do not have access to traditional means of financing. Business Plans must include a section on the NEED for funding and why public funds are necessary for their project.

**OTHER TERMS AND CONDITIONS:**

- 1) An Agreement between the County and the microenterprise owner(s) will be executed prior to the disbursement of any funds. This Agreement will detail the terms and conditions of the funding.
- 2) The Microenterprise owner will be responsible to repay the County, in full or in part, if the business ceases operation, is sold or moves outside the County prior to the end of the five-year regulatory period. The amount to be repaid will depend on the length of time the business was in existence after project completion. No repayment will be required if the business meets the five-year regulatory period.
- 3) All low-to-moderate income jobs to be created through this Program will be verified pursuant to a process established by the New York State OCR. The process requires the completion and submission of certain forms and reports to which the project owner must agree. The employment monitoring will continue until such time as the job's obligation is met.
- 4) Funded businesses must carry insurance on the contents of their businesses to cover, at a minimum, the award provided by the County under this Program. If the business has other outstanding loan obligations, the insurance should be adequate to cover all other obligations, in addition to the County's, at a minimum. The County will be listed as loss payee on the business's policy and a certificate of insurance will be required to document coverage. The Microenterprise must also carry liability insurance.
- 5) The Microenterprise is required to comply with all local, State, and federal laws, regulations or requirements that would normally and routinely apply to such businesses, and as may be required of recipients of State and/or federal funding.
- 6) The Microenterprise will hold harmless the County and its agents, as well as the State and its agents by signing the Deferred Payment Loan Agreement.
- 7) The Microenterprise must document a need for MAP assistance. The County must make a determination that assistance it is both necessary and appropriate. Microenterprise funding should be the funding of last resort.
- 8) The County has the right to amend these guidelines at any time in order to conform to State requirements or requests/suggestions, or to adjust for clerical errors or errors of omission. Applicants or potential applicants that have requested a program package will be notified of any changes or amendments, if in the County's opinion said changes will impact on the applicant's submissions or project design.
- 9) Applicants must have site control at the time of application including ownership of the project site, or a lease with a term of five years.
- 10) Project locations must be zoned appropriately for the project.

- 11) Applicants should apply for a Unique Entity Identified prior to submission of the application (See Attachment 3 following).
- 12) Other regulations and/or State policies may apply to the Program not included herein. The applicant should ask the County's CDBG representative whenever there are questions or concerns with respect to eligibility of a project, activity or purchase.

**ATTACHMENTS:**

1. Income limits for Cortland County as determined by the US Department of Housing and Urban Development
2. Determining "low-to-moderate income" jobs
3. Obtaining a Unique Entity Identifier (UEI) for your business

**ATTACHMENT #1**  
**LOW-TO-MODERATE INCOME LIMITS FOR CORTLAND COUNTY**  
**Effective May 15, 2023**

FAMILY SIZE	MAXIMUM INCOME LIMIT
1	\$46,250
2	\$52,850
3	\$59,450
4	\$66,050
5	\$71,350
6	\$76,650
7	\$81,950
8	\$87,200

The Applicant/Business Owner(s) or the employees will be considered low-to-moderate in income if the family's **gross annual** income does not exceed the maximum income noted for that family size.

For example, if a family has two adults and three children (total five persons) the income opposite the number "5", which is \$71,350 is the maximum income that family can earn on an annual basis. If the family's gross, annual income is less than \$71,350 they are considered a "low-to-moderate" income family. If the family's gross annual income is greater than \$71,350, they do not meet the low-to-moderate income test. Family is defined as those persons in a household that are related by marriage, birth or adoption.

A Microenterprise with two or more owners will qualify under the low-to-moderate income criteria if, and only if, 51% of the business is owned by LMI persons/people. If the owner(s) do not meet this criterion, then the Microenterprise must qualify under the criteria to create jobs that are low-to-moderate in income. (See Attachment 2 below)



**ATTACHMENT #2**  
**DETERMINING LOW-TO-MODERATE INCOME JOBS**

To be eligible for funding under the County's Microenterprise Program, the project must meet the low-to-moderate income benefit test in one of two ways; either (1) the business owner(s) must be low-to-moderate in income, or (2) the jobs to be created must be filled by or available to low-to-moderate income persons. If the business owner is low-to-moderate in income, this section can be ignored.

If a business owner (or all owners) is/are not low-to-moderate in income, their project must result in the creation of jobs, 51% of which are considered low-to-moderate income jobs. In addition, the business owner must provide first consideration for the jobs to be created to those persons who are low-to-moderate in income. Jobs may be claimed to be available to low-to-moderate income persons when both the following conditions are met:

- 1) The jobs **do not** require special skills that can only be acquired with substantial (i.e. one year or more) training or work experience, and/or education beyond high school is not a prerequisite to fill such jobs, unless the business agrees to hire and train unqualified persons; **and**
- 2) Actions are taken by the business owner to ensure that low-to-moderate income persons receive "first consideration" when hiring for such jobs.

Principles involved in providing "first consideration" are as follows:

- 1) The business owner must use a hiring process that under normal circumstances would result in at least 51% of those interviewed meeting the low-to-moderate income status test;
- 2) The business owner must consider a sufficient number of low-to-moderate income job applicants to give reasonable opportunity to fill the position with a low-to-moderate income person;
- 3) The business owner must give consideration to the distance from the residence of a low-to-moderate income job applicant and the availability of transportation to the job site in order for the job applicant to be considered a serious applicant for the job.

The County is required to monitor job creation activities to determine if the jobs to be created are filled by persons low-to-moderate in income or meet the first consideration test. To meet this obligation, the County is required and, therefore, the business owner agrees to follow a plan approved by the NYS OCR. Information on and the forms for completion included in the plan will be provided at a later date.

**ATTACHMENT #3**  
**OBTAINING A UEI FOR YOUR BUSINESS (SUBJECT TO REVISION)**

The funds for which you are applying were awarded to the City of Cortland from the NYS Office of Community Renewal (OCR) as part of the federal Community Development Block Grant Program (CDBG). In keeping with federal regulations, the OCR **requires** that recipients of CDBG funds secure a Unique Entity Identifier (UEI). UEIs are required on your application. Lack of the UEI upon application can delay disbursement of funds, if a grant is awarded, as the City cannot disburse funds until you obtain the identifier. If you are an existing business and already have a UEI at your current location, you do not need to obtain another one. There is no charge to obtain the UEI.

To obtain a UEI:

- (1) Got to [fsd.gov](http://fsd.gov) (Federal Service Desk)
- (2) In the search bar under “Federal Service Desk”, type “Quick Start Guide for Getting a Unique Entity ID” and click on the search icon
- (3) On next page click on “Quick Start Guide for Getting a Unique Entity ID”
- (4) On next page click on “Quick Start Guide for Getting a Unique Entity ID” and the guide should download to your computer
- (5) Download the guide and follow the instructions under SAM.gov – you do not have to register in SAM.gov to get the UEI
- (6) After you have entered all the requested information and been assigned a UEI, you can click on DONE. You do not need to “continue to registration”.