



CITY OF READING

MICRO-ENTERPRISE ASSISTANCE GRANT PROGRAM GUIDELINES

Please contact James Rodriguez of the Kutztown University Small Business Development Center if you need a grant application.

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Purpose

The goal of the program is to provide low and moderate income level owners of very small businesses with financial assistance that will result in business expansion, increased revenues and economic development of the city and target areas. Funds are provided to create economic benefit through increased revenues, creation or retention of jobs and capacity building.

Grant Program Areas

- Penn Square Area - Up to a \$30,000 grant – No private matching funds are required
- Main Street Area - Up to a \$20,000 grant – No private matching funds are required
- DID Area – Up to a \$10,000 grant – 25% of private matching funds are required
- Outside of the DID Area – Up to a \$2,500 grant – 75% of private matching funds are required

Program Requirements

A business owner/business may qualify for consideration provided it meets all of the following criteria:

1. The business must have 5 or fewer employees, including the owner(s), corporate officer(s), part-time and full-time employees on the business payroll at the time of program application submittal. Leased employees through another organization will be considered as the business' employee.

2. The business must be owned by low and moderate income level persons.

Family Size	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
2014 Income Limits	\$37,450	\$42,800	\$48,150	\$53,500	\$57,800	\$62,100	\$66,350	\$70,650

3. The business must have been in operation for at least one (1) year at the time the owner applies for a grant.
4. The business must be located in a commercial space within the City of Reading, or the business owner must be planning to be located in a commercial space in the City.
5. The business type must be on the preferred business list (see attachment) for businesses wishing to locate within the Penn Square and Main Street Areas. *Other businesses will be considered on a case-by-case basis.*

Program Restrictions

- Non-profit entities are not eligible for microenterprise funds.
- A business/applicant that has received assistance from the program must wait ten (10) years to apply for additional assistance.

Permitted Uses of Grant Funds

Permitted uses of funds (include but are not limited to the following):

- Professional services
- Lease holder improvements – May be subject to the Davis Bacon Prevailing Wage Rate Act
 - Permanent improvements are not permitted unless the building owner meets the program’s CDBG eligibility/fundability requirements.
- Purchasing inventory, supplies, computer programs for accounting and inventory control or furniture, fixtures and equipment FF&E; – May be subject to the Davis Bacon Prevailing Wage Rate Act.
 - Permanently fixed FF&E are not permitted unless the building owner meets the program’s CDBG eligibility/fundability requirements.
- Exterior rehabilitation of owner occupied commercial structures such as façade improvements
 - Buildings cannot have any residential units. The building must be fully commercial.
 - May be subject to the Davis Bacon Prevailing Wage Rate Act.
- Marketing materials and advertising with website development and servicing.

Restricted Uses of Grant Funds

Restricted uses of grant funds include the following:

- Payment of rent or utilities
- Finance the acquisition of real property or land
- Vehicle Purchases / Leases
- Leasing Employees
- Security Deposits
- Outstanding debts or paying off a creditor of the business owner / business
- Providing funds for distribution or payment to the owner, partners, or shareholder of the applicant
- Paying of any tax lien or liability

Other Program Requirements

Applicants must be current in all financial obligations with the City. The City will not fund a business with outstanding disallowed costs, defaulted loans, debarment actions or any other legal encumbrance, regardless of the merits of the submitted application. Businesses are required to have all of the applicable City required licenses and permits. Applicants may be asked to provide copies of licenses and permits.

Expenses have to be allowable, necessary, and reasonable as stipulated in the Office of Management and Budget Circular A-122 (OMB A-122) for the type of business applying for funding.

Program participants are required to meet with the Kutztown University Small Business Development Center (KUSBDC) to develop a proper business plan. The City will not accept a grant application until this requirement is met. If selected, applicants are required to participate in one year of follow up sessions with the KUSBDC.

Applications are accepted and reviewed on a first come, first eligible, first complete basis, subject to the availability of funds. Submission of an application shall constitute acknowledgement and acceptance of all terms and conditions. Acceptance of an application does not constitute a contract and does not obligate the City to award funds.

Applications that are incomplete, out of order, have an inadequate number of copies, lack required attachments, or have other content errors or deficiencies may be rejected.

The City must receive all third party income verifications before a grant can be awarded.

The administration of the program will be carried out by the Community Development Department. A Grant Committee will review and score applications according to the procedures and guidelines outlined in this document in order to determine whether or not a grant should be awarded.

Applicants should not make any purchases prior to receiving official grant award notification, environmental review clearance and contract execution as they will be ineligible for reimbursement.

Recapture Provision

In order to better ensure that the goals of this program are ultimately met and that the community maximizes its benefit from the program, the City will be employing a recapture mechanism for this program. A business receiving assistance will be required to sign a recapture agreement.

If the business leaves the City, goes out of business, or sells the assets purchased with grant funds, this will trigger recapture and the business will have to repay a portion of the grant award back to the City, according to the following schedule:

<u>Time elapsed since project completion/final reimbursement</u>	<u>Recapture if trigger occurs</u>
Less than 1 year	100% of grant award
From 1 year to less than 2 years	66.66% of grant award
From 2 years to less than 3 years	33.33% of grant award
3 years or more	0% of grant award

Selection Criteria

The Grant Committee will consider the following when reviewing a project:

- The amount of private matching funds provided in excess of the requirements.
- The history of the business.
- The experience and qualifications of the business owner(s).
- How the proposed project will help to start, expand, strengthen, and/or increase the sustainability of the applicant business.
- The number of jobs that the proposed project will eventually create and/or retain.
- The probability of success of the proposed project.
- The type of business and its potential contribution to commercial development objectives of the City.

Environmental Clearance

Projects funded with CDBG funds are subject to environmental review under federal regulation, and no funds can be committed and expended until the activity has received an environmental clearance. No exceptions can be made. Contracted work must not commence until a US HUD Release of Grant Conditions or a confirmation of exempt status has been issued for the activity.

Freedom of Information Act (FOIA)

The grant recipient should be aware that the grant funds are from the City of Reading Pennsylvania and the United States Department of Housing and Urban Development Community Development Block Grant. Therefore, the recipient's documents may be subject to FOIA requests. The City Law Department will determine the information that must be released in order to comply with the FOIA.

In addition, the recipient's company name, location, grant amount, and the use of grant funds information may be published on the City's website and in government reports.

Complaint Policy

The City will use the following complaint process:

1. Requests shall be submitted in writing to the Community Development Manager. The Manager shall respond in writing within 30 days.
2. If the response is not satisfactory, the complainant shall request in writing that the complaint be forwarded to the Community Development Director. The Director shall respond in writing within 30 days.
3. If the *complainant* remains unsatisfied with the Community Development Director's response they may contact the City Managing Director. All decisions of the Managing Director are final.

Amendments to the Program

Program guidelines and eligibility may be amended upon approval of the Community Development Department. The Department will seek a recommendation on a proposed amendment from the Grant Committee but reserves the right to act independently of a committee recommendation. All amendments to program guidelines and eligibility shall be pursuant to all state and federal regulations, which may apply to activities covered by this program.

The City may require the applicant to submit the following documents/items.

- Company's Business Plan
- Business Income Tax Return for the past 1 year Schedule C of IRS form 1040
- Sales Tax Report Sales & Use Tax Return for the past 1 year.
- Employer's Quarterly Federal Tax Return. Most recent four quarters.
- Copy of the PAUC2 and PAUC2A Forms
- Copy of the US 941 Form
- Fictitious Name Registration (if applicable)
- For Corporations, a copy of the organization's Charter (if applicable), Articles of Incorporation, Amendments to the Articles of Incorporation (if applicable), and By-Laws.
- For Corporations, a completed and signed copy of the current Certificate of Status from the Commonwealth of Pennsylvania.
- Copy of Income Tax returns (IRS Form 1040) for the last completed fiscal year for each owner, business partner and/or stockholder. If the owner(s) has filed an extension request to IRS, the applicant must submit the prior year's IRS Form 1040 and a copy of the Extension Request
- If the owner is the sole employee and does not file Form 940, then s/he must produce Form 1099 or W2.
- SBA Form 413 Personal Financial Statement
- SBA Form 912 Statement of Personal History
- Third Party Income Verification Forms signed by the applicant
- Current lease agreement or deed to the property
- Property ownership verification – County Tax Assessment Office check online
- Regulatory Permits and/or Professional License
- General liability for the business and the building owner (if the applicant is the building owner)

Ineligible Business Types

The following types of businesses are ineligible for funding:

1. Non-profit businesses (for-profit subsidiaries are eligible);
2. Financial businesses primarily engaged in the business of lending, such as banks, finance companies, and factors;
3. Passive businesses owned by developers and landlords that do not actively use or occupy the assets acquired or improved with the proceeds (except Eligible Passive Companies under § 120.111);
4. Life insurance companies;
5. Businesses located in a foreign country (businesses in the U.S. owned by aliens may qualify);
6. Pyramid sale distribution plans;
7. Businesses deriving more than one-third of gross annual revenue from legal gambling activities;
8. Businesses engaged in any illegal activity;
9. Private clubs and businesses which limit the number of memberships for reasons other than capacity;
10. Government-owned entities (except for businesses owned or controlled by a Native American tribe);
11. Businesses principally engaged in teaching, instructing, counseling or indoctrinating religion or religious beliefs, whether in a religious or secular setting;
12. Consumer and marketing cooperatives (producer cooperatives are eligible);
13. Loan packagers earning more than one third of their gross annual revenue from packaging loans;
14. Businesses with an Associate who is incarcerated, on probation, on parole, or has been indicted for a felony or a crime of moral turpitude;
15. Businesses in which the Lender or CDC, or any of its Associates owns an equity interest;
16. Businesses which:
Present live performances of a prurient sexual nature; or
Derive directly or indirectly more than de minimis gross revenue through the sale of products or services, or the presentation of any depictions or displays, of a prurient sexual nature;
17. Unless waived by the City for good cause, businesses that have previously defaulted on a Federal loan or Federally assisted financing, resulting in the Federal government or any of its agencies or Departments sustaining a loss in any of its programs, and businesses owned or controlled by an applicant or any of its Associates which previously owned, operated, or controlled a business which defaulted on a Federal loan (or guaranteed a loan which was defaulted) and caused the Federal government or any of its agencies or Departments to sustain a loss in any of its programs. For purposes of this section, a compromise agreement shall also be considered a loss;
18. Businesses primarily engaged in political or lobbying activities; and
19. Speculative businesses (such as oil wildcatting).

City of Reading
Micro-Enterprise Assistance Grant (MAG) Program
Preferred Business List

The City of Reading's Micro-Enterprise Assistance Grant (MAG) program is designed to recruit businesses that will have the desired impact of increasing vibrancy and walkability in downtown Reading. Therefore, the City will consider awarding grants to certain businesses that may contribute to this desired impact within the geographical boundaries of the Penn Square (400 & 500 Blocks of Penn Street) and designated Main Street Program area.

Preferred Businesses within these areas include:

- Restaurants
- Bakeries
- Cafes
- Galleries
- Boutiques/Specialty retail
- Arts and Entertainment-focused businesses
- Fresh food markets/Specialty food stores
- Media and design-based companies
- Printing/Office supply stores
- Art supply stores
- Furniture stores
- Florists
- Dry cleaners

****Other businesses will be considered on a case-by-case basis. This list is subject to change.
The City of Reading will not unlawfully discriminate against any applicant based on religion, race, sex/gender, national origin, or handicap/disability.