

**New York State  
COMMUNITY DEVELOPMENT  
BLOCK GRANT PROGRAM (CDBG)**

Microenterprise Assistance

**FREQUENTLY ASKED QUESTIONS**



**Homes and  
Community Renewal**

OFFICE OF COMMUNITY RENEWAL

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# **MICROENTERPRISE FREQUENTLY ASKED QUESTIONS**

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## **Program Guidelines and Application**

Q.1 Is a Microenterprise defined as 5 or fewer employees using Full-Time Equivalents, or 5 or fewer employees by head count?

A.1 The definition of a Microenterprise is determined by a "five or fewer test," which is based on total employee head count including the owner (not the number of FTEs).

Q.2 Do seasonal employees count towards the 5 or fewer total employees at the time of application?

A.2 If the seasonal position is not considered their principal occupation, then their position would not count towards the 5 or fewer determination. If the seasonal position is considered their principal occupation, it would be counted. "Principal occupation" means that the job comprises the majority of the hours worked during the year.

Q.3 If a business has 5 or fewer employees at the time of application, but the project will result in the creation of positions that puts that business over the "5 by head count", does that make them ineligible to apply?

A.3 No. Microenterprise businesses must be eligible at the time of application to the community. If a business exceeds 5 employees post-award, it does not affect eligibility. In fact, job growth is encouraged.

Q.4 Are NYS CDBG Microenterprise projects income-qualified at the time of award or at the time of application?

A.4 Recipients must determine income eligibility at the time of application. The recipient must reference the HUD Income Limits for the specific year that the Family Income Form will be completed or be the most up-to-date HUD data at the time that individuals fill out the Family Income Forms and provide supporting income documentation. However, local award must be made within 12 months of application otherwise an income re-certification will be required.

Q.5 Can funds raised by crowd sourcing be used towards equity?

A.5 Yes, funds raised by crowdsourcing could be used towards their equity. Like traditional equity, the funds would need to be available and able to be documented at the time of application and must not have an obligation to be repaid.

Although crowdsourcing is technically allowable, traditional owner equity is still preferable. Crowdsourcing would diminish the proportion of a business' individual investment, and the purpose of the equity requirement is to ensure that the owner invests in their own business and has a demonstrable interest in the success of the project.

Q.6 Can equity include bank financing?

A.6 No. Equity must be in the form of cash, with no associated debt. Bank loans cannot be part of the 10% minimum.

Q.7 Is the 10% equity match to the total grant amount or is it 10% of the total amount excluding program delivery and admin costs?

A.7 Equity must be at least 10% of the total grant amount excluding program delivery and administrative costs.

Q.8 Is a start-up defined as not having been in business for more than 6 months

- before the time of award or the time of application?
- A.8 A start-up is a business that has been actively providing goods and services for less than 6 months prior to submitting their application for assistance to the community. This is a state programmatic definition.
- Q.9 If an existing business was purchased by a new owner in the last 6 months, is this business considered a start-up?
- A.9 If a new DUNS/UEI and tax ID were obtained, it may be considered new business or a start-up. If the business owner is still operating the business under the same DUNS/UEI and tax ID as the previous owner, it would not be considered a start-up. A change in business ownership does not automatically render a business a start-up. Contact OCR in the event that this relates to your project.
- Q.10 Do 50% of the businesses funded under the microenterprise program have to be start-ups?
- A.10 No, however at least 50% of the total CDBG award (less grant administration costs) must be awarded to start-up businesses. This does not mean that half of the total number of businesses awarded must be start-ups, since award sizes may vary.
- Q.11 At what point can a community re-apply for microenterprise assistance?
- A.11 A community can apply for a second award once all project funds are committed and 75% of program funds have been expended. Communities must have all documentation complete and available for monitoring. Communities with an open Microenterprise program should contact OCR before submitting another Microenterprise application.
- Q.12 Can businesses that have previously been awarded under the microenterprise program re-apply for funding?
- A.12 Businesses which have previously been awarded are eligible to re-apply for funding, however they are still required to meet all eligibility criteria (ie. 5 or fewer employees including principal owner, additional required equity contribution). Additionally, for any businesses that were previously awarded and qualified as low- and moderate-income business owners will be required to create jobs if awarded again. Contact OCR in the event that this relates to your project.
- Q.13 Can the same business receive assistance from two concurrent Microenterprise programs? E.g. County and Village both assist a project in the Village
- A.13 No. Two recipients cannot concurrently assist the same business. In addition, Counties are discouraged from assisting a business within the service area of another active microenterprise program that lies within the County. Contact OCR in the event this relates to your project.

### **Grant Agreement**

- Q.14 What steps are taken after a municipality receives an award?
- A.14 Once awarded, municipalities will receive an award letter along with a copy of the unsigned grant agreement. The grant agreement must be signed by the Chief Elected Official and returned electronically to the Office of Community Renewal. Documents that should be included with the Grant agreement are Forms 1-1, 1-2, 7-2, 8-1, proof of insurance coverage and any documents identified in the Schedule A. A grant agreement is not considered to be fully executed until all required documents are received. Once approved, the municipality will receive an executed grant agreement letter by email. This is sent to the Chief Elected Official. The recipient must also complete and send any "Schedule A" items identified in the

grant agreement.

### **Eligibility**

Q.15 Is construction an eligible use of funds under the NYS CDBG Microenterprise Program?

A.15 No, construction is considered an ineligible expense under the NYS CDBG Microenterprise Program.

Q.16 Is the purchase of construction materials, such as windows and doors, an eligible expense if the business proposes to do the work themselves?

A.16 No. However, certain moveable items necessary to the business, such as a sink, may be eligible. Contact OCR in the event that this relates to your project.

Q.17 What constitutes an eligible vs ineligible fixture?

A.17 Items that are permanently affixed to the structure of the building (non-movable) are generally considered construction-related and are therefore an ineligible use of CDBG funds. The OCR follows the generally accepted accounting definition that (FF&E) are movable furniture, fixtures, or other equipment that have no permanent connection to the structure of a building or utilities. As it relates to furniture, fixtures, and equipment (FF&E), only those items that can be taken or removed if the business was to liquidate are considered eligible.

Q.18 Are installation costs for equipment considered eligible?

A.18 If installation exceeds 13% of the cost of the equipment with CDBG funds, then Davis Bacon applies, and the equipment and installation would not be considered eligible.

Q.19 Are there any businesses which are not eligible for funding?

A.19 HUD has determined that private recreational facilities that primarily serve a higher income clientele are not eligible for CDBG funding (e.g. golf courses).

Q.20 Is a short-term rental business an eligible business?

A.20 The NYS OCR has determined that short-term rentals (VRBO, Airbnb, etc.) are not eligible for CDBG funding.

Q.21 Are agribusinesses eligible for funding?

A.21 The NYS OCR has determined that agribusinesses such as farms are eligible businesses if their activities are covered by their environmental review. It is strongly recommended to submit a business summary form found on our website to NYS OCR for pre-approval of agribusiness activities.

Q.22 Is farming equipment and inventory eligible for reimbursement?

A.22 Farm equipment such as tractors, mowers, sprayers, planters, etc. are eligible for reimbursement. Inventory such as seeds, livestock, bushes/plants/trees, etc. are eligible for reimbursement assuming that the activities are covered by their environmental review.

### **Environmental**

Q.23 Is an environmental review required if the business is only purchasing machinery and equipment?

A.23 Yes, the Environmental Review is required of all NYS CDBG Economic Development Projects, regardless of the use of funds. OCR must issue a Release of Funds or Concurrence letter before costs are incurred or funds can be expended.

Q.24 Should the environmental review cover the CDBG-related costs of the project or

- the total scope and cost of the project?
- A.24 The Environmental Review should be comprehensive of the total project cost and should reflect all project activities and funding sources, not just CDBG related activities.
- Q.25 When conducting a tiered environmental review, what forms should be completed in the Tier II review?
- A.25 Tier II (site-specific) reviews should include the statutory checklist completed as a part of the Tier I review (likely a 2-5 form). If further consultation is needed, then form 2-6 (and any other related documentation of consultations conducted) should be completed. The responsible entity must follow whatever procedures/protocols were established during the programmatic review.

### **Disbursements**

- Q.26 Can an applicant incur costs once awarded?
- A.26 No. Applicants cannot incur costs until an Environmental Review has been completed, approved and the applicant has received a Release of Funds or Concurrence letter.
- Q.27 What are the funding limits for each awarded microenterprise business?
- A.27 Funding limits are between \$5,000 and \$35,000 for each microenterprise business. This does not include program delivery and grant administration costs.
- Q.28 Can award funds be drawn down before businesses are selected?
- A.28 OCR will allow for a portion of grant administration funds to be drawn down prior to businesses being selected. Funds associated with program delivery cannot be drawn prior to businesses being selected.
- Q.29 What should be included in a request for draw?
- A.29 Forms 1 - 6, and 1 - 6A should be included along with any documentation of expenditures, such as invoices or purchase orders. Under no circumstances will quotes or in- cart documentation from an online vendor be accepted. When a draw is being requested for a newly awarded business, Form 1-6B is needed in addition to Forms 1-6 and 1-6A.
- Q.30 What information is necessary on an invoice or purchase order?
- A.30 At a minimum, receipts and/or invoices should include the date purchased, the vendor, the amount, the service/item purchased, proof of payment, and the purchaser information (business name, owner name and/or address).
- Q.31 Are NYS CDBG funds subject to state and federal tax laws?
- A.31 All awarded businesses should consult with a tax professional on how to determine any tax liabilities.
- Q.32 Are there any expenses considered to be ineligible when submitting a drawdown request?
- A.32 Yes. Funds requested for construction expenses or the repayment of existing debt (ie. a loan incurred prior to award, payments for equipment purchased prior to award, etc.) are ineligible. The purchase and/or lease of a motor vehicle is considered to be ineligible without prior approval from OCR (see below). Also, the purchase of electronic equipment *might* be eligible including computers, laptops, phones, and other electronic equipment. Requests for equipment of this

nature should be accompanied by a written attestation from the business owner(s) that they will only be used for business purposes and should also be verified by the Recipient. A template for this purpose is available on OCR's Economic Development website.

Q.33 What is needed for the purchase and/or lease of a motor vehicle in order for OCR to consider the purchase eligible?

A.33 The purchase and/or lease of a motor vehicle must be determined to fit the use of the business in order to be considered eligible. A signed certification from the business and the Recipient is required to verify that the motor vehicle will be used for business purposes only. A template to document this can be found on OCR's Economic Development website.

Q.34 What expenses related to equipment purchase and/or lease are considered eligible?

A.34 Eligible equipment costs include lease payments which have already been paid out. For equipment where any financing is in place, OCR can only reimburse for payments already made and within the grant term.

Q.35 Is the advancement of funds an allowable expense?

A.35 No. You cannot request funds for expenses that have not yet been incurred. For example, working capital costs including utility bills, rent, etc. are not allowable expenses if submitted prior to having been incurred and/or paid out.

Q.36 Is rent an eligible expense?

A.36 Rent payments are considered to be eligible, however documentation must be submitted outlining these costs, such as a lease agreement. Future rent may be eligible as long as it is for a period within the grant term AND it has already been paid out by the business owner in advance.

Q.37 Is insurance an eligible expense?

A.37 Yes. If submitting for insurance reimbursement, businesses must provide documentation that indicates the type of policy/coverage and the location, in addition to the bill/statement which shows the amount billed for.

Q.38 How many disbursements are permitted per business assisted?

A.38 For each business assisted, OCR allows a maximum of three draws per business. Exceptions may be granted in extraordinary circumstances. Contact OCR if this relates to your project.

Q.39 Can Recipients submit a request for funds for a business prior to them obtaining a DUNS/Unique Entity ID number?

A.39 Recipients may request funds for a business but will need to provide BOTH a tax ID and Business Certificate if they do not have a DUNS/Unique Entity ID number. It is encouraged however to wait until they have received that information before requesting funds. OCR will require that the business obtains and provides a Unique Entity ID prior to reporting any accomplishments for the business.

Q.40 Is payroll an eligible expense?

A.40 Yes. Payroll for employees is an eligible expense, however payroll for a business owner(s) is not considered to be eligible.

## **Program Requirements**

- Q.41 What Program Delivery activities are eligible under the Microenterprise Program?  
 A.41 Various program delivery activities are eligible under the Microenterprise Program and can be referenced in the CDBG Grant Administration Manual, Chapter 3. It is important to keep in mind that any of the activities listed MUST be tied to a specific business which has been awarded in order to be eligible. Reimbursement sought for businesses not funded as a part of the project are not considered to be eligible activities.
- Q.42 When determining budgets, what amount may be requested for program delivery, administration, and training?  
 A.42 Applicants may request up to 15% of the CDBG award in program delivery and administration combined. Of the 15%, administration must not exceed more than 5% of the total project cost.

### **Reporting**

- Q.43 Can a business owner meeting an LMCMC National Objective be included or reported as a created job?  
 A.43 No. Meeting an LMCMC National Objective is not the same as job creation and should not be reported as a created job.
- Q.44 When can I count a seasonal employee toward the job creation requirements?  
 A.44 A seasonal employee can be counted on a pro-rata basis (based on a 40/hour work week or 2,000 hours/year). Seasonal jobs are considered to be permanent if the season is long enough for the job to be considered as the employee's principal occupation. "Principal occupation" means that the job comprises the majority of the hours worked during the year.
- Q.45 Do all applicants need to fill out a family income form, or just those who fall under the low- and moderate-income (LMI) households?  
 A.45 All persons applying for a job, not just those categorized as LMI, are required to fill out a Family Income Form. These forms should be maintained within the files.
- Q.46 Is a Family Income Form sufficient evidence of income verification for meeting an LMCMC national objective?  
 A.46 No. In addition to a Family Income form, a business owner will need to provide their most recent tax returns at the time of application. However, local award must be made within 12 months of application otherwise an income re-certification will be required.
- Q.47 Can retained jobs be used towards fulfilling a national objective?  
 A.47 No. Retention is not allowed under the Microenterprise Program.
- Q.48 If a business has more than one owner, are all owners required to complete the entrepreneurial training program?  
 A.48 No. If a business has more than one owner, at least one owner must complete the course.
- Q.49 If a business reporting an LMCMC national objective has more than one owner, how many of them need to qualify as LMI?  
 A.49 If there is more than one owner reporting an LMCMC national objective, at least 51% of the ownership must qualify as LMI.
- Q.50 What is the difference between taken (held) by/made available to?  
 A.50 'Taken (Held) By' A job is considered to be taken by an LMI person if, at the time



their employment starts, that person is a member of a family whose income falls at or below the applicable Section 8 Income Limits. Income is verified through a Family Income Form.

'Made Available To': A job is considered to be made available to an LMI person if the position does not require special skills acquired from substantial training or more than 1 year work experience, and education beyond high school/GED and special licenses/certifications are not a prerequisite to employment. Also, the assisted business must take actions to ensure that LMI persons receive first consideration for filling such jobs. Recipients are encouraged to use OCR generated "Economic Development Job Forms" to document efforts to make positions available to low- and moderate-income persons. These forms can be found here: <https://hcr.ny.gov/community-development-block-grant-economic-development-program>

**Q.51** In what ways does a business establish that a job has been made available to?

**A.51** In order to document that jobs were 'made available to,' jobs must be posted/advertised using one or more sources which could include the newspaper of record or other online job sources. The posting/advertisement must clearly indicate that the positions have been made available to LMI persons and candidates are not required to have special skills, education or training. Additionally, a job description needs to be provided for all positions created. Templates are available on OCR's Economic Development website. Contact OCR if this relates to your project.

**Q.52** Does each business have to create at least one FTE?

**A.52** Each activity is required to meet a National Objective. There are two national objectives that are applicable to the microenterprise program. The first is low- and moderate-income job creation activities, or LMJ. The second is low- and moderate-income owner, or LMCMC. When fulfilling an LMJ national objective, each funded business is required to create at least one LMI FTE. If more than 1 job is created, 51% of the jobs must benefit LMI individuals. When fulfilling an LMCMC national objective, a business owner must be qualified as low-to moderate income based on the HUD Income Limits. Income is verified through the most recent tax returns and a completed Family Income Form at the time of application.

**Q.53** Should the Annual Performance Reports (APRs) reflect cumulative job reporting or just for the year being reported?

**A.53** The January APRs and final APRs should only report jobs created within the year being reported and should not be cumulative. Applicants can submit a final APR at any time of the year and do not have to wait until the January reporting.

**Q.54** Is the cost of the entrepreneurial training an eligible use of funds?

**A.54** Yes. The cost of the entrepreneurial training is an eligible use of funds under the NYS CDBG Microenterprise Program.

**Q.55** Is an application fee an eligible use of funds?

**A.55** No. An application fee is not an eligible use of funds. Municipalities are not permitted to charge applicants a fee to apply.

**Q.56** Can an employee or business owner obtain a waiver for a previously completed training program?

**A.56** For any individuals who have previously completed a relevant training course within

24 months, a request for a waiver is not needed. However, the recipient must retain the following:

- The resume of the entrepreneur, and
- Proof of the training program(s) completed, and certificates received (received with application)

For any individual who previously completed a training course beyond the 24 months, it is required that they complete another relevant training course.

### **Closeout**

**Q.57** When is the project considered to be 'closed'?

**A.57** A project is considered closed when 1) all funds have been disbursed 2) all job reporting documentation has been received and approved by OCR 3) a comprehensive monitoring visit has been conducted by OCR 4) any findings/concerns related to the monitoring are satisfactorily addressed 5) all required Federal Assistance Expenditure (FAE) forms and/or single audits have been received and approved by OCR 6) OCR issues a closeout packet electronically to the Recipient 7) the Recipient signs and returns the closeout packet, and 8) a Certificate of Completion is issued by OCR.