



# City of Dallas

## City of Dallas Small Business Continuity Fund Loan and Grant Program

### Frequently Asked Questions

Updated 1.21.21

#### 1. When are applications due?

The first round of applications were due May 11<sup>th</sup> at 11:59 p.m. with the application period opening on May 4<sup>th</sup>.

For Round 2, applications are expected to open on February 3.

#### 2. How many grants and loans will be funded?

With approximately \$2.7 million available for grants and a newly increased maximum grant amount of \$15,000, we anticipate providing a minimum of 200 additional grants. Through the end of December, almost 400 grants have already been awarded. With a minimum of \$1 million available for the loan program and a maximum loan amount is \$50,000, we anticipate providing a minimum of 25 loans under the program.

#### 3. What is the source of funding for Continuity Fund program?

The Small Business Continuity Fund was made possible by Community Development Block Grant (CDBG) funding and Coronavirus Relief Funding (CRF) as provided by the CARES Act. CDBG is a type of federal funding with specific funding eligibility criteria, including a required benefit to persons with a low-to-moderate incomes that necessarily shaped the requirements for our Continuity Fund awards.

#### 4. What are the eligibility requirements?

We will carefully screen all applicants to determine if they are eligible to receive a Continuity Fund award. All applications submitted must provide financial information, including business and personal tax returns, profit and loss or income statements, and proof of loss of income. The program is available to all citywide businesses meeting the eligibility requirements. The following criteria must be met for a business to be considered eligible:

**a. Geographic location requirement:**

Businesses must be located in Dallas. Businesses not located within Dallas city limits are disqualified, in accordance with federal funding eligibility guidelines.

**b. Physical location requirement:**

Businesses must operate out of a physical location within Dallas city limits. Physical location includes a 'brick and mortar' edifice, farmers market, and other types of physical locations, which may include a home-based business. Dallas P.O. boxes do not meet the physical location requirements. This will be verified through a review of the Certificate of Occupancy as granted by the City of Dallas, the Secretary of State's Certificate of Formation or other relevant documentation.

**c. COVID-19-related harm requirement:**

The business must be able to demonstrate that they have experienced a loss of revenue of at least 25% due to COVID-19.

**d. Maximum business size:**

The business must have annual revenues under \$1.5 million for 2019.

**e. Eligible workers:**

Under federal program requirements, all recipients of federal funds must be eligible to work in the United States.

**For CDBG Grants only, applicants must meet criteria f OR g:**

**f. Micro-enterprise status requirement:**

Microbusiness owners must meet the income requirements established by federal funding eligibility guidelines. Micro-business owners had to have low-moderate income (less than 80% of the Area Median Income). Micro-businesses need to employ five people or fewer, in accordance with federal funding eligibility guidelines.

	80% Area Median Income – Dallas MSA
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# of People in Household	1	2	3	4	5	6	7	8
Household Income	48,300	55,200	62,100	68,950	74,500	80,000	85,500	91,050

FY2020 HUD income limits for Dallas, TX MSA

**g. Low to moderate income (LMI) employees requirement:**

Businesses that do not meet the microbusiness definition must create or retain at least 1 job to benefit the LMI population. Each business owner must submit an income eligibility certification form documenting the creation/retention of at least one job for LMI residents. Forms must indicate income levels and Dallas residency.

**5. What businesses are NOT eligible to apply?**

Businesses that do not meet the funding qualifications are ineligible. Additionally, businesses restricted to patrons above the age of 18 are not eligible for awards (e.g. night clubs and bars, smokeshops, and sexually oriented businesses are not eligible). Due to federal requirements, non-profit organizations are not eligible to apply either.

**6. Is there a maximum business size?**

Businesses with more than 50 employees are not eligible. Businesses with annual revenues greater than \$1.5 million are not eligible.

**7. How are full-time equivalents (FTEs) determined?**

CDBG program guidance defines a FTE as 40 hours per week.

**8. How is “at least 51% LMI workers” documented?**

CDBG guidelines requires that economic development activities must meet a national objective. The national objective for the creation and retention of permanent jobs, requires that at least 1 full-time job supported by this funding will be available or held by low to moderate income individuals (80% of AMI). Businesses will be required to provide the following documentation:

- A written agreement that at least one of the created or retained permanent jobs on FTE (40 hours) basis will be held by LMI persons (80% AMI)
- Evidence that without the CDBG assistance that the job will be permanently lost
- Listing by jobs title of the jobs retained with information pertaining to which jobs are held by LMI
- For each job created/retained and held by a LMI person, information on the size of the annual income of the person's family or evidence that the person may be presumed to be LMI based on the location of the business and/or the LMI residence.

**9. Is a personal guaranty required?**

Yes, a personal or corporate guaranty will be required for all loans under this program. Guaranties are not required for the grant component of the program.

**10. Is there a collateral requirement?**

No. Unsecured loans will be allowed under this program. An unsecured loan is a loan in which no collateral has been pledged. A loan that only has a guaranty is not a secured loan. Unsecured loans will be reviewed annually by the program administrator and OED staff for payment performance.

**11. How is the interest rate determined between 0% and 1%? What are the factors and who makes the decisions?**

Loans will be graded by the third-party administrator from 1 to 3. A loan rated 1 will be considered to have minimal risk. A loan rated a 2 will have moderate risk. A loan rated a 3 will have acceptable risk. The loan will be assessed during the credit review process and the program administrator will make that decision regarding the appropriate interest rate for the credit facility.

**12. Will credit be checked for the loan program?**

Yes, those who apply for the loan component of the SBCF will be subject to a personal and business credit review.

**13. How are 1099 contractors or self-employed candidates treated?**

Self-employed candidates or 1099 contractors that own the business may be eligible for this funding if other eligibility requirements are met. This includes income requirements, registration with the

state or country, documented proof of financial loss, and revenue and tax statements from the previous year. Home-based businesses must have all the required documentation (EIN, permits, incorporation documents, licenses, etc.) on the Federal, State, and local level to participate in the SBCF. Because the CDBG program goals are to create and/or retain jobs for the LMI population, if funded under the CDBG funding, you need to demonstrate your employee's retention or job creation for this program unless you are a sole-proprietor.

#### **14. How does a business demonstrate 25% or greater financial loss related to the emergency regulations?**

Businesses may submit annual gross revenue statements from previous years. Businesses will need to provide supporting documentation such as tax returns and supporting schedules and/or financial statements (audited and unaudited financial statements will be accepted).

Monthly income statements for 2019 may also be required to assess month-to-month performance of the business. Businesses will also need to supply monthly financial statements, profit and loss statements, and/or sales and use receipts for January, February, March and April of 2020.

#### **15. How will qualified awardees be selected?**

For Round 1, businesses who submitted funding for grant funding were grouped into two categories: those located in distressed areas (census tracts with poverty rates of 30 percent or greater or median family income at or below 60 percent of area median income) and citywide. A map will be available of these areas on the [dallasecodev.org](http://dallasecodev.org) website. \$1.25 million is set aside for each group, with the expectation that there will be more applicants from the City-wide category. Weighting the investments towards distressed areas allows the City to target businesses that are more likely to experience economic shocks. For Round 2, all applicants are put into a City-wide lottery.

The loan program was available for businesses City-wide. Applicants went through a lottery process to be selected for potential funding.

#### **16. What kind of documentation is required?**

Required documents include W-9, documents supporting number of employees and payroll (like a IRS 941 form), documentation demonstrating a 25% loss or greater of revenue since March 2020, registration with Secretary of State, profit and loss statement from previous year, and personal and

business tax returns from previous year, which may include sales and use tax. The financial statements/information will be presented directly to the program administrator.

**17. If I owe the IRS taxes, am I eligible?**

A company with delinquent federal taxes is not eligible unless they have a documented payment plan with the Internal Revenue Service (IRS).

**18. Are City of Dallas employees eligible?**

No, City of Dallas employees and City of Dallas officials are not eligible for the SBCF program.

**19. If I've applied for other federal funding, am I able to apply for this funding?**

Yes, you may apply for this funding if you've applied for SBA funding. However, you may NOT use these funds to cover expenses that you have received other federal funding for and funding may be reduced if you are able to get assistance from other sources including state or federal disaster relief.

**20. How much money could businesses receive?**

Grants will be awarded in the maximum amount of \$15,000. Grants are sized based on revenue. Loans will be awarded in a maximum amount of \$50,000. Loans are sized based on revenue and the ability to repay.

**21. What can the grant be used for?**

Grant money may only be used for the operating expenses of the awarded business. The operating expenses are defined as the day-to-day trading operations of the business. Grant amounts are sized based on 2019 revenue or expenses, and is the lessor of \$15,000 or 3 times the average of monthly revenue (or expenses) from 2019.

**22. What can the loan be used for?**

Loan funds may only be used for the operating expenses of the awarded business. The operating expenses are defined as the day-to-day trading operations of the business. Loan amounts are sized based on payroll, rent, utilities and inventory expenses, or revenue and is the lessor of \$50,000 or 3 times the average of monthly revenue (or expenses) from 2019.

**23. How do we know the businesses selected are actually eligible to receive funding?**

After a business is selected in the lottery, staff from the Office of Economic Development or the third-party administrator will verify eligibility and collect documentation. Being selected in the lottery is not a guarantee of funding; the other criteria for funding needs to be met. During this process, staff will reach out to each selected business owner, confirm documentation, including a CDBG eligibility tracking sheet (if applicable), which is a form that tracks number of employees and income eligibility, and execute a grant agreement. The collected CDBG-data will be used to report back to the federal government at the end of the year.

**24. Is the process of choosing awardees equitable and free of bias?**

Yes. The City of Dallas' Office of Economic Development does not discriminate or disqualify business applicants based on gender, race, religion, ethnicity, sexual orientation, gender identity, family status, country of origin, disability, or other demographic categories. OED followed the same criteria qualification guidelines for all businesses and selected lottery winners randomly using tools provided by [random.org](http://random.org).

**25. Are applications and financial records subject to public disclosure?**

Generally, application materials are subject to public disclosure. However, Texas state law allows for certain personal and financial information to be withheld from disclosure in order to protect the privacy of the applicants.

**26. Can businesses who were awarded funding in the first Continuity Fund round reapply for future SBCF capital if additional funds are available?**

No. Businesses and/or business owners awarded funding through either the loan or grant program in the first round of SBCF will not be eligible for future rounds.

**27. If a business needs cash now, are there any additional resources? Is there assistance for applying to these resources?**

In addition to the City's Small Business Continuity Fund, there are a number of state, federal, and philanthropic resources available to small businesses impacted by the COVID-19 crisis.

Additional resources are available on the Office of Economic Development website at <http://dallasecodev.org/562/COVID-19-Info-for-Small-Businesses>.

**Questions? Email [SBCF@dallascityhall.com](mailto:SBCF@dallascityhall.com).**