



Small Business Relief Grant Program Guidelines

Revised as of June 25, 2020

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Application are due no later than July 3, 2020 at 5:30 p.m.

Summary

The City of Costa Mesa Small Business Relief Grant Program will provide one-time funding to small businesses located within the City that need financial assistance to aid in their recovery from the temporary loss of revenue due to the COVID-19 public health emergency.

The County of Orange's Second Supervisorial District allocated more than \$2.7 million of federal Coronavirus Relief Funds, made available through the Coronavirus Aid, Relief and Economic Security Act (CARES Act), "To reimburse the costs of business interruption caused by required closures and unemployment insurance costs related to the COVID-19 public health emergency." The City Council on June 16 approved the allocation of \$1.794 million of these funds to the Small Business Relief Grant Program with an additional \$160,000 to be allocated for non-profit agencies located in Costa Mesa which serve Costa Mesa. The non-profit allocation is pending authorization from the U.S. Department of the Treasury Guidance to the County of Orange and, if not authorized, this will be redirected toward Stage 4 businesses as part of the for-profit program.

The economic development team within the City of Costa Mesa will oversee the Small Business Relief Grant Program. City staff is obligated to fulfill the terms and conditions of the funds as established by the City Council, these program guidelines, and Federal and County regulations. The City's consultant, the Orange County Small Business Development Center (OC SBDC), will be responsible for program marketing, application processing and approval.

Please carefully review these guidelines as successful applicants must: submit complete applications before the deadline; provide documentation that they meet the eligibility requirements, terms and conditions; explain how the grant monies would be used toward necessary COVID-19 related business expenses; and will later be required to provide documentation demonstrating that the grant funding was used toward those expenses.

If the number of qualifying applications submitted exceeds the amount of funding available for disbursement, the City will implement a lottery system for all eligible small businesses. This option will enable the City to provide working capital promptly to those businesses in most need of immediate financial assistance in a fair and equitable way.

Funding For For-profit Business & Funding for Non-Profit Agencies

The City Council divided the funds into two separate categories \$1.794 million to assist for-profit businesses and \$160,000 to assist non-profit agencies. While the current agreement does not allow for grants to Non-Profit Agencies, City officials will be working with County and Federal agencies to explore the ability for them to be included. While this is investigated the City will proceed with the application process for the for-profit Small Business Relief Grant Program.

Grant Amount

For-profit Small Business Relief Grant Program applicants are eligible to receive a grant of up to \$15,000 based on the number of full-time equivalent employees (FTE) according to the following:

- Businesses with 1-3 FTE* are eligible for a grant of \$5,000
- Businesses with 4-6 FTE* are eligible for a grant of \$10,000
- Businesses with 7-30 FTE* are eligible for a grant of \$15,000

* FTE=40 hr/wk per employee. Employees working less than this are each considered to be .5 FTE (e.g. 2 part-time employees = 1 FTE)

A list of all employees as of March 1, 2020 will be required as part of the application. The list should include all W2 employees on March 1, 2020. The employee count can include only one owner. It does not matter if the owner has made a W2 for themselves or not. Please refer to the table below for assistance in calculating the number of employees. The list must include employee name, contact, job title, and hours worked weekly. Additional documents will be requested by SBDC to verify these numbers if a business is deemed eligible and initially identified as a grant award recipient.

Calculation on FTE Equivalent

Hours Per Week	FTE Equivalent
40 Hours or more	1
39 Hours or less	.5

Example of Fictitious Business A

Number of Employees	Hours Worked	FTE Equivalent
3 W2 Employees	40 hours	3
2 W2 Employees	20 Hours	1
2 W2 Employees	10 Hours	1
2 Owners no W2	40 Hours	1
		6 Employees

Example of Fictitious Business B

Number of Employees	Hours Worked	FTE Equivalent
3 W2 Employees (1 is an Owner)	40 hours	3
2 W2 Employees	20 Hours	1
2 W2 Employees	10 Hours	1
1 Owner with no W2	40 Hours	0
		5 Employees

Non-profit Small Business Relief Grant Program applicants would be eligible to receive a grant of up to \$50,000 based on the number of FTEs according to the following:

- Non-profits with fewer than 15 FTE are eligible for a grant of \$12,250
- Non-profits with 15 to 30 FTE are eligible for a grant of \$25,000
- Non-profits with more than 30 FTE are eligible for a grant of \$50,000

Eligibility

The eligibility requirements for the For-Profit Small Business Relief Grant Program are as follows:

- A. The business has been affected by COVID-19 in ANY ONE of the following:
 1. The business was deemed non-essential and was forced to shut down by the state or local government or severely minimize operations.
 2. Sales from the business are down more than 25% when compared to the previous three months (Prior to February 15, 2020).
 3. the business has had to furlough or lay off at least one employee (full- or part-time employee).
 4. one or more employees in the business have contracted COVID-19 while at work.

- B. The Business satisfies the definition of a “Small Business” as described in the sub-recipient agreement between the County of Orange and the City of Costa Mesa which includes:
 1. The business must have its principal office/store located within Costa Mesa city limits.
 2. The Business must be an independently owned and operated business that is not dominant in its field of operation.
 3. The officers of the business must be domiciled in Orange County, California
 4. The business together with affiliates, has 100 or fewer employees, and average annual gross receipts of \$15,000,000 or less over the previous three years, or is a manufacturer with 100 or fewer employees.

Furthermore, these additional eligibility requirements will apply:

- C. The business must be legal per Federal Regulation this excludes any business which is considered adult entertainment, gambling, or cannabis or hemp related.

- D. The business must have held an active Costa Mesa business license for a minimum of six (6) months as of March 19, 2020 and have an active business license during the grant application process.

- E. The business must employ 30 or fewer FTEs, including the owner. (all employees working less than 40 hours are calculated as .5 FTE) as of March 1, 2020.

- F. The business must be in good standing with the City, meaning it must be current on its business license fees and it must not have any active municipal code violations during the window to apply for the grant. Any code complaint or citation issued after the application is submitted and found to be valid before the funds are

issued must be resolved within 30 days of the citation. No grant award will be issued until the citation is resolved and if the citation is not resolved within 30 days the grant award will be issued to another business.

- G. The business must disclose whether it has received capital from the Paycheck Protection Program (PPP) or an Economic Injury Disaster Loan (EIDL) and the amount. If a business received PPP or EIDL funds, it is still eligible to receive City grant funds. However, priority will be given to applicants that have not received significant funding through these programs.
- H. The business must follow the State's, County's, and City's re-opening guidance for its industry.
- I. The business must submit a complete application, and all required supporting documentation.

The Non-Profit Relief Grant Program, if authorized by the Department of the Treasury and acknowledged by the County of Orange, will include eligibility requirements consistent with the previously mentioned eligibility requirements for for-profit businesses except for eligibility requirement E. Any non-profit agency must not only be located in Costa Mesa but must serve the Costa Mesa community as well. Furthermore, additional limitations as to the use of these funds are clarified in the Use of Funds section.

Funding Priority

Qualified applications from these types of businesses will be given priority during the grant allocation process: retail; restaurant; personal service establishments (e.g. hair salons, barber shops, nail salons, small gyms, health clubs); and other Stage 3 businesses, as well as Stage 4 businesses. There is no priority given between these uses. An additional priority is given to businesses that have not receive funding from other CARES Act programs such as PPP, EIDL or EIDL Advance or less than significant funding from these programs. Significant funding is defined as having received more than 25 percent of their gross revenue (based on 2019) from CARES Act.

The priority structure is listed below where priority is given to businesses in group one first and so on.

- Group 1: The prioritized business types that have received less than a significant contribution from the PPP or EIDL programs.
- Group 2: Any business type that has received less than a significant contribution from the PPP or EIDL programs.
- Group 3: The prioritized business types that have received a significant contribution from the PPP or EIDL programs.

- Group 4: Any business type that has received a significant contribution from the PPP or EIDL programs.

A weighted distribution of the allocated funds will be used as indicated in the following table. Any allocation not exhausted by the eligible applicants of a group will be allocated to the group with the highest priority with remaining eligible applicants. If there are insufficient applicants to justify a lottery (justification of a lottery is based on having more applicants than funding allocated) then Groups 3 and 4 will be removed and priorities will only be broken down to Group A (which includes any applicants which would have gone in groups 1 and 3), with 60 percent of allocation and Group B (which includes any applicants which would have gone in groups 3 and 4), with 40% of allocation. Once the funding amount for each group drops below \$15,000, only businesses who qualify for \$10,000 or \$5,000 will be selected. Similar process will occur if the funding amount drops below \$10,000.

Allocation of Funds by Priority Groups

Priority Group	Amount	Proportion of Funding
Group 1	\$720000	40%
Group 2	\$540000	30%
Group 3	\$360000	20%
Group 4	\$174000	10%
Total	\$1,794,000	

The Non-Profit Relief Grant Program, if authorized by the Department of the Treasury and acknowledged by the County of Orange, will include priority to agencies that that are involved with assisting with the arts, food distribution, and/or childcare. The prioritization structure will follow the same selection process as provided above with the prioritized agencies replacing the prioritized businesses.

Use of Funds

The grant may be used for working capital to cover the business’s day-to-day operating expenses such as rent or lease payments, mortgage payments, utility bills, payroll, inventory, technology, marketing/communication, or other similar expenses that occur in the ordinary course of operations. Grant monies may also be used toward the cost of obtaining personal protective equipment for staff and customers as well as devices intended to enhance safety of staff and customers, such as hands-free payment devices, sanitation supplies, and plexiglass partitions. To be eligible under this grant program, expenses must have been incurred after March 1, 2020 and all grant funds awarded must be fully expended on eligible activities by December 1, 2020.

- Applicants will complete a use of funds form that will detail whether the funds are to reimburse the applicant for past expenses and/or how the funds will be spent within their business.

- Applicants must sign and verify that the use of funds has been or will be spent on eligible activities.
- Applicants will be required to provide documentation verifying that the grant funds were used toward credible business expenses related to the COVID-19 public health emergency. Any use of funding other than for an eligible activity is strictly prohibited. The business must reimburse the program for any expenses found to be not in compliance with the program's list of eligible activities.

The City may inspect the business premises to verify the grant monies are being used in accordance with the program requirements.

Business expenses that have been reimbursed or paid for with money from the federal government are not eligible for the Small Business Relief Grant Program.

Examples of eligible expenses include, but are not limited to, the following:

- Rent
- Payroll
- Utilities
- Accounts Payable
- Inventory
- Purchase of PPE or Upgrades for COVID19 related needs
- Contactless point of sale equipment
- Materials used to implement physical distancing protocols
- Wayfinding signage in both front and back of house.
- Additional cleaning and disinfecting supplies

Use of funds for the Non-profit Grant Relief Program, if allowed, would be limited to the implementation of physical distancing protocols or to cover payroll for any staff furloughs.

Application Must Include Plan of Expenditures

The application must include a clear plan on how you are going to use the funds. There is no preference applied to how you will spend the money besides making sure that the expenses you propose to spend the money on are approved expenditures.

Information Requested

There will be two periods where information will be needed and requested of businesses; the application submittal and the verification of eligibility. The application submittal is a self-certification application that must be filled out by all businesses applying for a grant. The questions are meant to assess the business's eligibility, level of adverse impact from COVID-19, and level of support from other programs or measures taken to assist businesses. While the eligibility related questions are the only ones used to determine the business's ability to receive grant funding, the additional information is critical for the City to understand the aggregate impacts to businesses throughout the City. While no documentation will be required at this stage, to ensure a quick and streamlined application

process, a list of your employees by title and weekly hours will be required, information about your revenue from last year and this year, and other details will also be requested. The verification of eligibility will occur after potential grant recipients have been identified. Therefore, only those businesses that have been selected to receive a grant will be required to provide additional information. This process will require some documentation to be provided to SBDC for review. That documentation is clarified in the Documents Required section.

Certifications

To ensure that the businesses receiving funds are eligible, information will be collected and verified by the City and SBDC to certify they meet the eligibility criteria. The agreed-upon actions of the City and the SBDC are listed below.

City:

- Active business license
- No active code enforcement cases
- A virtual/physical site inspection of the business may occur to verify it follows the City, County and State Guidelines

SBDC:

- Certification of employee numbers
- Narrative and month-to-month revenue
- Copy of lease or mortgage for business in Costa Mesa
- Verification of owner's domicile is in the County of Orange
- Verification that the business is a small business per the description provided by the County

Applicant (self-validated)

- Whether or not the applicant received COVID-19 related funding (e.g. EIDL or PPP)
- If the business and affiliates have gross receipts of more than 15 million

Outreach & Engagement Plan

The SBDC and the City will produce an outreach and engagement plan that will notify as many businesses as possible about the grant program. This will include a flyer, press release, and three webinars from SBDC (one of the webinars will be in Spanish). The City will provide weekly mass emails during the process to its Business License list and timely information posted on costamesabac.com/businesses and the City website. Applications will be received any time during a set four-day period. If the City receives eligible funding applications in excess of the available funding, then a live lottery will be held to randomly select from qualifying applicants.

Schedule

Action Items	Duration	Date
Establish Program	4 business days	June 16 - 19
Engagement Period	4 business days	June 22 – 26
Application Period	5 business days	June 30 – July 3
Preliminary Review	5 business days	July 4 – July 9
Lottery	1 business day	July 10
Information Collection/Verification	Varies	July 11 – Until Assigned
City Review/Fund Deployment	Varies	July 11 – Until Deployed
Deadline to Spend The Funds	Varies	December 1

Grant Application & Award Process

The grant application and award process will be as follows:

Engagement Period: The program will be advertised and promoted in advance. OC SBDC will offer three webinars to help small business owners better understand the program and complete their applications. The webinars will be held on **Tuesday, June 23 at 10 AM, Wednesday (Spanish), June 24 at 10 AM, Thursday, June 25 at 4 PM.** [Please register here.](#)

Application Period: The application period will be open from **Tuesday, June 30 at 9 AM to Friday, June 3 at 5:30 PM.** Late applications will not be accepted. Applications can be submitted:

- Online. The link for to the application portal will be available before the application period commences. The link will be placed at costamesabac.com/businesses
- Via email to costamesabac@costamesaca.gov; or
- In-person at Costa Mesa City Hall, 77 Fair Drive, Costa Mesa CA, 92626
(There will be a physical drop box in front of City Hall to receive submittals)

Preliminary Review: OC SBDC will review the applications. If the number of qualifying applications received exceeds the amount of grant funds available, OC SBDC will use a lottery system to randomly select and rank the applications.

Lottery (if necessary): Monday, July 10, at 4 PM.

Awardee Information Collection and Verification: OC SBDC consultants will work with the selected applicants, in the order they are ranked, to collect the required documentation. Each applicant will be given 14 calendar days to produce the requested documentation. If the documents are not received by the end of the 14-calendar-day period, the application will be disqualified. Due to the funding priorities explained in the Funding

Priority section, business information collection and verification will be conducted in order of the ranking of businesses selected during the lottery.

City Review and Fund Deployment: OC SBDC will provide final files for each applicant who has been deemed eligible in a structured, consistent, and clear manner. The City will then deploy the funds after the agreement between the City and the business is signed which affirms the critical requirements of this grant, including but is not limited to: the grant recipient must agree to an inspection by the City intended to verify that the grant monies are being used in accordance with the program requirements; the funds must be spent on eligible expenditures prior to December 1, 2020; the grant recipient will be responsible for providing documentation, including receipts, to the City that accounts for how the entirety of the grant monies received were used to fund eligible expenses; and the applicant will provide the City with any additional information or documentation related to these expenditures, if requested by the City, and provide all documentation of all expenditures to the City by December 11, 2020. A grantee who fails to meet these terms may be required to refund the grant.

Audit and Expenditures: OC SBDC has agreed to conduct the audit of the funds expensed by these grant recipients to ensure that the funds were spent in compliance with the requirements of the program. The grant recipient will be responsible for providing documentation to the City, including receipts, that accounts for how the entirety of the grant funds were used to fund eligible expenses. The applicant will provide the City with any additional information or documentation related to these expenditures, if requested by the City.

Documentation for Verification of Eligibility

An OC SBDC representative will contact each selected applicant to discuss and collect all required documentation. The documentation will be used to verify the business meets the program eligibility requirements, terms and conditions as provided in these guidelines.

Documentation requirements will vary depending upon how the applicant chooses to demonstrate business interruption due to the COVID-19 pandemic (as described in the Eligibility section).

- Applicants seeking to demonstrate a decline in sales of more than 25 percent compared to the previous three months (prior to March 1, 2020) or a comparable 3-month period in 2019 will be asked to provide:
 - Monthly financial records (P&L, Balance Sheet) for the three months ended May 2020 (March 2020, April 2020, May 2020) and the prior three months, ended February 2020 (December 2019, January 2020, February 2020) OR
 - Monthly financial records for the three months ended May 2020 (March 2020, April 2020, May 2020) and for the three months ended May 2019 (March 2019, April 2019, May 2019)

- Applicants seeking to demonstrate that the business has had to furlough or lay off at least one of its employees (full- or part-time employee) will be asked to provide:
 - 2019 Form 940 and 2020 YTD Form(s) 941
- Copy of utility bill or mortgage/rent payment for each officer of the company to verify they all live in the County of Orange
- Applicants can also provide the City with documentation that the business was considered non-essential by the Federal or State Government and was forced to shut down

In addition, all applicants will be asked to provide the following:

- Proof that the business has had an active Costa Mesa business license for a minimum of six (6) months prior to March 19, 2020
- 2019 business tax returns (or 2018 if 2019 has not been filed)
- Business's two most recent bank statements
- Copy of the pages of the lease/grant that includes business address:
 - For leases, documentation must show the name of the lessee and lease term
 - For grant deed, documentation must show the name of the property owner

OC SBDC may request additional documents, if necessary, to verify the business meets the program eligibility requirements, terms and conditions.

Contacts

If you have questions about the Small Business Relief Grant Program, please contact:

City of Costa Mesa
Development Services Department
Phone: 714-754-5245



Costa Mesa BAC
Email: costamesabac@costamesaca.gov
Website: costamesabac.com/businesses



For assistance in completing the Small Business Relief Grant application and to set up a one-on-one consultation (at no cost), please contact:

Orange County Small Business Development Center
1-800-616-7232
localgrants@ociesbdc.com



