

Sample Government Grant

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Section A: Project Synopsis

Grant Title: MICRO BUSINESS GRANT PROGRAM

Applicant Information:

Grant Submission Date:_____

Name of Community:_____

Contact Person and Title:_____

Address:_____

Phone:_____

Fax:_____

Email:_____

Resolution to make application date of passage:_____

Resolution number:_____

Federal Tax ID #:_____

Project Budget:_____

Matching Funds:_____

Value In Kind Services:_____

Grant Request:_____

Program Goals:_____

Section B: Need Statement

Though the city has enjoyed gains in its economy, its status continues to lag behind other communities in the county with respect to some economic measures. The median household income in 1999 was still only \$35,681. The unemployment rate for the city tends to be similar to the county as a whole, which in June of 2005 was 5.7 percent, up from less than 5 percent in 2004. During the city's annual planning process, micro business development was adopted as a strategy to assist low income households with creating their own job opportunities and self-reliance. The city first attempted a micro business program in 1992. The community was unable to loan out all the funds available, and a few loans have defaulted over the years. However, a few loans were successful and have generated enough program income to make two more loans since the end of the program.

The city gained valuable experience from this effort and has made design changes for the current proposal. The ability to use program income has maintained interest and knowledge of the program in the intervening years.

The JVS Business Enterprise Center (BEC) now offers the training and technical assistance on an individualized basis, rather than on a fixed college calendar. This removes the barrier of time and scheduling that was an issue in the 1992 program.

The previous experience indicated that loan recipients needed a more structured follow-up program to keep them accountable to their plans and providing interventions during the difficult first year. This should prevent loan delinquencies and defaults. The city learned that it is important to keep the door open for restructuring of loans to help applicants get past difficult business periods. This year's program design features incentives, like free additional training in small business management as a reward for completing three hours of counseling with the business coach (from the BEC) and the opportunity to "pass a payment" for each set of 23 on-time payments over the course of the loan to help with difficult cash flow periods.

Section C: Program Description

Because the city is the grantee for these funds, the program will be limited to residents of the city that are seeking to operate businesses within the city. The program will be available city wide.

This program aims to increase employment opportunities for persons unemployed or under-employed in the current market place or for those with an entrepreneurial spirit through the creation or expansion of microenterprises. Small businesses have produced 71 percent of the 1.9 million new jobs created nationally between 1993 and 1997 and employ 54 percent of the private work force. These small enterprises are often considered too high risk for traditional lenders, and in a recent survey, 64 percent of one-year-old firms indicated that obtaining capital is their biggest concern.

Within the population, there are a number of households that tend to be less likely to participate in the traditional employment market and are less likely to access financing for small businesses through traditional lenders. These include those on ADC, unemployed, part-time employed, homemakers re-entering the work force, or any lower income person interested in starting their

own business. In particular, 17.5 percent of the city's households are of very low income (less than 50 percent of AMGI) and 56.7 percent of these are single parent households, all of whom, due to life situations or prejudice, may have difficulty obtaining employment in the general labor market. Home-based businesses provide a popular option for parents of small children at all income ranges.

The city is in the process of creating a set of marketing materials to be distributed to low- to moderate-income households to encourage their participation. These will include brochures, posters, and flyers to be distributed in as many locations as possible. These will include grocery stores, the Salvation Army offices, the homeless center, and the college extension office. There will be frequent newspaper press releases, as well as promotions on the public access television station, the city's web site and the city's newsletter.

Marketing of the program will be aimed at encouraging participation from the demographic groups cited above. Information concerning the program will be distributed through the city's partners in community development efforts, including those represented in the loan review committee, as well as the YWCA and YMCA, the Public Library, and the city's Community Development Office.

All partners sitting on the loan review committee will promote the program at their office locations, in public appearances they make to community groups, as well as in their general membership/ staff meetings. The Business Enterprise Center will promote information about the availability of tuition grants to their students and in recruiting materials.

Eligibility for the Program

Applicants:

- The business must employ five or fewer employees, including the owner.
- The business must be operating legally with proper licensing and not be delinquent in county, state, federal taxes, unemployment insurance, or workers compensation premiums.
- The business must not be in arrears in payroll or more than 60 days in arrears on any obligations to suppliers, utilities, rent, and so forth.
- The successful applicant must complete the Small Business Enterprise Center's Micro Business Training Program prior to receiving loan funds. Tuition cost for this program will be provided by the City Micro Business Program as a grant.
- Upon completion of the training program and prior to use of loan funds, the applicant must have completed market research, a business plan, and set up an accounting system.
- Recipients of loan funds will be encouraged to participate in follow-up counseling and complete the Small Business Management series of training.
- The BEC will provide additional follow-up counseling monthly for one year after business start up, at no additional cost.

Eligible Uses of Loans

- The City Micro Business Grant Program funds may be used as follows:

- To purchase capital equipment
- For working capital (merchandise stock and supplies)
- To make improvements in store interiors
- To purchase store fixtures (for displays and the like)
- Ineligible Uses – The funds may not be used to pay salaries, fringe benefits, rent, or utilities

Section D: Goals

1. Tuition for training and technical assistance will provide ten applicants with Microenterprise Business Development Training at an average cost of \$700 each.
2. Five recipients of direct loans or working capital loans will be given additional tuition grants of \$600 for extended BEC counseling.
3. The program intends to provide loans to 5 micro businesses at an average of \$8,900 each, with a maximum loan available of up to \$10,000. It is expected that some, but not all, applicants will need both direct loans and working capital loans.
 - a. To strengthen a collaborative program with local agencies to stimulate Micro Business to provide ongoing mentoring/coaching relationships with graduates with individualized follow-up counseling specific to their own businesses and situations.
4. To deliver further individualized training that goes into greater depth than the initial “curriculum” at a point when the business is ready for more sophisticated tools.
5. To provide the entrepreneur with a pathway to develop a relationship with a local lender for financial services and future capital needed to sustain their business successfully in the long-term future.
6. To continue the program in future years, built by a revolving loan pool from loan repayments.

Outcome	Measurement	Average Cost	Total Cost	(Maximum)
MicroE Training	10	\$700	\$7,000	\$ 70 per hour
Small Bus Management Training (advanced counseling)	5	\$600	\$3,000	\$70 per hour
Business Loans (Combined direct loans and/or working capital)	5	\$8,900	\$44,500	\$10,000

Recruitment of interested individuals is already in process, and assistance will be provided on a first come/first served basis if the city’s grant application is funded. Recruitment will continue

until all available loan funds are committed. This is a 12-month program starting in approximately December.

Monitoring Payments and Project Process

- The loan review committee (LRC) will receive monthly reports of each applicant's attendance and progress in the training courses and upon the completion of the business plan.
- Upon final loan approval by the LRC, the applicant will be notified and a loan closing will be scheduled at the city Community Development Department.
- A purchase order for the loan amount will be processed. To the extent feasible, checks will be issued

In the event of numerous small purchases, the applicant will be required to submit invoices or proof of delivery/payment of the items. The CD director will later visit the premises and attempt to verify that appropriate purchases have been made and make a note in the file.

- The city will provide the applicant with payment coupons to be used with each month's payment. Payments will be sent directly to the city auditor's office, payable to the Microenterprise Account. The Finance Department will levy a \$10 per month processing fee on each loan.
- The city auditor will transfer payments to the lender partner in proportion to their participation in each loan on agreed upon intervals, with a statement of loan status and receivables for the covered period.
- The auditor's office will provide to the LRC monthly reports of payments and fund balances. Reminder notices will be sent if payments become more than 15 days late and again if 30 days late.
- If payments are 30 days late, the Training and Technical Assistance Provider will be requested to make contact with the business owner to provide intervention and counseling services. Renegotiation of the loan will be permitted if recommended to the LRC by the counselor.
- If payments become more than 90 days late without attempts to negotiate a solution, collection proceedings will begin.
- Recipients who successfully complete eleven (11) months in good standing will be allowed to "pass a payment" during any selected month thereafter, with the interest being added on to the end of the loan.

Recipients who successfully complete the course and remain in good standing regarding loan payments will be able to use the city's program as a positive credit reference in future credit requests.

Section E: Organization Description and Qualifications

The city Micro Business Grant Program will be administered by the City Community Development (CD) Office with the assistance of a local review committee. The City CD Office

in 1992 administered a Micro Business Grant Program which still provides a small amount of program income.

All training and technical assistance will be provided through a partnership with the JVS Business Enterprise Center (BEC). The BEC is an outstanding resource for the city’s micro business training needs. It already operates a Micro Business Program serving low income residents in the unincorporated areas of a four county area, which includes W, X, Y, and Z Counties. Their program was established to serve both new and growing companies. Their mission statement is:

“The JVS Business Enterprise Center, is dedicated to community economic development, and to serve as a resource for business startups and expansions.”

Organization of the Micro Business Grant Program

The program will be a collaborative with representatives that make up the loan review committee (LRC).

These are:

- The City Community Development Director
- JVS Business Enterprise Center Instructor
- Local Lender Partner/ Local Bank’s Representative

The City’s Community Development Director will have ultimate responsibility for functions of administration, as well as serving as the loan review committee liaison representing the city’s interests as grant recipients. The JVS Business Enterprise Center will be providing the training and technical assistance component of the program. Their experience and insight in this area will strengthen the assessments of an applicant’s potential to succeed with this assistance. The local lender partner, Local Bank, will serve on the loan review committee to represent the lender’s interests in underwriting a portion of each loan. Their representative will have responsibility for cultivating a business relationship with the applicant, linking them to other financial services, such as business checking accounts, and supporting them in developing their capacity to access future capital for expansion as needed. Direct program administration will primarily involve those described briefly above.

The CD Director will have responsibility for document preparation, scheduling, filing, and telephone contacts. Résumés are included at the end of this section.

Section F: Budget Summary Table

	Total	CDBG	Other	
Activity Name	Cost	Federal	Funds	Outcomes

Direct Loans	\$26,700	\$21,000	\$5,700	3 Loans
Working Capital Loans	\$17,800	\$14,000	\$3,800	2 Loans
Subtotal	\$44,500	\$35,000	\$9,500	5 Loans
Training/Technical Assistance	\$10,000	\$10,000		10 Training 5 Tech Assistance
Administration	\$5,000	\$5,000		1 Program Year
Total	\$59,500	\$50,000	\$9,500	

Section G: Program Sustainability

This program will be sustainable over a great time period as loan repayments revolve to new loans. The city will attempt to recruit new applicants from students already enrolled in the JVS Entrepreneurial program in order to minimize expenditures for the training component, and to maximize the available funds for overcoming other costs of business start up and expansion. The number of new loans funded will stabilize to one to two per year. The City CD Department can absorb the monitoring activities for this level of activity within its current staffing and resources.
