

WORTHINGTON CITY COUNCIL / WATER AND LIGHT COMMISSION
SPECIAL MEETING

12:00 P.M., THURSDAY, JULY 23, 2020
CITY HALL COUNCIL CHAMBERS

A. CALL TO ORDER

B. CITY COUNCIL BUSINESS

1. Worthington Small Business Assistance Grant Program

C. ADJOURNMENT



Memo

To: Honorable Mayor, Worthington City Council, Nobles County Board
From: Jason Brisson, Asst. City Administrator/Dir. of Economic Development
Date: July 23, 2020
Subject: Worthington Small Business Small Business Assistance Grant Program

Shown in Exhibit 1A is a proposed Worthington Small Business Assistance Grant Program and guidelines. The program is modeled from a similar program implemented by the State of Minnesota with Federal CARES Act funds due to the limited direction available from the State of Minnesota or the Federal Government on guidelines for a small business grant program utilizing CARES Act funds.

The program would assist for-profit businesses with a permanent physical location within the City of Worthington that have been negatively impacted by the COVID-19 pandemic. Nonprofit organizations and home-based businesses are not eligible for this program. Per the guidance from the State of Minnesota on using CARES Act funds for a small business grant program, the business must employ 50 or less full-time equivalent employees (FTEs). The program provides an “up to” assistance amount per tier, which is established by the number of FTEs. The tier categories and “up to” grant amounts are as follows:

- Tier 1: defined as 0 - 5 FTEs and are eligible for up to \$5,000 in grant funding
- Tier 2: defined as 6 - 24 FTEs and are eligible for up to \$7,500 in grant funding
- Tier 3: defined as 25 - 50 FTEs and are eligible for up to \$10,000 in grant funding

To establish that the businesses receiving grant funding have been impacted by the COVID-19, businesses must have experienced a 10% revenue loss year-over-year between March 1 and May 31, 2019 vs. 2020 or have been restricted from operating above 50% capacity by executive orders related to COVID-19. Meeting either of these criteria would suffice for eligibility for the program as proposed. Funds can only be used for operating expenses dating from March 1, 2020. Funds cannot be used for capital expenses.

The State program utilized a lottery system due to the need far outweighing the funds allocated to their program. Based on preliminary projections, staff anticipates that the expected need is more adequately funded by the program as proposed. Other communities have used a first come, first serve basis. Staff has concerns that this would favor the larger businesses who can respond quickly

to grant requests. For that reason, the Worthington program, as proposed, utilizes a month-long open application period where applications will be accepted. At the end of the application period, applications will be reviewed for eligibility and funds allocated equally among eligible applicants. Applications will be accepted in person, by mail, or electronically via email.

Council and County Board discussion and feedback on the program as presented in Exhibit 1A is requested.

Jason Brisson

Assistant City Administrator/Director of Economic Development

Worthington Small Business Assistance Grant Program

The Worthington Small Business Assistance Grant Program is designed to provide assistance to small businesses that have been financially impacted by the COVID-19 pandemic. Applications will be received from August 1 – August 31, 2020. At 5:00pm Central Standard Time on August 31, 2020, the application period will be closed, and award determinations will be made. Businesses will be notified of their award status and funding amount via a letter to the mailing address listed on the submitted application. Funds will be disbursed to eligible businesses that have been awarded grant funds to the mailing address listed on the application no later than November 15, 2020.

Eligibility

To qualify, an applicant must:

- Be a private for-profit business that has a permanent physical location in Worthington, MN.
- Be in good standing with the City of Worthington and Nobles County as of August 31, 2020.
- Employ the equivalent of 50 or fewer full-time workers or full-time equivalents.
- Be able to demonstrate financial hardship as a result of the COVID-19 outbreak.
 - Financial hardship is defined as 10% revenue loss year-over-year between March 1 and May 31, 2019 vs. 2020 ***or***
 - Restriction from operating above 50% capacity by executive orders related to COVID-19.
- Businesses that received funding under the State of Minnesota Childcare Providers program are not eligible for this program.
- See the FAQ for more details on eligibility.

Award amounts will be made based on business size. Businesses will be classified according to the following criteria:

Small Businesses: Businesses that have 0 - 5 employees will be eligible for grants of up to \$5,000.

Medium Businesses: Businesses that have 6 - 24 employees will be eligible for grants of up to \$7,500.

Large Businesses: Businesses that have 25 - 50 employees will be eligible for grants of up to \$10,000.

Application

The application will ask various questions related to your business. Questions include:

- Who owns the business?
- Where is the business located?
- What is the mailing address for business?
- How many full-time equivalent employees does the business have?

- Do you have an active business registration with the Secretary of State?
- Do you have a Minnesota tax lien against your business filed with Nobles County or the City of Worthington?
- Has your business experienced financial hardship as defined by 10% revenue loss year-over-year between March 1 and May 31, 2019 vs. 2020 due to COVID-19?
- Was your business was restricted from operating above 50% capacity by executive orders related to COVID-19 that limited the ability of your business to operate?

Applications will need to include a copy of the Secretary of State filing for the business to be considered complete. The application will also include an affidavit that confirms your business is eligible to receive Worthington Small Business Assistance Grant Program funds and that they will be used solely for eligible expenses. The affidavit must be signed by the business owner. If the business is under joint ownership, the affidavit must be signed by a combination of business owners who represent over 50% ownership of the business. Random audits will be performed by the City of Worthington to verify compliance to the eligibility requirements and uses of funds.

FAQs

When and how do I apply?

Applications open on at 8:00am Central Standard Time on August 1 and will close at 5:00pm on August 31.

Where can I find a copy of the application?

Copies of the program application are available on the City of Worthington's website at <http://www.ci.worthington.mn.us/> or at Worthington City Hall located at 303 Ninth Street, Worthington, MN 56187.

Where do I submit the application?

Applications must be submitted to Worthington City Hall, PO Box 279, Worthington, MN 56187 or electronically to jbrisson@ci.worthington.mn.us. Any applications received after 5:00pm on August 31, 2020 will not be accepted.

I completed the application and submitted it, but I either made a mistake or I need to update it. Can I go back and change my information?

Unfortunately, you are not able to change your application. However, you can submit another application and your previous application will be disregarded.

I accidentally submitted more than one application. Will I be disqualified?

No. However we can only accept the last application you submitted. Any applications you submitted prior to the last one you submitted will be disregarded. Please do your best to avoid submitting more than one application.

Does it matter when I submit my application?

No. As far as your odds of getting an award, it doesn't matter at all – as long as you submit it before the deadline (5:00pm Central Standard Time on August 31, 2020). However, it is advisable not to wait until the last minute.

How are full-time equivalents calculated?

Each employee who works full-time (40 hours per work) is considered a full-time employee. The full-time equivalent (FTE) of a part-time employee is the number of hours the employee worked per week and divide by 40, rounding to the nearest tenth. As an example, an employee who works 20 hours per work would be considered 0.5 FTE. If you need further assistance, please consult with a tax or accounting professional on how to calculate the number of full-time equivalent employees your business employs.

I need help filling out my application. Where can I get help?

The statewide network of Small Business Development Centers (SBDCs) are available to provide professional expertise and guidance. They will provide application assistance free of charge. Contact the Southwest MN SBDC at (507) 537-7386 for more information.

I need the application translated into another language. Where can I get help?

We will be providing English and Spanish versions of the information and application to use as a guide for filling out the application.

How will grant amount awards be made?

An “up to” award amount will be determined for each classification of business. Some program funds will be allocated to each eligible business based on business size. If the program's allocation is sufficient to award the full amount to each eligible applicant, the full amount will be awarded. If the eligible application amount exceeds the available funds, the award amounts will be reduced to award an equal amount for all businesses within each classification.

Are nonprofit organizations eligible for this program?

No. Only private for-profit businesses are eligible for this program.

Are cooperatives eligible for this program?

If cooperatives are structured to generate and distribute profits for the benefit of members or owners, they are eligible for this program.

My business leases space within the permanent physical location of another business (for example, a chair in a barbershop or a store within a mall, etc.). Is this considered a permanent physical location?

Yes.

I am a resident of another city, but my business has a permanent physical location in Worthington. Is my business eligible for this program?

Yes.

I am a permanent resident of Worthington, but my business has a permanent physical location outside of Worthington. Is my business eligible for this program?

No. Businesses are required to have permanent physical location in Minnesota.

How do I know if I am in good standing? What does "in good standing" mean?

"In good standing" means that your business is legally operating in the City of Worthington as of August 31, 2020 and that the business is current on property taxes with the City of Worthington and Nobles County.

Contact the City of Worthington at (507) 372-8600 or Nobles County at (507) 295-5258 if you have questions on your current tax, zoning, or licensing status.

What if my business was not in good standing on March 1, but since then, my business has since resolved any outstanding tax, zoning, or licensing noncompliance? Is my business eligible for this program?

If the business is in good standing by 5:00pm Central Standard Time on August 31, 2020, the application will be considered.

Do I need to show that my business is "in good standing" when I apply for a grant?

For the purposes of the grant application, you only need to attest that your business is legally operating in the City of Worthington as of March 1, 2020, that the business is current on property taxes with the City of Worthington and Nobles County, and that (if required) your business registration with the Minnesota Secretary of State is current as of March 1, 2020. If you are selected for an award, you may be required to provide additional information verifying the tax status of your business.

I don't know if I have a tax lien against my business. How do I find out?

You can contact the Nobles County Auditor Treasurer at (507) 295-5258 if you have questions on your current tax status.

My business is a home-based childcare provider. Do I need to be registered with the Secretary of State to be eligible for this program?

Not necessarily. If your business operates under your own name and not an assumed name or an LLC, S corporation or other business formation, you do not need to be registered with the Secretary of State. If you are not required to be registered, you will be considered "in good standing" with the Secretary of State for the purposes of this program.

How is financial hardship defined? What level of financial hardship must my business demonstrate to qualify for this program?

Financial hardship has two alternative definitions: Either 1) your business experienced 10% revenue loss year-over-year between March 1 and May 31, 2019 vs. 2020 or 2) your business was restricted from operating above 50% capacity by executive orders in response to COVID-19. Meeting one or both of these conditions is sufficient to meet the criteria of experiencing financial hardship as a result of the COVID-19 outbreak.

I started my business after May 31, 2019. I am unable to compare revenues between March 1 and May 31 of last year and this year. Am I eligible for this program?

If your business was started after May 31, 2019 but was in operation on March 1, 2020 and your business was restricted from operating above 50% capacity by executive orders in effect on May 18, 2020, you are eligible for this program.

How is revenue defined? My business often doesn't get paid for work until 2-3 months after we complete it.

For the purposes of this program, we can accept either accrual or cash basis accounting when calculating revenues over the relevant time period. Whatever method is used, it should be consistent between the two years being compared.

I received forgivable loans, grants, and/or Pandemic Unemployment Assistance (PUA) between March 1 and May 31, 2020. Do I count these as revenue for this program? What if these funds were sufficient to make up for any revenue losses I experienced during this time period?

Generally, yes, you should count the proceeds of forgivable loans, PUA benefits, or grants as revenue. If this revenue was sufficient that your business did not experience at least a 10% revenue loss year-over-year between March 1 and May 31, 2019 vs. 2020, then your business should not apply to this program.

I am self-employed. I received – or am receiving – unemployment benefits through the Pandemic Unemployment Assistance program. Am I ineligible for this program?

Not necessarily. However, your business must meet all other eligibility requirements, including demonstrating financial hardship after factoring PUA benefits into your self-employment revenue.

Can my business receive more than one grant?

No. You can only receive one grant per business.

I own or I am part-owner of multiple businesses that could be eligible for an award. Can each of those business apply to receive a grant?

No. If you own more than a 20% stake in more than one business only one of the businesses you own can apply and be eligible to receive an award.

I own a business with multiple locations. Can each of the locations be eligible to apply and receive a grant?

No.

Does my home-based business qualify as "permanent physical location?"

No. Home-based businesses are not considered eligible for the Worthington Small Business Assistance Grant Program – with the exception of home-based licensed childcare providers, which are eligible.

What is the definition of a home-based business?

According to IRS Publication 587 a home-based business is one that uses the owner's home (or space within the home) as its principal place of business. That is:

1. It is used regularly and exclusively for administration or management of a trade or business, and
2. The owner has no other fixed location where the business carries on a substantial amount of administration or management.

I am self-employed and/or an independent contractor. Am I eligible for this program?

Yes, as long as your business has a permanent physical location and your business is not considered a home-based business (unless it is licensed family childcare facility). Otherwise you are not eligible.

Besides myself, my business does not have any employees. Am I eligible for this program?

Yes.

My business has zero employees and/or hires independent contractors for some of its functions. Am I eligible for this program?

Yes

My business employs more than 50 employees but they all are employed part-time. Am I disqualified from this program?

Not necessarily. This program is limited to businesses with 50 or less full-time equivalent employees (FTE). Please consult with a tax or accounting professional on how to calculate the number of full-time equivalent employees your business employs.

My business only employs part-time employees. Am I disqualified from this program?

No.

I am self-employed or an independent contractor, but my work is performed at the permanent physical location of another business. Am I eligible for this program?

No. For the purposes of this program, your businesses does not have a permanent physical location and is not eligible for this program.

My business is a home-based business that is a licensed childcare provider. Am I eligible for this program?

Yes. Licensed childcare businesses are exempted from the home-based business exclusion.

What is the definition of "permanent physical location"?

Only businesses with a permanent physical location in Minnesota are eligible for this program. For the purposes of this program, permanent physical location means a non-mobile permanent facility such as an office, warehouse, storefront or other facility where the business carries on a substantial amount of administration or management of their business.

Businesses that operate exclusively through a mobile operation, such as a mobile food stand, food truck, etc., are not considered as having a permanent physical location.

Facilities that are in the home, in a space within the home, or in a structure on the same property as the home of the business owner are considered a home-based business. Home-based businesses are ineligible for a grant from this program, except licensed childcare providers.

For the purposes of this program, for-profit farming operations as defined by Internal Revenue Code 183 are not considered home-based businesses.

I am a franchise owner, am I eligible for this program?

As long as the entity that owns the business employs less than 50 FTEs, the business is eligible. If the entity owns multiple franchise locations and employs more than 50 FTEs, the business is not eligible.

Are for-profit farming operations considered home-based businesses?

No.

My business is a for-profit farming operation. Am I eligible for this program?

Yes. If you are selected to receive an award, you may be asked for information that verifies your farm is operated for profit and is not a so-called “hobby farm.”

When will I know if I have been selected for a grant?

We expect to notify grant winners in mid-September. You will receive a letter from the City of Worthington notifying you of the award.

If I win a grant, how will I get grant funds?

Once you have been selected, you will be notified of your status and a physical check will be mailed to the mailing address listed on the application.

If I am not selected for a grant, will I be notified?

Only those applicants that are ineligible for a grant will not be selected. If your business is found to be ineligible, we anticipate you will receive this information in Mid-September.

Who are the organizations that will be providing the award?

The program disbursements will come from the City of Worthington Economic Development Authority. The fund disbursement will be mailed to the mailing address included on the application submitted to the City of Worthington.

If I am selected, what kind of documents will I have to sign to get this grant money?

You will not be required to submit any further documentation in addition to a completed application, including a signed affidavit executed by the owner or owner(s) of over 50% of the business.

What can the funds be used for?

Grant funds shall be used for working capital to support payroll expenses, rent, mortgage payments, utility bills, and other similar expenses that occur or have occurred since March 1, 2020, in the regular course of business. All uses must be exclusively for Minnesota operations.

Can the funds be used to pay business-related insurance deductibles?

Yes.

Can the funds be used to repair my facility or equipment?

Yes.

Can the funds be used to purchase equipment?

No. Grant funds shall be used for working capital expenses that occur in the regular course of business. The purchase of equipment is not regarded as a working capital expense.

Can the funds be used to pay back taxes including property taxes?

No.

Under any circumstances will I have to pay the grant back?

This is a grant - not a loan - and you will not be required to pay it back. However, the City of Worthington and Nobles County reserve the right to audit the use of funds and will conduct an audit check on a random selection of grant recipients. Grant recipients who are found to have violated the terms of the application process or grant agreement may be required to refund their grant award.

I run a nonprofit organization that provides assistance to small business owners. How can I help? Can I participate in administering awards?

You can share information about this grant opportunity to your clients and customers and offer to assist them in completing their application.

Is the amount of the grant taxable to the recipient business?

Please consult your accountant, lawyer, or other tax advisor. The City of Worthington and Nobles County are unable to provide tax advice.

I am self-employed, and I'm receiving unemployment benefits through the Pandemic Unemployment Assistance Program. If I receive a grant from this program, how will that affect my unemployment benefits?

Please refer to Unemployment Insurance rules and procedures for how to report a grant as income

Do I have to create or retain jobs for a grant?

No, there are no job creation requirements for the Small Business Assistance Grants.

Can the funds be used for business acquisition and/or the purchase of land or building?

No.

How long will this program last?

The Worthington City Council and Nobles County have allocated money to the Worthington Economic Development Authority as a one-time small business relief program. All funds must be disbursed by November 15, 2020. We expect all funds to be disbursed by October 2020.

I applied for and received a grant from another source (Federal Government, State Government, foundation, etc.). Can I still receive a grant through this program?

Yes.

I received a Paycheck Protection Program loan or an Economic Injury Disaster Loan (or any other federal SBA loan or grant, including an EIDL Advance). Am I still eligible for a grant from this program?

Yes.

If I receive a grant from this program, how does that affect my Paycheck Protection Program loan?

Please refer this question to your PPP loan servicer or financial advisor.

I still have questions and I am not finding answers in this FAQ. Where do I send my questions?

You can send your questions to jbrisson@ci.worthington.mn.us. We will be reading all questions that come in and updating the FAQ as quickly as possible. Due to the large volume of inquiries, we may not be able to respond individually to each question in a timely manner.