



Small Business Program Guidelines 2016-2017

Commercial Rent Subsidy Façade Improvements

Section I. General

A. Introduction

The **Small Business Program** is designed to help facilitate the establishment of new businesses within the Covington Center City Action Plan Area and the Ritte's Corner Area. The program is designed to provide financial assistance to new businesses in the form of a rent subsidy or forgivable loan to promote façade improvements intended to help businesses during the critical first year of operation. Applicants must show that their business will create new jobs.

Start up and expanding businesses who need to relocate may qualify for the program, provided they demonstrate strong managerial skills, have a viable business plan and a demonstrated ability to meet guidelines.

B. Eligible Businesses

A an eligible small business enterprise is a for-profit corporation, limited liability company, partnership, proprietorship, or other business entity and must be located within the Covington Center City Action Plan Area or the Ritte's Corner Area. Boundaries of the area(s) are defined by the map attached.

Excludes: Cash checking, home businesses, day cares and businesses not allowable by zoning requirements, such as: social services, pawn shops, etc.

Applicants must meet all of the following requirements in order to be considered eligible to receive funding under the Small Business Program:

- a) The business must be properly licensed to operate within the City of Covington, KY, Kenton County and Commonwealth of Kentucky.
- b) Assistance may be provided to businesses that will operate a street level, store-front commercial business enterprise in a property located within the targeted area. On a case by case basis staff may consider incentivizing spaces other than street level.
- c) The business to be assisted with a rental subsidy must either be a new commercial enterprise in the target area or a substantial expansion of an existing commercial enterprise. Assistance may not be provided to a business that is relocating its operations from one commercial space to another unless there will be a significant expansion of the business' operations, and/or the business provides satisfactory

evidence that the business cannot continue its operations in the existing space. An existing business must expand to occupy more than one hundred fifty percent (150%) of its current space and have tenant improvement expenses in excess of \$5,000. Verification of this threshold must be provided in the application package.

- d) Priority will be given to corners and target businesses.
- e) Applicant(s) must own the building it plans to operate within or it must have an executed multi-year lease (two year minimum).
- f) Rents must not be in excess of the fair market rents for the area and quality of the space.
- g) Businesses must establish, keep and contractually agree to regular, set, operating hours that are equal to or greater than thirty (30) hours per week.
- h) New businesses must employ a minimum of one (1) full-time equivalent employees whose wages are reported to the City of Covington (and subject to the City's payroll tax), Commonwealth of Kentucky and federal government; a position occupied by the business owner may count toward one of the required job positions. Jobs created must meet program guidelines.
- i) For the rental subsidy incentive, existing business relocating to new space must create one additional full time equivalent job within 12 months that meet program guidelines.
- j) An existing business may qualify for rental subsidy assistance through the Small Business Program if they have been open for less than 120 days prior to application and meet all requirements herein.
- k) Must meet all City of Covington zoning requirements.
- l) All buildings located in a historic preservation overlay zone that have planned exterior changes must be presented to the City of Covington's Planning and Preservation Specialist, (859) 292-2171.
- m) Must meet all local and state building and health code requirements where applicable.
- n) Must meet City of Covington Good Standing Ordinance. Pursuant to Commissioners' Ordinance O-11-06, applicants and affiliated persons and/or entities for this program must not have made or filed pending adverse claims against the City in the form of settlement demands and/or lawsuits; nor shall they be delinquent in their obligations to pay loans, fines, liens, or other obligations owed to the City.
- o) Businesses must be willing to agree to participate in a business mentoring program if applicable.
- p) Businesses with the same majority owner must not have received a Small Business Program benefit previously.
- q) Existing businesses may apply for the façade grant.
- r) An existing business that is currently operating outside of Covington but is moving into Covington may apply for the rental assistance grant.
- s) Any business that operates as an incubator may apply for the rental assistance grant.

The following businesses will be considered automatically ineligible for assistance under the Commercial Rent Incentive Program:

- Businesses that employ less than one full-time equivalent employee.
- Businesses who do not report employees' wages to the City of Covington, KY.
- New businesses using a D/B/A that has been used by another business within the past twelve (12) months within the City of Covington.
- Businesses that are not permitted by zoning code/Board of Adjustment process.

C. Eligible Costs

The following costs directly associated with the start-up, location, or expansion of an eligible small business, are eligible uses of program funds. Businesses may apply for one category of eligible costs. Expenses incurred prior to execution of agreement with the City are not eligible for reimbursement.

1. Rent Subsidy (Grant)

Rent Subsidy offers financial assistance in the form of reimbursement of rent payment of up to half of the business's monthly rent or \$500.00 per month (whichever is less). Eligibility for assistance is up to twelve months, anytime within the first eighteen months of business. The maximum total benefit per business is \$6,000.00. A business will be eligible starting the second month of operation.

2. Façade Improvement (Forgivable Loan)

Costs may include, but are not limited to painting of the façade, signage improvements, improvements to brick, cornices, etc. The forgivable loan will match the investment made by the building owner on a \$1 to \$1 basis up to \$12,000 in total project cost. The maximum total benefit per business is \$6,000.00.

Repayment terms - Each year the business is in operation and in good standing with the City and Small Business Program, \$2,000 will be forgiven till the loan is finished. Full repayment required should the business choose to relocate outside the City of Covington within three years of operation.

D. General Program Requirements

1. Award Amount

The maximum amount is up to \$6,000.

2. Match Requirement and Eligibility

All sources of matching funds for the project must be identified when the application is submitted to the City and in place at the time of the award agreement.

Rent Incentive: The City of Covington will issue reimbursement to the applicant directly for ½ of the monthly rent payment made to the Landlord upon receipt and verification that the payment has been cleared by the bank.

Façade Improvement: The City of Covington will issue reimbursement to the applicant directly for the purchase or contractual expenses for eligible cost incurred. Businesses must be able to provide evidence of financing/equity equal to the award amount requested from the City of Covington.

3. Jobs Creation Requirements

This program is funded by Covington Economic Development Authority funds. Job creation is a policy objective of the Authority, therefore:

- a) One full-time equivalent job must be created within one year, the job created cannot include the owner; however, priority will be given to applicants who maximize the number of jobs created;

5. Additional Requirement

- a) A conflict of interest exists if an applicant is an employee, agent, consultant, officer elected or appointed official to the City of Covington, and if the applicant:
Exercises or has exercised any functions or responsibilities with respect to funds for this program, or participates in the decision making process related to funds for this program, or is in a position to gain inside information with regard to program activities. If a conflict of interest exists, the applicant may not obtain assistance under this program. If there is any doubt of the conflict of interest, a written waiver may be obtained from the City of Covington.

Section II. The Application Process

A. Applications

Applicants must complete a Small Business Program Application and provide all the additional documents detailed on the application form. The Application can be downloaded from the City of Covington Department of Development web site at: www.covingtonky.gov. Copies of the Application may also be obtained by contacting the Development Department at (859) 292-2168.

1. Application Process

All applicants MUST meet with applicable City of Covington staff in the Department of Development in order to determine eligibility before submitting an application. Funding requests will not be considered until all required documentation is submitted to the City of Covington Department of Development office. Complete applications must be submitted by the end of the third month of operation. Application packets must include the following documentation:

- a) Completed and signed application.
- b) Copy of all business and occupational licenses.
- c) Copy of the corporate documents for the applying business entity.
- d) Copy of executed or proposed multi-year commercial lease agreement.
- e) Landlord SSN or Tax ID
- f) Business plan, including executive summary and three-year financial projections of revenues and expenses.
- g) Two (2) years of financials and corporate tax returns (for existing business only).
- h) Two (2) years of personal tax returns for the business owners who own 20% or more of the business.
- i) Qualifications, experience and track records of business owners (can be demonstrated through business owners resume).
- j) List of job(s) to be created and filled including job descriptions, pay range and weekly schedule. For existing businesses, in addition the above requirement, provide a list of all current positions including job descriptions, pay range and weekly schedule.
- k) Completed W-9

2. Approval of Funding Request

Once eligibility is verified and all required documentation has been submitted, City staff will process the application. The application will be reviewed and evaluated based on the strength of the financials and required business plan. Staff will notify the applicant and landlord of approval or denial in writing within 30 days or less. The approval of the application will include terms and conditions under which funding will be provided. Proposed leases must be executed within thirty (30) days of application approval or the grant award is terminated.

3. Rent Incentive Payments

The Rent Incentive Program is only eligible to be requested when the business is open and operational. The business owner is responsible for the first month of rent once the business is open and operational. Once an application is approved, rent incentive payments are eligible to be requested during the second full month a business is open for business and operational. A maximum of twelve (12) monthly rent payments will be reimbursed to the approved applicant within the first 18 months of a minimum 2 year lease. A one-time hardship extension of up to six (6) additional months with no more than an additional \$3,000 in incentive payments may be granted if need can be demonstrated through a review of the business's financial records/reports. The City will consider the strength of the business and the reasons the additional incentive is needed as part of the request for the extension. The business must be compliant with all other requirements of the Small Business Program and be in good standing per Commissioners' Ordinance O-11-06. Approval of the extension is not guaranteed, businesses must submit extension request in the 10th month of award.

4. Site Visits

City staff will conduct a site visit before payments begin in order to verify that the business is in operation. Staff may also conduct unannounced site visits periodically in order to ensure compliance with the terms of the grant agreement.

5. Discontinuation of Payment

The receipt of past payments is no guarantee of future payments. The City of Covington retains the right to discontinue rent incentive payments at any time if the business ceases to comply with program requirements.

B. Review Process

Once an application package is received, an analysis will be completed by City staff and the loan package will be reviewed by the City of Covington Loan Committee. The Loan Committee will then make a recommendation regarding funding.

The Loan Committee meets on a bi-weekly basis.

C. Application Evaluation Criteria

The City will evaluate the strength of an application based on following criteria, dependent upon funding availability:

1. Strong financial documentation
2. Strength of business plan
3. Impact on unused or underutilized property
4. Amount of matching investment
5. Projects impact on street level activity
6. Visibility of business
7. Number of jobs created
8. The type of product or service and the need for that product or service in the community.

Section III. Program Procedures

A. Program Agreement

An executed agreement between the applicant and the City is required in order for the applicant to receive fund disbursements.

Following is a summary of the general provisions included in the agreement.

1. **Conditions of Funding Commitments** - The terms and conditions contained in the commitment letter signed by the applicant and the City are included in the agreement. These will include any additional conditions the applicant must meet before the disbursement of any funds.
2. **Certification of Expenses** - The recipient must sign an affidavit certifying that the expenses were incurred and were in accordance with the agreement. Prior to final closeout of the agreement, the business is required to submit copies of all canceled checks verifying the expenditures.
3. **Non-Discrimination Requirements:** The Program will be implemented in ways consistent with the City's commitment to non-discrimination. No person shall be excluded from participation in, denied the benefit of, or be subject to discrimination under any program or activity funded in whole or in part with federal funds on the basis of his or her disability, age, sex, race, color, religion, ancestry, national origin, sexual orientation, gender identity, familial status, marital and/or parental status or place of birth, or other arbitrary cause.

4. Project Records - The applicant must maintain full and accurate records with respect to the project and must ensure adequate control over the records of related parties in the project. The City requires access to such records, as well as the ability to inspect all project work, invoices, materials, and other relevant records at reasonable times and places. The agreement requires the applicant to furnish, upon request of the City, all data, reports, contracts, documents, and other information relevant to the project. The agreement specifies a periodic reporting requirement for the applicant.

B. Terms and Disbursement of Funds

Requests for payment must be submitted to the City by using a payment request form that is accompanied by invoices or other approved documentation verifying costs incurred by the applicant.

Contact Information:

Program inquiries should be directed to:

Donald L. Warner, III

Development Manager

Department of Development

20 W Pike St.

Covington, Kentucky 41011

Phone: (859) 292-2168

dwarner@covingtonky.gov

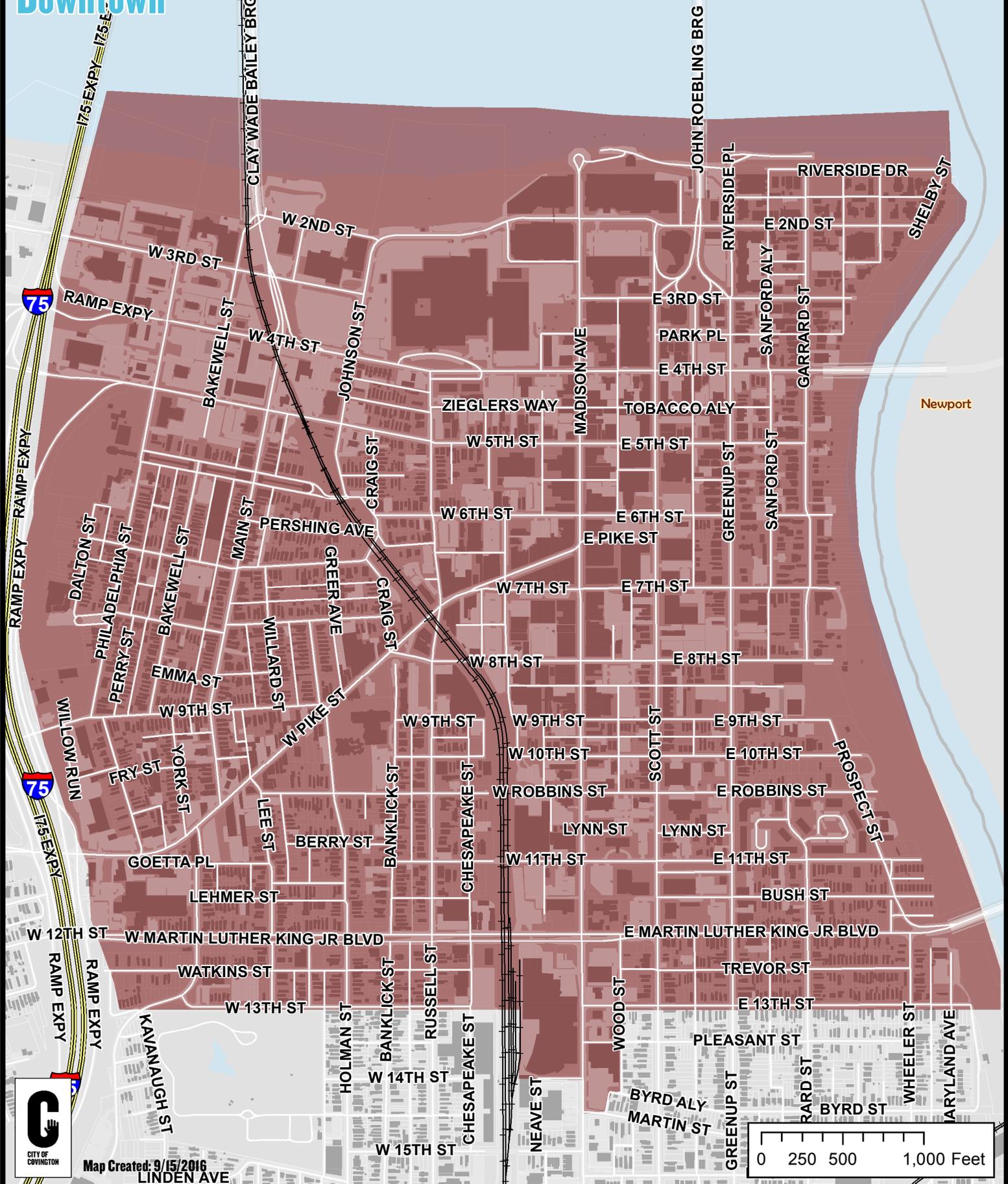
The City of Covington, Kentucky is an affirmative action/equal opportunity employer and encourages the participation of minority and female business enterprises (M/WBE) and Section 3 entities

Adopted: 08/12/2014

O/R-183-14

Small Business Program Eligible Area

Downtown

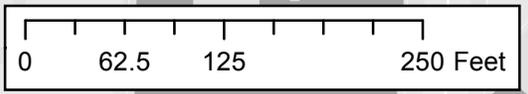


Small Business Program Eligible Area

Ritte's Corner



Map Created: 9/15/2016





2016-2017 Small Business Program Application

Check box of category for which you wish to apply.

- Rent Incentive (Grant)
 Façade Improvements (Forgivable Loan)

Applicant Name: _____ Application Date: _____

Applicant Mailing Address: _____

Business Name (D/B/A if applicable): _____

New Business: Yes ___ No ___ **Existing Covington Business:** Yes ___ No ___

Expansion of Business located elsewhere: Yes ___ No ___

Was/is this business previously located at another Covington site: Yes/No Dates: _____

Previous Business Address (if applicable): _____

Square footage of existing location: _____ Square footage of new location: _____

Type of Business: _____ Service/Product: _____

Covington Business Address: _____
(Where assistance is requested)

Phone: _____ Email: _____

Fed ID#: _____ Cell Phone: _____



2016-2017 Small Business Program Application

Property Information:

Do you own the property? Yes / No Time at this location: _____

Do you have any executed lease agreement? Yes / No Length of New Lease: _____

Length of New Lease: _____ Monthly Rental Rate: \$ _____

Property Owner / Landlord Information:

Landlord Name: _____

Landlord's Mailing Address: _____

Landlords EIN or SS#: _____

Employment Data:

Number of Employees at Covington Location? _____ Hours of Operation: _____

Are you receiving grant assistance from any other governmental agencies? Yes / No

If yes, list any additional grant sources and amounts:

CERTIFICATION AND WAIVER OF PRIVACY

I, the undersigned, applicant(s) certify that all information presented in this application, and all of the information furnished in support of the application, is given for the purpose of obtaining a grant or forgivable loan under the City of Covington Small Business Program, and it is true and complete to the best of the applicant(s) knowledge and belief. The applicant(s) further certifies that he/she is aware of the fact that he/she can be penalized by fine and/or imprisonment for making false statements or presenting false information.

I understand that this application is not a guarantee of grant assistance. Should my application be approved, I understand that the City of Covington may at its sole discretion discontinue subsidy payments or reimbursement at any time for cause.

I hereby give my consent to the City of Covington, its agents and contractors to examine any confidential information given herein. I further grant permission, and authorize any bank, employer or other public or private entity or agency to disclose information deemed necessary to complete this application.

I understand that if this application and the information furnished in support of the application are found to be incomplete, it will not be processed.

Applicant/Tenant's Signature: _____ Date: _____

Printed Name: _____ Title: _____

****SUBMISSION OF AN APPLICATION IS NOT A GUARANTEE OF FUNDING****



2016-2017 Small Business Program Application

SUPPORTING DOCUMENTATION CHECKLIST

Application packets must include the following documentation:

- Completed and signed application
- City of Covington occupational licenses and copy of all State and Federal business licenses if required
- Copy of the corporate documents for the applying business entity
- Copy of executed or proposed multi-year commercial lease agreement
- Landlord Tax ID
- Business plan, including executive summary and three-year financial projections of revenues and expenses and market analysis at location within application
- Two (2) years of financials and corporate tax returns (for existing businesses only)
- Two (2) years of tax returns for the owners of a new business.
- Resume(s), qualifications, experience and track records of business owners
- List of jobs to be created and filled including job descriptions, pay range and weekly schedule. For existing businesses, provide a list of all current positions including job descriptions, pay range and weekly schedule.