



**SMALL BUSINESS GRANT PROGRAM  
POLICY MANUAL**



## Version History and Policy

The version history of the policy manual is tracked in the table below, with notes for each change. The dates of each publication are also tracked in the table.

The Commonwealth will publish a new version after making substantive changes that reflect a policy change. The updated policy manual will be assigned a new primary version number such as 2.0, 3.0, etc.

After making non-substantial changes, such as minor wording and editing or clarification of existing policy that do not affect the interpretation or applicability of the policy, the Commonwealth will publish a version of the document with a sequential number increase behind the primary version number such as 2.1, 2.2, etc.

Amendments made to policy may go into effect on the date of the revision or may be applied retroactively, depending on the applicant pipeline and status of applicants in the Program intake and recovery process. Whether a policy will be applied proactively or retroactively will be detailed in the version history below and/or within the relevant Program sections.

Version Number	Date	Notes
1.0	XX/XX/2023	Initial Small Business Grant Program Policy Manual



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# Small Business Grant Program

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# 1 Program Description

In 2021, the Kentucky business community was impacted by severe storms, flooding, landslides, mudslides, straight-line winds, and tornadoes. Damages included external damage to building structures and/or loss of valuable inventory and equipment, and business owners suffered from loss of business for several weeks and/or lack of business insurance.

The attraction, retention, and return of businesses and jobs to a disaster-impacted area is critical to comprehensive long-term recovery. The U.S. Department of Housing and Urban Development (HUD) allocated \$74,953,000 of Community Development Block Grant – Disaster Recovery (CDBG-DR) funding to the Commonwealth of Kentucky to address the unmet needs in Kentucky. The Kentucky Department for Local Government (DLG) Small Business Grant Program (SBGP) is designed to promote sustainable long-term recovery and help local entities meet the economic recovery or mitigation needs of their disaster-impacted communities by providing assistance to small businesses impacted by the disaster events. This assistance will account for the economic opportunities, underserved communities, and disaster impacts within those disaster-impacted communities.

## 1.1.1 Program Overview

The Small Business Grant Program will provide recovery assistance grants to businesses destabilized due to the disasters, to help businesses recover from the impacts of the disasters and encourage businesses to re-open or expand. The Program is designed to help local businesses meet the economic recovery of their disaster-impacted communities.

**Table 1. Program Allocation**

Program Category	Program	Budget	HUD-Identified MID Budget	Grantee-Identified MID Budget	% of Total CDBG-DR Allocation	Maximum & Minimum Award
Economic Revitalization	SBGP	\$4,000,000	\$3,200,000	\$800,000	5%	\$200,000 maximum, \$10,000 minimum

DLG will manage and administer the Program and provide funding to local governments - or “Subrecipients” - for the development and proposal of small business grants. Grants must have a tie to revitalizing disaster-impacted communities. DLG and Subrecipients will conduct outreach in a manner that will ensure members of protected classes, historically underserved communities, and/or vulnerable populations are aware of the Program opportunity.





### 1.1.1 Prioritizing Underserved Communities

Based on the U.S. Change Research Program’s Fourth National Climate Assessment, climate-related natural hazards, extreme events, and natural disasters disproportionately affect LMI individuals who belong to underserved communities because they are less able to prepare for, respond to, and recover from the impacts of extreme events and natural hazards, or are members of communities that have experienced significant disinvestment and historic discrimination.

Therefore, HUD is imposing the requirement that grantees must prioritize those underserved communities that have been impacted by the disaster and that were economically distressed before the disaster.

The term “underserved communities” refers to populations sharing a particular characteristic, as well as geographic communities, that have been systematically denied a full opportunity to participate in aspects of economic, social, and civic life. Underserved communities that were economically distressed before the disaster include, but are not limited to, those areas that were designated as a Promise Zone, Opportunity Zone, a Neighborhood Revitalization Strategy Area, a tribal area, or those areas that meet at least one of the distress criteria established for the designation of an investment area of Community Development Financial Institution at 12 CFR 1805.201(b)(3)(ii)(D).

Underserved communities may overlap with both protected classes and vulnerable populations and are the result of historic and systemic patterns regarding the lack of engagement, mistreatment, and barriers to participation.

To satisfy this requirement, DLG will set-aside half of the Program funds (\$2,000,000) to prioritize underserved communities. The set-aside will be managed for the first year of the Program, if funds remain, they will be made available to all applicants. DLG will further encourage the participation of Business Applicants from underserved communities within outreach strategies, application questions, and the monitoring process.

### 1.1.2 Geographic Eligibility

HUD requires funds to be used for costs related to unmet needs in the Most Impacted and Distressed Areas (MIDs). DLG will spend at least 80% of the SBGP funds, or \$3,200,000, to benefit the HUD-identified MID areas. The HUD MID areas include:

Breathitt County	Hopkins County
Graves County	Warren County

DLG determined 20% of the remaining amount of the SBGP funds, or \$800,000, will be spent in 36 additional counties that are considered State MID areas that still face unmet needs within their communities. The State MID areas include:



Boyd County	Hart County	Letcher County	Morgan County
Caldwell County	Hickman County	Lincoln County	Muhlenberg County
Christian County	Jackson County	Logan County	Ohio County
Clark County	Johnson County	Lyon County	Owsley County
Clay County	Knott County	Madison County	Perry County
Estill County	Laurel County	Magoffin County	Powell County
Floyd County	Lawrence County	Marion County	Pulaski County
Fulton County	Lee County	Marshall County	Rockcastle County
Greenup County	Leslie County	Martin County	Taylor County

### 1.1.3 Accessibility

DLG will prioritize the SBGP funding in Low-to-Moderate Income (LMI) and socially vulnerable communities that include members of protected classes, HUD-identified vulnerable populations, and historically underserved communities. DLG and/or its Subrecipients will also provide multiple methods of communication, such as website links, emails, phone numbers, TTY and relay services, or other means, to provide applicants for recovery assistance with timely information. Refer to DLG’s Language Access Plan for language assistance measures that will be taken for LEP persons. Subrecipients are also required to develop a Language Access Plan that will include language assistance measures for LEP persons.

### 1.1.4 Timeline

DLG’s launch of the SBGP application period for Subrecipients to apply is scheduled for early summer. The Program is scheduled to end when all funds have been expended and all eligible participants have completed closeout, or 6 years after execution of the grant agreement with HUD.

## 2 Program Administration Roles & Responsibilities

### 2.1 Kentucky Department of Local Government (DLG):

Kentucky DLG is the lead agency for administering the Small Business Grant Program. It is DLG’s goal to be as flexible as possible – within the bounds of CDBG-DR statutory and regulatory requirements – to help each community meet its unique needs. DLG will be responsible for the following actions in administering this Program:

- Advertising a Notice of Funding Availability to solicit Subrecipients that will help implement the Program.



- Reviewing Subrecipient applications and contracting with Subrecipients to carry out grant agreements with businesses receiving Program awards.
- Developing Program policies and procedures and materials (applications, templates, checklists, etc.) to guide the implementation of the Program. Program materials will be made available on DLG’s website <https://kydlgweb.ky.gov/>.
- Providing technical assistance and training to Subrecipients and their grant administrators. Training sessions associated with this Program will be recorded and available for viewing on the DLG website <https://kydlgweb.ky.gov/>.

For more information, see the **CDBG-DR Subrecipient Manual, Chapter 1: Project Administration.**

- Conducting outreach and engagement to advertise the Program’s funding availability. DLG will work with the Subrecipients, Economic Development Cabinet, Local Economic Development Directors, Area Development Districts (ADD), and other partners to ensure the business community is aware of the Program.
- Reviewing business applications, underwriting, and providing approval or denial of Program awards.
- Monitoring Subrecipients for compliance with Program requirements detailed within this document, all other Program guidelines, Federal regulations, and state regulations.

## 2.2 Subrecipients & Certified Grant Administrators:

City, county, and tribal governments will apply to DLG and assume the role of the responsible entity for contracts established with Business Applicants served through the Program.

Certified Grant Administrators will work with city, county, and tribal government Subrecipients to assist with application intake, grant administration, and activity delivery.

Grant Administrators will support Subrecipients and DLG with outreach and engagement efforts to ensure Program participation and utilize methods to reach vulnerable populations, protected classes, and those who are historically underserved.



Subrecipients and Grant Administrators will be responsible for the following actions in implementing this Program:

- Citizen participation and Program outreach to the local business community.
- Developing a Language Access Plan and providing provide multiple methods of communication, such as websites, emails, phone numbers, TTY and relay services, or other means to provide applicants for recovery assistance with timely information.
- Application intake and providing assistance to Business Applicants with completing the Program’s application and collection of all supporting documentation for submission to DLG.
- Prioritizing and reporting on the SBGP funding in Low-to-Moderate Income (LMI) and socially vulnerable communities that include members of protected classes, HUD-identified vulnerable populations, and historically underserved communities.
- Engaging a certified Grant Administrator to assist with application development, grant administration, and activity delivery. The Grant Administrator certification process can be found in the **CDBG-DR Subrecipient Manual, Chapter 1: Program Administration**.
- Submitting business applications to DLG for their review and award approval.
- Entering into grant agreements with eligible businesses.
- Creating and maintaining Business Applicant files.
- Submitting quarterly activity reports to DLG on a form to be provided by DLG.
- Reporting on all jobs created or retained through the Program.



- Recordkeeping and maintain all Program files through five years after closeout of DLGs grant with HUD.
- Compliance with Program requirements and applicable HUD, federal and state regulations as described in contractual agreement with DLG.

## 3 Program Requirements

### 3.1 Eligible Activities:

The Housing and Community Development Act (HCDA) details eligible activities that states can implement. The SBGP is eligible under HCDA Sections 105(a)14, 15, 17, 19, and 22; applicable waivers identified in the Allocation Announcement Notice and Consolidated Notice; and other applicable waivers or alternative requirements.

The HCDA eligible activities are defined as follows:

**105(a)14:** Provision of assistance for activities which are carried out by public or private nonprofit entities, including:

- (A) acquisition of real property;
- (B) acquisition, construction, reconstruction, rehabilitation, or installation of
  - (i) public facilities (except for buildings for the general conduct of government), site improvements, and utilities, and
  - (ii) commercial or industrial buildings or structures and other commercial or industrial real property improvements; and
- (C) planning

**105(a)15:** Assistance to neighborhood-based non-profit organizations, local development corporations, non-profit organizations serving the development needs of the communities in non-entitlement areas or entities organized under section 301(d) of the Small Business Investment Act of 1958 to carry out a neighborhood revitalization or community economic development or energy conservation project in furtherance of the objectives of section 101(c) of this title.

**105(a)17:** Provision of assistance to private, for-profit entities, when the assistance is appropriate to carry out an economic development project (that shall minimize, to the extent practicable, displacement of existing businesses and jobs in neighborhoods) that—

- (A) creates or retains jobs for low- and moderate-income persons
- (B) prevents or eliminates slums and blight
- (C) meets urgent needs
- (D) creates or retains businesses owned by community residents



- (E) assists businesses that provide goods or services needed by, and affordable to, low- and moderate-income residents or
- (F) provides technical assistance to promote any of the activities under subparagraphs (A) through (E)

Providing economic development services in connection with otherwise eligible CDBG economic development activities.

**105(a)19:** Provision of technical assistance to public or private nonprofit entities to increase the capacity of such entities to carry out eligible neighborhood revitalization or economic development activities, which assistance cannot be considered a planning cost as defined in paragraph (12) [of the HCDA] or administrative cost as defined paragraph (13) [of the HCDA].

**105(a)22:** Provision of assistance to microenterprise businesses. A microenterprise is defined as a commercial enterprise that has five or fewer employers, one or more of whom owns the enterprise. Assistance to microenterprises include:

- Grants, loans, loan guarantees and other forms of financial support for the establishment, stabilization, and expansion of microenterprises.
- Technical assistance, training, counseling, and business support services to owners of microenterprises and persons developing microenterprises, including assistance, advice and support relating to developing business plans, securing funding, conducting marketing and other microenterprise activities.
- General support, such as peer support programs, counseling, childcare, and transportation, to owners of microenterprises and persons developing microenterprises.

### 3.2 National Objectives

Each Business Applicant must show the ability to meet a National Objective in their application. To demonstrate how businesses met a National Objective, Subrecipients will be required to collect documentation from businesses at application or after award, depending on the National Objective the business is meeting.

National Objectives that can be met under the SBGP include the following:

- Activities benefiting low- and moderate-income persons, job creation requiring at least 51% of jobs created be held by or made available to LMI persons.
- Activities benefiting low- and moderate-income persons, job retention requiring at least 51% of jobs retained be LMI jobs, held by LMI persons or turned over to LMI persons.
- Activities benefiting low- and moderate-income persons, area benefit requiring at least 51% of the residents in the area to be LMI persons.



- Activities benefiting low- and moderate-income persons, limited clientele microenterprise requiring the owner(s) of a microenterprise receiving CDBG-DR assistance to be from a LMI household.

Section 11: Requirements to Meet National Objectives provides details on how to document meeting each of the objectives.

### 3.3 Award Limits

Grant assistance for the Small Business Grant Program will be on a per-assisted-business basis. The minimum amount for grant assistance is \$10,000 and the maximum amount \$200,000. The amount of grant assistance provided to businesses will range within these amounts and will be determined by calculation of unmet needs, eligible expenses, and ability to create or retain jobs (as applicable).

Businesses requesting \$50,000 or higher will be funded based on the number of jobs that will be created or retained. For every one job to be created or retained, businesses can be awarded \$50,000 with awards going up to \$200,000. The award amount will not exceed the Program's maximum grant assistance amount of \$200,000. Note: There are other determining factors, which are outlined in this policy, associated with award amounts.

## 4 Eligibility Criteria for Businesses

### 4.1 Eligible Entities

#### 4.1.1 Entity Criteria

- Must be either a for-profit business or a private non-profit organization.
  - For-profit Business:
    - Bars and distilleries are eligible; package liquor stores are not.
    - Agribusinesses are eligible, except for hemp production.
    - Mobile and online/virtual businesses are eligible.
    - Residential and/or commercial real estate businesses are not eligible.
    - Privately owned recreational facilities that serve a predominantly higher-income clientele are not eligible.
    - Privately owned sports teams are not eligible.
    - Businesses are not eligible if they are involved in gaming/gambling, digital/crypto currencies with blockchains, lobbying or other political activities.
  - Non-profit Organizations:



- Eligible, based on the earned-income portion of their operations.
- Evaluated for eligibility based on the secular operations of their organizations.
  - Religious non-profit organizations are only eligible based on the secular component of their operations (e.g., a church that runs a daycare or restaurant that is open to the public, regardless of religious affiliation)
- Businesses that have at least one full-time equivalent (FTE) employee and meets the definition of a small business established in [Section 3\(a\) of the Small Business Act](#) as public law 85-536, approved in 1958. For the purposes of the CDBG-DR Program, a small business has more than five employees. Businesses with fewer than five employees, including the owner, is designated as a “microenterprise” and are eligible under this Program.
  - The definition of “small” varies by industry and organized by size standards. See Operations Criteria below, for more information.
- Actively registered in the System for Award Management (SAM.gov) with a valid and current Unique Entity Identifier (UEI). If a business does not have a Unique Entity ID number, they can obtain one at SAM.gov.
- Other ineligible entities:
  - Businesses are not eligible if they received federal assistance in the past and did not comply with the requirement to maintain flood insurance and losses were a result of flooding. Businesses located in a FEMA designated floodway are not eligible for assistance.
  - Businesses owned by the same person(s) or entity that is the subject of unresolved findings of noncompliance relating to previous CDBG assistance.
  - Businesses and/or business owners of sole proprietorships/partnerships in bankruptcy.
  - Enterprises where the assistance would result in a conflict of interest between the jurisdiction and/or its agents.
  - Entities excluded, debarred, or suspended from receiving federal funds.

#### 4.1.2 Location Criteria

- Operations must be located in one of the HUD or State-Identified MIDs. (See [Section 1.1.2 Geographic Eligibility](#) for MID listings.)
  - A business can be incorporated in another State as long as they are registered, active, and in good standing with the Kentucky Secretary of State and meet all of the other eligibility requirements of this Program.
  - Businesses not currently in operation but planning to reopen must reopen in one of the HUD or State-Identified MIDs.





#### 4.1.3 Operations Criteria

- Operated at the time of the applicable 2021 disaster event. The Business Applicant must have been open on or before:
  - February 27, 2021 (DR-4595: 2021 Severe Storms, Flooding, Landslides, and Mudslides); or
  - December 10, 2021 (DR-4630: 2021 Severe Storms, Straight-Line Winds, Flooding, and Tornadoes).
- Must either (a) be currently operating or (b) demonstrate the ability to reopen upon receiving assistance from the Program.
  - Businesses that are closed at the time of application, but who will be able to reopen upon receiving assistance from the Program, must have a business plan and demonstrate they have the funding necessary to reopen. Closed businesses must commit to reopening in an eligible HUD or State-Identified MID area. They are not required to reopen in the same location in which they were operating at the time of the 2021 disaster events.
- A minimum of one (1) full-time equivalent employee and no more than 1,500 employees total, based on small business size standards.
  - Size standards are mostly based on the average annual receipts or the average number of employees. Small business size standards are matched to industries described in the North American Industry Classification System (NAICS), as modified by the Office of Management and Budget, effective January 1, 2022. This information can be found at <https://www.sba.gov/document/support-table-size-standards>.
  - Businesses registered in SAM.gov must update their SAM registration to have their small business status updated based on the new size standards effective December 19, 2022. Until the SAM registration is updated, the SAM profiles will continue to display the small business status under the old size standards.
- Pre-storm minimum annual gross revenue of \$25,000.
- The business should not have unresolved federal or state tax obligations or delinquencies. If so, the business must provide evidence a payment plan has been established and they are in good standing.

#### 4.1.4 Tie-back to Disaster(s)

- Directly impacted by either eligible disaster event in 2021, as a documented physical and/or financial loss. The assessed physical damages and financial loss calculations are only a requirement for determining eligibility. See [Section 8.1 Award Calculation and Methodology](#) for additional information on how an award is calculated.
  - To qualify under physical loss, a business must demonstrate they had a minimum of:



- \$10,000 in third-party verified physical damages or losses for businesses requesting \$49,999 or lower; or,
  - \$50,000 in third-party verified physical damages or losses for businesses requesting \$50,000 or higher.
- To qualify under a financial loss, a business must demonstrate they had a minimum of:
    - \$10,000 annual gross revenue decline in the time periods listed below for businesses requesting \$49,999 or lower; or,
    - \$50,000 annual gross revenue decline in the time periods listed below for businesses requesting \$50,000 or higher.
      - For DR-4595, the determination period is three (3) months prior to the eligible disaster to three (3) months after.
      - For DR-4630, the determination period is three (3) months prior to the eligible disaster to three (3) months after.
  - A business can have a combination of physical and financial losses to total \$10,000 or \$50,000 for eligibility (whichever is applicable).
- Have eligible unmet needs after accounting for all insurance, federal, state, local and private assistance considered to be a duplication of benefit.

#### 4.1.5 Ownership Criteria

- Common ownership of different businesses/companies:
  - For businesses with common ownership that have an owner with greater than 50% ownership in multiple businesses, an owner may participate in a maximum of two awards.
  - Owners who have received a grant and own a minority share in another business do not disqualify that business by their ownership.

## 4.2 Ineligible Activities

In general, the following activities are **ineligible** for CDBG-DR assistance related to Economic Development:

- Any activity that would otherwise be eligible under CDBG-DR but does not meet a National Objective.
- Job pirating: Direct assistance to a business, including a business expansion, in the relocation of a plant, facility, or operation from one labor market area to another labor market area if the relocation is likely to result in a significant loss of jobs in the labor market area from which the relocation occurs.
  - Labor Market Area: Is an economically integrated geographic area where individuals can live and work within a reasonable distance or can readily change employment without changing their place of residence.



- Significant loss of jobs: The loss of 25 or fewer jobs would not constitute a significant job loss, while the loss of 500 or more jobs would likely invoke the anti-job pirating rule. Job losses between 25 and 500 must be less than one tenth of one percent of the area’s labor force to avoid being counted as significant.
  - A job is considered to be lost due to the provision of CDBG-DR assistance if the job is relocated within 3 years of the provision of assistance to the business.
- Operation: A business operation includes, but is not limited to, any equipment, production capacity, or product line of the business.

## 5 Eligible Uses of Funds

### 5.1 Working capital

Funds awarded can be used towards eligible working capital expenses which are defined as the following:

- Employee salaries/wages (owner’s salary is not an eligible expense).
- Mortgage payments or rent/lease.
- Inventory and supplies.
- Utilities.

### 5.2 Equipment

Funding for movable and/or immovable equipment are eligible when the award is for the replacement or repairment of equipment lost or damaged during the 2021 disaster events. The purchase of new equipment may be eligible for businesses reopening if the business can provide justification for the need of the equipment.

## 6 Duplication of Benefits

The Stafford Act and CDBG-DR Appropriations Act requires DLG to prevent any duplication of benefits (DOB) to safeguard that grant funds are distributed fairly and effectively. DOB occurs when an entity or individual receives assistance for the same purpose or need from multiple sources. Thus, the goal is to ensure federal assistance serves only to “supplement insurance and other forms of disaster assistance.”

More information can be found in the **CDBG-DR Subrecipient Manual, Chapter 10: Duplication of Benefits.**

### 6.1 DOB Program Controls



To prevent the any duplication of benefits, Program controls include, but are not limited to:

- **Duplication of Benefits Certification** that Business Applicants will notify the Subrecipients of all potential DOBs as part of the information submitted in their applications and after receiving an award from the SBGP (**Attachment 01**).
- The Certification will include a **Consent to Release** to collect information on potential DOB sources. They may include but are not limited to:
  - KY CDBG Economic Development Funding
  - FEMA Assistance
  - Small Business Administration (SBA) Loans
  - Commonwealth Funding, such as:
    - State Aid Funding for Emergencies (SAFE) Fund from Kentucky Senate Bill 150
    - Team Kentucky Fund
    - Kentucky Chamber Foundation & Kentucky Sports Radio
  - Private Insurance
  - COVID19 Assistance
    - CDBG-CV
    - Paycheck Protection Program (PPP Loans)
    - COVID19 EIDL
    - Other grants and loans, for the same purpose of SBGP.
  - Nonprofits, Foundations, and Charity organizations grants.
- Any certification made by a Business Applicant must be based on supporting evidence that will be kept available for inspection by HUD. Thus, funds received and expended for a different or same purpose as the SBGP will be verified with additional source of information through a due diligence process.
  - SBA Loans:
    - To document that a loan has been cancelled or declined, Subrecipients must obtain an **SBA Self-Certification (Attachment 02)**:
      - A written communication from the lender confirming that the loan has been cancelled and undisbursed amounts are no longer available to the Business Applicant, OR

- A legally binding agreement between DLG, subrecipient, and the Business Applicant that indicates that the loan is no longer available, and the applicant agrees not to take actions to reinstate the loan or draw undisbursed loan amounts.
- **Subrogation Agreement (SM Attachment 10-11)** with DLG to repay any assistance that was later received for the same purpose for which the SBGP funds were provided.

## 6.2 DOB Verification Process

The DOB verification process will be carried out in the following steps:

1. Subrecipients and/or Grant Administrators will collect information on potentially duplicative funding sources from all Business Applicants during the application phase.
  - Business Applicants will be required to provide insurance provider contact information, policy coverage information and ID, claims information and amounts received and approved for all potentially duplicative sources.
  - Business Applicants will be required to authorize Subrecipients, Grant Administrators and DLG to contact all potentially duplicative funding sources on their behalf to verify all funding sources received and/or approved.
2. Using information collected from the Business Applicant and the authorization provided to Subrecipients and Grant Administrators by the applicant, Subrecipients and/or Grant Administrators will perform a verification of benefits received and/or approved, identify their purpose, and use.
3. Subrecipients will provide verified information to DLG, who will use this information to calculate the final award amounts for eligible businesses.
4. After an award is granted, if an approved business participant receives any proceeds not already verified during the duplication of benefits review process, the participant is subject to a repayment of those duplicative funds, as defined in the participant's Subrogation Agreement executed at the time of award closing.

## 6.3 DOB Sample Calculation

The DOB process examples vary based on the duplicative assistance received.

### Example 1:

Business presents \$75,000 eligible total need to purchase specific equipment. After verifying \$15,000 in funding assistance received, it's determined the duplication of



benefits amounts to \$5,000 for the purchase of the same equipment. The SBGP award is as follows:

Step	Calculation Element	Award Amount Calculation
1	SBGP Eligible Total Need	\$75,000
2	Identified Duplicative Assistance (DOB)	(\$5,000)
3	Final Unmet Need	\$70,000

**Example 2:**

Business presents \$15,000 eligible total need in working capital. After verifying funding assistance received, it's determined the duplication of benefits amounts to \$0 for the same working capital need. The SBGP award is as follows:

Step	Calculation Element	Award Amount Calculation
1	SBGP Eligible Total Need	\$15,000
2	Identified Duplicative Assistance (DOB)	(\$0)
3	Final Unmet Need	\$15,000

**Example 3:**

Business presents \$100,000 eligible total need to purchase specific equipment. After verifying funding assistance received, it's determined the duplication of benefits amounts to \$55,000 for designated funds for general equipment needs. The SBGP award is as follows:

Step	Calculation Element	Award Amount Calculation
1	SBGP Eligible Total Need	\$100,000
2	Identified Duplicative Assistance (DOB)	(\$55,000)
3	Final Unmet Need	\$45,000

## 7 Program Underwriting

Underwriting guidelines provide DLG with a framework for financially underwriting and selecting CDBG-DR-assisted businesses that are financially viable and make the most effective use of the economic development funds.



HUD outlines the [Guidelines and Objectives for Evaluating Project Costs and Financial Requirements in Appendix A to Part 570 of the CFR](#).

DLG will review all SBGP applications to ensure that projects appear feasible and are likely to succeed.

### 7.1.1 Leverage and Use of CDBG-DR Funds

Under the Small Business Grant Program, the impact of CDBG-DR must be maximized, and the use of the funds must be reasonable. In general, DLG should clearly establish that there is a need for the investment of public resources.

DLG requires that to demonstrate the need to use CDBG-DR funds, that all other public and private sources of funds have been reviewed and applied to the Business Applicant (as feasible). (See [Section 6 Duplication of Benefits](#))

Typically, projects that are eligible for CDBG-DR funding have an unmet need once all other sources are analyzed. (See [Section 6 Duplication of Benefits](#) and [Section 5 Eligible Uses of Funds](#))

### 7.1.2 Funding Commitments

All other sources of funds do not have to be received prior to the application. However, a commitment or award letter showing funds will be made available will be required with the business' application. Specifically for equipment, DLG wants to avoid the risk of approving and disbursing funds for a portion of the equipment without sufficient funds from other sources to complete the purchase and installation.

### 7.1.3 Reasonable Costs

All costs under the SBGP must be reasonable and must demonstrate the efficient and effective use of funds. DLG will review funding needs to ensure that proposed costs are reasonable. Subrecipients and Grant Administrators should review funding needs prior to submission of the application (See [Section 5 Eligible Uses of Funds](#)).

**Purchase of Equipment:** DLG, Subrecipients, and Grant Administrators can control risks in the following ways:

- Receive equipment quotes from independent third parties.
- Certify costs.
- Compare subject with cost of comparable equipment.
- Use guaranteed contracts, performance bonds, or letters of credit for equipment installation.



**Working Capital Request:** Reasonability is designed within the award determination. To understand this process, see Section 8.1 Award Methodology.

#### **7.1.4 Project Feasibility**

DLG will review all SBGP applications to ensure that projects appear feasible and are likely to succeed. For the project to achieve its intended outcomes and meet a national objective, it must remain viable for at least the term grant agreement, the post-award grant conditions and/or until the national objective is met.

DLG will verify that the business is operational and has the ability to remain viable during the term of the grant agreement. Verification of business feasibility may include review of the Business Applicant's financial statements or business plan and market and/or feasibility studies for businesses that are reopening.

#### **7.1.5 Reasonable Return**

To the extent practicable, the return on the owner's equity investment is not unreasonably high. DLG will ensure the CDBG-DR assisted activity provides no more than a reasonable return on investment to the owner of the assisted enterprise, based on industry rates of return, local conditions, and project risk. DLG will adjust the amount, type, and terms of assistance to give the business owner a reasonable return on their investment.

#### **7.1.6 CDBG-DR Funds Disbursed Pro Rata**

As a general rule, SBGP funds should be disbursed proportional to the percentage of the project they fund. For example, if SBGP funds are 20 percent of the project, SBGP funds should not exceed 20 percent of the aggregate proceeds disbursed.

## **8 Award Structure**

### **8.1 Award Calculation and Methodology**

Working capital and equipment awards will be calculated based on factors that will establish a business' most necessary and reasonable costs as it relates to requested operating costs and equipment. The maximum award amount for which a business may be eligible is calculated first, then the Program will deduct the amount of any duplicative assistance received by the business to determine the final grant award a business is eligible to receive.

#### **8.1.1 Working Capital Awards**

##### **Physical or Financial Losses**





Businesses requesting \$49,999 or below are required to have at least \$10,000 in physical and/or financial losses.

Businesses requesting \$50,000 or above are required to have at least \$50,000 in physical and/or financial losses.

### **Evidence of Current Working Capital Expenses**

To determine the maximum eligible working capital award amount, the Program will calculate the business' average working capital expenses using the last three consecutive months prior to application. Business expenses utilized for this calculation will include eligible uses of funds, which includes:

- Rent/Mortgage
- Employee Wages
- Electricity, Water and Gas Utilities
- Monthly Inventory Invoices/Receipts

The Program will calculate the average working capital expenses by totaling the expenses for the three months based on leases, payroll registers, invoices or receipts and divide the total by three. The Program will then take the average working capital expenses amount and multiply it by six to determine the business' maximum eligible working capital award amount for a six-month period.

Businesses planning to reopen will be required to provide a business plan and include a business pro-forma to establish the maximum eligible working capital award.

### **Duplication of Benefits Calculation**

After the maximum eligible working capital award amount has been determined using the calculation above, DLG will perform a DOB calculation reducing the maximum eligible working capital award amount by any duplicative assistance provided to the business.

#### **8.1.2 Equipment Awards**

Funding for movable and/or immovable equipment is eligible when the award is for the replacement or repairment of equipment lost or damaged during the 2021 disaster events. The purchase of new equipment may be eligible for businesses reopening if the business can provide justification for the need of the equipment. For the purposes of the SBGP award, "new" equipment does not mean the same as "replaced" equipment. Ex: business loses a food freezer and needs a new one. This would be considered a replacement equipment. Business wants a second freezer for business expansion. This would be considered new equipment.

### **Physical or Financial Losses**



Businesses requesting \$49,999 or below are required to have at least \$10,000 in physical and/or financial losses.

Businesses requesting \$50,000 or above are required to have at least \$50,000 in physical and/or financial losses.

**Evidence of Equipment Damages or Losses**

To determine the equipment eligible for CDBG-DR funds, the business will be required to provide invoices, receipts or other acceptable documentation to document equipment damages or loss and unmet need for equipment that has not yet been replaced or repaired. Photos can be used as evidence.

When requesting the purchase of new equipment, businesses will be required to provide justification for the need of the new equipment. Only businesses reopening will be eligible for purchasing new equipment.

**Evidence of Equipment Repair/Replacement/Purchase Costs**

To determine the maximum eligible equipment award amount, businesses will be required to provide documentation of the estimated cost for the replacement, repair, or purchase of the eligible equipment. This will include three quotes for the replacement, repair, or purchase of the equipment to establish cost reasonableness. The documentation provided must show a description of the equipment and any installation requirements. Equipment must be comparable to the damaged or destroyed equipment because of the 2021 disaster.

**8.1.3 DOB and Final Award Calculation**

After the maximum eligible equipment award amount has been determined, DLG will perform a DOB calculation and Final Award Calculation reducing the maximum eligible equipment award amount by any duplicative assistance provided to the business.

**Award Calculation Example:**

Step	Calculation Element	Award Amount Calculation
1	Eligible Working Capital Award Amount	\$250,000
2	Eligible Equipment Award Amount	\$35,000
3	Business' Total Eligible Award Amount (Working Capital plus Equipment)	\$285,000
4	Verified Duplicative Assistance	\$62,000
5	Final Unmet Need Amount	\$223,000



6	Maximum SBGP Award Amount (Program Maximum)	\$200,000
7	Number of Jobs Projected to Create (If Applicable)	3
8	Maximum Grant Award Amount	\$150,000

## 8.2 Grant Conditions

Total grant awards will range from \$10,000 minimum to \$200,000 maximum, based on a calculation of unmet needs and eligible expenses.

### 8.2.1 Job Creation or Retention Requirement

Upon verification and meeting the threshold of physical and/or financial losses, and the DOB calculation, eligible businesses receiving an award amount of \$50,000 or more will be required to create or retain 1 job per every \$50,000 received.

Businesses receiving \$49,999 or less will be required to report on any jobs created or retained within the term of their agreement.

### 8.2.2 Use of Funds Support Documentation

Businesses will be required to provide documentation to support CDBG-DR funds received by the SBGP were used on eligible expenses by providing documentation listed in Section 12 . Businesses are only allowed to use the funds on eligible expenses for which they were awarded.

### 8.2.3 Immoveable Equipment Installation

For equipment purchases requiring installation, Davis-Bacon wage rates may apply. If the cost of installation is more than 13 percent of the total cost of the equipment, then Davis Bacon wage rates will apply. Installation costs at or below 13 percent are considered incidental cost and Davis-Bacon wage rates will not apply.

### 8.2.4 Monitoring of Documents

At any time during the business' agreement with the Subrecipient or the Subrecipient's agreement with DLG, all files related to the grant award are subject to review or audit either by DLG or outside sources such as HUD, state auditors, HUD Office of Inspector General, etc.

## 9 Program Application Overview

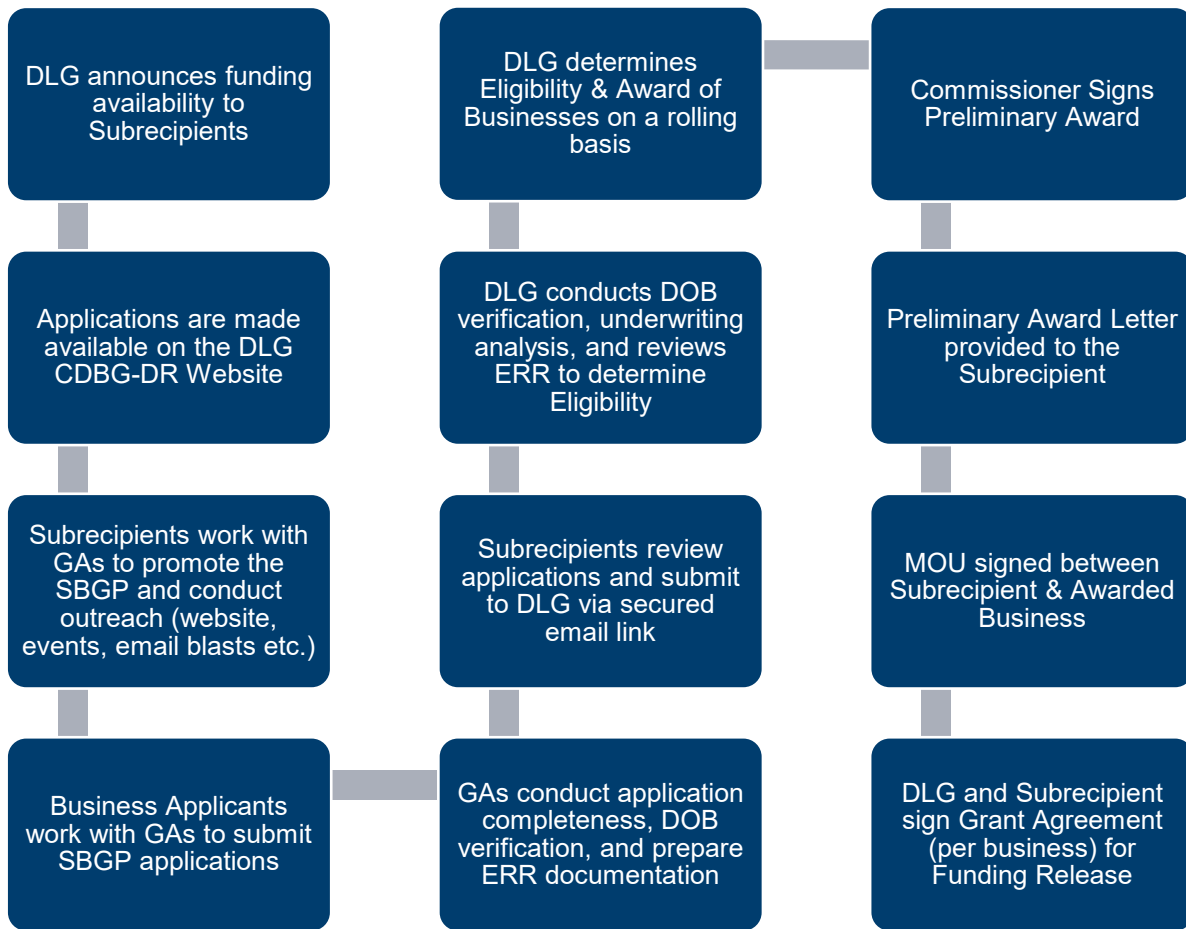
### 9.1 Application Process



### 9.1.1 Participants:

- **DLG (Grantee):** Prepares Program materials, reviews applications for eligibility, determines awards, and establishes Grant Agreement.
- **City/ County (Subrecipient):** Responsible for marketing to businesses, working with Grant Administrators to ensure applicant eligibility parameters for submission, monitors businesses, and manages recordkeeping.
- **Grant Administrators (GAs):** Support Business Applicants in submitting the necessary information and supporting documents, review applications for completeness, conduct DOB verifications, and submit applications to the Subrecipient for submission to DLG for eligibility determination.
- **Local Leaders:** Identify small businesses to participate in the SBGP and promote available funding within their areas. Local leaders may include Economic Development Directors, the Local Development Authority, the Industrial Development Authority, city, and county government officials, etc.
- **Small Business Applicants:** Submit application information, sign associated certifications, and submit supporting documentation through Grant Administrators and/or Subrecipients. If awarded, sign a memorandum of understanding with representing Subrecipient for award parameters.

### 9.1.2 Application Process:



### 9.1.3 Application Criteria:

Application approval and associated awards will be made through DLG’s evaluation of threshold criteria related to the SBGP application. DLG will assess each application based on the response to the following criteria. The project must:

- Be an eligible activity under CDBG-DR.
- Meet a CDBG-DR national objective.
- Be located in one of the HUD or State-identified MIDs.
- Demonstrate disaster-related physical damages or financial losses.
- List other leveraged funds and identify any potential duplicative assistance.
- If working capital is requested, identify operation need, and show the ability of the Business Applicant to operate and maintain the business beyond the life of the CDBG-DR grant.



- If equipment is requested, identify the equipment need, classify equipment lost or damaged in association with the disaster, show the ability of the Business Applicant to operate and maintain the business beyond following the purchase of the equipment.
- Be cost-reasonable.
- Identify how many LMI and non-LMI jobs will be retained or created with the funding (if applicable).
- Demonstrate how the project positively impacts members of protected classes, HUD-defined vulnerable populations, and/or historically underserved communities from the risks in each of the respective impacted communities.
  - Including whether the business is part of an underserved community.
- State other benefits of the project.

The application will be made available on the DLG website (<https://kydlgweb.ky.gov/>) once the application period is open.

## 10 Environmental Review

The purpose of the environmental review process is to analyze the effect a CDBG-DR funded project may have on the people in and the natural environmental features of a project area. All activities using CDBG-DR funds must receive environmental clearance before obligating or expending funds. Each activity is subject to completing a National Environmental Policy Act of 1969 (NEPA) environmental review in accordance with 24 CFR Part 58. For additional information on environmental review requirements, please see **CDBG-DR Subrecipient Manual, Chapter 2: Environmental Review**.

### 10.1 The Responsible Entity

Subrecipients are considered Responsible Entities (REs) and must complete an environmental review and receive release of funds from DLG of all project activities prior to obligating any grant funds.

The responsible entity must sign off and submit a Request for Release of Funds. As part of the assurances and agreements signed by the responsible entity, the Chief Executive Officer (CEO) of the responsible entity agrees to assume the role of “responsible federal official” under the provisions of the National Environmental Policy Act (NEPA).

For Subrecipients, under Part 58, the local chief elected, or appointed official must assume the role of the **Environmental Certifying Officer (ECO)** or formally designate another person to do so. If the CEO does designate a staff person to serve as the ECO, this designation must be made in writing and signed by the CEO and placed in the Environmental Review Record (ERR). The ECO accepts full responsibility for the



completeness and accuracy of the review and compliance with applicable laws and regulations.

## 10.2 SBGP Activities

### 10.2.1 Working Capital and Moveable Equipment

Certain activities are by their nature highly unlikely to have any direct impact on the environment. Most assistance associated with the SBGP, such as working capital or moveable equipment, will be **Categorically Excluded Activities Not Subject to 24 CFR part 58.35(b) (CENST)**. Subrecipients will submit an environmental review for each grant application.

To complete environmental requirements for Categorically Excluded projects not Subject to 24 CFR Part 58.5, the responsible entity must make a finding of Categorical Exclusion Not Subject to 58.5 for activities that qualify under that category (using **Subrecipient Manual (SM) Attachment 2-01**) and submit the information in the ERR. The RE must also carry out any applicable requirements of 24 CFR Part 58.6 and document the ERR.

Finally, the RE must complete the **Request for Approval of Evidentiary Materials (SM Attachment 1-01)** and submit to DLG along with the Environmental Review for Activity/Project that is Exempt or Categorically Excluded not Subject to Section 58.5 form.

The RE does not have to publish or post the Notice of Intent to Request Release of Funds (NOI/RROF) or execute the environmental certification.

### 10.2.2 Immoveable Equipment

Some immoveable equipment may require minor construction activity to install. The grant may be **Categorically Excluded Subject to Part 58.5 (CEST)** when commercial and industrial structures include:

- Facilities and improvements are in place and will not be changed in size or capacity by more than 20 percent; **and**
- The activity does not involve a change in land use, e.g., from commercial to industrial, from residential to non-residential, or from one industrial use to another.

To complete environmental requirements for Categorically Excluded projects subject to 24 CFR Part 58.5, the responsible entity must take the following steps:

- Determine whether or not the project is located in or will have an impact on floodplains and/or wetlands.
- Complete the Environmental Review for Activity/Project that is Categorically Excluded Subject to Section 58.5 (**SM Attachment 2-02**). The checklist helps to comply with the other (non-NEPA) federal laws.



Once the analysis is completed, if the Subrecipient identifies the project (with grant-funded construction) does not require any mitigation measures, the project may convert to Exempt. Projects that convert to exempt will not have mitigation requirements because to qualify for exempt status the project cannot trigger compliance with any of the statutes or related authorities at 58.6. Subrecipients must consult DLG to make the determination whether the project requires mitigation measures or whether it can convert to exempt. If exempt, the RE does not have to publish or post the Notice of Intent to Request Release of Funds (NOI/RROF).

For those projects that cannot convert to exempt, they must publish and distribute the Notice of Intent to Request a Release of Funds (NOI/RROF). It's important to note, if mitigation measures are required, SBGP will not be able to cover the costs of the necessary measures. For additional information on see the **CDBG-DR Subrecipient Manual, Chapter 2: Environmental Review**.

## 11 Requirements to Meet National Objectives

Awarded business will be required to meet a National Objective as defined by HUD. It is the business' responsibility to submit sufficient documentation to support the National Objective requirement. During monitoring, DLG will review Business award files to ensure documentation meeting the National Objective is recorded. Thus, Subrecipients will be required the maintain National Objective records for each awarded business. Documentation to meet the National Objective may be provided during application, if applicable, or throughout the term of the business' MOU agreement with the Subrecipient. **It is important to note that if the National Objective is not met by the end of a business' MOU agreement term, the business will be required to return all or a portion of the awarded CDBG-DR funds.** Additional information on returning the awarded CDBG-DR funds is provided in the [Section 16.2 Recapture](#).

Detailed below are the requirements to meet each type of National Objective within the SBGP. All required forms listed below will be provided by DLG or are available via other indicated sources.

### 11.1 Low-and-Moderate Income Jobs (LMJ)

[HUD Regulation](#): 24 CFR 570.483(b)(4)

At the time of application, all businesses must complete the **LMI Certification (Attachment 03)** and **Employee Survey Form (Attachment 04)** providing the total number of jobs projected to be created or retained due to the CDBG-DR funded activities. This form must be completed regardless of the National Objective selected.



### 11.1.1 Job Creation

To use the LM Jobs Created National Objective under the SBGP, at least 51 percent of jobs created must be held by or made available to low-to-moderate income persons. Created jobs are only considered to be held by LMI persons when the job is filled by a LMI person. To be considered held by an LMI person, one of the following must apply:

- The annual wages or salary of the job is at or below the HUD-established income limit for a one-person family; OR
- At the point of hire, the household of the person hired is at or below the HUD-established income limit based on the total household size and income.

Created jobs are only considered to be made available to LMI persons when:

- Special skills that can only be acquired with substantial training or work experience or education beyond high school are not a prerequisite to fill such jobs; OR
- The business agrees to hire unqualified persons and provide training in any special skills required for created jobs; AND
- The Grantee and the assisted business take actions to ensure that LMI persons receive first consideration for filling such jobs.

#### **Documentation:**

Documentation on availability of jobs for LMI persons should include evidence of affirmative marketing efforts by the business (e.g., advertisements, fliers, postings, outreach). The following is an outline of the documents that should be maintained by Subrecipients:

For created jobs that will be held by LMI persons, the records maintained by Subrecipients must contain:

- Advertisements, fliers, postings, outreach for job.
- A listing by job title of the jobs created and the jobs filled.
- The name and income status of the person (either by position or household) who filled each job.
- The full-time equivalency status of each job.

For created jobs that will be made available to LMI persons, evidence must show:

- Advertisements, fliers, postings, outreach for job.
- The title and description of the jobs made available.
- The full-time equivalency status of the job.
- Prerequisites for the job.
- Special skills or education required for the job, if any.
- The business commitment to provide needed training for such jobs.

- How first consideration was given to LMI persons.

When certifying job creation/retention activities, the following policies apply:

- Part-time jobs must be converted to full-time equivalent positions (FTE). DLG calculates 1 FTE at 38.5 hours a week or 2,000 hours per year.
- Only permanent jobs may be counted.
- Seasonal jobs may be counted only if the season is long enough for the job to be considered the employee's principal occupation.
- Jobs indirectly created or retained by an assisted activity may not be counted (for example construction jobs to complete the awarded CDBG-DR activity are not considered permanent for the CDBG-DR award, as those jobs are not maintained beyond the life of the construction contract).
- While not a requirement of 24 CFR 570.483(b)(4), to ensure adherence to the anti-pirating law, transferred jobs (those that involve one employee moving from one location to another) may not be counted.

### 11.1.2 Job Retention

For job retention activities, Subrecipients must document that the jobs would be lost without the CDBG-DR assistance. Under the SBGP, businesses that experienced a 20% revenue decline, as evidenced by their tax returns and/or financial statements, are eligible under the Job Retention National Objective. Businesses may also meet this National Objective if one or both of the following conditions apply:

- At least 51 percent of the jobs at risk are held by LMI persons; OR
- At least 51 percent of the jobs retained can reasonably be expected to turn over within the following two years and steps will be taken to ensure that the jobs will be filled by or made available to LMI persons upon turnover.

#### **Documentation:**

There must be clear and objective documentation that permanent jobs will be lost without CDBG-DR assistance. For these purposes, “clear and objective” evidence would include:

- Evidence of notice issued to potentially affected employees.
- Evidence of a public announcement or publication regarding potential job reduction.
- A detailed explanation of economic conditions under which these jobs would be lost without CDBG-DR assistance.
- Documentation to support job retention claim, including but not limited to financial statements, supplier statements, inventory records, newspaper articles, demonstrating that, in all likelihood, the business would need to reduce employees in the near future without the planned CDBG-DR intervention.



### 11.1.3 Presumed LMI Income Status

The business and/or the minimum of 51% created/retained job(s) are located in a pervasive poverty Census Tract of 20% poverty (30% if in a central business district); or the employee resides in a pervasive poverty Census Tract or Census Tract of 70% low- and moderate-income, in accordance with 24 C.F.R. 570.208(a)(4). Pervasive poverty Census Tracts are those where all block groups within the tract also have poverty rates of at least 20% as documented in the latest available American Community Survey 5-year estimates.

#### **Deadlines and Timelines for Creating or Retaining Jobs**

Businesses have two years (the length of their MOU with Subrecipients) to create their required number of jobs. Job retention is determined at the time the job is retained.

All jobs created and/or retained must be filled by eligible FTE employees for a minimum of two (2) months or at least four bi-weekly pay periods. Documentation maintained by the Subrecipient should include business payroll records, employee pay stubs, and other evidence of continued employment including job tracking requirements, monitoring, and periodic reporting on the status of created or retained jobs. The business must continue to collect income verifications from all job applicants and employees hired until hiring is complete and the jobs are monitored or verified by the Subrecipient, and the MOU term expires.

## 11.2 Low- and Moderate-Income Area Benefit (LMA)

[HUD Regulation](#): 24 CFR 570.483(b)(1)

When businesses provide services or benefits that are available to all residents located in an area that is primarily residential and at least 51% of the households are LMI, business may qualify under LM Area Benefit. Businesses receiving an award of \$50,000 or more must also create one job for each \$50,000 received.

To qualify under the LMA National Objective, the following must be met:

- Business must provide goods or services to the public and accessible to all persons in the identified service area. Goods and services that are available to all residents may include such services as grocery stores, laundromats, dry cleaners, pharmacies, health care, etc. A high-end business, real estate company, or other company that does not provide services that are available to all residents – regardless of income, accessibility needs, or other similar limiting features – would not be able to qualify under LM Area.
- The service area must be primarily residential.
- At least 51 percent of the residents in the defined area must be low- and moderate- income persons.

#### **Documentation:**



There are multiple conditions that must be reviewed and documented to determine whether a business can qualify under LM Area Benefit:

- The Subrecipient collects the geographic boundary (map) of the service area of the business.
  - With the assistance of the Subrecipient and/or Grant Administrator, business will provide the boundary map of the service area. The service area may align - but does not need to align - with census tracts or block groups.
  - DLG will use the most recently available Low- and Moderate-Income Summary Data (LMISD) provided by HUD comparing census data and block groups of the service area with appropriate low- and moderate-income levels or survey data of residents within the service area that is methodologically sound.
  - Documentation of required number of jobs created using the DLG provided form for awards \$50,000 or greater.

### 11.3 Microenterprise Activities

[HUD Regulation](#): 24 CFR 570.483(b)(2)

Assistance to microenterprises may meet the LMC- Microenterprise (LMCMC) National Objective if the business meets the definition of a microenterprise and the owner(s) of the business is(are) LMI. A microenterprise is defined as a commercial enterprise that has five or fewer employers, one or more of whom owns the enterprise.

#### Documentation:

- Determination and documentation that all owner(s) family household income is LMI.
- NOTE: If the owner(s) is(are) not all LMI, then the microenterprise may still qualify under another National Objective listed below, including LM Jobs and LM Area.
- Documentation of required number of jobs created using the DLG provided, LMI Certification Form and Employee Survey Form, for awards \$50,000 or greater.

## 12 Documentation Requirements

### 12.1 Documentation for Business Applicants

#### 12.1.1 Application Submission Documentation

At a minimum, applicant files should include the following documentation with submission. The Documentation Checklist can be found on the DLG website (<https://kydlgweb.ky.gov/>).



- Completed and signed application.
- Application supporting documentation as applicable:
  - Business Registration & Ownership
    - Company Background and History
  - Proof Operating on or before February 27, 2021, if impacted by the 2021 Severe Storms, Flooding, Landslides, and Mudslides (DR-4595) or December 10, 2021, if impacted by the 2021 Severe Storms, Straight-Line Winds, Flooding, and Tornadoes (DR-4630)
    - Date of Incorporation on corporate tax returns
    - Federal Business tax return 2021 or earlier
    - Business/Occupational License
    - Utility Bills from January-August 2021 for DR-4595 or November-December 2021 for DR-4630
  - Ownership Structure
    - 2023 IRS-filed tax return
      - Business or personal, whichever is applicable
    - Stock certificates with proof of total number of shares
    - Certification of formation
  - Business Operating Address in Eligible County
    - Business License
    - Tax returns
    - Lease Agreement
    - Utility Bills
  - Unique Entity Identifier (UEI)
    - Sam.gov registration with active status
- Proof of being defined as a Small Business by the SBA
  - Documentation of applicable NAICS Code; and
  - Federal Form 941;
  - Unemployment tax form;
  - Payroll forms; or
  - Payroll register.
- Proof Annual Gross Revenue is greater than \$25,000 (*Forms may be from 2021 through 2022*)
  - Federal tax form 1120 (corporations)
  - Federal tax form 1040 Schedule C (sole proprietorships)
  - Schedule F (Farmers)
  - Federal tax form 1065 (partnerships)
  - Federal tax form 990 (tax-exempt organizations)
- Evidence/Documentation for Disaster-Related Losses
  - Financial Loss, if applicable
    - Financial statements from 2021 and 2022
    - Cancellation of orders from clients or business
    - Documented proof of inability to fulfill orders due to the applicable 2021 disaster



- Interruption of supply chain documentation (invoices, emails, letters)
  - Profit and loss statements showing decrease in sales/customer volume directly attributed to applicable 2021 disaster
- Physical Loss, if applicable
  - Insurance loss report or claim, SBA Verified Loss Report, and/or receipts for replacement
  - Casualty loss reported on 2021 tax returns
  - Photographs of damaged equipment
- Proof Current on Federal Taxes
  - Printed Record of Account Transcript from IRS for the current year and the previous three years and if business was obligated to pay balance to IRS
  - Proof of payment of taxes for the most recent tax year that must be wet or digitally signed and dated
- Documentation to support uses of funds
  - Three consecutive months working capital support documentation. Documentation should be for three months prior to application. For example, if submitting application in June, documentation months will be March, April and May. Businesses seeking to reopen with CDBG-DR award must provide working capital documentation for three consecutive months prior to the applicable 2021 disaster.
    - Lease agreement/mortgage statement
    - Employee wages as evidenced by certified payroll registers or employee reporting forms
    - Inventory invoices or receipts
    - Utility Bills (electric, water and gas)
  - Equipment
    - Invoices and/or receipts of equipment to be replaced or repaired
    - Three quotes for repair, replacement or purchase of equipment
    - Verification of loss or damage for replacement equipment
    - Justification for new equipment
- Financial Documentation (interim financial statements, most recent three (3) years of tax returns, etc.)
- Government-Issued Photo Identification for All Owners/Principals
  - State-Issued Driver's License or Identification Card;
  - Passport or Passport Card;
  - Global Entry Card;
  - Military ID; or
  - Other official government-issued photo identification.
- Applicable National Objective documentation (see National Objective sections for required documentation)



- Proof of ability to reopen, if applicable
  - Business Plan
  - Pro-forma
  - Proof of Property Ownership/Lease agreement for new site
  - Proof all funding is available needed to reopen
- Other financial assistance (Duplication of benefits)
  - Insurance coverage and policy information, including claims and amounts received and approved for all potentially duplicative sources
  - Funding award/approval letter
  - Consent to Release Information
- Completed and signed Program forms:
  - Duplication of Benefits Certification & Consent to Release (Attachment 01)
  - SBA Self-Certification (Attachment 02) (If applicable)
  - LMI Certification (Attachment 03)
  - Employee Survey Form (Attachment 04)
  - Subrogation Agreement (Attachment 10-11)

### 12.1.2 Grant Management Documentation

The following documents should be maintained by awarded businesses:

- **Legally Binding Agreement (LBA)** with Subrecipients (**Attachment 5-4a-c**).
- Records for grant uses – working capital or equipment as defined in the grant terms.
- Records for National Objective – Jobs Creation or Retention, Area Benefit or Limited Clientele
- Flood Insurance (Building or Contents), if applicable.
  - If businesses located with a 100-year floodplain are awarded assistance for mortgage assistance, inventory and/or equipment expenses, they are required to maintain either building (mortgage assistance) or contents (inventory and/or equipment) flood insurance, at 100% replacement value, for two years after execution of their MOU with the Subrecipient. Failure to maintain and provide proof of flood insurance may result in a business' ineligibility from receiving any federal assistance in the event of future disasters.

## 12.2 Documentation for Subrecipients

### 12.2.1 Application Submission Documentation

At a minimum, application files should include the following documentation:

- Subrecipient or Grant Administrator engagement and outreach efforts with business entities and impacted communities.
  - Includes efforts to engage disadvantaged and underserved communities.
- Application documentation and verification of documents.



- Business applications received from Grant Administrators.
  - Communication with Business Applicants regarding the application and submission process.
  - **Application Verification File Checklist (Attachment 05)**
- Application supporting documentation.
- National Objective supporting documentation.
- Duplication of Benefits verifications.
- Environmental Review documentation and certifications.
- Signed Program forms.

### 12.2.2 Grant Management & Recordkeeping

It is important that DLG fully document compliance with all applicable regulations. This is accomplished through maintaining comprehensive records and submitting all necessary reports. Files should, to the extent possible, be maintained in a central location. The Subrecipient is responsible for maintaining records *for at least five years* after the closeout of DLG's grant award with HUD.

The Subrecipient must establish a record-keeping system to document compliance with all federal, state, local, and Program requirements. See **the CDBG-DR Subrecipient Manual, Chapter 1: Project Administration**, for a full listing of records required.

#### Overview of Records:

- Application, Award Determination and Grant Agreements.
- Financial Records.
- Procurement and Contracting documentation.
- National Objectives Documentation.
- Documentation of compliance with all applicable federal cross-cutting regulations.
- Case management notes and correspondence with the Grant Administrator and/or Business Applicant through the full lifecycle of the award (application through closeout).
- Cross-cutting federal regulation compliance documentation (Fair Housing, Labor Standards, Citizen Participation, etc.)
- Subrecipient Monitoring: Completed reviews and reports.
- Progress Reports: Monthly reports prepared for the DLG.

## 12.3 Documentation for Grantee (DLG)

### 12.3.1 Award Determination Documentation

At a minimum, award files should include the following documentation:

- Completed application with supporting documentation.
  - Business Applicant demographic data.
  - National Objective supporting documentation.



- Environmental Review documentation and certifications.
- Duplication of Benefits reviews and verifications.
- Underwriting process and determinations.
- Signed Program forms.
- Award calculation.
- Application review checklist.
- Award determination (e.g., approval, denial, appeals letters).
- Award communications and agreements.
- Documentation of compliance with all applicable federal cross-cutting regulations.

### 12.3.2 Grant Management & Recordkeeping

DLG will also maintain records for at least five years after the closeout of DLG's grant award with HUD. See the **CDBG-DR Subrecipient Manual, Chapter 1: Project Administration**, for more information.

Files should contain the following, as applicable:

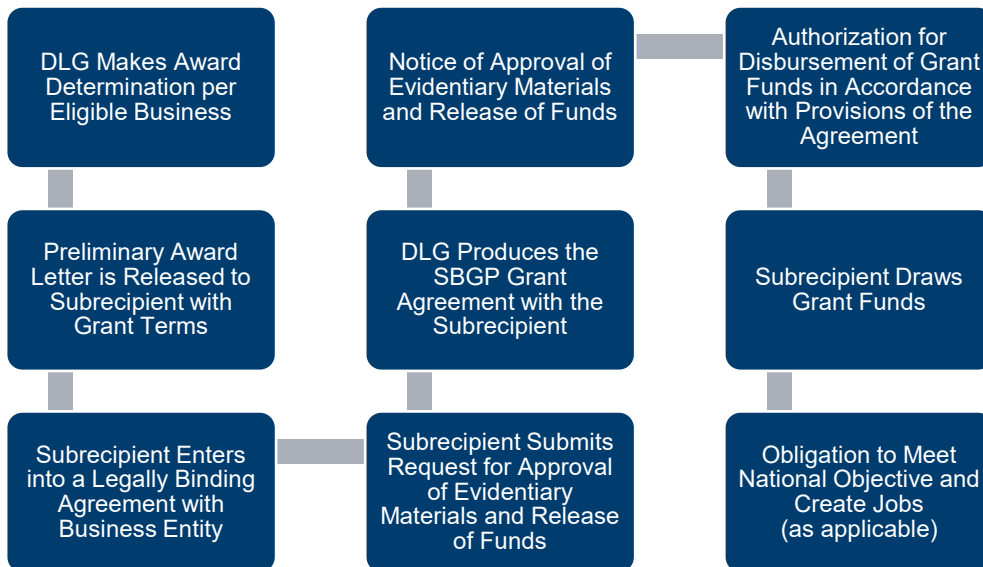
- Program guidelines and procedures.
- Program application template and forms.
- Program citizen participation efforts.
  - Includes efforts to engage disadvantaged and underserved communities.
- Application, Award Determination and Grant Agreements.
- Financial management records.
- Documentation of meeting Program or award terms and conditions.
  - National Objective documentation.
  - Eligible Activity documentation.
  - Eligible Costs documentation.
- Procurement and contracting documents.
- Cross-cutting federal compliance.
- Case management notes and correspondence with Subrecipient, Grant Administrator, or Business Applicant through the full lifecycle of the award (application through closeout).
- Monthly Reports from Subrecipients and Quarterly Performance Reports (QPRs).
- Monitoring documentation.
- Grant Closeout materials.

## 13 Contractual Agreements and Request for Funds

Subrecipients and Business Applicants that are selected to receive a grant are sent a preliminary approval letter. This begins the process of setting up the grant and ensuring that all contractual documents are in place. For more information on the process for newly awarded grants, see the **CDBG-DR Subrecipient Manual, Chapter 1: Project Administration**.

### 13.1 Subrecipient Grant Agreement

Subrecipients will enter into a Grant Agreement with the Commonwealth of Kentucky, Department for Local Government for every awarded Business Entity under the Subrecipient's purview. With the signed Grant Agreements, Subrecipients will submit the ***Request for Approval of Evidentiary Materials (SM Attachment 1-01)***.



To be authorized to Draw Grant Funds, the Subrecipient will need to include the following evidentiary materials for each award:

1. Environmental review per 24 CFR, Part 58.
2. A Legally Binding Agreement with the Business Entity.
3. Duplication of Benefits information.
4. Evidence of Commitment for All Other Funds.
5. ***Electronic Transfer of Funds Form (SM Attachment 3-4)***.
6. ***Authorized Signature Form (SM Attachment 3-3)***.
7. Fully executed Grant Agreement.
8. Evidence of Budget Ordinance/Amendment indicating inclusion of the CDBG-DR funds, per award.
9. State Clearinghouse assurances and comments.
10. Approved Procurement Policy, including copy of adopted resolution for the CDGB-DR procurement code.
11. Procedure to Detect Fraud, Waste, and Abuse Policy.
12. Language Access Plan and Citizen Participation Plan.
13. Fair Housing Resolution, including designation of local Fair Housing/Equal Employment Opportunity responsible official.
14. Policy of Non-Discrimination on the Basis of Disability Status (for subrecipients with more than 15+ employees).
15. ***Section 504 Accessibility Self Evaluation (SM Attachment 7-05)*** and Transition Plan.



16. ***Title VI Implementation Plan and Self Survey (SM Attachment 7-02).***
17. Written assurances as described in the **CBDG-DR Subrecipient Manual, Chapter 1: Project Administration.**

Subrecipient should note that DLG may terminate the grant and grant agreement if the required evidentiary and release of funds documentation are not submitted to the department within ninety (90) days of the date of the preliminary approval letter.

To draw of grant funds Subrecipient must ensure:

1. Commonwealth has issued the environmental releases required by 24 CFR Part 58.
2. The Commonwealth has approved, the required evidentiary materials specified in the Grant Agreement.
3. The Commonwealth has authorized, per the executed Notice of Approval of Evidentiary Materials and Release of Funds, the ability to draw grant funds.
4. The submission of all certifications and materials required as conditions precedent to the Subrecipient's authority to pay costs out of grant funds.

DLG may amend a Subrecipient's Grant Agreement to revise the requirements of a Subrecipient and/or Awarded Business. Conditions for which an amendment to the Grant Agreement may be necessary include but are not limited to:

- Change to the award amount.
- Change to the eligible use of funds (working capital or equipment).
- Change to the National Objective requirements.

Revisions to the Grant Agreement may require DLG to complete another full or partial underwriting.

## 13.2 Legally Binding Agreements – Subrecipients & Business Applicants

Awards must involve a ***Legally Binding Agreement*** to further detail the minimum requirements of each respective party involved in the project. A sample agreement is provided as in **SM Attachments 5-4a-c.**

The grantee has some latitude in negotiating the best arrangement possible with the Subrecipient and the assisted business provided they are within the confines of the grant agreement. There are basically three requirements of a Legally Binding Agreement. It must set forth:

- Basic activities as established in Exhibits A, B and C of the grant agreement.
- Provisions required in Section 7 of the grant agreement and any other applicable provisions.
- A statement that the agreement is contingent upon release of funds thereby avoiding any environmental review concerns.



When entering into an agreement with a business, a resolution establishing the authority of person(s) to enter into the legally binding agreement on behalf of the business must be attached to the agreement. A sample **Resolution of Authority (Attachment 06)** is provided.

The opinion of the grantee's legal counsel must accompany all legal documents. The certification to be used for this purpose is provided as in **SM Attachment 5-4a**. The grantee's legal counsel opinions may be combined into one document but must be clearly applicable to all legal documents. At a minimum, legal counsel must certify the authority of each party to sign, state that the document constitutes a valid and legally enforceable contract under the laws of the Commonwealth and indicate that all documents are in conformance with the grant agreement.

## 14 Monitoring & Reporting

### 14.1.1 Monitoring

Monitoring is the other primary mechanism to ensure compliance occurs. As such, it is important that Subrecipients have a clear and common understanding of the monitoring process and procedures. For details on the monitoring process and what a Subrecipient can anticipate, review the **CDBG-DR Subrecipient Manual, Chapter 13: Amendments & Monitoring**.

The monitoring review may be a comprehensive evaluation of all aspects of the Program or project for all aspects of compliance, or it may be oriented toward assessing compliance in a specific area or areas. The monitoring review ensures the Subrecipient and Business Applicant complies with the requirements of their legally binding agreement. A visit is scheduled in advance. The Chief Executive Officer (CEO) of the Subrecipient, as well as the Grant Administrator, is notified of the date, time, location, and purpose of the review visit in writing.

Subrecipients will be monitoring for adherence to their grant agreement with DLG. DLG will review Subrecipient policies and procedures, financial management, Program management, recordkeeping, and business files. Subrecipients should ensure their business files include documentation to meet the national objective, documentation demonstrating the use of the CDBG-DR funds, proof of flood insurance (if applicable), and documentation to support job creation.

If there are areas that are discovered during the review that indicate noncompliance with the laws, regulations, or other requirements, this may result in a finding. A finding of non-compliance must be remedied. A finding can result in a sanction if corrective action is not taken in a specified manner and/or timeframe.

### 14.1.2 Reporting

Subrecipients will be required to submit quarterly activity reports on a form to be provided by DLG.

## 15 Grant Closeout

Upon completion of CDBG-DR-funded activities, the Subrecipient enters project closeout, the final phase in the grant management process. For further details on the closeout process, please refer to the **CDBG-DR Subrecipient Manual, Chapter 14: Project Closeout**.

### 15.1.1 Conditions for Closeout

The following conditions must be met before closeout:

1. The CDBG-DR National Objective must have been met.
2. If applicable, the grant must have met the necessary job creation or retention requirements.
3. There must be no outstanding compliance review findings on the grant.
4. All required audits have been approved.

### 15.1.2 CDBG-DR Closeout Process

The closeout process consists of several key steps, including:

1. Conducting a public hearing to inform citizens that the CDBG-DR grant is complete and will be closed out, see the **CDBG-DR Subrecipient Manual, Chapter 1: Project Administration** for further instructions.
2. Completing and obtaining approval of the **Project Completion Report (PCR) (SM Attachment 14-02a-b)** and backup documentation. This report includes several parts and Subrecipients should use the format and instructions provided in the **CDBG-DR Subrecipient Manual, Chapter 14: Project Closeout**.
3. If applicable, submittal of an audit and resolution of any audit findings.
4. After reviewing the PCR, DLG will send a letter stating the PCR is approved. If the project is ready to close, DLG will also issue a Notice of Completion or Closeout Letter to the Subrecipient.

## 16 Additional Policies

### 16.1 Program Income

The Commonwealth understands that certain activities funded with CDBG-DR funds could result in the generation of program income. The SBGP should not trigger Program Income policies or procedures as the Subrecipient will not perform any activity that would generate program income. For more information on this policy, see the **CDBG-DR Subrecipient Manual, Chapter 3: Financial Management**.



## 16.2 Recapture

### 16.2.1 Subrogation Agreement

The Stafford Act requires Subrecipients to ensure that applicants agree to repay all duplicative assistance to the agency providing that Federal assistance. To address any potential DOB, each applicant must also enter into an agreement with the CDBG-DR subrecipient or DLG to repay any assistance later received for the same purpose for which the CDBG-DR funds were provided. This agreement will be in the form of a Subrogation Agreement that must be signed by every applicant before a Subrecipient or DLG disburses any CDBG-DR assistance to the applicant.

DLG will monitor each Subrecipient, and subsequently each applicant's compliance with the Subrogation agreement until the grant agreement ends. See the ***Subrogation Agreement (SM Attachment 10-11)***

### 16.2.2 Recapturing a Duplicative Benefit

If a potential DOB is discovered after CDBG-DR assistance has been released, the Subrecipient or DLG must reassess the applicant's need. If additional need is not demonstrated, CDBG-DR funds shall be returned or re-captured to the extent they are in excess of the remaining need and duplicates other assistance received by the applicant for the same purpose. This determination, however, will depend on what sources of assistance were last received by the applicant.

If a Subrecipient fails to recapture funds from an applicant, DLG may impose corrective actions pursuant to [24 CFR 570.495](#), [24 CFR 570.910](#), and **Federal Register** notices, as applicable. It is important for Subrecipient to note that the Stafford Act states that.

*“A person receiving Federal assistance for a major disaster or emergency shall be liable to the United States to the extent that such assistance duplicates benefit(s) available to the person for the same purpose from another source.”*

If a Subrecipient is unable to recapture DOB, that individual applicant will still be liable to the Commonwealth of Kentucky and the United States government. DLG is available to provide guidance to Subrecipient to establish or revising the DOB policies and procedures.

## 16.3 Anti-Fraud, Waste, & Abuse

Providing false information, or failure to disclose accurate and complete information, will lead to ineligibility determination and could constitute fraud. Suspected cases of fraud will be reviewed by DLG for investigation and further action. For more information on this, see the **CDBG-DR Subrecipient Manual, Chapter 15: Fraud, Waste, & Abuse**.

The application and eligibility process include verification steps (e.g., certification of Business Applicants have active Unique Entity ID (UEI), SAM.gov verification, etc.) to reduce fraud, waste, and abuse of federal funds.



Any person who suspects, witnesses, or discovers any instances of fraud, waste, or abuse relating to CDBG-DR funds should immediately report the information by utilizing any of the following means:

- Phone: 866-524-3672
- Postal Mail: 700 Capital Avenue, Suite 118, Frankfort, Kentucky 40601
- Email: DCIForce@ky.gov.
- Website: <https://ag.ky.gov/about/Office-Divisions/DCI/Pages/public-integrity.aspx>

Reports may be made anonymously. The Department of Criminal Investigations will report all notifications of fraud, waste, and abuse to the HUD OIG Fraud Hotline (phone: 1-800-347-3735) or email ([hotline@hudoig.gov](mailto:hotline@hudoig.gov)). Members of the public can also contact the HUD OIG directly.

## 16.4 Citizen Participation and Grievances

It is important that citizens of local jurisdictions are able to participate in the funding and decision-making process of local CDBG-DR projects. To that end, Section 5304(a)(2) and (a)(3) of Title I and 24 CFR 570.486(a)5 and 91.115(e) require grantees to provide adequate citizen participation in the planning, implementation, and evaluation of CDBG-DR activities. For more information on Subrecipient requirements, please review the **CDBG-DR Subrecipient Manual, Chapter 1: Project Administration**.

Conducting a public hearing to inform citizens that the CDBG-DR grant is complete and will be closed out. Subrecipients should review the Subrecipient Manual for further instructions and the sample **Public Hearing Notice (Attachment 1-02)** for reference.

### 16.4.1 Grievances

According to the citizen participation requirements, the Subrecipient must develop a procedure to respond to complaints and grievances. Subrecipients must provide citizens with an address, phone number, and time period for submitting complaints and grievances. The Subrecipient must respond to the complaint within fifteen (15) business days of receipt, where practical. Each complaint and the resolution to the complaint should be well documented in the Subrecipient's files and kept in a project complaint file for any project related complaints.

## 16.5 Voluntary Withdrawal, Ineligibility Determinations, and Appeals Process

### 16.5.1 Notification of Voluntary Withdrawal

Business Applicants unable to provide the information needed to process their application and eligibility determination will be notified via email of the pending items. Subrecipients and their Grant Administrators will make at least three attempts to



collect pending items or rectify application concerns. The following actions may result with the Applicant being voluntarily withdrawn.

- Failure for the Program to receive any correspondence from the applicant after at least three repeated attempts.
- Failure to provide the correct or complete information needed for the Program to determine the Applicant is eligible in a reasonable time period.
- Failure to provide clarifying information or supporting documents requested or complete information needed for the Program to determine the Grant Award in a reasonable time period.
- Failure to execute the final documents or Program documents needed to provide grant assistance.

### **16.5.2 Notification of Ineligibility**

Business Applicants that are unable to meet one or more of the SBGP eligibility criteria outlined in this policy will be notified in writing of the ineligibility reasons and will be provided with an opportunity to appeal.

The Notice of Ineligibility should certify the Business Applicant received the notice. Notice via email is considered sufficient if the Applicant responds to the ineligibility notice and acknowledges receipt or a document service provides receipt confirmation. If email and telephone outreach efforts are unsuccessful, written notice by certified/return receipt USPS is required and the date that the USPS written notice is received shall be considered the date that the written notice of ineligibility is received by the Applicant.

### **16.5.3 Method of Submitting Appeals**

If a Business Applicant would like to appeal a decision made by the Program on the eligibility determination or grant award amount, a written appeal must be submitted by the Subrecipient to the Commissioner within thirty (30) calendar days of the decision as documented by either the date of notification by electronic means or by the mail delivery date. At the end of the thirty (30) day period, if an appeal is not received, the Program's decision will be upheld.

Business Applicants may submit appeals to their Subrecipient who will then submit the appeal to the Commissioner via USPS mail.

*Standing Commissioner Name*  
CDBG-DR: Small Business Grant Program  
100 Airport Road, Frankfort, Kentucky 40601

- Appeals can only be filed by the Business Applicant, via the Subrecipient, before the Legally Binding Agreement has been signed with the Subrecipient.





- Business Applicants or Subrecipients that disagree with SBGP policies, Program conduct, or other issues may file a grievance with DLG in a manner addressed in the Grievance section of this policy, Section 16.4.1 Grievances.

**16.5.4 Responses to Appeals**

Upon receipt of an appeal request by the Program, the Commissioner will respond to the appellant within 3-5 business days acknowledging receipt of their submitted appeal. When practical, a written decision via email or USPS to the appellant will be sent within fifteen (15) calendar days; however, some cases may require additional time for the review. The Program will keep a record of each appeal that it receives.

**16.6 Cross-Cutting Compliance**

Economic development projects funded by DLG are subject to the range of requirements established in the other chapters of this manual. This section briefly highlights how these requirements are applied to economic development activities. For more detail about these requirements, please see the other chapters of the manual.

<p><b>Program Administration Chapter 1</b></p>	<p>In general, all the requirements explained apply to economic development. Of particular interest for economic development are the submission requirements prior to release of funds. In addition, HUD’s performance measurement data collection requirements apply to economic development projects. Specifically, activities qualifying under the job creation and retention national objective must report jobs by job classifications, such as whether the person filling the job was previously unemployed, and whether the job includes health care benefits.</p>
<p><b>Environmental Review Chapter 2</b></p>	<p>No CDBG-DR funds for economic development may be committed or drawn down until the environmental review (24 CFR Part 58) is completed. Depending upon the type of economic development project, different levels of environmental review may be required. Subrecipients must follow all the rules described in the chapter, thus it is encouraged to carefully read the chapter and consult with DLG regarding any questions.</p>
<p><b>Financial Management Chapter 3</b></p>	<p>The chapter provides an overview of the financial management requirements. In addition to all the standard financial requirements, economic development Subrecipients must follow procedures pertaining to agreements and recordkeeping.</p>
<p><b>Procurement / Contracting Chapters 4-5</b></p>	<p>Certain economic development activities directly undertaken by Subrecipients may trigger procurement requirements. However, procurement requirements do not apply to activities undertaken by private, for-profit entities (or Business Applicants) receiving CDBG-DR assistance, though costs must be reviewed to ensure reasonableness and eligibility.</p>



	Subrecipients should review Chapter 5: Contracting to ensure that all contracting requirements are met including ensuring the inclusion of all applicable required provisions in contract documents.
<b>Labor Standards and Construction Management Chapter 6</b>	The chapter outlines the federal and state labor standards provisions that may be triggered for CDBG-DR projects. For economic development projects, this will typically occur when there will be construction in the activity (e.g., the purchase of equipment and its installation). Specifically, <i>Davis Bacon</i> and the <i>Copeland Anti-Kickback Acts</i> will be triggered for any economic development activity where the construction contract exceeds \$2,000. When CDBG-DR funds are used in whole or in part to finance equipment, the applicability of wage rates to the installation cost must be determined. An equipment analysis must be completed, in which all items of equipment are included along with an explanation of related installation/modification costs. Please contact DLG if assistance is needed in making this determination. In addition to these requirements, other related requirements may also apply to the economic development project, including <i>Section 3; Equal Opportunity; The Contract Work Hours and Safety Standards Act</i> ; and various Kentucky laws. Subrecipients are encouraged to carefully read the chapter and consult with DLG to determine if Davis Bacon and other labor standards requirements are triggered for individual economic development activities.
<b>Fair Housing and Equal Opportunity Chapter 7</b>	The fair housing and equal opportunity requirements described in this chapter are applicable to economic development projects. Subrecipients should ensure compliance with the requirements stated within the chapter, as applicable.
<b>Relocation/ Acquisition Chapters 8-9</b>	The <i>Uniform Relocation Assistance and Real Property Acquisition Act</i> (URA) may be triggered for some economic development activities. Chapters 8 and 9 discuss these requirements in detail. The SBGP <b>does not allow</b> for the acquisition of real property, or subsequent displacement or relocation.
<b>Duplication of Benefits Chapter 10</b>	The <i>Stafford Act</i> establishes the requirement for the Commonwealth to implement policies and procedures for the review and analysis of CDBG-DR assistance and benefits from all sources to ensure no duplication occurs. The duplication of benefits review will be completed by the Subrecipient and verified by DLG. To prevent DOB, Subrecipients will be required to implement adequate and necessary Program policies and procedures that include sufficient controls. DLG’s minimum expectation is that Subrecipients will follow the DOB policies and procedures outlined in the chapter and these Program guidelines.
<b>Amendments and Monitoring / Project Closeout Chapters 13-14</b>	Economic development projects follow the standard DLG requirements for grant amendments. Subrecipients should review Chapter 13 for more information on the amendment process.



# Appendix

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## 17 Appendix

### 17.1 Subrecipient Manual Attachments

- **1-01:** *Request for Approval of Evidentiary Materials*
- **1-02:** *Public Hearing Notice*
- **2-01:** *Environmental Checklist for Exempt and CENST Projects*
- **2-02:** *Environmental Checklist for CEST Projects*
- **3-04:** *Electronic Transfer of Funds Form*
- **3-03:** *Authorized Signature Form*
- **5-04a:** *Certification of Legally Binding Agreement*
- **5-04b:** *Legally Binding Agreement*
- **5-04c:** *Legally Binding Agreement Standard Provisions*
- **7-02:** *Title VI Self Survey and Statement of Assurance*
- **7-05:** *Section 504 Accessibility Self Evaluation*
- **10-11:** *Subrecipient Subrogation Agreement*
- **14-02a:** *Project Completion Report Instructions*
- **14-02b:** *Project Completion Report*

### 17.2 SBGP Policy Attachments

1. *Duplication of Benefits Certification & Consent to Release*
2. *SBA Self-Certification*
3. *LMI Certification*
4. *Employee Survey Form*
5. *SBGP Applicant File Checklist*
6. *Resolution of Authority*

### 17.3 Glossary of Terms

- **ACH Routing Number:** The number assigned to each bank by the Federal Reserve for the routing of financial transactions.
- **Allowable Costs:** Costs that are acceptable under 2 CFR 200 and are approved as part of an activity in the grant agreement.
- **Amendment:** A written revision or change to the contract/grant agreement.
- **ADA:** Americans with Disabilities Act of 1991.
- **Area Development Districts (ADDs):** Regional planning and development organizations in which counties and cities work together to accomplish common goals and receive shared benefits.
- **Assurance:** A written statement or contractual agreement signed by the chief executive officer in which a grantee agrees to administer Federally assisted programs in accordance with laws and regulations.
- **Business Applicant:** Businesses that have at least one full-time equivalent (FTE) employee and meets the definition of a small business established in Section 3(a) of the Small Business Act as public law 85-536, approved in 1958. For the purposes of the



CDBG-DR program, a small business has more than five employees. Businesses with fewer than five employees, including the owner, is designated as a “microenterprise” and are eligible under this program.

- **Community Development Block Grant (CDBG):** The Federal entitlement program that provides funds to States and cities/counties for community development programs and projects.
- **CDBG-DR:** Community Development Block Grant – Disaster Recovery
- **CEO:** Chief Executive Officer or Chief Elected Official.
- **Compliance:** The fulfillment of the requirements of applicable laws, implementing regulations and instructions.
- **Contract Amendment:** Any written alteration in the specifications, delivery point, day of delivery, contract period, price, quantity or other provision of an existing contract.
- **Contractors:** A contractor is an entity paid with project funds in return for a specific service (e.g., construction). Contractors must be selected through a competitive procurement process.
- **Department for Local Government (DLG):** The agency within the Commonwealth of Kentucky that administers the State CDBG Program and the CDBG-DR program. The Department for Local Government (DLG), under the Office of the Governor, provides financial help in the way of grant and loan assistance, as well as advising local governments in matters of budget, personnel and other issues relevant to those entities.
- **Discrimination:** Unequal treatment of a class of persons. An action, policy or practice is discriminatory if the result is unequal treatment of a particular protected class.
- **Unique Entity ID (UEI):** The number is a unique numeric identifier assigned to a single business entity via SAM.gov. It replaces the use of the DUNS number.
- **Duplication of Benefit (DOB):** DOB occurs when a person, household, business, government, or other entity receives financial assistance from two or more sources for the same purpose within the same time period, and the total assistance received for that purpose is more than the total need for assistance.
- **Equal Employment Opportunity (EEO):** Refers to a number of laws and regulations that together require that CDBG-DR subrecipient provide equal opportunity to all persons without regard to race, color, religion, age, familial status, disability, sex, sexual orientation, gender identity, or national origin in the administration of their programs.
- **Eligible Costs:** The costs of a project that are acceptable according to Section 105 of the Housing and Community Development Act and that are consistent with the grant agreement.
- **Environmental Clearance:** A clearance given by DLG to indicate a Subrecipient has met the CDBG-DR environmental procedures and sufficient documentation and certification have been provided.
- **Environmental Review (ER):** The technical process of identifying and evaluating the potential environmental effects of a specific project within each impact category and as a whole.
- **Environmental Review Record (ERR):** Documentation of the environmental review process including all assessments or environmental impact statements, published notices, notifications and correspondence relating to a specific project.
- **Equipment:** For the SBGP, this may include movable and/or immovable equipment for the replacement or repairment of equipment lost or damaged during the 2021 disaster events. The purchase of new equipment may be eligible for businesses reopening if the business can provide justification for the need of the equipment.



- **Fair Housing:** Refers to a number of Federal and State laws and regulations that prohibit a wide range of discriminatory practices and require that CDBG-funded programs be administered in a manner that affirmatively furthers fair housing.
- **Federal Assistance:** Any funding, property or aid provided for the purpose of assisting a beneficiary.
- **Federal Register:** Publishing a document in the Federal Register provides the public official notice of a document's existence, specifies the legal authority of the agency to issue the document, and gives the document evidentiary status.
- **Federal Register Notice:** The Federal Register is a daily gazette containing Presidential documents and new and amended Federal regulations. The Office publishes the complete set of Federal rules in the Code of Federal Regulations.
- **Finding of No Significant Impact (FONSI):** A public document by a federal agency or a CDBG-DR Subrecipient briefly presenting the reasons why an action not otherwise excluded (40 CFR 1508.4) or exempt will not have a significant effect on the human environment and for which an environmental impact statement will not be prepared.
- **Full Release of Funds:** The date on which the Subrecipient has received environmental clearance and DLG has received and approved all the items listed in the evidentiary section of the grant agreement.
- **Grant Administrators (GAs):** Support Business Applicants submit the necessary information and supporting documents, review applications for completeness, conduct DOB verifications, and submit applications to the Subrecipient for submission to DLG for eligibility determination.
- **Language Assistance Plan (LAP):** A plan developed by organizations to address other-than-English language service capabilities for limited-English proficient (LEP) individuals.
- **Lease:** A contract in which a property owner (lessor) transfers the possession of an asset to another party (lease), usually in exchange for the payment of rent.
- **Legally Binding Agreement:** Document entered between the Subrecipient and the private business, or nonprofit, and/or participating party that defines and delineates each party's responsibilities as contained in the grant agreement.
- **Limited English Proficiency (LEP) Individuals:** Individuals who do not speak English as their primary language and who have a limited ability to read, speak, write, or understand English.
- **Local Development Agency (LDA):** A locally based non-profit that is certified by the KCDBG program to implement CDBG activities under Section 105(a)15 and retain LDA proceeds, which are not considered program income and are not federal funds.
- **Low and Moderate Income (LMI):** As defined in the Consolidated Plan regulations and Section 8 Program a family whose annual income whose annual income is below 80 percent of the area family median income.
- **Microenterprise:** A commercial enterprise that has five or fewer employees, including the owner (or owners) of the business.
- **Minority:** A person or groups of persons differing from others in some characteristics such as race, color, national origin, religion, sex, disability, or familial status.
- **Minority Business Enterprise/Woman-owned Business Enterprise (MBE/WBE):** Companies owned by minorities or women.
- **Monitoring:** A routine review of projects during and after Federal assistance has been provided to the Subrecipient.
- **National Objective(s):** Refers to the three main goals of the CDBG-DR Program— (1) benefit to LMI persons, (2) prevent or eliminate slums/blight, or (3) meet a need having a



particular urgency. All funds expended under SBGP must meet the benefit to LMI persons.

- **Necessary and Appropriate:** The process used by the Subrecipient to ensure that private firms benefiting from CDBG-DR projects will not be unduly enriched.
- **Noncompliance:** Failure or refusal to comply with an applicable law or regulation or DLG requirement.
- **Notice of Intent/Request Release of Funds (NOI/RROF):** The notice the Subrecipient completes and submits to DLG once it is determined that a project will not require an environmental impact statement.
- **Office of Management and Budget (OMB):** This is the oversight agency of the Federal government.
- **Persons with Disabilities:** Persons who have physical or mental impairments that substantially limit one or more of their major life activities (i.e., talking, walking, working, etc.), have histories of those impairments, or are regarded as having those impairments under provisions of the ADA.
- **Program Income:** Gross income received by the Subrecipient that was generated from the use of CDBG-DR funds.
- **Protected Class(es):** A person or persons who, by virtue of race or color, national origin, religion or creed, sex, disability, age or familial status are protected and given redress by the law when discriminated against.
- **Public Notification:** Process of publicizing information about CDBG-DR projects. This is attained through the use of newspapers, newsletters, periodicals, radio and television, community organizations, grassroot and special needs directories, brochures, and pamphlets.
- **Public Posting:** Display of information such as notices in prominent locations throughout the community.
- **Regulations:** Refers to the implementing requirements that are developed and issued by the agency responsible for a certain program or requirement. In the case of CDBG, the regulations are issued by HUD and can be found at 24 CFR Part 570.
- **Responsible Entity (RE):** Term used to refer to the entity responsible for completing and certifying an environmental review record, as required under 24 CFR Part 58. In the case of CDBG-DR funds, Subrecipients (that are local governments) are the responsible entity.
- **Section 3:** Refers to Section 3 of the Housing and Urban Development Act of 1968, as amended in 1992, which requires that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State, and local laws and regulations, be directed to low- and very low-income persons, and/or to businesses that provide economic opportunities to low- and very low-income persons.
- **Subrecipient:** Refers to eligible entities that may receive or grant CDBG-DR funds under the Commonwealth of Kentucky's CDBG-DR Program.
- **System for Award Management (SAM):** An information system tool that streamlines the Federal acquisition business processes by acting as a single authoritative data source for vendor, contract award, and reporting information.
- **Time Delay:** An interruption during which services, supplies or work are not delivered in accordance with the performance time schedule stated in the contract.
- **Title VI of the Civil Rights Act of 1964:** Federal law (USC 2000d-4) prohibiting discrimination based on race, color or national origin.



- **Uniform Relocation Act (URA):** The Federal regulation governing the acquisition of real property and the relocation or displacement of persons from Federally assisted projects.
- **Underserved Communities:** The term refers to populations sharing a particular characteristic, as well as geographic communities, that have been systematically denied a full opportunity to participate in aspects of economic, social, and civic life. Underserved communities that were economically distressed before the disaster include, but are not limited to, those areas that were designated as a Promise Zone, Opportunity Zone, a Neighborhood Revitalization Strategy Area, a tribal area, or those areas that meet at least one of the distress criteria established for the designation of an investment area of Community Development Financial Institution at 12 CFR 1805.201(b)(3)(ii)(D). Underserved communities with both protected classes and vulnerable populations and are the result of historic and systemic patterns regarding the lack of engagement, mistreatment, and barriers to participation.
- **Underwriting:** Grantees must insure that all assistance provided to a business is necessary and reasonable. Underwriting is a framework for selecting economic development projects which are financially viable and will make the most effective use of the CDBG-DR funds.
- **US Department of Housing and Urban Development (HUD):** HUD establishes the regulations and requirements for the program and has oversight responsibilities for the use of CDBG funds.
- **Vulnerable Populations:** The intersectionality of characteristics that can make people vulnerable varies locally and regionally by geography, markets, prevalent housing stock and tenure, history, prejudice, or policy.
- **Working Capital:** For the SBGP, this may include capital for the payment of employee salaries/wages (owner's salary is not an eligible expense), mortgage payments or rent/lease, inventory and supplies, and utilities.