



**CITY OF HOMER COVID-19 SBERG2 PROGRAM POLICY
SMALL BUSINESS ECONOMIC RELIEF GRANT ROUND 2
GRANT PROCEDURES AND CRITERIA**

1 **Purpose**
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3 Round 2 of the Small Business Economic Relief Grant (SBERG2) Program is designed to respond
4 to the continued economic hardships City of Homer businesses are suffering due to lost
5 revenue a result of the Covid-19 pandemic and associated health mandates. The City of Homer,
6 using Coronavirus Aid, Relief, and Economic Security (CARES) Act funding, has allocated
7 \$2,000,000 to be distributed through this program in grants up to \$50,000 based on eligible
8 expenses not to exceed percentage of revenue loss in 2020 relative to 2019.

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10 **Eligibility Criteria**
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- 12 1. Must either have a physical place of business situated within the City of Homer (this
13 may include an office, home-based business, restaurant, store, or other space that
14 depends on foot traffic) or primary business activity must occur within the City limits.
- 15 2. Must be considered a small business by the State of Alaska.
- 16 3. Must have filed a sales tax report with the Kenai Peninsula Borough within the last two
17 quarters of 2019 and/or within one of the first two quarters of 2020 that indicates City
18 of Homer taxable sales. Compliance for businesses who do not collect City of Homer
19 sales tax will be reviewed based on licensing and/or sales tax filings (for business who
20 work for non-profit, government or provide service as sub-contractors, or businesses
21 with a physical presence in Homer city limits that only file sales tax with the Kenai
22 Peninsula Borough.)
- 23 4. Must be in good standing on payments and filed returns with the Kenai Peninsula
24 Borough Tax Department.
- 25 5. All applicants must certify and provide a brief explanation as to how the business
26 suffered a loss of revenue as a result of the Covid-19 pandemic.
- 27 6. Grantees of the prior City of Homer SBERG program are presumptively qualified
28 provided they
 - 29 a. certify additional financial need for eligible Covid-19 emergency related
30 expenses that have not been or are not expected to be reimbursed through any
31 other loan/grant program, and/or
 - 32 b. provide supplemental financial documents for grant requests over \$4,500.
- 33 7. The City reserves the right to interpret the terms of this program.
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35 **Grant funds are eligible for:**
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- 37 1. Payment of rent or required monthly loan payments
- 38 2. Payments of essential wages, taxes, and normal benefits to employees essential to
39 maintain business

- 40 3. Normal operating costs that are included in "cost of goods sold" on business's income
41 statement (raw materials for manufacturers, component pieces for assemblers, items
42 for resale for retailers, food for restaurants, etc.)
- 43 4. Normal operating expenses that are included in "operating expenses" on businesses'
44 income statement (utilities, insurance, professional services, etc.)
- 45 5. Normal draw or wages on a weekly or monthly basis to owner

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47 **Grant funds ineligible for:**

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- 49 1. Any expense that would not be considered an eligible business expense by IRS rules
- 50 2. Political contributions
- 51 3. Bonuses to owners or employees
- 52 4. Wages to any member of owner's family who is not a bona fide employee
- 53 5. Charitable contributions
- 54 6. Gifts or parties
- 55 7. Draw or salary to owner that exceed the amount that they were paid on a weekly or
56 monthly basis for the same period in 2019
- 57 8. Pay down or pay off debt by more than required in underlying debt instrument
- 58 9. Any expense considered ineligible under the State of Alaska CARES Act grant program
- 59 10. Expenses that have been or are expected to be reimbursed through any other
60 loan/grant program

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62 **Grant amounts:**

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64 All grant awards are based on financial need and according to an itemized list of eligible
65 expenditures provided by the applicant.

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67 **Option 1: Award based on percentage loss.**

68 SBERG2 grant award is based on eligible expenses and percentage of loss when comparing
69 gross income reported on KPB sales tax reports for 2019 and the first three quarters of 2020.
70 The 4th quarter of 2020 will be averaged to populate a total gross income for 2020. Award is
71 capped at an amount not to exceed 2019 earnings, or \$50,000 whichever is less. Businesses
72 who are tax exempt will provide IRS filings for 2019 and current profit/loss statement for 2020.
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74 Grant award will not allow business to exceed earnings of 2019 and must be itemized with
75 eligible expenses. (Example – if reported gross earnings for 2019 totals \$100,000 and estimated
76 income for 2020 is \$80,000, grant award would not exceed \$20,000.)
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78 **Option 2: Standard SBERG award.**

79 First time SBERG applicants who choose not to submit annual income reports can request up
80 to \$4,500 based on eligible expenses; SBERG1 award recipients who choose not to submit

81 annual income reports can request an additional \$1,500 through the SBERG2 program based
82 on eligible expenses.

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84 Businesses started in 2nd quarter 2020:

85 SBERG2 grants up to \$4,500 will be available for new businesses who opened during the 2nd
86 Quarter of 2020 based on eligible expenses.

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88 **Application Process:**

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- 90 1. The business owner must fill out the application available online at the City of Homer
91 website or paper application available from the City Clerk's office. Applications must be
92 submitted within the advertised application period.
- 93 2. If not submitted with a previous City of Homer SBERG application, applicant must
94 submit a signed IRS W-9 form with their application.
- 95 3. The applicant's 2019 third or fourth quarter or 2020 first quarter business sales tax filing
96 must have been timely made, and the business must be in good standing with the Kenai
97 Peninsula Borough Tax Department, not have any outstanding unpaid sales tax
98 balance, or missed filings.
- 99 4. All applications received by the deadline will go through a review and verification
100 process to insure applicants meet the eligibility requirements.
- 101 5. Applicants who submit incomplete applications will be notified by email. Applications
102 may be amended before the deadline.
- 103 6. Applicants whose requests are denied will be notified via email. A grantee who is
104 denied may appeal in writing to the City Manager no later than 5 PM the 10th calendar
105 day after the applicant receives notice from the City.
- 106 7. Once all applications have been reviewed and verified, grant payments covering
107 eligible, documented expenses may be dispersed to eligible applicants. In the unlikely
108 event more funds are requested than is allocated to SBERG2, standard and new
109 business awards will be dispersed first, followed by awards based upon percentage of
110 loss, with businesses with highest percentage of loss ranking highest. Grantees will be
111 notified via email once their grant award has been approved.
- 112 8. Information provided in the SBERG2 application will be kept confidential to the extent
113 authorized by law.
- 114 9. Grant funds received must be fully expended by December 30, 2020. If funds have not
115 been expended, they must be returned to the City. Funds must be used in accordance
116 with the guidelines of this program.
- 117 10. An IRS 1099 Misc. income form will be issued by January 31, 2021.
- 118 11. It is incumbent upon the applicant to determine whether:
119 a. Proceeds from the grant are taxable, or

120 b. The receipt of a grant under this program might preclude eligibility for any
121 other grant or aid programs.

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123 **Reporting**

124 Grantees are required to expend grant funds in accordance to the budget they provide as part
125 of the SBERG2 application itemizing how grant funds are to be used to reimburse eligible
126 expenses associated with COVID-19 and incurred or reasonably expected to be incurred from
127 March 1, 2020 to December 30, 2020. Grant funds must be either fully expended or any unused
128 portion returned to the City of Homer by December 30, 2020.

129 Grants received under this program are subject to audit and may be randomly selected to
130 produce documentation for program evaluation. This may include the completion of a
131 reporting form provided by the City documenting how the funds were used. Grantees are
132 required to maintain records and receipts for grant expenditures for a period of six years and
133 make them available upon request.