



State CDBG & Microenterprise Assistance

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WHAT ARE MICROENTERPRISES?



Definition: Microenterprise

42 USC 5302(a)(22)

Microenterprises are a **commercial entity that has 5 or fewer employees, one or more of whom owns the enterprise**

- Microenterprises range in type and capacity
- Examples include Daycare, Mechanics, Hairdressers, & Start Ups.



Microenterprise Key Points

Microenterprise development can be a

- Tool to empowerment special populations: Displaced workers; Women and minority entrepreneurs; and Former public assistance recipients.
- Tool to support certain sectors of industry: Clean energy, Technology, etc.
- Tool to bolster the local economy of underserved areas.



ELIGIBLE ACTIVITIES AND NATIONAL OBJECTIVE?



Microenterprise Eligible Activities

- May provide microenterprise assistance as **loans, grants, and other forms of financial support.**
- **Technical Assistance**, advice, and business services to owners and persons developing microenterprises
- **Training** to build recipient and subrecipient capacity
- **General support** to owner and persons developing microenterprises, including peer support programs, counseling, childcare, or transportation

Eligible Activities (Continued)

- **LMC** when the owner/person developing the enterprise is an LMI person, otherwise choose another National Objective.
- **No public benefit test** if done as 105(a)(22), Matrix code 18C.
- **No limit** on the amount or type of CDBG loan/grant to each microenterprise



\$50,000 Individual
\$35,000 Aggregate

Eligible Activities (Continued)

- Microenterprises may relocate with CDBG assistance; 102(a)(22) is not subject to the prohibition of relocating across labor market areas.
- Underwriting guidelines take into account differences in the size and scope of a proposed project, and in the case of a microenterprise or other small business to take into account the differences in the capacity and level of sophistication among businesses of differing sizes.

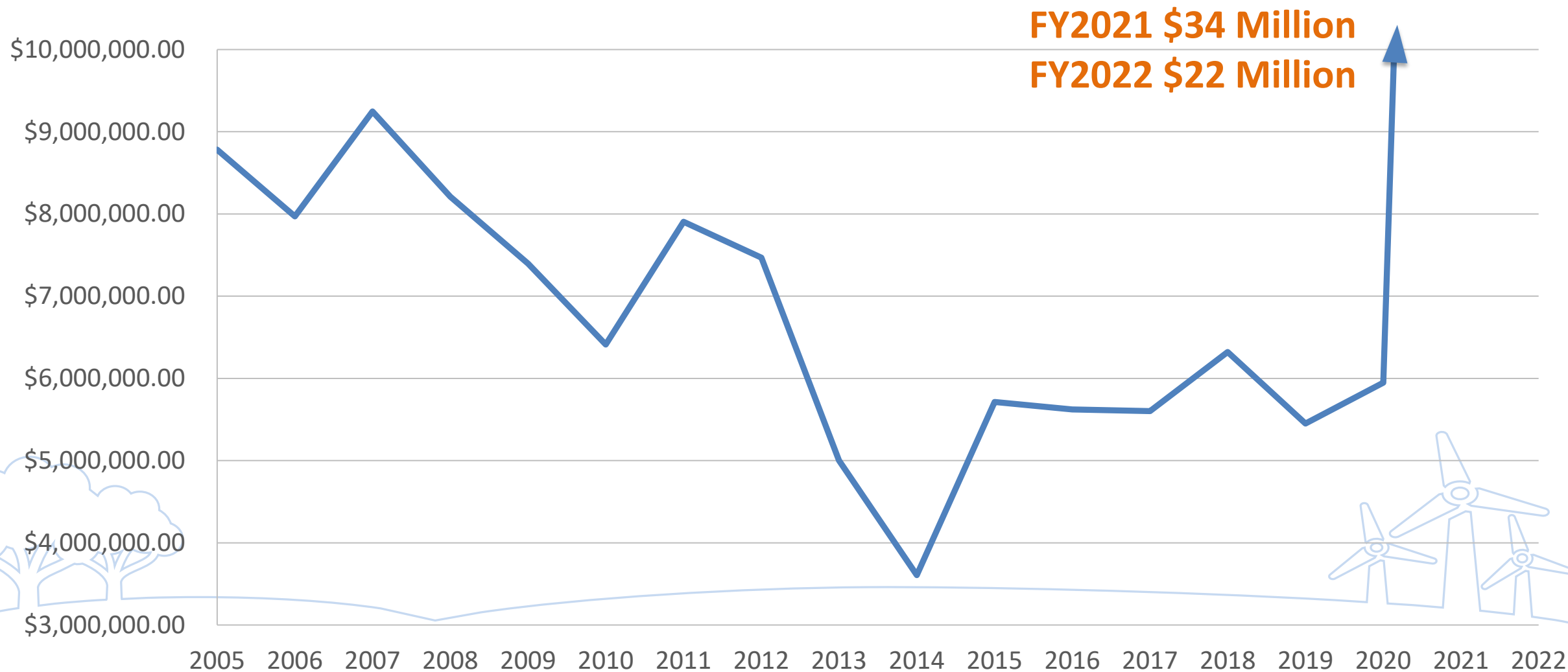
Program Design

- Describe Microenterprise assistance in the Method of Distribution of the Annual Action Plan and set goals.
- Consider underwriting capacity in house or contracting out for support with entities such as community banks.
- Consider a program that provides loans or grants to businesses, Or considering business support such as technical assistance, training, business incubators, etc, Or Both.

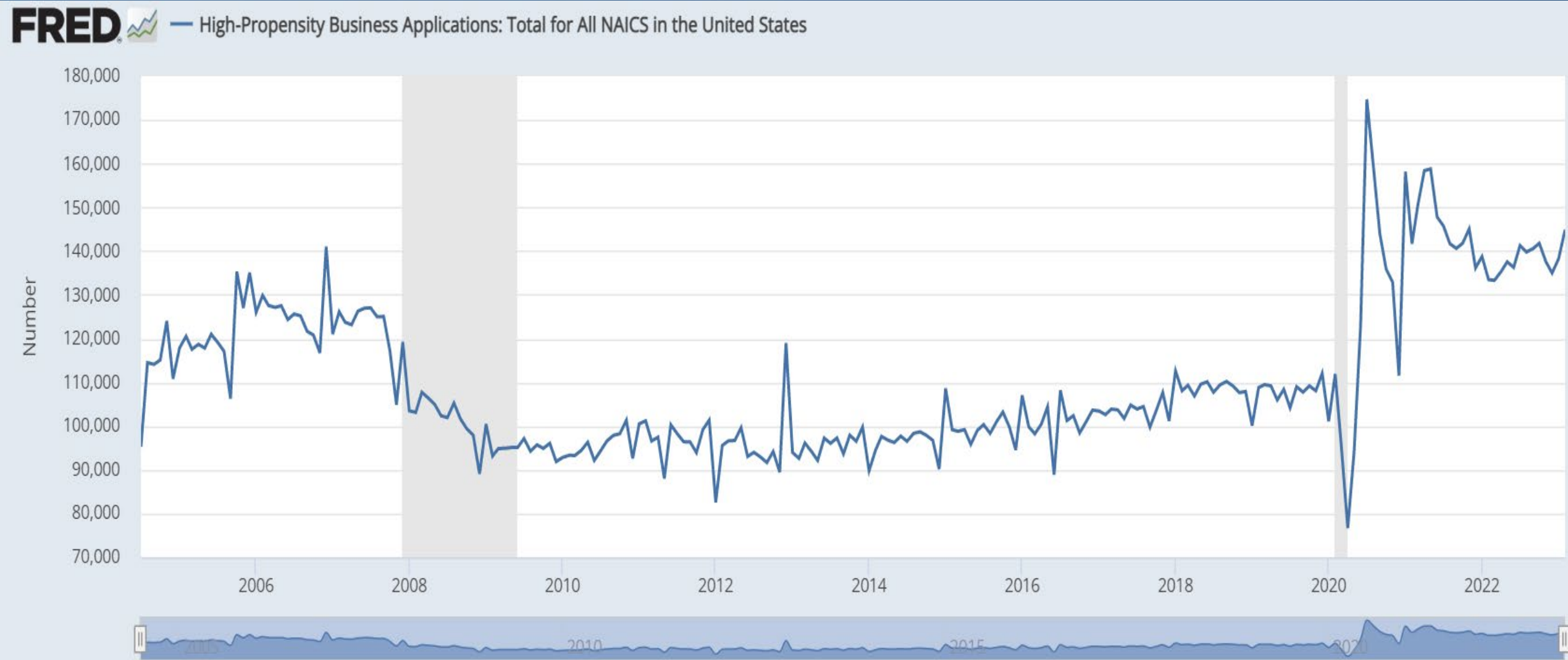
SMALL BUSINESS TRENDS



State CDBG Microenterprise Expenditures by Fiscal Year



New Business Origination Trends



Shaded areas indicate U.S. recessions.

Source: U.S. Census Bureau

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THANK YOU

