TEMPLATE EVALUATION FORM FOR GRANT OR LOAN

This template has been generated from grant and loan priorities listed publicly from first-mover local small business support funds in cities like Birmingham, Erie, and others. It is intended to serve as a set of suggestions that can be applied to different city contexts when developing an evaluation process for allocating limited small business relief funds.

It's broken into two phases to help city evaluation staff sort through applications in an oversubscribed system. Phase 1 is for whittling down the pool to a manageable number based on a set of local and articulated principles to serve the smallest businesses that are not always served by the SBA. Phase 2 is to further evaluate and prioritize from this pool.

Statement of priorities for a small business relief program
We see small business relief funds serving as a bridge to more stable economic cycles. These funds are intended to stabilize the most vulnerable small businesses and support jobs for workers. To achieve these priorities, we recommend four key principles in granting loans. These principles can change based on local context, we've identified four that target businesses less likely to be served by the SBA:

1. A prioritization of M/W/DBE businesses since we know that statistically, these businesses tend to have a 30% shorter cash buffer than majority-owned businesses.
2. A prioritization of businesses that have or are reconfiguring their COVID-19 business models to retain hourly workers, since they will likely have salutatory economic benefits.
3. A prioritization of businesses that are vital anchors in their neighborhoods and communities since small businesses are the gathering places of their neighborhoods and the lifeblood of a local economy.
4. A prioritization of businesses least-likely to be served by the SBA. The SBA's 7(a) loan is well set up, but because of unprecedented volume in the Paycheck Protection Program, banks are mostly lending to clients with pre-existing relationships. Because of this the SBA's paycheck protection program misses certain vulnerable businesses that lack pre-existing lending relationships.

Two Scoring Phases

The first phase scores the initial pool of applicants along a numerical metric. This creates a baseline score. You can then establish a threshold above which grants move onto the phase two. One recommended threshold is dividing the target grant size by the total fund size and then adding 50% as a buffer. For example, in a $500,000 fund with grants of $5,000 this gives 100 applicants + 50 applicants that make it through phase 1. The second phase will be reviewed by a committee who make the final decision. Each application will be scored out of 55 points (25 in phase 1, 30 in phase 2).

The following categories were systematized from emerging first mover criteria nationally. Most also require a minimum set of criteria such as good tax-standing. Other minimum threshold criteria that have been used include:

- Business must either:
- Be public-facing (e.g. retail, coffee shop, food service) and directly impacted by new public health requirements related to COVID-19 pandemic.
- have experienced 25% or more decline in revenue due to the COVID-19 pandemic.
- Businesses must have $5 million or less in annual gross revenue.
- Business must have 50 or fewer employees.
- Principal place of business must be located within a certain metropolitan, county, or census tract geography.
- Business must have been in operation and in compliance with state requirements on, or prior to, summer 2019 (July 1, 2019).
- Business must be registered with the city or county on, or prior to, summer 2019 (July 1, 2019).
- Business must provide owner with primary source of income (50% +1 of monthly income should come from the business).

For lending, standard CDFI underwriting criteria should be applied. Speak with your local CDFI if you need recommendations on these criteria.

PHASE 1 SCORING: X / 25

Scoring System	*1*	*2*	*3*	*4*	*5*	*Rationale*
Years of Operation	<1 Year	1-3 Years	3-5 Years	5-10 Years	10+ Years	We care about supporting small businesses that are anchors in their communities. Years of operation is a proxy variable for this.
Minority, Women, and Disadvantaged Business Enterprises	No minority ownership	-	If at least one owner is M/W/DBE	-	All ownership is M/W/DBE	Minority, Women, and Disadvantaged Business Enterprises have less of a cash buffer in the bank than other companies. This loan aims to stabilize small businesses, therefore the scoring rubric reflects this cash gap.
Gross Receipts	<$50K	$50K - $150K	$150K - $250k	$250K - $500K	$500K+	This score is designed to reflect the contribution to the tax base. These thresholds should change based on metro area. The following ranges are generated for mid-sized metros.
Fiscal Stability (% of funding in the bank to cover operational expenses on a monthly basis)	0%	25%	50%	75%	100%+	We want to make sure that we are allocating scarce funding to viable businesses, so we want to understand how much cash small businesses have in their accounts.
Business Size	51 Employees	26 - 50 Employees	11 - 25 Employees	6 - 10 Employees	5 or fewer employees	The smallest businesses are most likely to fall through the cracks of SBA lending. We want to ensure that they get the support they need.

PHASE 2 SCORING: X / 30

The top-scoring applications from Phase 1 will move onto the next round which will be scored by the loan committee. These scores should be evaluated based on financial data that the business has provided in its application.

Scoring System	1	2	3	4	5	*Rationale*
To what extent will this funding serve as a bridge for the small business to a more stable economic cycle after the Covid-19 pandemic?	This will not meaningfully establish a bridge to a more stable business cycle.	It's unlikely that this funding will meaningfully establish a bridge to a more stable business cycle	This funding may meaningfully establish a bridge to a more stable business cycle	This funding is likely to establish a bridge to a more stable business cycle.	This funding will meaningfully establish a bridge to a more stable business cycle.	This fund is designed to serve as bridge funding to more stable economic cycles.
To what extent will the funding be used in relation to Covid-19 to pay for essential items to keep the business running and workers employed?	The small business intends to use the money to pay outstanding debt or non-Covid-19 related expenses.	Between 0% and 50% of this funding will be used to pay for expenses specifically related to COVID-19.	Between 51% and 80% of this funding will be used to pay for expenses specifically related to COVID-19.	Between 81% and 99% of this funding will be used to pay for expenses specifically related to COVID-19.	The small business intends to use all the money to pay for expenses specifically related to COVID-19.	This funding is intended to be directly used for stabilizing small businesses and workers as disrupted by COVID-19. The funding is not intended to be used to pay outstanding debt from before the crisis.
To what extent does this small business have a vital economic role in its community?	This business followed existing development and is not an anchor of the community it resides in.		This business partially plays a role in its neighborhood. The business has considered community facing services		This business played a vital role in its neighborhood and has or is catalyzing development around it.	Geography matters--ideally we are stabilizing neighborhood businesses that serve as important economic anchors.
To what extent does this small business have a vital social and cultural role in its community?	The business has no community-facing services		The business has considered having community facing services		The business has community facing services	Geography matters--ideally we are stabilizing neighborhood businesses that serve as vital anchors for holding the fabric of their community together.
To what extent has this small business demonstrated adaptability by reconfiguring its existing business model to meet the demands for COVID-19?	This small business has not re-configured its business model and does not demonstrate adaptability		This small business is in the process of re-configuring its business model in a way that demonstrates its adaptability		The small business has demonstrated an ability to re-configure its business model in a way that demonstrates its adaptability.	Adaptability. The small businesses that are reconfiguring their business models are more likely to endure COVID-19 and remain open after the crisis.
To what extent could this business service its debt in 2019 (during normal operating times)?	This small business had a 2019 debt service coverage ratio of less than 0.95.	This small business had 2019 a debt service coverage ratio of between 0.95 and 1.	This small business had 2019 a debt service coverage ratio of exactly 1.	This small business had a 2019 debt service coverage ratio of between 1 and 1.25.	This small business had a 2019 debt service coverage ratio of 1.25 or more.	We want to support businesses that will make the best use of this money. If the applicant scores low on this criterion, we recommend other technical assistance. Debt service coverage ratio is the net operating income divided by the total debt service.