



Application Guide Spring 2020



Program Description

In response to the COVID-19 crisis, The Michigan Economic Development Corporation, in conjunction with the Detroit-based crowdfunding platform, Patronicity, has developed "MI Local Biz", a creative funding mechanism to offer quick access to capital for small local businesses in this great time of need. The MEDC will match crowdfunding raises on a 1:1 basis up to \$5,000 for eligible small businesses experiencing economic challenges as a result of COVID-19.

The MI Local Biz program is a matching grant program that utilizes donation-based crowdfunding to generate public interest, to raise funds to assist small businesses negatively affected by the COVID-19 crisis, and help position that business for re-opening as the crisis eases. By utilizing web-based donations, businesses are accessible to anyone willing to make a donation in real time. This crowdgranting model engages the public as each person contributes in the effort to assist their local businesses. In addition, this model instills community pride as residents become a conduit of support for their local economy.

As these small businesses are the pulse of the local marketplace and affect the lives and well-being of entire communities it is vital that they continue to operate through and beyond the COVID-19 crisis.

Eligible Applicants

Businesses eligible to receive the MEDC match of local donations associated with the crowdfunding campaign must meet all of the qualifications below:

1. A Michigan-based small business operating in state that has been directly impacted by the COVID-19 crisis.
2. The business retails products and or services face-to-face within the state of Michigan.
Examples include:
 - Restaurants / Bars / Coffee Shops
 - Cafes
 - Salons / Day Spas
 - Bakeries
 - Retail Shops
 - Hardware Stores
 - Any other small business retailing products or services face-to-face within the state of Michigan
3. The business has 25 employees or less
4. The business is able to demonstrate an income loss as a result of the COVID-19 crisis

***Businesses with multiple locations are only eligible to undergo one crowdfunding campaign. That campaign is limited to the \$5000 matching grant maximum.**

Ineligible businesses include: franchises or chains, marijuana-related businesses, and or any other business deemed ineligible by the MEDC. **Businesses who have received support from any other COVID-19 response programming from the Michigan Economic Development at the time of application will also be considered ineligible.**

While all businesses meeting the above criteria are eligible, priority will be given to businesses that are located in the following areas:

- Geographically Disadvantaged Areas
- [Engaged or Certified Redevelopment Ready Community](#)
- Traditional Downtowns or Neighborhood Commercial Districts

Applications will be accepted by the MEDC, through the Patronicity platform, on a first-come first-served basis and evaluated by MEDC staff based on the priorities described above.

Types of Activities Allowed

Eligible businesses may raise funds to support their working capital needs such as payroll expenses, rent, mortgage payments, utility expenses or other similar operating expenses that may occur in the ordinary course of business. Additional needs identified and supported by the local crowdfunding community will also be considered.

MEDC Matching Grant

Eligible businesses can seek donations through the Patronicity platform to assist them with any working capital needs they are facing as a result of the COVID-19 crisis. The eligible business can seek to crowdfund up to \$5,000 to receive \$5,000 in MEDC matching funds.

- The MEDC matching grant will match donations 1:1 up to a \$5,000 maximum. A minimum of \$1,000 must be committed in an individual crowdfunding campaign in order to be eligible for a matching grant. The program will operate under a “keep it all” model, once the minimum \$1,000 raise is reached.
 - **“Keep It All” Model:** For example, if the business is seeking to raise \$4,000 for working capital needs but the crowd only supports this raise with \$2,500 of donations, the MEDC would match the \$2,500, netting the business \$5,000 in support. On the contrary if the business is seeking to raise a goal of \$4,000 and the crowd supports this raise with \$5,000 of donations, the MEDC would only match the \$4,000 established goal, netting the business \$9,000 in donations.
 - Contributions from a single donor/source may not count towards more than 10% of the total campaign goal; individuals may contribute more than 10% but that support over the threshold will not be counted for purposes of leveraging the MEDC match. Business owners and employees may participate in the campaign, subject to the same 10% threshold for matching funds.
 - All raises must have a minimum of 10 donations in order to be eligible for the minimum match commitment.

Other Criteria

- Each crowdfunding campaign is limited to a maximum 30-day raise window. We encourage shorter raise windows where applicable and those may be recommended by Patronicity staff.
- Patronicity will provide crowdfunding support to those selected to move forward with a MI Local Biz raise through technical and strategic assistance.
- Grants will only be made to a business applicant deemed eligible by the MEDC.
- This program is to be used for a business’s working capital needs as they continue to operate through the crisis, and to help them position themselves to re-open once the crisis eases.
- **Project Videos:** Campaign creators are responsible for producing their own pitch video for their project page. Videos are highly encouraged as they offer a personal touch for those businesses seeking assistance.
- Grant disbursements for successful campaigns will be distributed on an individual basis depending on the needs of the business.

Project Flow

1) STEP 1- Pre-Check Application

Applicants will utilize the [Pre-Check Application Form](https://www.patronicity.com/milocalbiz) at <https://www.patronicity.com/milocalbiz> to answer a series of eligibility questions describing their business. Answers provided to these questions act as the initial application and will be used to determine an applicant's eligibility. Applicants will be accepted and reviewed for eligibility on a first come first served basis until match funding is allocated. See Process & Timeline below for full outline of Pre-Check Review.

**Once the first round of funding is fully allocated, the remaining eligible applicants can either start a crowdfunding campaign without any match or wait until a second round of funding becomes available. Note: There is NO guarantee nor timeline on any future rounds of match funding at this time.

**An applicant not selected for an MEDC matching grant is still invited to launch a campaign with Patronicity.

2) STEP 2 – Start Crowdfunding Page

Eligible applicants will be notified via email from the Patronicity Team on Thursday May 28th, 2020 and will be able to begin building out their crowdfunding page as the second part of their application through a unique link provided in the email.

3) Step 3 – Page Completion & Patronicity Review (3 business days)

Applicants will have 3 business days to start, complete and submit their crowdfunding page application for Patronicity review and feedback. **Failure to complete a campaign page within 3 business days from approval will result in A LOSS OF APPROVAL.** Funding will then be given to the next eligible business based on first come first served order in which application was received. Response is CRUCIAL – please work with the Patronicity Team to complete your campaign page to be submitted. This might sound like a tight timeframe, but staff at Patronicity will be available to assist with any questions an applicant might have.

4) STEP 4- MEDC Final Review & Approval

Once a campaign has finalized their crowdfunding page within 3 business days, incorporating review & edits from the Patronicity Team, campaigns will be forwarded to the MEDC for final approval.

5) STEP 5- Campaign Goes Live!

Start crowdfunding! Patronicity will provide technical assistance throughout the raise period.

6) STEP 6- Implementation

If the crowdfunding campaign is successful, MEDC will match the funds raised as described in this document. Patronicity will provide funding to the successful business within 5 days of the campaign ending date.

Process and Timeline

The MEDC, in partnership with Patronicity, has developed the following process and timeline that will guide all of the activities associated with MI Local Biz program - including project application, project review, project approval, the eventual crowdfunding raise, and how excess funds may be allocated if and when those become available either from raises not meeting the maximum match amount or an influx of capital to the program.

Project Review and Approval

In order to equitably and efficiently handle a large influx of applications for the program, all businesses will be evaluated and approved based on the three-step process below:

Pre-Check Eligibility - Once the application window opens, each interested business must certify they are eligible by answering a number of self-certification questions. They will be added to a list of qualified applicants for the MI Local Biz program if all questions are answered and the business is deemed eligible based on their answers.

First Come, First Served – Once each business is deemed eligible through the Pre-Check Eligibility screening, each application is timestamped, and sent to the MEDC for prioritization.

Project Prioritization – Upon receiving the list of qualified, time-stamped business applications from Patronicity, the MEDC will then prioritize the list for each Prosperity Region based on three prioritization criteria. A business must satisfy two of the three criteria listed below in order to be eligible to move forward with a matched crowdfunding raise under the MI Local Biz program.

Prioritization Criteria

- 1) Located in Geographically Disadvantaged Areas
- 2) Engaged or Certified Redevelopment Ready Community
- 3) Traditional Downtowns or Neighborhood Commercial Districts

****Reviewers will move down the timestamped list of applications, on a first come first served basis for each Prosperity Region, allowing each business that satisfies a minimum of two prioritization criteria to move forward with their crowdfunding campaign. In each region the MEDC will only allow the number of crowdfunding campaigns that can be matched by the regional funding allocation of \$50,000 to begin crowdfunding at one time (approximately 10).**

Project Timeline

The MEDC invokes the following timeline for the MI Local Biz program in order to equitably and efficiently handle a large influx of applications for the program.

May 13, 2020: Program Announcement

May 18, 2020 – 8:00 am: [Pre-Check Application](#) Available

May 18, 2020, 8:00 am – May 22, 2020, 5:00 pm: Pre-Check Application Window

Week of May 25, 2020: MEDC Project Evaluation and Prioritization

May 28, 2020: Applicants will be notified of their eligibility

May 28-29, 2020: Patronicity re-engages with approved businesses to build out the online campaign profile

- At this point, businesses will have 3 business days to complete their profile. If a business does not complete their profile in the allotted time, they are removed from eligibility and the next business on the MEDC approved list will be provided the opportunity.

First week of June, 2020: Crowdfunding campaigns can begin raising donations

At this point, all MI Local Biz campaigns will attempt their crowdfunding raise, and if they are successful, MEDC will match their raise. If there are additional funds available in a given region after the initial raise periods are complete, MEDC will continue down the prioritized list and provide approvals for additional businesses to move forward with their campaign.