

“How to Start a Business in Merced” Guide

Dear Entrepreneurs,

The city of Merced is welcoming you to take the opportunity to become a successful business owner.

Starting your business consists of 9 steps. We begin by providing you with resources to familiarize yourself with Merced, followed by steps on how to create your business plan. Adequate information on financing, zoning, leasing, permits & licensing, insurance, taxes and marketing is provided as well. Each section contains contact information and links to websites where you can obtain additional information.

We hope this guide can make the process of starting a business easier. Good luck.

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Step 1: TOUR OF MERCED

Merced is a dynamic community of about 80,542 people, with friendly small town living in a mid-size city. Merced's population is youthful and diverse. Located in the heart of California's agricultural Central Valley, Merced is the region's hub for education, culture, and business. The community offers abundant shopping, pleasant neighborhoods and tree-lined streets. Bicycle paths along creeks link major City parks. Even with recent increases in prices, Merced's housing remains affordable compared to many other California locations. Annual events and festivals bring regional and even national recognition.

Demographics

Merced has an abundant and productive labor force. Merced is well known for assisting companies with their staffing needs.

- <http://www.cityofmerced.org/depts/econdev/industrial/community/demographics.asp>
 - This link provides more in depth information on employment rate in the Merced County.

Infrastructure

The City of Merced is well equipped to provide support services for its expanding business and residential population. City residents have come to expect the high-quality services that contribute to the overall livability of the area.

- <http://www.cityofmerced.org/depts/econdev/industrial/advantages/infrastructure.asp>
 - This link provides detailed information on services provided to the residents of Merced, such as power and natural gas.

Hospital

Mercy Medical Center is a general acute care hospital serving the health care needs of the greater Merced Community. Their vision is to help the people of our community become physically, emotionally and spiritually healthy.

- **Mercy Medical Center Merced**
 - 333 Mercy Ave. Merced, CA 95340 Phone: (209) 564-5000
<http://www.mercymercedcares.org/index.htm>

Schools

The City of Merced has a learning community who is committed to personal growth and academic excellence.

- <http://www.mcsd.k12.ca.us/>
 - This website is of the Merced School district. It provides a variety of information on Preschool, Elementary Schools and Middle Schools.
- <http://www.cityofmerced.org/depts/econdev/industrial/community/education.asp>
 - This link from the City of Merced provides detailed information on higher education, such as the University of California, Merced and Merced Community College.

Step 2: Business Plan

In order to become a successful business, you will need to build a blueprint and have a clear overview of what, where, why, when and how your business is going to be like. To do so, you need to create a business plan that will serve as the guide of the business. To acquire loans from the bank, the business plan must be presented since it will ensure an objective evaluation of your business.

Elements of a Business Plan:

1. Cover sheet
2. Executive summary (statement of the business purpose)
3. Table of contents
4. Body of the document
 - A. Business
 1. Description of business
 2. Marketing
 3. Competition
 4. Operating procedures
 5. Personnel
 6. Business insurance
 - B. Financial data
 1. Loan applications
 2. Balance sheet
 3. Three-year summary
 4. Assumptions upon which projections were based
 5. Pro-forma cash flow
 - C. Supporting documents
 1. Tax returns of principals
 2. Copy of proposed lease or purchase agreement for building space
 3. Copy of licenses and other legal documents
 4. Copy of resumes of all principals
 5. Copies of letters of intent from suppliers, etc.

When you are seeking information about starting a business, it is recommended to visit the Greater Merced Chamber of Commerce as they can provide adequate information and assistance to help build the business plan. Other organizations also provide services such as free business counseling and workshops on how to create a business plan.

- **The Greater Merced Chamber of Commerce**
 - 1640 N Street Suite 120 Merced, CA 95344
Phone (209) 384-7092 Fax (209) 384-8472
<http://www.merced-chamber.com/>
- **SBA**
 - <http://www.sba.gov/smallbusinessplanner/plan/writeabusinessplan/index.html>
- **SBDC**
 - 1733 O Street Merced, CA 95340
Phone (209) 386-1008 Fax (209) 723-4450
- **SCORE**
 - 1880 Wardrobe Ave Merced, CA95340
Phone: (209) 724-2033 Fax: (209) 723-8189
<http://www.score556.org/>

Step 3: Financing

There are numerous lenders in the City of Merced that can assist you with your financing needs.

Before getting a loan:

- Find out what type of loan is suitable for your business
- Compare the different terms and conditions of loans that are available to you

To acquire a loan:

- Have your Business Plan
- Provide your financial and professional background
- Maintain financial records (e.g. tax-return)
- Understand the value of the business assets
- Fill out loan application

Following are some notable examples of small business financing. However, many other quality institutions in Merced provide similar services. Consult with your financial advisors to find out more.

Funding Programs

- **Merced Co. Revolving Loan**
 - <http://mercedco.toolsforbusiness.info/california/2b/funding/mercedco/>
- **Alliance SBDC Merced Tri-College Center**
 - Phone: (209) 381-6557
 - <http://www.alliancesbdc.com>
- **California Capital Access Program (CALCAP)**
 - Phone: (760) 947-1000

For more information on other funding programs you can visit:

<http://mercedco.toolsforbusiness.info/california/1b/funding>

Step 4: Zoning

Finding a good location for your business is essential. To avoid financial repercussions, your business location must be carefully evaluated before signing the lease.

Residential Areas

Home-based businesses are eligible to start in residential areas. There are restrictions that may prohibit your business from opening. Some restrictions are:

- Physical Changes and Visibility – restrictions prohibit any physical changes to your home, outside business activities, storage, displays, signage or commercial vehicles.
- Traffic – due to the lack of designated parking areas, the number of visitors and employees to your home-based business will be limited.
- External Effects – this restricts problematic impacts such as noises, odors and the use or storage of hazardous materials.

Commercial Areas

Businesses are mostly located in this area. If you plan to locate your business here, there are things you need to consider such as:

- Customer and employee traffic
- Customer Demographics
- Competition and types of industries
- Affordability of the location

For more information, you can visit the following departments:

- **Merced Planning Department**
 - 678 W 18th St. Merced, CA Phone: (209) 385-6858
planningweb@cityofmerced.org
- **City of Merced Planning Division**
 - <http://www.mcaggis.com/gallery/Merced/zoning.pdf>
 - Here is a map of the residential, commercial, industrial, and agricultural areas in the city of Merced

Step 5: LEASE

The “Classifieds” section of your local newspapers and search engines can assist you in finding a suitable location. Below are some tips to confirm that you have given ample thought into where you want to locate your business.

Newspapers

The City of Merced provides employment related services. These services can be found in local newspapers such as, the *Merced Sun-Star* and the *Merced County Times*, in the convenience of your own neighborhood. Simply walk, drive, or bike to your nearest newspaper stand and pick up a copy of your local newspaper.

There you will find:

- Free property listings – Rent, Space Size, Property Type, Lease Type, Availability, the Year Built, and the Listing ID.
- Qualified training for first-time business owners, and information for business locations.

Search Engines

From the comfort of your own home, you can find properties for rent on the Internet. Be sure to contact local agencies and review the lease’s terms and conditions. Following are some search engines that provide a wide range of property listings.

- **Rofo – Office Space Search**
 - <http://www.rofo.com>
 - You can find Merced property listings for rent here. Rofo lists some suggestions for making a good commercial leasing decision.
- **Showcase.com – The Search Engine that Moves Business**
 - <http://www.showcase.com/>
 - Showcase provides a wide range of property listings along with the different realty groups. This link offers maps that include driving directions to the properties listed.

Once you have finalized your decision be sure to comply with the realty group's rules and regulations:

- The rent you have to pay
- The time period of the lease
- Possible renewal of the lease and conditions
- Utilities such as electricity and water
- Maintenance expenses
- Payment method
- Floor plan and remodeling of the location
- Subleasing restrictions
- Termination and consequences of the lease

Below are some websites where you can explore the advantages and disadvantages of leasing:

- **Business Owner's Toolkit – Total Know-How for Small Business**
 - Advantages of Leasing
http://www.toolkit.com/small_business_guide/sbg.aspx?nid=P04_5150
 - Disadvantages of Leasing
http://www.toolkit.com/small_business_guide/sbg.aspx?nid=P04_5155

Step 6: LICENSES AND PERMITS

Once you have created your business plan you will need to apply for different types of licenses and permits for your specific type of business. The requirements for federal, state, and local governments vary. Generally, once you have applied for and obtained a license and/or permit, it is given for a specific period of time after which you must renew it. Here is a list of categories and common licenses & permits needed to do business in the city of Merced.

Federal license and permits

The federal-issued licenses and permits generally are required for businesses which are involved in preparation of meat products, ground transportation or trucking, manufacturing of tobacco, alcohol, or firearms. The agencies to contact are:

- **Food and Drug Administration**
 - <http://www.fda.gov/>
 - The Food and Drug Administration is a federal agency in charge of protecting the public's health safety by ensuring that food, drugs, medical devices, and cosmetics manufacturers comply with the rigorous standards and regulations established by the agency. On this web site you will find contact information and useful forms such as Food Facility Registration.

- **U.S. Department of Transportation**
 - <http://www.dot.gov/>
 - The Department of Transportation provides information about safety on the road for truckers who transport hazardous materials. It provides links and phone numbers of where to obtain a Hazardous Materials Safety Permit and states whether or not you need both a state and a federal permit.

- **U.S. Bureau of Alcohol, Tobacco, and Firearms**
 - <http://www.atf.gov/>
 - This web site provides forms for businesses who are considering manufacturing or selling tobacco products. There is also ample information about permits for the sale of firearms and alcohol.

State licenses and permits

There are two types of state-issued licenses and permits. One category consists of occupational/professional licenses and permits. For example, if your business will offer a state-regulated service such as tax preparation, insurance sales, or medical care, you would need to apply for an occupational/professional license and/or permit. The second category of state-issued licenses or permits consists of licenses and permits for businesses that wish to sell liquor, lottery tickets, gasoline, and/or firearms.

General licenses and permits

- Business license
- Zoning and Land use permits
- Sales tax license
- Contractor/Handyman State License
- Fire/Alarm permit
- Signage Permit
- Fictitious name permit
- Health department permits

Following is a list of some of the locations where you may be able to obtain some general licenses and permits listed above. Some of the licenses and/or permits may also be obtained online. For more information regarding a specific license and/or permit contact the corresponding agency.

- **Merced County Public Health**
 - 260 E. 15th Street Phone: (209) 381-1010
- **Merced County Sheriff's Dept.**
 - 700 W. 22nd Street Phone: (209) 385-7555
- **State of California Board of Equalization**
 - 5070 N 6th St, Suite 110 Fresno, Ca 93721
 - Phone: (800) 400-7115
- **State of California Department of Consumer Affairs**
 - 3374 E. Shields Ave., Room E-17, Fresno, CA 93726
 - Phone: (800) 321-2752 www.cslb.ca.gov
- **Planning Division**
 - 2nd floor of the Merced Civic Center at 678 West 18th Street
 - Phone: (209) 385-6858

For more information regarding a specific licenses and permits visit the following web sites:

- **CalGOLD**

- <http://www.calgold.ca.gov/>
- This website offers the option of searching for the permits and licenses needed for your specific type of business. It is a user-friendly web site which provides you with a brief description of the permits & licenses and the contact information of the departments where you can obtain those permits and licenses.

- **U.S Small Business Administration (SBA)**

- http://www.sba.gov/bgsearch/permitme2_0.do?q=95348&bcat=0#3
- The U.S Small Business Administration (SBA) also provides information regarding licenses and permits. Their website presents a brief description of the general licenses and permits. In addition, it provides general information regarding taxes you may be subject to and insurance requirements based on your business type.

Step 7: INSURANCE

You are not ready to open up your business yet! Think very carefully about the insurance you need before the grand opening. Your customers should feel safe and secure when they walk into your business. Lacking the necessary insurance may result in shutting down your business. To avoid the negatives, be sure to file for insurances such as medical/health insurance, fire insurance, and business interruption insurance.

- **Insure U for Small Business**
 - <http://www.insureuonline.org/smallbusiness/>
 - This provides helpful tips about insurance for owners of small companies and home-based businesses.
- **National Association of Insurance Commissioners & the Center for Insurance Policy and Research**
 - <https://eapps.naic.org/cis/>
 - This provides information about insurance companies you can use *before* you purchasing insurance.

Medical/Health Insurance

You should consider getting health coverage for yourself as well as your employees. Insurance packages offer different coverage plans. It is the business owner's responsibility to find the balance between price and benefits. The following websites provide more information about health care coverage.

- **California Healthcare Foundation**
 - <http://www.healthcoverageguide.org/>
This provides an overview of cost estimates, coverage options, and legal rights.

Fire Insurance

Make sure that the insurance you choose covers fire damages. Below are some tips to ensure that the plan you choose protects the value of your business.

- It is recommended to have 100% coverage for your business.
- Have an independent contractor inspect your business at least once a year to adjust your coverage plan if necessary.

- **My Own Business™**
 - <http://www.myownbusiness.org/s5/>
 - This link provides you with a step-by-step guide to find the right coverage plan

Business Interruption Insurance

In case a catastrophe occurs, the business interruption insurance will cover the cost of relocation, lost profits and operating expenses. You need to have business interruption insurance to avoid financial losses due to disastrous situations. For more information about business interruption coverage, visit:

- **Rocky Mountain Insurance Information Association**
 - http://www.rmiiia.org/business/business_interruption_insurance.asp
 - This link will give you extensive information on why this coverage is important.

Step 8: Taxes

The next step is to find out which taxes you are responsible for. Different types of business taxes require different forms.

Federal Tax Identification Number

Unless you are a sole proprietorship, all businesses require a federal tax identification number. Your tax identification number is used to distinguish your business from other businesses. You can acquire a tax identification number at www.irs.gov.

Sales Tax Exemption

If you are planning to open a merchandising business, then you might be eligible for a sales tax exemption. You can find out more about California's sales tax by visiting <http://www.boe.ca.gov/sutax/sutprograms.htm>.

Federal Income Tax

Federal income tax varies from a sole proprietorship to a partnership.

- Sole Proprietorship – you must file a Form Schedule C (Profit or Loss Form Business). You can obtain the Form Schedule C along with your personal Income Tax return from www.irs.gov.
- Partnership – you must file a Federal Partnership Form (U.S. Return of Partnership Income) and each partner must report this form along with their personal Income Tax return separately.

Federal Self-Employment Tax

If you are self-employed, then you must file a Schedule SE form (Self-Employment Tax).

Employee Tax

If you are hiring employees, you may be subject to a Federal Payroll Tax, Employer Identification Number, and a Federal Withholding Tax. To get these forms visit www.irs.gov.

- **Federal Withholding**

- <http://www.ssa.gov/work/>

Phone: (800) 829-1040

- A federal insurance program in the United States that provides benefits to retirees, unemployed or disabled persons.
- **Employment Development Department**
 - 1205 W. 18th St. Merced, CA95340
- **Franchise Tax Board**
 - Phone:(800) 338-0505
- **Finance Department**
 - 678 W. 18th St. Merced, CA95340 Phone:(209) 388-7900
- **California State Board of Equalization**
 - <http://www.boe.ca.gov/>
 - A California State website that ensures county property tax assessment practices are standardized throughout the state. It is mainly concentrated in sales & use taxes, property taxes, special taxes, and a tax appellate program.
- **Internal Revenue Services**
 - <http://www.irs.gov>
 - The Bureau of the United States Treasury Department is responsible for tax collections and tax law enforcement.

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