Checklist for Starting a Business in Santa Cruz County

Veg on the Edge

Botanic and Luxe

Stirm Winery
# Planning

**SBDC Strategy Advisor: Keith Holtaway and Marco Vides - Spanish**

- Writing a Business Plan
- Business Structure

# Applying

- Fictitious Business Name Statement
- Business License
- Seller’s Permits and Resale Numbers
- Special Licenses and Permits
- State Business Tax & Employee Payroll Taxes
- Federal Employee Identification Number (EIN)

# Financing

**SBDC Accounting Advisors: Cathy Van Loon and Stacy Payk**

- Accounting Tips

**SBDC Finance Advisors: Larry Hebert and Danny Braga**

- Financing Tips
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- SBA Loans
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**SBDC Contracts and Leasing Advisor: Douglas Deaver**

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- Intellectual Property

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**SBDC Marketing Advisors - Mary Andersen and Bryce Root**

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FIND THIS DOCUMENT ONLINE AT SANTACRUZSBDC.ORG
WRITING A BUSINESS PLAN
A Business Plan is the foundation for a successful launch! To increase your chance of success, explore and evaluate your business and personal goals. Use this analysis to build a comprehensive and well-thought-out business plan. A great resource is the SBA Write Your Business Plan. A popular alternative is an Executive Summary, examples of which can be found here.

Your business plan has a number of uses. Committing yourself to writing a business plan is a methodical way to mentally construct your business and serves as a valuable tool in loan applications. Lessons learned on paper are a lot cheaper than in the real world!

BUSINESS STRUCTURE
There are several forms of legal entities of businesses, each with their own advantages and disadvantages. It is best to thoroughly research the structures and settle on the one that best fits your needs and goals. You can learn more about the various business structures here.

All new businesses that are not a sole proprietorship must file formation documents with the Secretary of State. The required forms can be found here.

Any contracts between owners of a partnership should be drawn up before beginning business.

Information about the tax implications of each business structure can be found here.

APPLYING

FICTITIOUS BUSINESS NAME STATEMENT
A licensed business name is necessary if the company name differs from the owner’s name. A filing of a fictitious business name statement is required before opening a business checking account in the title of the business. The Fictitious Business Name Statement is filed with the county government. For a small fee, a notice will run in the local newspaper announcing the creation of your fictitious business name.

Be sure to check the availability of your desired business name. California Business Name Availability provides information on how to check to make sure a business name does not already exist and may be used.

For information on filing a fictitious business name in Santa Cruz County go here. Your fictitious name must be published in local print media. Local publications you may consider:

Santa Cruz Record (831) 454-9820
Santa Cruz Sentinel (831) 423-4242 legal ext.
Good Times (831) 458-1100
BUSINESS LICENSE
Business licenses are required before your business can begin. In order to operate your business, you must comply with city, state, and federal rules and regulations. Cal Gold offers a search tool for discovering which licenses are necessary for your business based on your industry and location.

Business licenses can typically be purchased at City Hall and the price ranges from $40 and up, depending on the number of persons you intend to employ.

Businesses located in, or conducting a portion of their business within any of the four (4) cities in Santa Cruz County should contact the city regarding the requirements for a business license.

City of Capitola 420 Capitola Avenue, Capitola (831) 475-7300
City of Santa Cruz 809 Center Street, Room 101, Santa Cruz (831) 420-5110
City of Scotts Valley 1 Civic Center Drive, Scotts Valley (831) 440-5678
City of Watsonville 250 Main Street, Watsonville (831) 768-3450

Businesses operating in the unincorporated areas of Santa Cruz County should only need a Fictitious Business Name Statement to conduct business, however, we recommend that you contact the County Planning Department or call (831) 454-2130, regarding requirements for operating a business in those areas of the county. It is recommended that you contact the County Planning Department before the operation of your business to determine if a permit is required. Home-based businesses may require a Home-Occupation permit. Additionally, you should check with your homeowner’s association as some neighborhoods prohibit the running of businesses out of the domicile.

The California Business Portal, provides information on how to obtain Business Permits, Licenses, and Registration in California.

SELLER’S PERMITS AND RESALE NUMBERS
California Seller’s Permit application is required for all business selling or leasing tangible property (including anything you did not prepare such as sodas, etc.) in the state of California.

Retailers, wholesalers, and manufacturers must obtain seller’s permits from the California State Board of Equalization online or in-person at 111 E. Navajo Drive, Suite 100, Salinas CA 93906.

SPECIAL LICENSES AND PERMITS
The licenses and permits necessary to run your business legally are determined by the type of business you wish to establish.

The CalGOLD database provides detailed information on business permits, licenses, and registration requirements from all levels of government. Here you can also find a description of the requirements, contact information for the supervising agency, and a direct link to the agencies’ website. Their catalog of information will assist you in finding the appropriate permitting information for your business, as well as
direct you to links and contact information for the agencies that administer and issue business permits, licenses, and registration requirements from all levels of government.

The California Department of Consumer Affairs lists more than 200 regulated occupations and professional services. Their website also offers valuable licensing information.

STATE BUSINESS TAX & EMPLOYEE PAYROLL TAXES
California State Tax information can be found here.

You must have a Federal Tax Identification if you pay wages to one or more employees, and/or file pension or excise tax returns. Your Federal Tax ID number is comparable to a Social Security number for your business. One can be obtained by filling out Form SS-4 which is available online here.

The Employment Development Department (EDD) is a department within the California State Government that promotes California businesses as well as aids employees and employers. They release yearly editions of their handbook, “California Employer’s Guide,” which covers broad topics concerning how to succeed in business. The most recent edition can be found here. All employers in California are now required to electronically submit employment tax returns, wage reports, and payroll tax deposits to the Employment Development Department. For more information, visit the EDD website.

FEDERAL EMPLOYEE IDENTIFICATION NUMBER (EIN)
For federal tax information and a copy of the “Tax Guide for Small Businesses,” an invaluable resource to help understand how to properly file federal taxes, go here.

Everything you need to know about Employer ID Numbers (EIN) can be found here.

IRS Small Business and Self-Employed Tax Center offers resources and general information for small business owners and self-employed individuals, around business taxes, employee guidelines and tax workshops available in your area.

FINANCING

SBDC Accounting Advisors: Cathy Van Loon and Stacy Payk

ACCOUNTING TIPS
One of the most common factors in the failure of new businesses is the mismanagement of funds. You should have a separate bank account for your business after you have set up a business account, all expenses and income need to be well-tracked. It’s important to establish bookkeeping procedures and deal with all expenditures and revenues similarly, this will make income reporting and cash management easier and more realistic.
There are a number of easy-to-use accounting programs. The most popular is QuickBooks, which is utilized by nearly 85% of all small business owners. Since there are advantages and disadvantages to all accounting software, it’s important to compare/contrast various programs before settling on a program.

For most small businesses, a simple, inexpensive program will suffice. While there are many extremely expensive and complicated programs, there are a number of free and open-source accounting software programs with growing communities. A list of these free small business accounting programs can be found here.

**SBDC Finance Advisors:** Larry Hebert and Danny Braga

**FINANCING TIPS**

It takes money to make money and all businesses need capital to start and grow. Typically this capital will come from savings, home equity, or friends and family. Also, check out Norcal SBDC’s Guide to Financing Your Small Business.

The next most frequent source of funding is a business loan. If you are considering a business loan, we recommend applying for SBDC services to help you prepare projections, a business plan, and help you understand how to qualify for a business loan. This will save you time and increase your likelihood of receiving funds.

When applying for a business loan, lenders will want to see a copy of your business plan. Generally, lenders will be very clear and upfront about the information they require, and your application won’t be affected by a frank discussion about the presentation of your business plan. The SBDC website offers tools and tips on how to write a concise business plan.

Lenders will want you to be successful, as a loan is an investment in you and your business. Lenders will be very clear about their requirements and timelines.

**CROWD-FUNDING**

Crowd-funding has become a popular method for small companies to get off the ground while gaining exposure. Sites like Kickstarter, IndieGoGo, GoFundMe, and Kiva offer entrepreneurs, inventors, and artists a platform for raising capital to fund their projects. Usually, a service or product will be offered in exchange for donations.

**SBA LOANS**

The Small Business Administration (SBA) provides approved small businesses with long-term, fixed-rate financing used to acquire fixed assets for expansion or modernization. The SBA guarantees small business loans through local lenders. These loans are particularly helpful for minorities, persons with low-income, and persons with questionable credit. Here is a list of the types of financing they provide.

**MISSION DRIVEN LENDERS**

Mission-driven lenders like Cal Coastal and Opportunity Fund provide financing to small businesses declined by banks. They offer competitive rates and terms.

MARKETING
**SOCIAL MEDIA**
Social media marketing is an essential piece of your overall business marketing strategy. Social platforms such as Facebook, Instagram, Twitter, LinkedIn, Pinterest, and Google Business help you connect and engage with your customers, increase awareness about your products or services, amplify your brand, and generate new leads and increase sales. SBDC advisors can provide consulting services and training on all aspects of social media marketing including setting up and maintaining accounts, effective practices for engaging posts, and boosted ads.

- Introductory Social Media Course
- Introduction to 8 Social Media Channels
- Social Media Guide for Small Business

**GENERAL MARKETING**
It’s vitally important that you develop a strategic and creative plan to help your business achieve your business goals. Without one, you’re bound to continue with random marketing that rarely produces any results so always be sure to designate specific, measurable goals that you can track whenever possible. It’s time to differentiate your business so be sure to use a diversified mix of marketing tactics. Below, you’ll find some of the strategies the SBDC can guide you through to make great things happen.

- Marketing Plan - A step by step guide
- Target Customer Analysis
- Brand Awareness + PR
- Content Marketing
- Online + Offline Advertising and Marketing
- Collaborations + Strategic Partnerships

**LEGAL**

SBDC Contracts and Leasing Advisor: Douglas Deaver

**TRAFFIC IMPACT FEES [TIF]**
Traffic Impact Fees are fees assessed by the City’s Public Works Department on commercial and residential development projects based on new net traffic generated by those uses. TIF Fees are used to address needed traffic improvements at key intersections for circulation and alternative transportation improvements. Most municipalities and the County have in place. Contact the specific public works departments as there is not much clarity around this fee.

- City of Santa Cruz - (831) 420-5160
- City of Watsonville - (831) 768-3100
- City of Scotts Valley - (831) 438-5854
ZONING

It is imperative to determine zoning regulations and requirements prior to signing any lease or contract. The intended location of your business must have the proper zoning for your planned use of the site.

If you will be operating the business out of your home you must follow the requirements for home occupants, if any, in your municipality.

The Santa Cruz Planning Department website has a plethora of information concerning permits and zoning in Santa Cruz County. Visit the site to find zoning maps, permit forms, and information about the various planning commissions and programs shaping Santa Cruz.

BUSINESS INSURANCE

Businesses are major investments; sometimes a life’s work can go into opening a business. Unfortunately, the truth is that it’s not uncommon for businesses to be robbed, vandalized, or otherwise destroyed. It’s incredibly important for all business owners to invest in Liability and Property Insurance, to protect your building, inventory, and equipment. Many insurance companies offer Business Insurance and most will work with you to create a policy that best fits your needs. Contact your insurance agent and shop around before settling on a policy.

SBDC Intellectual Property Advisor - Pat Reilley

INTELLECTUAL PROPERTY

Many business owners think that they own a copyright to their logo but actually only have a non-exclusive license to use their logo image. A contractor providing creative work, such as a graphic designer, is not required by law to assign copyright to a contracting party unless a written agreement stating this obligation is executed before the contracted work is initiated. This deficiency can easily be repaired if the contractor is amenable by executing a separate written assignment agreement. Be aware that verbal commitments to transfer copyright ownership are extremely hard to enforce if the non-employee creator of the work fails to actually execute a written assignment.

SBDC Human Resources Advisor - Joy Hallof

HIRING EMPLOYEES IN CALIFORNIA

It is a legal obligation to invest in Workers Compensation Insurance prior to the hiring of any employees. This can be done with your insurance agent or broker, but the State of California also has established a State Fund. This fund is the largest supplier of Workers Comp. Insurance in the state and grants many opportunities to low-income startups.

An important distinction when hiring employees, especially for tax purposes, is classifying their employment status appropriately. The IRS has a helpful publication for understanding the different classifications and rights of certain employees, this can be found here.

Along with many other resources, the SBDC offers this simple, easy to use step-by-step guide to hiring and maintaining employees.
Purchasing a business is a process, unlike any other purchase a buyer makes in their lifetime. It requires extensive due diligence of the finances, equipment, history of the business, current market conditions, and employees. It begins with creating your team including a qualified CPA and a thorough strategy to minimize tax liability through the creation of the most advantageous business entity.

Below are some areas the SBDC can assist you in your business purchase:

- How to evaluate the purchase price of a business
- The value drivers of a business
- How to find businesses for sale
- The important items to negotiate during the offer period
- Due diligence
- How financing is key to buying and selling
- How to negotiate a buyer-seller friendly offer
- The importance of due-diligence
- The role of the escrow agent

Resources for Veterans

There are many state programs and incentives available to veterans, including priority counseling, more access to funding, and priority in procuring government contracts.

The SBA gives special privileges to veterans, more information about how the SBA can help veterans can be found [here](#).

California’s main designated program for connecting veteran business owners with government contracts is [CalVet](#).

The Veterans Business Outreach Center has support and information for veterans starting businesses in California. More information can be found [here](#).

Resources for Food Service Businesses

A Health Permit in Santa Cruz County is required for food preparation, service, food products, marketing, laundries, etc. and is issued by the Santa Cruz County Department of Environmental Health, for more information about Food Facilities and Food Handling please visit their [website](#) or their office at 701 Ocean St., Room 312, Santa Cruz CA 95060, to speak with an Inspector, call (831)454-2022 between 8-9 am.

Incubator programs cut the start-up costs that often prevent new businesses from succeeding. The startup costs can be especially staggering in restaurants and other food-based businesses. Additionally, FDA regulations concerning food sales often mean razor-sharp margins for profit. Kitchen Incubators
sometimes called “Shared Kitchens,” allow for foodservice entrepreneurs to gain valuable experience before investing heavily in their own equipment. **El Pájaro Community Development Corporation** - (831)722-1224 - in Watsonville operates a commercial kitchen incubator for artisan food producers, providing a fully-equipped shared kitchen space, packing facilities, and technical assistance to food-related ventures. Business and safety training programs and access to microloan programs are offered.

**The International Business Innovation Association** is a global non-profit committed to advancing business incubation and entrepreneurship. Each year, it provides thousands of professionals with information, education, advocacy, and networking resources to bring excellence to the process of assisting early-stage companies.

**Getting Started in the Specialty Food Business** is a guide written by Extension Food Scientists, covering everything from food product development to pricing.

**FDA Food Guidance & Regulation Information** provides information on how to follow federal regulations for the food industry, including food labeling and food ingredients and packaging.

**California Department of Alcoholic Beverage Control** administers the provisions of the Alcoholic Beverage Control Act, including licensing, enforcement and regulatory mandates. Their website provides links to license and industry information for businesses selling alcoholic beverages.

**Santa Cruz's Small Business Development Center (SBDC)** is a premier hub of experts experienced in Mainstreet, Techstreet, and Agriculture business. Business owners and aspiring entrepreneurs receive in-depth advising and training to obtain capital, launch businesses, grow sales and create jobs. Experience expert advice for real business solutions. Call the Santa Cruz Small Business Development Center 831.479.6136 or visit us at santacruzsbdcc.org.

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