



Agenda Report

20-440

Agenda Date: 4/8/2020

REPORT TO COUNCIL

SUBJECT

Action on Small Business Assistance Grant Program in Response to COVID-19 [Council Pillar: Enhance Community Engagement and Transparency]

BACKGROUND

In response to the growing COVID-19 outbreak in the United States and specifically in Santa Clara County, on March 16, 2020, the Health Officer of the County of Santa Clara directed all individuals living in the County to shelter at their place of residence except to provide or receive essential services, effective March 17, 2020. The Health Officer further directed that all business and governmental agencies cease non-essential operations at physical locations in the County.

On March 17, 2020, the Council ratified the City Manager's March 11, 2020 proclamation of a local emergency.

On March 19, 2020, Governor Newsom issued Executive Order N-33-20 directing all residents to immediately heed current State public health directives to stay home, except as needed to maintain continuity of operations of essential critical infrastructure sectors and additional sectors as the State Public Health Officer may designate as critical to protect health and well-being of all Californians. This directive, as well as the previous "shelter-in-place" mandate for six Bay Area counties, including Santa Clara County, requires individuals to remain in their homes and for non-essential businesses to close or require staff to work from home. Order N-33-20 does not have an end date and therefore is in place until further notice.

On March 24, 2020, Council directed staff to develop a COVID-19 relief program for small businesses and return to the April 7 Council meeting with a program for Council consideration. Council approved the allocation of \$250,000 for this relief program for small businesses located in Santa Clara. During the meeting, Council also expressed interest in the following: 1) working with the Silicon Valley Central Chamber of Commerce (Chamber) to explore opportunities to grow the program fund by seeking support from local corporations, and 2) minimizing "red tape" to distribute the funds swiftly.

On March 31, 2020, Santa Clara County extended its previous Stay-at-Home order through May 3, 2020 to help preserve critical hospital capacity across the region. The new order restricted access to shared public recreational spaces, like picnic areas, dog parks, golf courses, etc.; prohibited most residential and commercial construction; expanded the scope of essential businesses; and required essential businesses operating facilities to scale down operations to their essential components only.

DISCUSSION

Staff reported to Council at its March 24, 2020 meeting the various programs available at the Federal, State and Local levels. The Federal government has also stated that there will be more assistance programs coming forward over the next weeks. Since that report, additional forms of assistance have been introduced at the Federal and State levels including the Small Business Administration's (SBA) Paycheck Protection Program and California's Small Business Relief Payment Plans. The Paycheck Protection Program authorizes up to \$349 billion in forgivable loans to small businesses to pay their employees during the COVID-19 crisis. The California Small Business Relief Payment Plans program allows business taxpayers, those with less than \$5 million in taxable annual sales, to take advantage of a 12-month, interest-free, payment plan for up to \$50,000 of sales and use tax liability.

To develop a COVID-19 small business relief program, staff conducted research on the various small business relief programs at the Federal, State and local levels to help determine what type of program would be most beneficial to small businesses in Santa Clara. Many of the relief programs are loan programs or deferred payment programs that may not help small businesses in the long run. Loan programs only increase the debt burden on small businesses and deferred payment programs push out payments that will still be owed.

On a local level, cities of similar size to Santa Clara are opting to offer grants as opposed to loans. For example, both Berkeley and Hayward are offering grant-based relief programs to their business communities. A grant program allows the City to get capital to local small businesses without burdening them with additional debt. Because the funds do not need to be repaid, grant programs are likely to be more attractive to small businesses. A grant program can also be administered with current City staff, whereas a loan program would require additional time to set up and a third-party administrator. With these considerations in mind, staff is recommending a Small Business Assistance Grant program for Council's consideration.

Small Business Assistance Grant Program

The proposed Small Business Assistance Grant Program would provide one-time grants to local businesses and non-profits with at least one but no more than 25 full-time employees who demonstrate a loss of income due to COVID-19. Grants of \$10,000 would be available for qualified independently owned and operated small businesses and non-profits that have been deemed non-essential under the County of Santa Clara Public Health Department order dated March 16, 2020. Grants of \$5,000 would be available for qualified independently owned and operated small businesses and non-profits that have been deemed essential under the same order. This distinction between the non-essential and essential business grant levels builds on the assumption that non-essential businesses have been required to close entirely and may not have the continued opportunities for revenue, however reduced, that essential businesses may have.

Applicants must meet specific eligibility requirements as outlined in the program overview (Attachment 1), complete the Small Business Assistance Grant Program application (Attachment 2) and demonstrate loss of income due to COVID-19 by completing the Estimated Disaster Economic Worksheet (Attachment 3). Applications would be reviewed for completion and eligibility, and applicants would receive a response within a target of one to two weeks following submission. Awards will be available on a first come, first served basis during the City's declared state of local emergency and while funds are available.

If authorized by Council, Staff would make the applications available on-line starting the week of April

13, 2020. Staff will work with the Communications Division to promote the program via the City's website, social media, press releases and e-Notify, as well as with the Chamber to promote the program using its resources.

At Council's direction, staff has had several conversations with the Chamber about raising funds for Santa Clara's small business program. The Chamber believes the best course of action is for the Chamber to work in partnership with other organizations within Santa Clara who are fundraising for COVID-19 relief to create one unified fund for the Santa Clara relief effort. As of the preparation of this report, a unified fund for Santa Clara has not been organized and we are unaware of an organization that may be championing this effort. The Chamber declined to fund raise for this small business relief program.

Small Business Utility Assistance

To further assist Santa Clara's small business community, the City is offering its most flexible payment plans for both Water and Sewer and Electric utilities for Santa Clara businesses impacted by COVID-19. The City works with all utility customers to create payment plans appropriate to the need demonstrated by the customer. However, considering the unique circumstances of the COVID-19 outbreak, small businesses interested in setting up payment plans should call 408-615-2300 to discuss the best way to accommodate their need. Interested businesses should also include a copy of the Economic Injury Worksheet attached to this report. Flexible payment plans for the utilities listed above are not tied to applications for the Small Business Assistance Grant Program and can be submitted independently.

The City continues to explore ways to support its business community, as well as the community at large. The City has compiled this information at [SantaClaraCA.gov/CoronavirusUpdates](https://www.santaclaraca.gov/CoronavirusUpdates) <<https://www.santaclaraca.gov/i-want-to/stay-informed/newsroom/coronavirus-updates/covid-19-business-resources>>.

If Council approves the Small Business Assistance Grant program, staff will work with the business community and the Chamber to assist as many of those impacted as possible with the resources available. Efforts will also be made to supplement those funds through partnership with the Chamber or another organization interested in assisting with this effort.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

FISCAL IMPACT

At their meeting on March 24, 2020, Council approved allocating \$250,000 for small business relief. Program can be implemented with current staff capacity.

COORDINATION

This report has been coordinated with the City Manager's Office and Finance Department.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>>.

RECOMMENDATION

1. Approve Small Business Assistance Grant Program and direct staff to continue working with the Silicon Valley Central Chamber of Commerce or other organization to leverage additional resources for the program.

Reviewed by: Ruth Mizobe Shikada, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Small Business Assistance Grant Program Overview
2. Draft Small Business Assistance Grant Program Application
3. Estimated Disaster Economic Worksheet