



Agenda Report

20-432

Agenda Date: 3/24/2020

REPORT TO COUNCIL

SUBJECT

Report and Possible Action on City Small Business Relief Program in Response to COVID-19 and Related Budget Amendment

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.

As of the writing of this report, the current condition is rapidly changing both by way of the spread of COVID-19 and new regulations required for Santa Clarans to implement. Staff will provide a verbal update at the City Council meeting on any changes that may impact policy decision-making on this topic.

DISCUSSION

There have been and will continue to be incredible impacts as a result of the recent directives from all levels of government in response to the COVID-19 outbreak, especially to our local business community. Many of Santa Clara's businesses have been forced to close or adjust their service delivery models and have seen a drastic reduction in sales and revenue.

Recognizing this impact, resources are becoming available through federal and State agencies to assist businesses who have endured economic hardships as a result of the COVID-19 pandemic.

The City has begun compiling this information for those businesses that need it at SantaClaraCA.gov/CoronavirusUpdates <<https://www.santaclaraca.gov/i-want-to/stay->

[informed/newsroom/coronavirus-updates/covid-19-business-resources](https://www.santacleara.gov/informed/newsroom/coronavirus-updates/covid-19-business-resources)>. Below is a summary of available resources at the federal, State and local levels. Please note that most of these resources are not under the jurisdiction of the City of Santa Clara and may have been updated after the publication of this report. Those interested are encouraged to refer directly to the organization providing the resource.

FEDERAL RESOURCES

- **U.S. Small Business Administration (SBA):** SBA is providing disaster assistance loans to companies affected by the COVID-19 pandemic. The SBA works directly with state Governors to provide targeted, low-interest loans to small businesses and nonprofits that have been severely impacted by the COVID-19 and the SBA Economic Injury Loan program for Santa Clara County is now active. The SBA's Economic Injury Disaster Loan program provides small businesses with working capital loans of up to \$2 million that can provide vital economic support to small businesses to help overcome the temporary loss of revenue from COVID-19. Both commercial landlords and the tenants can separately apply to the fund based on proof of economic injury.
- **Federal Income Tax Payment Extension:** The IRS is providing an extension for payment, only; returns must still be filed timely by April 15, 2020. For individuals, income tax payment deadlines for individual returns, with a due date of April 15, 2020, are being automatically extended until July 15, 2020, for up to \$1 million of their 2019 tax due. This payment relief applies to all individual returns, including self-employed individuals, and all entities other than C-Corporations, such as trusts or estates. The IRS will automatically provide this relief to taxpayers. Taxpayers do not need to file any additional forms or call the IRS to qualify for this relief. For C-Corporations, income tax payment deadlines are being automatically extended until July 15, 2020, \$10 million of their 2019 tax due.

STATE RESOURCES - the State has developed a common website for California Coronavirus (COVID-19) response at covid19.ca.gov <<https://covid19.ca.gov/>>, which has regularly updated information for employers and employees impacted by COVID-19.

- **California Capital Access Program for Small Business:** The program encourages banks and other financial institutions to make loans to small businesses that have difficulty obtaining financing. The program helps communities by providing financing to businesses that create jobs and improve the economy. CalCAP is a loan loss revenue program which may provide up to 100% coverage on losses as a result of certain loan defaults. With CalCAP portfolio support, a lender may be more comfortable underwriting small business loans.
- **Small Business Finance Center (SBFC):** SBFC partners with Financial Development Corporations to provide loan guarantees and direct loans for small businesses that experience capital access barriers.
 - California's Small Business Finance Center has also partnered with local financial development corporations to provide direct loans for those struggling with cash flow during the pandemic. Businesses and some nonprofits with 750 or fewer employees are eligible for the loans.
- **Work Sharing Program:** The program is offered to companies as an alternative to layoffs. They allow employees to receive unemployment benefits while still keeping their current jobs. A number of requirements must be met in order for companies to be eligible for the program,

including hours and wages being reduced between 10% to 60%.

- **Employment and Taxes:** The State has removed waiting periods of unemployment and disability insurance for Californians who lose work as a result of the COVID-19 outbreak. The State also extended the state tax filing deadline to June 15, 2020 for individuals and businesses affected by COVID-19.

State agencies such as the Department of Alcohol Beverage Control have relaxed its regulations during this period in order to provide a level of assistance to restaurants providing take-out services.

LOCAL RESOURCES

- The City of Santa Clara's Municipal Services Division has implemented a suspension on service disconnections for utility (electric and water) non-payment, for both residential and commercial customers. Payment plans will need to be developed to bring accounts current.
- The City will offer its most flexible payment plans to utility customers who indicate either an impact or hardship as a result of COVID-19.

Santa Clara businesses are vulnerable during this time, and, based on City Council direction, staff is prepared to research and develop a program to provide small business relief to those impacted by COVID-19. Below are some examples of the ways other municipalities are exploring support systems to local businesses.

CITY RELIEF PROGRAMS

- **City of Milpitas:** On March 17, 2020, Council voted to establish an Economic Development Council Subcommittee to explore small business assistance financing, loans and any other relief related to COVID-19. No funds have been approved yet.
- **City of San José:** The Silicon Valley Strong Fund - a partnership between the City of San José and the Silicon Valley Community Foundation will work to address the economic impacts of COVID-19 across Silicon Valley. The fund will help three key groups:
 - Residents, with a focus on those who are at the highest risk of displacement due to illness, caregiving, loss of work hours, and loss of income, both individuals and families with children.
 - Businesses, with a focus on small business and microbusinesses that are at risk of closure due to loss of clientele or health and safety restrictions.
 - Community-based organizations, including the unique needs of San José arts and culture organizations and the impacts to the many other nonprofits serving the vast needs of our diverse community.
- **City of Sacramento:** The City will commit up to \$1 million in one-time funds to create a Small Business Emergency Economic Relief Fund. This program will provide the following:
 - Zero-interest, secured loans of up to \$25,000 per business
 - Up to \$1 million available for businesses with 25 or fewer FTE
 - Loan funds may be used to cover the day-to-day operating expenses of the business
 - Fund administered by a third-party fiscal intermediary
 - Businesses can apply beginning at 5 p.m. on Wednesday, March 18, 2020. Funds will be available on a rolling basis until all available loan money is awarded.

- **City of Berkeley:** On March 17, 2020, Council voted to refer to the City Manager to create a tax-exempt special fund which can accept private donations, and launch the fund with up to \$3 million in City funding, to provide gap resources which can be matched with grants or philanthropic donations to provide gap assistance to renters, small businesses and arts organizations significantly impacted (demonstrated decrease in gross receipts or patronage) by the COVID-19 state of emergency. As part of the development for criteria, the City will consider equity in the allocation of funding and consult with businesses throughout the City, including business groups. The funding will be provided to small business and arts groups in the form of a grant and not a loan.
- **City and County of San Francisco:** The City has started a Small Business Resiliency Fund for companies with five or fewer employees and less than \$2.5 million in gross receipts who have seen a loss of at least 25% in revenue. It allows impacted small business owners to access up to \$10,000 for employee salaries and rent. This program is administered in partnership with Northeast Community Federal Credit Union. San Francisco is also deferring payment of the Gross Receipts Tax, Payroll Expense Tax, Commercial Rents Tax, and Homelessness Gross Receipts Tax for businesses with gross receipts of \$10 million or less. The tax liabilities, however, will be due with the rest of the 2020 tax payments. The due date for business license fees which are due on March 31, 2020 is being extended to June 30, 2020.

Additionally, the City/County established a Disaster and Emergency Response and Recovery Fund as a response and recovery measure. The fund will help San Francisco respond to and recover from disaster and emergency events that impact the City and County of San Francisco, its residents, and its businesses.

- **City of Oakland:** The City's finance department is waiving late payment penalties for small businesses resulting from failure to file taxes due March 1, 2020 on time, due to COVID-19. Oakland is conducting research through a survey about the impacts that businesses are experiencing due to the COVID-19.
- **City of Los Angeles:** The City of Los Angeles established a Small Business Emergency Microloan Program for businesses and microenterprises that are responsible for providing low-income jobs. Emergency microloans range from \$5,000 to \$20,000, with interest rates ranging from 0 percent to 5 percent, depending on the repayment terms.

There are several other municipalities considering small business relief programs. Staff continues to research these programs and monitor emerging programs in order to develop a program that could possibly be implemented in Santa Clara if further directed by Council. Other cities have the advantage of an existing commercial loan/grant program process and infrastructure (e.g., application; loan/grant committee to vet applicants; loan/grant documentation; and loan servicing/administration).

As a first step, staff recommends allocating funds directed for a small business relief program modeled after the City of Sacramento. Staff will return to Council for consideration and approval of program parameters.

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

Funding for small business relief in the amount of \$250,000 is recommended to be allocated from the General Fund's Budget Stabilization Reserve to the City Manager's Office operating budget.

FY 2019/20 Budget Amendment

	Current	Increase/ (Decrease)	Revised
General Fund			
<u>Expenditures</u>			
City Manager's Office - Materials/Services/Supplies	\$2,580,051	\$250,000	\$2,830,051
<u>Reserve</u>			
Budget Stabilization Reserve	\$80,420,318	(\$250,000)	\$80,170,318

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>> or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

1. Direct the City Manager to develop a COVID-19 Small Business Relief Program for Council consideration.
2. Approve the related FY 2019/20 budget amendment in the General Fund to increase the City Manager's Office budget by \$250,000 and decrease the Budget Stabilization Reserve by \$250,000.

Reviewed by: Ruth Mizobe Shikada, Assistant City Manager

Approved by: Deanna J. Santana, City Manager