



CITY COUNCIL AGENDA STATEMENT



July 14, 2020

File ID: 20-0268

TITLE

Resolution of the City Council of the City of Chula Vista Approving a \$1.5 Million Small Business Grant Program (Chula Vista CARES) to Reimburse the Costs of Business Interruption Caused by Required Closures due to the COVID-19 Pandemic

RECOMMENDED ACTION

Council adopt the resolution.

SUMMARY

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief and Economic Security Act, more commonly known as the CARES Act, which authorizes \$2.1 trillion in federal relief. Included in the CARES Act is the Coronavirus Relief Fund (CRF) that provided \$150 billion to states and those local municipalities with populations greater than 500,000 based on a specific formula. Regionally, the County of San Diego received \$334 million and the City of San Diego approximately \$249 million. Cities and Counties with populations fewer than 500,000, including the City of Chula Vista, did not directly receive CARES Act CRF funding from the federal government. On May 19, 2020 the County Board of Supervisors approved allocation of \$25 million in CARES Act CRF monies to 17 cities in San Diego County, not including the City of San Diego. The allocation of this \$25 million was determined based on a population formula. Based on the City's population, the City of Chula Vista received \$4,842,695 in CARES Act CRF funds through the County of San Diego.

On June 23, 2020, the City Council appropriated \$4,842,695 in CARES Act CRF monies to the General Fund. As part of this action, the City Council approved \$1.5 million to Economic Development Recovery Grants for Small Businesses to provide economic relief and assist at-risk businesses in rebounding from the economic impacts of COVID-19.

Staff has prepared a "Program Summary" and "Eligibility Requirements" for a small business grant program to deploy \$1.5 million dollars to businesses with ten or fewer employees that experienced business interruption and were forced to remain closed for periods extending beyond 60 days.

ENVIRONMENTAL REVIEW

The proposed activity has been reviewed for compliance with the California Environmental Quality Act (CEQA) and it has been determined that the activity is not a "Project" as defined under Section 15378 of the state CEQA Guidelines because it will not result in a physical change in the environment; therefore, pursuant

to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA. Notwithstanding the foregoing, it has also been determined that the activity qualifies for an Exemption pursuant to Section 15061(b)(3) of the California Environmental Quality Act State Guidelines. Thus, no environmental review is required.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

DISCUSSION

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief and Economic Security Act, more commonly known as the CARES Act, which authorizes \$2.1 trillion in federal relief. Included in the CARES Act is the Coronavirus Relief Fund (CRF) that provided \$150 billion to states and those local municipalities with populations greater than 500,000 based on a specific formula. Regionally, the County of San Diego received \$334 million and the City of San Diego approximately \$249 million. Cities and Counties with populations fewer than 500,000, including the City of Chula Vista, did not directly receive CARES Act CRF funding from the federal government. On May 19, 2020 the County Board of Supervisors approved allocation of \$25 million in CARES Act CRF monies to 17 cities in San Diego County, not including the City of San Diego. The allocation of this \$25 million was determined based on a population formula. Based on the City's population, the City of Chula Vista received \$4,842,695 in CARES Act CRF funds through the County of San Diego.

On May 5, 2020, in response to the ongoing COVID-19 pandemic, the City Council unanimously passed the City's COVID-19 90-Day Economic Recovery Plan. One tenet of this plan is a direct financial assistance program for small businesses. Small businesses in Chula Vista are defined as those with ten or fewer employees. Of the 16,022 active business licenses in the City, 15,231, or 95% are small businesses with 7,554 being home-based businesses. Small businesses have been particularly impacted by business interruption caused by forced or mandatory closures resulting from COVID-19, which began on March 19, 2020 when the Governor issued Executive Order N-33-20, also known as the Stay at Home Order.

On June 23, 2020, the City Council appropriated \$4,842,695 in CARES Act CRF monies to the General Fund. As part of this action, the City Council approved \$1.5 million to Economic Development Recovery Grants for Small Businesses to provide economic relief and assist at-risk businesses in rebounding from the economic impacts of COVID-19.

Some of the businesses most negatively impacted by COVID-19 are those that experienced business interruption by closing beyond 60 days. These include dine-in restaurants and personal services such as nail salons, barber shops facial salons, body art and massage therapy. Many of these businesses have operating reserves to sustain themselves for weeks, not months. The proposed grant program was developed to provide economic relief to these small businesses, which have experienced the greatest financial hardship as a result of business interruption caused by the COVID-19 pandemic.

Ninety-five percent of Chula Vista businesses are designated as small businesses with 10 or fewer employees. These businesses have experienced unprecedented financial challenges as a result of the business interruption caused by the COVID-19 pandemic, which in turn resulted in operational restrictions imposed by Governor Newsom's Statewide Stay-at-Home Order which went into effect on March 19, 2020. Since that date, select businesses have been able to reopen incrementally with appropriate social distancing and sanitation protocols in place. The sequencing of business re-openings and their related closure durations are outlined as follows:

Re-opening allowed May 8, 2020 (50-day closure):

- Retail
- Manufacturing
- Offices (where teleworking was not possible)
- Outdoor museums

Re-opening allowed May 27, 2020 (69-day closure):

- Dine-in restaurants (previously only take-out and delivery allowed)
- Hair salons and barbershops

Re-opening allowed June 12, 2020 (85-day closure):

- Movie theaters and family entertainment centers
- Restaurants, wineries and bars
- Zoos and museums
- Gyms and fitness centers
- Hotels (for tourism and individual travel)
- Cardrooms and racetracks
- Family entertainment facilities (bowling alleys, batting cages, etc.)
- Film and television production

Re-opening allowed June 19, 2020 (92-day closure):

- Nail salons
- Facial salons
- Cosmetology
- Body art including tattoos and body piercings
- Massage therapy in non-healthcare settings

The following businesses are still not permitted to re-open in San Diego County or statewide:

- Indoor playgrounds
- Live theater
- Saunas and steam rooms
- Nightclubs
- Concert venues
- Festivals
- Theme parks

- Higher education (in-person)

In light of COVID-19, a number of funding programs have been made available to businesses to assist in their recovery. These include federal programs such as the Economic Injury Disaster Loan Program and the Payroll Protection Program. On a local level, the South County Economic Development Council administered an Emergency Business Loan Program, which made available \$5,000 no-interest loans to food-serving establishments that remained open and continued to serve meals. Additionally, the City of San Diego administered a Small Business Revolving Loan Fund which made \$2.1 million available to small businesses located either in the City of San Diego or the City of Chula Vista. In order to qualify for loans up to \$20,000, businesses must have been able to demonstrate that they maintained a full-time equivalent employee on payroll during the pandemic that was not an owner of the business. As a result of this eligibility requirement, many businesses that were “non-essential” and closed, did not qualify for the loan program.

In developing a grant program using CARES Act CRF funding, staff focused on doing so from an inclusive economic development lens targeting businesses that were left out of other grant and loan programs to offset existing inequities. As a result, staff recommends making the grant funding available to businesses that are part of the “missing middle” and did not qualify for other funding programs that were made available at the regional, state and federal level. Out of the approximately 16,000 business licenses, staff estimates that there are over 4,000 businesses in Chula Vista, that would qualify for financial assistance under the proposed eligibility requirements. The \$1.5 million in CARES funding is estimated to be able to assist approximately ten percent of those businesses that experienced business interruption and were required to close for two to three months. In order to deploy these funds to meet the timing requirement of the County which requires all funds to be spent by September 30, 2020, staff proposes a streamlined process to directly reimburse business interruption costs. All businesses have rent to pay, and whether they paid these expenses while they were closed or were unable to pay, staff proposes these limited grant funds be applied to rent. The qualification process would require the applicant to simply submit their current lease/rental agreement. Covering rent will provide each business with working capital to cover other expenses like payroll and operational supplies. Staff recommends approval of a grant program based on the following “Program Summary” and “Eligibility Requirements.” Staff recognizes that the maximum grant amount may not be sufficient to cover two months of rent, but the maximum award was developed to balance providing enough meaningful resources to help, while also try to support the greatest number of businesses.

Program Summary:

- Lottery-based with all applications collected during a one-week application period and randomly selected.
- Maximum grant amount = \$6,000 per business.
- Amount granted will be equivalent to two months’ rent not to exceed the maximum grant amount.

Eligibility Requirements:

- Ten (10) or fewer full-time equivalent, (two part-time employees each working twenty hours per week equal one full-time employee).
- Not an essential business or business providing essential activities pursuant to any one of the Order(s) of the Health Officer and Emergency Regulations issued by the County’s Public Health

Officer in response to COVID-19 or Essential Workforce pursuant to Governor's Executive Order N-33-20 (Attachment 1).

- Must be a for-profit business located within the City of Chula Vista city limits.
- Must be a legally operating business located in a commercial or industrial space (home-based businesses are ineligible).
- Must have a valid City of Chula Vista business license at time the application is made.
- Must have submitted online a City of Chula Vista Social Distancing and Sanitation Protocol.
- Must be independently owned and operated, with the principal office located within the City of Chula Vista city limits (publicly traded companies, chains and franchised businesses are ineligible)

Program Launch and Grant Award:

Following the City Council's approval of the grant program, staff will broadly market and promote the grant opportunity via emails to businesses in the City's business license database, as well as through social media outreach to small businesses through Facebook and Instagram. City staff will also coordinate marketing and promotion of the grant opportunity through the City's partners (i.e.: South County Economic Development Council, Chula Vista Chamber of Commerce and Third Avenue Village Association). Additionally, marketing materials and the online application will be made available in both English and Spanish. Complete applications will be accepted online from 7 a.m., Monday, July 20 through 7 p.m., Friday, July 24, 2020. The one-week application period and subsequent lottery award is intentional to avoid a first-come, first-served competition of applications and to ensure a more equitable distribution of funds. Staff learned while participating with the City of San Diego and South County Economic Development Corporation loan programs that small businesses do not have the time or resources to monitor available funding opportunities, then compete to submit applications. The lottery will provide the most fair and equitable means of deploying these funds in an expedited manner.

Economic Development staff will work in close coordination with Finance Department staff to award eligible businesses with grant funds. The funding will be distributed directly to businesses via check. As such, businesses will directly receive the funds within 3-5 business days following official notification of their award. Additionally, staff will require completion of a diagnostic survey by applicants to collect data aimed to guide the City's future economic efforts.

DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the real property holdings of the City Council members do not create a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.).

Staff is not independently aware and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

CURRENT-YEAR FISCAL IMPACT

On June 23, 2020, the City Council approved the City of Chula Vista CARES Act Allocation Plan, which specifically earmarks \$1.5 million to fund this direct financial assistance program. The implementation of the grant program will impact the resources of staff currently budgeted in the General Fund for both the Finance and Economic Development Departments. Implementation costs for Economic Development staff were

included in the CARES Act funding from the County in support of this program. Staff will look to recover costs for Finance Department support of this action with future CARES Act funding.

ONGOING FISCAL IMPACT

Staff does not anticipate ongoing fiscal impact to the General Fund.

ATTACHMENTS

1. Essential Workforce Described by Governor’s Executive Order

*Staff Contact: Kevin Pointer, Senior Economic Development Specialist
Eric Crockett, Deputy City Manager*