



# CITY COUNCIL AGENDA STATEMENT



May 5, 2020

File ID: 20-0161

## TITLE

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING THE 90-DAY COVID-19 ECONOMIC RECOVERY PLAN AND APPROPRIATING \$200,000 FROM THE THIRD AVENUE SMALL BUSINESS LOAN PROGRAM FOR THE IMPLEMENTATION OF THE ECONOMIC RECOVERY PLAN (4/5 VOTE REQUIRED)

## RECOMMENDED ACTION

Council adopt the resolution.

## SUMMARY

Staff is proposing a 90-Day Economic Recovery Plan to address the economic challenges brought about by the COVID-19 crisis and to provide support to our local Chula Vista businesses. This plan will be updated quarterly throughout the economic recovery and brought forth to the City Council for acceptance and further direction. This plan will include a focused recovery program for small businesses which comprise 98% of Chula Vista's economy, according to the City's business license database. The 90-Day Economic Recovery Plan (**Attachment 1**) will include an overview of local resources for businesses as well as proposed changes to City policies and regulations that would be beneficial for businesses seeking to reopen or who need assistance to continue operating. Updates on staff's progress over the past 90 days and proposed actions for the upcoming 90-day period will also be included. The 90-day Economic Recovery Plan is comprised of five overarching core tenants and will aid in the following areas:

1. Financial assistance;
2. Technical assistance;
3. Marketing and promotion;
4. Business friendly City policies; and
5. Continuing economic development catalyst projects.

The first 90-day period of the plan's implementation is May 5, 2020 – August 3, 2020. The remainder of staff's report outlines the additional resources available from the federal and state governments.

## ENVIRONMENTAL REVIEW

The activity is not a "Project" as defined under Section 15378 of the California Environmental Quality Act State Guidelines; therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required. Notwithstanding the foregoing, the activity also qualifies for an Exemption pursuant to Section 15061(b)(3) of the California Environmental Quality Act State Guidelines.

## BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

## DISCUSSION

The direct economic impacts of the COVID-19 pandemic on the community are currently being analyzed by staff via sources such as the Brookings Institution, SANDAG, California Employment Development Department and HdL Companies. In the first four weeks of Governor Newsom's stay home order, 2.7 million Californians—employees and independent contractors—filed for unemployment benefits. To-date, 3.8 million Californians have filed an unemployment claim. There is no precedent in U.S. history for such a sudden and severe economic shock with a growing impact on the economy. Chula Vista has entered a COVID-19 induced recession with widespread impact across nearly all sectors creating a reduction in local taxes, the City's single largest revenue source (26% of all funds total revenue for FY 20).

At this time, there are federal and state resources available to businesses and these opportunities are further described within this staff report and have also been posted to the Economic Development Department's webpage: [www.chulavistaca.gov/businesses](http://www.chulavistaca.gov/businesses). Staff is actively assisting businesses understand what funding opportunities are available to them and advising how to navigate the nuances of the funding process with support from local partners, the South County Economic Development Center and the Small Business Development Center.

### *Federal Resources*

- [Economic Injury Disaster Loans and Emergency Economic Injury Grants](#): The Small Business Administration (SBA) provides low-interest economic disaster loans to businesses of all sizes and the loan can be used to repair or replace the following items damaged or destroyed in a declared economic disaster: real estate, personal property, machinery and equipment, and inventory and business assets. Business owners may self-initiate loan applications directly. Loans up to \$2 million are available. Interest rates are 3.75 percent for businesses and 2.75 percent for non-profits. The repayment period is up to 30 years. Loans may be used on business expenses such as rent, payroll, accounts payable and other operating expenses. Businesses are also eligible to apply for an emergency loan advance of up to \$10,000. Loan advances will provide economic relief to businesses that are experiencing a temporary loss of revenue. Funds will be made available within three days of a successful application, and this loan advance will not have to be repaid. The EIDL was recently replenished with the passage of the federal Stimulus 3.5 on April 23, 2020 and an additional \$10 billion was added to this program. Staff has encouraged Chula Vista businesses to apply again if they did not receive funding under the CARES Act.
- [Paycheck Protection Program](#): This is an SBA loan program that helps businesses keep their workforce employed during the COVID-19 crisis. Loans up to \$10 million are available. Interest rate is 1 percent over two years. First payment is deferred for six months. Loans may be used on business expenses such as payroll, rent, mortgage interest and utilities. Loan amounts will be determined by 2.5 times the business' average monthly payroll costs capped at \$100,000 per employee. Any small business or non-profit with less than 500 employees affected by COVID-19 can apply.

With the passage of federal Stimulus 3.5, the Paycheck Protection Program (PPP) has an additional \$310 billion for small business loans. This includes 1) \$30 billion set aside for banks and credit unions with \$10 billion to \$50 billion in assets, and 2) \$30 billion set aside for small institutions, a new safeguard to ensure large institutions and Corporate America do not hoard funding, due to their relationships with banks and staff resources, as was seen with the CARES Act.

- [Small Business Tax Provisions](#): Two Small Business Tax Provisions were passed under the CARES Act.

- **Employee Retention Credit for Employers Subject to Closure or Experiencing Economic Hardship:** This provision would provide a refundable payroll tax credit for 50 percent of wages paid by eligible employers to employees during the COVID-19 crisis. The credit is available to employers, including non-profits, whose operations have been fully or partially suspended as a result of a government order limiting commerce, travel or group meetings. The credit is also provided to employers who have experienced a greater than 50 percent reduction in quarterly receipts, measured on a year-over-year basis.
- **Delay of Payment of Employer Payroll Taxes:** This provision would allow taxpayers to defer paying the employer portion of certain payroll taxes through the end of 2020, with all 2020 deferred amounts due in two equal installments, one at the end of 2021, the other at the end of 2022. Payroll taxes that can be deferred include the employer portion of FICA taxes, the employer and employee representative portion of Railroad Retirement taxes (that are attributable to the employer FICA rate), and, half of SECA tax liability.

### *State Resources*

- [Unemployment Insurance \(UI\) Work Sharing Program](#): This program allows employers to seek an alternative to layoffs — retaining their trained employees by reducing their hours and wages that can be partially offset with UI benefits. Workers of employers who are approved to participate in the Work Sharing Program receive the percentage of their weekly UI benefit amount based on the percentage of hours and wages reduced. To qualify, employers must reduce hours and wages by at least 10 percent, but no more than 60 percent.
- [Unemployment Insurance \(UI\) Claim](#): UI provides partial wage replacement benefit payments to workers who lose their job or have their hours reduced, when it isn't their fault. Workers who are temporarily unemployed due to COVID-19 and expected to return to work with their employer within a few weeks are not required to actively seek work each week. However, they must remain able and available and ready to work during their unemployment for each week of benefits claimed and meet all other eligibility criteria. Eligible individuals can receive benefits that range from \$40-\$450 per week. Unemployed workers with an active unemployment insurance claim are also eligible to receive an additional \$600 per week payment from the federal government.

### **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 Councilmembers 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 Councilmember, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

### **CURRENT-YEAR FISCAL IMPACT**

As a result of the COVID-19 pandemic and the City's related response, the City is currently operating in deficit for Fiscal Year 2019-2020. The exact amount of the deficit is currently unknown but is estimated at approximately \$5,000,000. In order to balance the budget, all unused encumbrances and appropriations will be allocated towards the reduction of the deficit. The acceptance of this staff report and the Economic

Recovery Plan will remove \$200,000 in available funds towards the deficit reduction resulting in a net fiscal impact to the General Fund of \$200,000.

### **ONGOING FISCAL IMPACT**

The implementation of some of the actions outlined within Attachment 1, the 90-Day Economic Recovery Plan, will be offset with the \$200,000 allocated in FY 2019-20 as discussed above. No additional impacts are anticipated at this time for the implementation of the plan. Staff will continue to closely monitor the economic effects and expenses related to COVID-19.

### **ATTACHMENTS**

1. 90-Day Economic Recovery Plan for the Period of May 5, 2020 – August 3, 2020

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