



CITY MANAGER'S OFFICE

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CITY COUNCIL STAFF REPORT

Meeting: May 19, 2020

Subject

Allocation of \$229,017 of Cupertino's future Community Development Block Grant (CDBG) funds made available through the Federal stimulus Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Recommended Action

Consideration of allocation of \$229,017 of Cupertino's future CDBG funds made available through the Federal stimulus Coronavirus Aid, Relief, and Economic Security (CARES) Act towards the creation of a Cupertino small business relief grant program.

Discussion

On April 1, 2020, the City received notification from the U.S. Department of Housing and Urban Development (HUD) that we will receive \$229,017 in CARES Act supplemental funding for FY 20-21. This is a special allocation of CDBG funds to be used to prevent, prepare for, and respond to COVID-19. This allocation was authorized by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Public Law 116-136, which was signed by President Trump on March 27, 2020, to provide fast and direct economic assistance for American workers, families, and small businesses, and preserve jobs for our American industries.

HUD encourages recipients to consider approaches that prioritize the unique needs of low- and moderate-income persons and the development of partnerships between all levels of government and the private for-profit and non-profit sectors. CDBG-CV grants will be subject to oversight, reporting, and requirements that each grantee have adequate procedures to prevent the duplication of benefits. HUD will provide guidance and technical assistance on DOB and regarding prevention of fraud, waste, and abuse and documenting the impact of this program for beneficiaries. This is a breakdown of the allocation:

CARES Act Allocation Budget FY 20-21	
Entitlement Amount	\$229,017.00
Program Administration (20%)	\$45,803.40
Total Available for Programs	\$183,213.60

Since March 17, 2020, the beginning of Santa Clara County's shelter in place order, staff has been working on identifying resources and solutions to support the City's small businesses. Staff compiled a comprehensive Federal, State, and local information and resource list for businesses and their employees, and posted the information on the City's business webpage at www.cupertino.org/covid19businessinfo. The purpose of the webpage is to provide practical support to businesses and leverage partnerships with local organizations. The City also created a webpage to promote the City's essential businesses at www.cupertino.org/OpenForBusiness. Staff updates these business-support webpages daily.

There are several other cities within the region considering small business assistance programs. Staff continues to research these programs and monitor any best practices in order to develop a program that could be implemented in Cupertino. There are cities that have existing commercial loan/grant program process in place (e.g., application; loan/grant committee to vet applicants; loan/grant documentation; and loan servicing/administration), allowing them to quickly pivot their programming.

The City of Cupertino does not have an existing process in place and recommends the City collaborate with an existing regional partner, the Enterprise Foundation, which provides economic development educational and referral services through the Silicon Valley Small Business Development Center (SBDC). The Enterprise Foundation's main goal is to promote, support and encourage the advancement and development of micro enterprises and small businesses. The Enterprise Foundation has been the host and manager of the Small Business Administration's (SBA) Small Business Development Centers of Santa Clara County (SBDC) since 2011. Staff has discussed the concept and availability of the Enterprise Foundation to establish and administer a City of Cupertino Small Business Assistance Grant Program.

The Enterprise Foundation has been a City partner for more than 10 years, assisting our small businesses with developing business and marketing plans, setting up business structures, and providing financial assistance through the SBA programs. The City, in partnership with Enterprise Foundation, has hosted numerous free workshops over the years to support entrepreneurs and small business owners. The Enterprise Foundation provides presenters and financial agency representatives that are experts in a variety of topics needed by the small business community. Workshop attendees continue to provide

positive feedback and can continue to receive free one-on-one support from counselors after the workshops.

Staff recommends that City Council consider an allocation of \$229,017 of Cupertino's future CDBG funds made available through the Federal stimulus Coronavirus Aid, Relief, and Economic Security (CARES) Act to put toward the creation of a small business assistance program to provide \$5,000 grants to eligible Cupertino businesses.

Staff would work with the Enterprise Foundation to refine eligibility criteria to be applied and included with a grant administration agreement to provide grants to eligible Cupertino small businesses.

Staff recommends that chains (national or local with three or more locations), or operations catering to patrons above the age of 21 (i.e., smoke shops and bars) not be eligible for this program. To ensure the application process is equitable to all businesses, a lottery system rather than first-come first-served is recommended. Those meeting basic eligibility criteria will be entered into a lottery. The City will then work with businesses selected from the lottery to confirm eligibility and review required documentation before dispersal of funds.

The following are examples of potential eligibility criteria business owners must meet, including HUD requirements:

- Have a storefront location in Cupertino
- Have a valid Cupertino Business License
- Have no outstanding Code Enforcement violations
- Employ between 2 and 25 employees, or generate less than \$5 million in annual gross receipts
- 51% of employees are low-moderate income
- Be economically impacted by COVID-19
- Provide applicable financial information to demonstrate loss, as well as show low-income employee(s) address(es) (W-4, I-9, etc.)
- Agree to utilize Silicon Valley SBDC services and resources free of charge
- Agree to provide status update after three months

In addition to the financial assistance discussed above, staff will continue working on additional initiatives to support small businesses, including; regular updates to the resource webpages; partnering with local and regional organizations, such as the Cupertino Chamber of Commerce, to identify ways in which to support local small businesses; and continued outreach to understand what additional actions and resources are needed to support small businesses.

Sustainability Impact

There are no sustainability impacts.

Fiscal Impact

Sufficient funding will be available and budgeted for the emergency assistance funds. CDBG programs and projects are funded by HUD grant funds.

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Reviewed by: Dianne Thompson, Assistant City Manager

Approved for Submission by: Deborah Feng, City Manager

Attachments:

A – CDBG Quick Guide