



## CITY MANAGER'S OFFICE

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### CITY COUNCIL STAFF REPORT

Meeting: June 16, 2020

#### Subject

Cupertino Small Business Emergency Relief Grant Program.

#### Recommended Action

Approve Cupertino's proposed Small Business Emergency Relief Grant Program and authorize the City Manager to negotiate and execute an agreement with a selected program administrator.

#### Discussion

On May 19, 2020 City Council approved allocation of Cupertino's Coronavirus Aid, Relief, and Economic Security Act (CARES Act) supplemental funding for FY 20-21 to be directed towards the creation of a small business grant program in response to the COVID-19 pandemic. This special allocation of Community Development Block Grant (CDBG) funds is to be used to prevent, prepare for, and respond to COVID-19. The allocation was authorized by the 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.

This is a breakdown of the allocation:

CARES Act Allocation Budget FY 20-21	
Entitlement Amount	\$229,017.00
Program Administration (up to 20%)*	\$45,803.40 (maximum)
<b>Total Available for Programs</b>	<b>\$183,213.60</b>

*\*Includes work for program administration and grant disbursement, monitoring, and compliance*

The Small Business Emergency Relief Grant Program will provide one-time emergency grants of \$5,000 to small businesses to hire, maintain, or re-hire employees who are earning 80% of the area median income (AMI) or below. The grant is not intended as a long-term solution; however, the intent is that it can help to fill gaps or bridge delays from other sources of venues (e.g., federal Paycheck Protection Program and Economic Injury Disaster Loans).

Several Bay Area cities have established programs to distribute CDBG-CV funds to support small businesses.

These cities have initiated small business assistance programs (grants and loans) using CDBG-CV funds, general fund dollars, or donations. The type of funding is an important factor as to the type of financial program that can be offered.

The following table identifies several of these cities along with information on their specific programs.

City	Los Altos	Fremont	Palo Alto	Gilroy	Santa Clara	Mountain View	Sunnyvale	San Jose
<b>Total \$</b>	\$250K	\$400K	\$500K	\$619,715	\$800K	\$400K General Fund; \$600K Los Altos Community Foundation	\$600K City Funds; \$700K donations	\$1.5M SVCF; \$2.5M General Fund
<b>Funding Source</b>	General Fund	CDBG-CV	General Fund	CDBG-CV	General Fund and Budget Stabilization budget	General Fund and Private Sector donations	General Fund and Private Sector donations	General Fund and Private Sector donations
<b>Administrator</b>	Economic Development Office	Economic Development Office	City Manager's Office	TBD	City Manager's Office	MainStreetLaunch.org	The Enterprise Foundation/Silicon Valley SBDC	Opportunity Fund
<b>Loan or Grant</b>	\$5K and \$10K Grants	\$5K and \$10K Grants	\$10K Grants for non-essential businesses from original order \$5K Grants for essential businesses	\$5K and \$10K Grants	\$10K Grants for non-essential businesses from original order \$5K Grants for nonprofits and businesses (1-25 EE)	Loans up to \$10K with 0% interest, no fees, no collateral, and a term of up to three years	\$5K, \$10K, and \$15K Grants	Grants up to \$10K (1-5 EE)
<b>Application Process</b>	Lottery	Point system	Lottery	Point system	First-come	First-come	Lottery	First-come
<b>Launch Date</b>	Late May	End of May	End of May	June/July	4/17/20	4/29/20	End of May	5/11/20

Some agencies have opted to administer their small business assistance program in-house. However, the City of Cupertino does not have an existing process in place nor sufficient staff to administer such a program. It is recommended that 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 Emergency Relief 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. Workshop attendees can continue to receive free one-on-one support from SBDC counselors after the workshops.

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.

#### Proposed Small Business Emergency Relief Grant Program and Application Process

Utilizing CDBG-CV funds and adhering to HUD guidelines on allowable uses, the objective of the program is to avoid job loss caused by business closures related to social distancing. The program would do achieve this by providing short-term working capital grants of \$5,000 to small businesses so they may hire, maintain, or re-hire employees who are earning 80% of area median income or below. Staff anticipates assisting up to 36 qualified businesses.

Grants may be used for payroll, rent, or utilities for the specified small business location. The funds cannot be used for any of the following:

- Refinancing debt of any kind
- Investments in real or personal property
- Payment of delinquent taxes, including payroll taxes and sales taxes
- Changes of ownership/business acquisition

*Eligibility:*

This program will target commercial storefronts or facilities in Cupertino that have been adversely impacted by the COVID-19 pandemic and have income-eligible employees.

In order to qualify, businesses must meet the following requirements:

- a. Operate a permanent physical commercial storefront location within Cupertino and open to the public (home-based businesses do not qualify)
- b. Be a for-profit business in good standing (no outstanding code violations)
- c. Be a business that is not otherwise prohibited or restricted in the City
- d. Have demonstrable financial impact stemming from the COVID-19 pandemic
- e. Commit to (re)hiring or retaining employees from low-income households
- f. Have been in business in Cupertino for at least one (1) year (based on its Cupertino business license)
- g. Had between 2 and 25 employees (full or part time) on payroll (including business owner(s)) at Cupertino business locations when the initial Santa Clara County Shelter in Place Order went into effect on March 17, 2020
- h. Had gross receipts under \$5 million across all business locations in the past 12 months prior to the shelter in place order taking effect
- i. Have a maximum of 3 business locations in Santa Clara County
- j. Have a current Business License with the City of Cupertino
- k. Agree to utilize Silicon Valley SBDC services and resources free of charge; AND
- l. Agree to provide a status update after three months.

To ensure fairness for all applicants and transparency on how award eligibility was determined, grant applications will be scored on a point-based system. Under this point-based system, points will be awarded on criteria, including their essential/non-essential designation, job creation or preservation, whether the business has obtained or applied for other sources of funding, and length of time operating in Cupertino. Additional consideration will be provided for businesses that are veteran, woman, or minority owned.

This approach includes an established application period (1 or 2 weeks). The application eligibility and evaluation criteria will be posted in advance and will provide full transparency for potential awardees.

*Selection Process:*

Once the ranking of applications is completed, businesses starting with the top rankings of points will be contacted to complete the award process. This would include verification of information stated in the preliminary application. At this stage, additional documents may be required to complete the process. Once all necessary information is obtained, an agreement can be signed and the funding will be released to the awardee.

Program administration will be coordinated between the Economic Development

Division of the City Manager's Office and the selected program administrator, with support from the Housing Division and CDBG consultant for HUD compliance and reporting. It is intended that the Program Administrator will review applications, assign criteria points, collect required documentation, and disburse grants to qualified applicants. City Staff will review the applications and supporting documentation in order to monitor compliance.

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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Prepared by: Angela Tsui, Economic Development Manager

Approved for Submission by: Dianne Thompson, Assistant  
City Manager

Attachments: None