

Agenda Report

June 15, 2020

TO: Honorable Mayor and City Council

THROUGH: Economic Development Technology Committee (June 9, 2020)

FROM: City Manager

SUBJECT: AUTHORIZATION TO ENTER INTO AN AGREEMENT WITH THE PASADENA COMMUNITY FOUNDATION TO ESTABLISH A COVID-19 SMALL BUSINESS DISASTER RELIEF FUND AT THE FOUNDATION

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is exempt from the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15061(b)(3);
2. Authorize the City Manager to enter into an agreement with the Pasadena Community Foundation (the "Foundation") and the City of Pasadena (the "Donor") to establish a COVID-19 small business disaster relief fund (the "Fund") at the Foundation. and
3. Appropriate \$750,000 from the unappropriated General Fund operating reserve to the non-departmental portion of the FY20 operating budget to support the proposed program.

BACKGROUND:

As a result of the COVID-19 pandemic, the protective State, County and Local Shelter-In-Place Orders have also kept people at home and away from daily consumer activities. Storefront retailers, restaurants, and personal service businesses have been particularly hard hit. Although Federal stimulus legislation and other government plans have been created to help small businesses, some cities have taken additional steps to develop local business support programs. At the May 21, 2020 Economic Development and Technology Committee (Edtech) meeting, staff was encouraged to work with the Pasadena Community Foundation and the Pasadena Chamber of Commerce to develop a local business grant program based on a preliminary framework presented at the meeting, and specific direction provided by members of the Edtech Committee.

An agreement with the Pasadena Community Foundation and the City of Pasadena to establish Covid-19 disaster small business relief fund at the Foundation

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Staff returned to the Edtech Committee on June 9; the Committee endorsed the program and offered comments that are reflected in this report.

While the true economic impact of the pandemic and other curfew actions are still unknown, national research indicates the need for support is urgent and immediate. Main Street America found that nearly 7.5 million, or one-quarter of the nation's small businesses are at risk of closing over the next three months. In a survey conducted by

Harvard researchers these statistics were confirmed, projecting that if the crisis lasts for six months 38% of small businesses will close. The survey also found that small business owners are having the least success accessing federal relief funding. While 78 percent of small business owner survey respondents applied for federal relief associated with COVID-19, 48 percent received funding. The smallest businesses had the least success. Current statistics show that Federal relief funding is not enough. Half of the businesses that received funding through the Paycheck Protection Program (PPP) or Economic Injury Disaster Loan Program (EIDL) programs and disclosed their funding amount received less than \$8,000. The survey found that most small business owners report the CARES Act/PPP or EIDL funding is not enough to sustain them. Most cited a need for an additional \$10,000. In a separate survey conducted by a small business support service, Hello Alice, the results found that most small businesses who responded that were in danger of closing said they would close for lack of \$10,000. \$10,000 is also the amount provided through the US Treasury for EIDL.

City Models

City and State Governments are also responding with grant and loan programs to support small businesses. While there are various size businesses being targeted, there are many programs that focus on those with 1-20 employees, having less than \$3 million in annual gross revenues and grants ranging from \$2,000 - \$25,000.

City of Monterey, CA (population 30,000) contributing \$1 million to Monterey Community Foundation's Small Business Relief Fund. Grants **up to \$25,000**.

City of Santa Clara, CA (population 139,000) has committed \$800,000 to create a Small Business Assistance Grant Program. City has awarded 110 grants of **\$5,000 or \$10,000** for a total of \$795,000. The Silicon Valley Central Chamber of Commerce recently launched a GoFundMe campaign to help raise additional funding for the City's grant program.

City of Gresham, OR (population 108,000) has awarded \$380,000 in grants of **\$2,000 - \$10,000** to small businesses. Estimated available funding: \$400,000. Now evaluating Phase 2 applicants.

Proposed Pasadena Business Grant Fund

Established in 1953, PCF is a tax-exempt public charity created by and for the people of Pasadena, with six areas of interest including: arts and culture, education, environment, health, human services (with a focus on seniors), and youth. PCF establishes charitable endowments, invests and manages charitable assets, provides grants to

charitable organizations, and partners with donors. The Fund would be established by the City of Pasadena at the Pasadena Community Foundation (PCF) with a contribution of \$500,000. A signed Fund Agreement between the City and PCF will be executed. PCF would administer the fund and the PCF will provide the funding to the Chamber and the Chamber will be the entity to issue checks to the businesses. In collaboration the City, PCF and the Chamber will work jointly to develop criteria and appoint a Selection Committee, the majority of whose members will be Pasadena residents. The Selection Committee will evaluate applications for grants of up to \$10,000. Grants may be used for expenses associated with re-opening businesses in compliance with City requirements, retention or rehiring of staff, or other expenses specifically related to helping businesses continue to operate. Priority will be placed on businesses who can offer jobs and specifically those who employ Pasadena residents and/or businesses that will re-hire when appropriate, employees who have previously been employed and demonstrated satisfactory performance pre-pandemic.

Private Philanthropy

Efforts will be made by the City, the PCF and the Chamber to publicize the Fund and encourage donations from private donors. The City will help to incentivize private philanthropy with a match of up to \$250,000 for any funds raised. This match will be on top of the initial \$500,000 contribution. The Fund will accept matching donations from individuals, businesses, and foundations.

Objective

The objective of the Fund is to augment Federal, State and local aid by financially supplementing Pasadena businesses in hopes of sustaining the local economic base. The Fund will provide grants to street-level, storefront businesses. Funds will be used for business related operational costs including COVID-19 related expenses and compliance. Preference will be given to those businesses which commit to and have the most likely chance of reopening and surviving this prolonged pandemic.

Proposed Timeline

Upon approval, the following steps will be taken:

3 Weeks

- Fund Agreements signed / Fund established at PCF/ Application uploaded to PCF portal
- Outreach to small business community and media / Promotion to private donors
- Recruitment of Selection Committee / Schedule orientation
- Grant cycle opens

2 Weeks

- Application period open
- Orientation and training of Selection Committee

2 Weeks

- Selection Committee reviews/scores applications
- Meeting of Selection Committee to finalize decisions

1 Week

- Announcement of awards/Grant agreements signed/Funds disbursed

Eligibility Requirements

1. Business is based in the City of Pasadena who are legally operating under all local, state and federal laws and current on any and all taxes/fees/license owed to the City of Pasadena and do not have a current lawsuit pending against the City of Pasadena.
2. Must be in “good standing” with the State of California.
3. This program is solely directed at small, street level, storefront businesses (including retail shops and restaurants) 2-20 full-time equivalent (FTE) employees as of March 1, 2020.
4. Have \$3.0 million or less in annual gross revenue as of latest completed Business Tax Returns or other financial reports that can demonstrate annual gross revenues to the satisfaction of the Selection Committee.
5. Must be locally and independently owned (not part of a national or regional chain or a franchise).
6. Business has experienced at least 25% decline in revenues due to COVID-19 between January 1, 2020 and April 30, 2020.
7. Have not received \$10,000 or more from either SBA Paycheck Protection Program (PPP) or SBA Economic Injury Disaster Loan (EIDL) or other SBA, government or other grant source related to COVID-19.
8. Demonstrated a strong track record of business operations under current ownership.
9. Provide the dedication and wherewithal to remain open for a period of 12 months after receipt of the relief funds.

Funding will not be limited to any one geographic location, rather the Selection Committee will consider funding businesses spread throughout the City. Priority will be given to businesses who employ Pasadena residents and/or businesses that will re-hire when appropriate, employees who have previously been employed and demonstrated satisfactory performance pre-pandemic. Staff will return to the City Council at a future date and report on the number of businesses assisted and the grant amounts awarded.

ENVIRONMENTAL:

Pursuant to State CEQA Guidelines Sections 15060(c)(3) and 15378, environmental review is not required where the activity does not have the potential for resulting in either a direct physical change to the environment, or a reasonably foreseeable indirect physical change, and therefore is not a “project.”

FISCAL IMPACT:

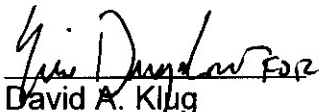
The City will commit \$500,000 to fund the Small Business Relief Fund and up to an additional \$250,000 to match private sector donations resulting in a total maximum fiscal impact of \$750,000. Funding will be appropriated from the unappropriated General Fund Reserve.

Respectfully submitted,



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City Manager

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