



# City of Huntington Beach

File #: 20-1697

MEETING DATE: 6/15/2020

## REQUEST FOR CITY COUNCIL ACTION

**SUBMITTED TO:** Honorable Mayor and City Council Members

**SUBMITTED BY:** Oliver Chi, City Manager

**PREPARED BY:** Oliver Chi, City Manager

**Subject:**

**Approve the COVID-19 Small Business Relief Program and Delegate to the City Manager, with Approval as to Form by the City Attorney, the Authority to Execute the Agreement with Orange County Small Business Development Center to Administer the Program**

**Statement of Issue:**

The City of Huntington Beach has received approximately \$4.75 million in funding from Orange County Board of Supervisors Chairwoman Michelle Steel from the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, to support small businesses affected by COVID-19. Staff is recommending the creation of a COVID-19 Small Business Relief Program to provide grant funding to small businesses in Huntington Beach.

**Financial Impact:**

There is no direct cost to the City to approve this program. The City entered into a subrecipient agreement with the County of Orange to receive \$4,747,521.59 in CARES Act funding to allocate to businesses with Huntington Beach. These funds will cover the entirety of the grant program, including the cost of administering the program through the Orange County Small Business Development Center (SBDC) at a cost of \$75,550, or less than 2% of the available funding.

**Recommended Action:**

- A) Approve the COVID-19 Small Business Relief Program; and,
- B) Delegate to the City Manager, with Approval as to Form by the City Attorney, the Authority Execute the "Agreement between the City of Huntington Beach and the Orange County Small Business Development Center to Administer the COVID-19 Small Business Relief Program" and to allow the City Manager to take all administrative and budgetary actions to execute the program.

**Alternative Action(s):**

Do not approve the program as presented, and direct staff accordingly.

**Analysis:**

On May 26, 2020, the Orange County Board of Supervisors approved allocating \$75 million of CARES Act funds to provide economic support to businesses impacted by the COVID-19 pandemic. In Orange County's Second District, Supervisor Steel chose to allocate funds directly to the cities in her district on a per capita basis. The City of Huntington Beach has received \$4,747,521.59 to provide direct support to small businesses in our community.

To distribute these funds, staff is recommending the creation of a COVID-19 Small Business Relief Program to provide up to \$10,000 in grant funding to small businesses in Huntington Beach.

The City of Huntington Beach's Economic Recovery Task Force, comprised of nine local business leaders in various sectors, along with Council liaisons Mayor Semeta and Councilmember Peterson, held a meeting on June 9, 2020, to review the draft program parameters, and their feedback has been incorporated into the proposal presented below for City Council consideration.

### ***COVID-19 Small Business Relief Program***

#### ***Proposed Funding Framework***

The proposed funding framework consists of a tiered grant program ranging from \$5,000 - \$10,000, based on the number of full-time or equivalent employees at the business, as shown in the table below. Rather than a loan program that would cause additional financial strain for businesses to repay at a future time, these grant monies would provide small business with immediate financial assistance.

Number of Employees	Grant Amount
21 - 30	Up to \$10,000
11 - 20	Up to \$7,500
1 - 10	Up to \$5,000

Grant funds can be used to reimburse businesses for any eligible expense related to the COVID-19 pandemic, including but not limited to, rent, lease, or mortgage payments, utilities, accounts payable, payroll, utilities, personal protective equipment, inventory or equipment, and other COVID-19 related operational or safety expenses. As part of the application process, businesses must indicate how they will spend the grant funds if awarded, and self-certify that the funds will only be used for expenses permitted under the program.

Separately, the City Council recently approved the OneHB micro-grant program that will provide businesses with 10 or fewer employees grant awards up to \$5,000. These funds will be distributed after the CARES Act funding is exhausted as an additional mechanism to assist local small businesses.

#### ***Eligibility Criteria***

The eligibility criteria listed below includes those required by Federal guidelines, as well as the proposed criteria for the City of Huntington Beach.

- a) Per Federal guidelines, eligible businesses are those that meet at least one of the following criteria:
- Business must have been deemed non-essential and forced to close
  - Sales must be down more than 25% over previous 3 months
  - Business must have laid off at least 1 part-time or full-time employee
  - 1 or more employee has contracted COVID-19 while at work
- b) Additional proposed eligibility guidelines include:
- Independently owned / operated business
  - Located in Huntington Beach with operations located in commercial or industrial space
  - Legal business in good standing with an active Huntington Beach business license for at least 1 year
  - Business with 30 full-time or equivalent employees or less
  - Business with \$15 million annual revenue or less over the past 3 years
  - Priority will be given to those businesses that have been in operation for at least 3 years
  - Priority will be given to those businesses who have not received other pandemic relief, such as the Paycheck Protection Program (PPP) or Economic Injury Disaster Loan (EIDL)
  - Priority will be given to those businesses in industries that have been severely impacted by COVID-19, including retail, restaurant, manufacturing, and personal service establishments, and those who have not been allowed to reopen for business
  - Businesses who receive grant funding are encouraged to give back to the community as a gesture of good will if and when they are able to do so

### ***Program Administration***

In order to expedite the implementation of this program and getting much-needed grant funding to small businesses in Huntington Beach, staff are proposing an agreement procured under the expedited emergency procurement procedures with the Orange County Small Business Development Center (SBDC). The SBDC program is a non-profit, nationwide network that provides small business assistance, hosted by universities, colleges, state economic development agencies and private partners, and funded in part by the U.S. Congress through a partnership with the U.S. Small Business Administration. Here in Orange County, SBDC is located within the California State University, Fullerton.

The Orange County SBDC is helping to administer several small business loan and grant programs

being offered by the County and other cities, such as Newport Beach, including CARES Act related funding. Due to their extensive expertise and experience meeting the unique needs of these types of programs, staff is recommending the City enter into an agreement with the Orange County SBDC to administer the program, including assisting with marketing, soliciting and reviewing applications, performing the lottery selection process to ensure awards are distributed fairly, and working with applicants one to one to answer questions and provide business support (see Attachment #1). The cost of this agreement with Orange County SBDC would be \$75,550, a modest fee of less than 2% of the available funding.

### ***Proposed Program Timeline***

In order to distribute these funds to small businesses in our community as quickly as possible, while ensuring the program is thoroughly marketed to all segments of the business community to maximize awareness, fairness, and participation, staff has coordinated with the SBDC to propose the program timeline below:

<b>Date</b>	<b>Action Item</b>
06/15/2020	City Council meeting to consider program.
06/16/2020	If approved, SBDC and the City will begin marketing the program with a press release, electronic flyer, social media posts, and targeted outreach.
06/16/2020	Online and paper application finalized.
06/17/2020	Zoom Webinar to introduce the program and answer questions from the business community, led by Mayor Semeta and SBDC
06/22/2020	Application portal opens at 8:00 a.m.
06/26/2020	Application portal closes at 5:00 p.m.
06/29/2020	SBDC verifies all eligible applicants and enters them into a lottery.
07/01/2020	Lottery is held for all eligible applicants.
07/02/2020	SBDC works with each awardee to collect the necessary supporting documents to provide the City.
07/03/2020 - Ongoing	Grants are submitted to the City, as awardees complete their documentation for review.
07/06/2020 - Ongoing	City begins distributing grant awards. These funds will be disbursed to businesses as quickly as possible, but no later than 12/31/2020, per Federal guidelines.

Following the July 1, 2020, lottery for the COVID-19 Small Business Relief Program, when businesses are notified if they will be receiving CARES Act grant funding, staff is proposing to begin accepting applications for the OneHB micro-grant program.

### **Environmental Status:**

Not applicable.

**Strategic Plan Goal:**

Strengthen long-term financial and economic sustainability

**Attachment(s):**

1. Draft Agreement between the City of Huntington Beach and the Orange County Small Business Development Center to Administer the COVID-19 Small Business Relief Program
2. Subrecipient Agreement Between the County of Orange and the City of Huntington Beach for Coronavirus Relief Funds for Economic Support Provided by the City