



DATE: May 4, 2020

TO: Council Economic Development Committee

FROM: Deputy City Manager

SUBJECT: Update on Small Business Assistance Programs

RECOMMENDATION

That the Council Economic Development Committee receives the information on the Small Business Assistance Program, provides feedback on the program for the upcoming round of funding, and receives an update on the COVID-19 Business Resiliency Grant Program.

SUMMARY

The City of Hayward's Small Business Assistance Program receives funding through the Community Development Block Grant (CDBG) Program. Two rounds of funding and implementation of the program have been completed. This report provides an overview and summary of the businesses assisted through the program, the economic impact, demographics, and plan for the next round of funding. This report also provides an update to the newly created COVID-19 Small Business Resiliency Grant Program.

SMALL BUSINESS ASSISTANCE PROGRAM

BACKGROUND

In 2018, the City of Hayward Economic Development Division was allocated \$75,000 of funds from the Community Development Block Group (CDBG) program. These dollars had to be used for Economic Development purposes and had to assist businesses that served low-income populations. Staff identified microenterprises, businesses with 5 or fewer employees, as those businesses to be targeted for the funds. The Small Business Assistance Program was created, which issued \$5,000 in grants to the small businesses. The dollars could be used for any expense associated with the small business, including inventory purchases, equipment and furniture purchases, new signage, website upgrades, and more.

DISCUSSION

Since the program inception, 30 Hayward businesses have received a total of \$150,000 in funding through the Small Business Assistance Program. A complete list of grantees is provided

in Attachment II. The following are key highlights, including the number of businesses assisted, the number of employees employed by the businesses, and the total amounts of the grant dollars spent at other Hayward businesses.

2018/2019

- 15 businesses received grants through the program
- Efforts were focused on the Tennyson Corridor and the Downtown Area. Staff walked each of these corridors and visited businesses to sign them up for the program.
- These 15 businesses employ a total of 52 employees.
- The businesses that received these grant dollars used \$14,740 of the grant dollars to make purchases at other Hayward businesses.

2019/2020

- To date, 14 businesses have received or have been approved to receive grant dollars.
- Outreach efforts focused on commercial centers that are often overlooked or are on the outer reaches of the City, including Tennyson, A Street, South Mission Boulevard and Hayward Boulevard.
- These 14 businesses employ a total of 40 employees.
- The businesses that have received these grant dollars to date have spent \$24,140 of the grant dollars to make purchases at other Hayward businesses.

Business Demographics

Based on the 29 businesses that have received assistance to date:

- 17 businesses are women owned
- 6 businesses are owned/operated by those 65 years of age or older
- 17% of the business owners are white
- 10% of the business owners are black
- 24% of the business owners are Hispanic
- 44% of the business owners are Asian (includes: Chinese, Vietnamese, Indian, Filipino)

These demographics closely match those of the residents of the City of Hayward, except the Hispanic and Asian business owner percentages which are reversed from the percentages found in the community.

At the CEDC meeting, staff will present highlights of small businesses that have received grant funding.

COVID-19 BUSINESS RESILIENCY GRANT PROGRAM

BACKGROUND

On March 14, 2020, the six-county region of the San Francisco Bay Area issued a Shelter in Place order to help flatten the curve of the COVID-19 cases in the region. Under that order, all businesses except those that are considered essential were required to close. The order and

subsequent social distancing requirements sent shockwaves through the business community with many furloughing or permanently laying off employees, reducing hours, or ceasing operations completely. Even businesses deemed essential and allowed to stay open, struggle with meeting monthly financial obligations due to steep drop-offs in sales. In fact, several restaurants indicated that daily revenue during the crisis is nowhere sufficient to cover daily employee wages, let alone full operating costs.

To support Hayward small businesses disrupted by the COVID-19 crisis while larger State and Federal assistance programs came online, the Economic Development Team developed a COVID-19 Business Resiliency Grant Program to provide funding to support operations and layoff aversion. This program provides small businesses (25 or fewer employees) and restaurants (of any employee size and independently owned) that demonstrate negative impacts as a result of the COVID-19 shutdown with a capital infusion of \$5,000. The program was modeled after our existing CDGB-funded Micro-enterprise Grant Program.

Funding was secured to issue 76 grants for a total of \$380,000. Funding came from existing General Fund allocations to the Economic Development Grant and Loan Fund and the salary savings from the vacant Economic Development Specialist position.

In order to expedite the issuance of grant funding, the Economic Development team developed the application process to be as streamlined as possible. The process is as follows:

- To apply, businesses were required to complete the “Estimated Disaster Economic Worksheet” provided by the State Office of Emergency Services that documents current or forecasted estimates of economic impact.
- Applications are then reviewed by staff with approved applications receiving a grant in the amount of \$5,000.
- Businesses receiving funding are encouraged via the Grant Award Letter to:
 - Adopt Federal and State guidance for operating their businesses (social distancing, clean down procedures, limiting in-store occupancy, etc).
 - Prioritize delivery of food and services to seniors, economically vulnerable populations

Informational materials about the program were created in English, Spanish and Chinese and are available on the [City website](#).

DISCUSSION

The application for the grant program went live on the City website at 1:00 PM on April 26, 2020. In the first 4 hours, over 500 applications were received and over 1,600 applications came in the first three days. Economic Development staff immediately began reviewing applications in the order that they were received. Each application is checked to verify that the business has a valid City of Hayward business license, the business is located within the City of Hayward, the number of employees is 25 or fewer, and the business has demonstrated an economic injury due to the COVID shut down.

While initially designed as a first-come first-serve program, staff developed additional screening criteria due to the overwhelming demand for the program and desire to ensure the funds were equitably distributed to a wide range of businesses types and geographies. These criteria excluded Uber/Lyft drivers, auto dealerships, vice businesses (liquor store, vape shops, cannabis related industries and massage parlors), and property management or landlord related businesses. Non-profits were also excluded because they often have alternate sources of funds and don't typically have general public customers. Also, any business that received funding through the Small Business Assistance Program described above did not receive additional funding.

Applicants were prioritized on a rolling basis that demonstrated significant economic injury (e.g. period over period revenue loss) and operated brick and mortar business locations (actual storefronts as opposed to home-based businesses). Other evaluation factors included sensitivity to geographic distribution, industry sector representation, and sensitivity to equity and inclusion.

Attachment II includes a list of all grantees awarded under this program as of April 24, 2020. An updated list will be provided at the May 4 CEDC meeting.

While we recognize that these funds will not make up for all of the financial loss experienced by the business community, staff has received feedback from some businesses that have received the grant that it has provided some relief. For those businesses that were not awarded one of the 76 grants, Economic Development staff has passed along several emails to the business owners with other funding opportunities that have come available. Staff continues to monitor other State and Federal programs as well as private industry business support programs to ensure Hayward businesses can access the available capital as needed. In addition, the new Community Relief fund will also be used to provide some assistance to small businesses. That program will be implemented by an outside agency for the distribution of funds.

ECONOMIC IMPACT

The dollars offered to these small businesses through both of the grant programs, while considered small tokens of support, often have a great impact on the businesses. Small businesses like these often operate on small margins. Many of the businesses do not have the ability to make purchases of new equipment or upgrade their furniture due to these small margins. Economic Development staff have received many stories from the businesses that these dollars came at the right time to allow the purchase of needed new equipment, allowed them to become excited about their business and purchase new furniture, and even change the format of their business completely. One restaurant owner indicated the business was considering closing entirely before the grant infusion.

Now with the current shut down, small businesses more than ever are struggling to continue to operate. Not until the economy is back open will we get the true picture of which businesses were able to survive and which decided not to reopen.

FISCAL IMPACT

The dollars used for the Small Business Assistance Grants are allocated as part of the Community Development Block Grant Program administered by HUD at the Federal level. No General Fund dollars are used for the grants. The only fiscal impact for the City of Hayward is the staff time needed to implement the program which includes business outreach, processing of applications and receipts, and issuing payments.

The dollars used as part of the COVID-19 Business Resiliency Grant Program were already budgeted General Fund dollars that were re-directed from salary savings and other Economic Development activities such as the façade improvement program and business attraction/promotion efforts.

NEXT STEPS

In May, the City Council will be reviewing the Community Services Division's recommendation for funding initiatives through the CDBG program. If approved, the Small Business Assistance Program will receive another round of funds to be used for the program. At this time, staff is preparing a list of businesses to outreach to for this year's program in anticipation of funding approval.

Following the completion of grants awards through the Resiliency Grant Program, staff will re-engage grantees to evaluate the program's impact and effectiveness through surveys and interviews.

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Recommended by: Jennifer Ott, Deputy City Manager

Approved by:

A handwritten signature in dark ink, appearing to read 'K. McAdoo', is written over a horizontal line.

Kelly McAdoo, City Manager