

**CITY OF ALBANY
CITY COUNCIL
STAFF REPORT**

Agenda Date: February 7, 2022
Reviewed by: NA

SUBJECT: American Rescue Plan Act of 2021 (ARPA) funding for a Temporary COVID Small Business Assistance Grant Program

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SUMMARY

Through the American Rescue Plan Act of 2021 (ARPA), the City of Albany as a non-entitlement unit of local government has been allocated \$4,711,702 in one-time funds. Cities and counties across California are using their ARPA allocations for business recovery in their communities. Staff is seeking an appropriation of ARPA funds from the City Council for a Temporary COVID Small Business Assistance Grant Program in the amount of \$1,000,000. The grant eligibility criteria would help support businesses that were closed by public health regulations with no ability to produce income or retain customers and support businesses that incurred substantial expense due to pandemic-related safety measures to stay operational with a physical location in Albany.

STAFF RECOMMENDATION

That the Council adopt Resolution No. 2022-09, allocating \$1,000,000 in ARPA funds for a Temporary COVID Small Business Assistance Grant Program.

BACKGROUND

Through the American Rescue Plan Act of 2021 (ARPA), the City of Albany as a non-entitlement unit of local government has been allocated \$4,711,702 in one-time funds. Staff provided background from the US Treasury Interim Final Rule on the four categories of allowable uses for ARPA funds in a presentation to the City Council on July 6, 2021. The four categories are as follows:

1. Public Health and Economic Impacts
2. Premium Pay
3. Revenue Loss
4. Investment Infrastructure

The first distribution of 50% of the allocation for \$2,355,851 was received on July 13, 2021. At that time, Council expressed interest in providing aid to residents that have been adversely impacted by the pandemic. Staff also presented information to the Council on September 20, 2021 regarding potential opportunities to develop funding support programs for both residents and the business community in the category of Public Health & Economic Recovery. A suggested use was for Local Business Support/Promotion distributed in the amount of \$200,000 per year for five years. On October 18, 2021, staff presented information on a proposed individual assistance program. Council adopted Resolution No. 2021-109 appropriating \$900,000 of ARPA funds to create and market a Temporary COVID Public Assistance Program facilitated by a temporary COVID Community Engagement Specialist.

The second ARPA distribution will be received in 2022 and will be available for appropriation and distribution thereafter. The City must appropriate the funds by December 31, 2024 and use the funds by December 31, 2026.

DISCUSSION

Staff is requesting an appropriation of ARPA funds for a proposed Temporary COVID Small Business Assistance Grant Program. Staff retained the services of California Consulting for research on the use of ARPA funds to support businesses. Cities and counties across California are using their ARPA allocations for business recovery in their communities. These economic development plans are primarily in the form of small grants ranging between \$3,000 - \$20,000 from smaller cities with some larger cities and counties awarding up to \$100,000. The funds allocated are intended to provide recovery support to those sectors of the economy that are struggling most to recover from the pandemic and be a vehicle for investment in the municipality's recovery.

ARPA funds are severely restricted in their uses. In building the grant program, the interest is to develop a distribution plan that would meet the requirements without incurring hardship on businesses through complicated forms and reporting requirements. On January 6, 2022 the Economic Development Committee provided input on potential qualifications for a small business grant program:

- Grant Program should focus on distributing funds to the hardest hit small businesses rather than on a first-come first-served basis. Hardest hit businesses would include businesses that had to close for months due to health orders, businesses that incurred substantial expense due to pandemic-related safety measures to stay operational with a physical location in Albany, businesses that were not forced to close, but suffered revenue losses of greater than 50% in 2020 as compared to 2019 and businesses with past due (unpaid) rent or reimbursement of paid rent, mortgage and utilities during the period of financial harm due to the pandemic.
- Restrictions on number of employees or a cap on gross sales may be added to ensure the funds are directed to small businesses hardest hit by the pandemic.

- Provide funding in two rounds of \$500,000 each. Grant amount to be allocated is not-to-exceed \$20,000. This would also allow businesses that are denied in the first round to reapply in the second round.
- Eligibility for the grant should include impacted businesses that began in 2020 and 2021.
- Compliance with local laws such as having a valid Albany Business License and no code violations or outstanding amounts due to the City should be considered unless violations were caused by the pandemic.
- Additional comments included support for the implementation of a grant program without delay. The program should be constructed in a way that does not require excessive documentation and complicated forms to make the application process easier for small businesses to apply. Should support for small non-profits be considered in the future.

At the request of the Economic Development Committee, the Albany Business Recovery Survey was also conducted between May 27- June 20, 2021. The survey was sent to 1,109 businesses via email to businesses with a license to operate in Albany. Loss in revenue and customer base were the highest concerns of the 103 respondents who completed the survey. Supply chain issues, fewer in-person operations, reduced number of employees and repayment or deferment of rent were also top concerns. 7.29% of businesses that responded to the survey were not able to operate during the public health mandate. Businesses unanimously supported grants as a near-term intervention to provide recovery support. At the time businesses indicated that over the next 6 months, they would need to increase marketing sales, hire new employees, obtain financial assistance or additional capital, develop online sales, and identify new supply chain options.

ANALYSIS

This proposal is for a Temporary COVID Small Business Assistance Grant Program that will last as funding is available and no later than 2026. The program helps Albany small businesses that endured long, mandated closures, as well as other businesses in the community that were hardest hit by the pandemic. Funding awards are recommended to range up to \$20,000 but not to exceed 50% of a business' 2019 revenue. To address the issue fairly, grant awards would be based on tiered criteria that gives preference to businesses that were closed due to state mandates for long periods of time. Businesses may qualify based on the following tiered criteria:

1. Businesses that were completely closed by public health mandates for at least 6 months during the pandemic
2. Businesses that were not forced to close but suffered revenue losses of greater than 50% in 2020 compared to 2019

3. Businesses that incurred substantial expense due to pandemic-related safety measures to stay operational (at least 10% of annualized revenue)

The program will be structured so that necessary documentation is provided at the time of application and subsequent follow up or reporting will be kept to a minimum to reduce the burden on businesses and the amount of ongoing staff time. Qualifications to apply to the Temporary COVID Small Business Assistance Grant Program should include but will not be limited to businesses that have a City of Albany Business license, a brick-and-mortar presence and operate as a for profit business. The program will be structured in two rounds. After the first round, the program will be assessed based on existing COVID needs of the business community. Pending the outcome of the long-term parklet program, funds may also be used for the implementation of new safety and access design elements for long-term parklets.

SUSTAINABILITY CONSIDERATIONS

Not applicable.

SOCIAL EQUITY AND INCLUSIVITY CONSIDERATIONS

The Temporary COVID Small Business Assistance Grant Program helps Albany small businesses that are most in need of assistance due to the COVID pandemic.

FINANCIAL CONSIDERATIONS

An appropriation of \$1,000,000 is requested for the proposed Temporary COVID Small Business Assistance Grant Program to be fully funded by ARPA revenues.

Council has appropriated \$1,185,000 of the \$4,711,702 to date. While the City won't receive the second half of the proceeds until July 2022, current appropriations will be spread out over two to three years so there is no concern of spending more than the City has received in cash to date.

NEXT STEPS

As suggested in US Treasury guidance, staff will return to Council after a year to provide Council with metrics such as number of business served, and other items deemed relevant to determine the program effectiveness. At that time, staff may request an additional appropriation of funds to continue the program, or suggest another use for the funds to better meet the COVID related needs of businesses at that time.

Attachments

1. Resolution No. 2022-09

