



CITY OF CARSON

Legislation Text

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Report to Mayor and City Council

Tuesday, June 21, 2022

Consent

SUBJECT:

CONSIDER RESOLUTION NO. 22-134, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, ESTABLISHING THE ARPA-FUNDED SMALL BUSINESS GRANT PROGRAM

I. SUMMARY

As part of its allocation of ARPA funding, in March 2022 the City Council directed Staff to develop a Small Business Grant Program to assist businesses still affected by the COVID-19 pandemic. On May 17, 2022, the City Council provided direction to Staff on the eligibility criteria and other factors related to the proposed Small Business Grant Program including the goals and objectives of the program, the program's competitiveness, the minimum and maximum grant sizes, the specific eligibility criteria for the program, and requirements of the program the City may impose on businesses.

II. RECOMMENDATION

1. APPROVE Resolution No. 22-134, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, ESTABLISHING THE AMERICAN RESCUE PLAN ACT OF 2021 FUNDED SMALL BUSINESS GRANT PROGRAM"; and
2. AUTHORIZE the Mayor to execute the Resolution.
- 1.

III. ALTERNATIVES

TAKE another action the City Council deems appropriate.

IV. BACKGROUND

In April 2020, the City Council authorized a Small Business Lending Program to assist Carson businesses during the worst of the early lockdowns when many businesses were unable to operate because of State or County stay-at-home orders. While COVID-19

remains fundamentally a health crisis that the State and County's public health and healthcare infrastructure is engaged in combatting, the economic crisis due to business closures and stay-at-home orders followed closely behind during that early period.

The City led the efforts to support the local economy by establishing a Carson COVID-19 Disaster Small Business Loan/Grant Program (Program) with an initial \$500,000 allocation from the General Fund. Access to resources was distributed as equitably as possible. Maximum loan size was originally \$10,000 and the City Council later increased it to \$30,000.

Applications were processed on a first-come, first-served basis. Priority in scoring was given to Carson-based businesses based on: (i) number of years operated in Carson; (ii) if the owner of the business is also a Carson resident; and (iii) the number of Carson residents employed by the business. With no competitive process, priorities were not used to select one business over another. The "ability to pay" was the underwriting standard in the loan program but not a factor in the grant programs.

Loan Forgiveness

At the March 2022 meeting during the discussion of the ARPA allocation, the City Council's discussed the forgiveness of loans made through the Carson Small Business Loan Program. The Resolution approving such formal action to effectuate the loan forgiveness element of the Program is also on this agenda. The loan forgiveness will create tax implications for the borrowers in the Program.

Implementation of Additional City Assistance Programs

After adopting of the City's Small Business Loan Program, the City created grant programs for businesses in Carson from two rounds of funding through CDBG and CDBG-CV (CARES Act) of \$193,236 plus \$113,493, respectively. The grants for micro businesses with no more than 1 employee were \$5,000 and for businesses up to 50 employees were \$10,000. In both the loan and grant programs, funds could be used for any use, i.e. utilities, rent, mortgage payments, operational costs (including salaries and benefits), accounts payable incurred prior to the closure, or physical improvements resulting from COVID.

Job creation or job retention were optional as part of the loan program but not required in the grant programs. Neither program required businesses to be located in low-income census tracts but both programs required that the business demonstrated that they had been adversely impacted by COVID-19. (These impacts are part of the scoring process in the sample program described below.)

Finally, because both the grant programs were funded by CDBG, the grants contain a prohibition on duplication of benefits (e.g. the business owner cannot also apply for SBA loans or other assistance for the same activity).

Grant Program Parameters

The City of Carson has allocated \$1,000,000 in ARPA funds to fund a Small Business

COVID-19 Grant Program (Grant Program) which will be administered by the City of Carson. Small Business shall be defined as businesses with 1 to 50 employees.

The City also has an interest in ensuring storefronts remain filled, particularly retail or restaurant spaces along its commercial corridors. The applicant must have a “brick and mortar” location in Carson to meet the minimum criteria.

The program is proposed to run until 06/30/2023. All funds would be disbursed by this date, keeping in line with the ARPA deadline of full disbursement by 2025. The City shall conduct multiple application rounds until all the funds are disbursed.

The grant program shall be operated on a competitive application process with applications scored according to the grant criteria. Scoring shall affect basic eligibility and the potential size of the grant.

Size of the Grants shall be from \$5,000 to \$25,000. Grants shall be larger or smaller based on the applicant’s score against the adopted criteria.

There will be requirements on what the monies can be used for (i.e. business related expenses).

The Grant Program is created to provide flexible grant assistance to small Carson businesses who have experienced economic hardship due to the COVID-19 pandemic.

- Grant funds will be awarded to for profit businesses who qualify for funding based on select criteria and can demonstrate financial loss through a Profit and Loss Statement or can document how their proposed prospective activities will assist them in recovering from the impacts of the COVID-19 Pandemic.
- Business must be an independently owned, for-profit businesses located in Carson that opened prior to March 15, 2020 and that was mandated by government action or decree to close or significantly alter their business activity during the height of the COVID-19 pandemic or can otherwise demonstrate detrimental effects of the pandemic. (Business license documentation is required.)
- Businesses are required to indicate if they previously received a small business loan or grant for losses incurred due to the COVID-19 pandemic, from whom the grant was awarded, the amount of the award, and how much of the business’s losses were covered by the grant. Businesses that received either a COVID-19 Small Business Loan or a COVID-19 Small Business Grant from the City of Carson during 2020 or 2021 are not eligible to apply.
- Businesses are required to state their number of full-time equivalent employees. No business with more than 50 full-time equivalent employees is eligible for this program and those with 20 or fewer employees will have preference.
- How long the company has been in business in Carson shall be a consideration and factored into the scoring.

- Bonus points be awarded for business owners belonging to underserved small business groups. “Underserved small business groups” includes women, minorities (people of color), or veteran-owned businesses where the majority (at least 51 percent) of the business is owned and run on a daily basis by said group(s).
- Award Determination Scoring Matrix. Using the criteria from the previous section, the City could develop a scoring matrix that assigns a score based on the type of business in the City and how affected it was by COVID-19, with bonus points for other key factors.
 - a. Basic Eligibility (Open prior to March 15, 2020, meets size criteria, meets location criteria, demonstrates pandemic losses, and not a previous Program participant) - 10 points
 - b. Business has fewer than 20 employees - 4 points
 - c. Business located in Carson more than 5 years - 3 points
 - d. Business located in Carson more than 10 years - 6 points
 - e. Business located in Carson more than 20 years - 9 points
 - f. Business demonstrates 50%+ revenue decline - 15 points
 - g. 41-50% revenue decline - 10 points
 - h. 31-40% revenue decline - 8 points
 - i. 21-30% revenue decline - 5 points
 - j. 11-20% revenue decline - 3 points
 - k. 1-10% revenue decline - 1 point
 - l. Meets diversity criteria - 2 points

Grant Amounts Based on Points Awarded. Based on the point system in the previous section, grants ranging from \$5,000 to \$25,000 could be factored using the grant application, applicants’ proposed use of grant funds, business tiers, and financial impact reports.

- 13-15 Points - \$ 5,000
- 16-20 Points - \$10,000
- 21-25 Points - \$15,000

- 26-30 Points - \$20,000
- Over 30 Points - \$25,000

V. FISCAL IMPACT

The City pledged \$765,000 toward the Small Business Lending Program and expressed a desire to forgive the previous round of small business loans. The combination of the cost of the previous loan program administrator and the loans made equals this amount. City Council also committed \$1,000,000 toward a Small Business Grant Program, which is discussed in this staff report.

VI. EXHIBITS

1. Resolution No. 22-134 (pgs. 6-9)
2. Grant Program Guidelines (pgs. 10-14)

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