



DATE: MARCH 23, 2021

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: STEVEN ADAMS, CITY MANAGER

RE: ITEM 11.B – SUPPLEMENTAL INFORMATION

The City is due to receive \$409,239 in CDBG CV2/3 grant funds. At the February 23rd meeting, staff presented options for expenditure of these funds. Direction from City Council was to hire a full-time COVID-19 Community Assistance Coordinator and to offer a program to assist owners by funding grants for retrofits of their businesses to address restrictions from COVID-19. The Council did not support outright business grants with no restrictions.

Staff has made initial arrangements for the program to be administered by El Pájaro Community Development Corporation (CDC). They have experience in conducting a similar program for the City of Watsonville. Administering the CDBG funds is very complex and beyond what the City could implement with in-house staff. El Pájaro CDC is the only agency within the region that has provided this program. Another benefit of involving El Pájaro CDC in the program is that they offer other programs with a particular focus on minority owned businesses. This will help provide access to King City businesses to these other potential programs.

Based on recommendations of El Pájaro CDC, staff proposes a minor modification to the business retrofit program. It is recommended that the program consist of grants up to \$10,000 per business and allow up to a maximum of \$5,000 to be used for rent and utility assistance. There would be no limit on the amount that could be used for retrofits up to the \$10,000 grant limit.

There are a number of reasons why staff believes this would be beneficial:

- The Watsonville program focused primarily on rent and utility assistance and El Pajaro CDC indicated it was very successful and helpful for the businesses.
- The deadline for submitting applications for the CDBG funding is May 7th. Therefore, there is little time to add another program if this program is

unsuccessful. Staff is hopeful the end of the pandemic may be approaching within the next few months and relaxing of restrictions will continue. Therefore, the demand for retrofits may likely decrease. Staff is concerned that the City will not be able to expend all the funds through grants limited only to the retrofits. Keep in mind that there are many other restrictions and requirements involved with participation in the program, so adding too many other restrictions will increase the likelihood that some of the businesses the City hopes to assist will choose not to participate.

- The City has conducted a rent and utility assistance program for residents, which has been very successful. Therefore, this program would be an expansion of that effort.
- The recommended added spending category would maintain restrictions on the use of the funds, which is still consistent with the objectives identified by the Council.
- Rental assistance not only helps the business owner, but also assists property owners who have been impacted by the pandemic, impacted by the ordinance adopted by the Council to prohibit evictions of business tenants, and continue to pay property taxes.
- Utility assistance directly benefits the City by addressing delinquent accounts for the Sewer Fund, King City Community Power, and Waste Management franchise fees.
- The objective of the retrofit program is to not only assist businesses with the impacts of COVID-19, but to help position them to be successful in the future, which is consistent with the City's overall economic development approach during the pandemic. The rental and utility assistance will serve the same purpose by enabling small businesses to address debt and delinquent accounts so they can move forward in a stronger financial position. This will better enable them to invest in their business, which will make it a more valuable asset for the City.
- The City Council felt that many businesses may not need financial assistance because of the Federal, State and County programs that have already been offered. However, it is important to note that this program is restricted to small businesses with 5 or less employees. Therefore, many of the businesses of that size may have had difficulty accessing or qualifying for those programs. This will provide another option to help make sure the City's smallest businesses receive assistance.

In addition, in order to apply, it is recommended that the business would have to have had a valid business license in 2020 and have a current business license. If more applications are received than funding available, it is recommended priority be placed on the following:

- Restaurants
- Salons
- Day care
- Retail that was shut down for a portion of the pandemic

El Pájaro CDC indicated small day care operators were a primary beneficiary of the program in Watsonville. Staff believes it would be beneficial to add them to the priority list because they provide a service that is particularly important during the pandemic to enable people to get back to work and facilitate overall community recovery from the pandemic.

Therefore, staff requests direction on this change to the business assistance program when the Council considers approval of the grant application. Please let staff know if you have any questions or would like additional information in the meantime.