

March 17, 2020

MEMORANDUM

To: City Council
From: Amy Gore and Yolanda Ho, Analysts
Subject: Council Bill 119757 – Small Business Stabilization Fund Expansion

Overview

On or before Monday, March 23, 2020, the City Council (Council) will consider and may vote on [Council Bill \(CB\) 119757](#), which would increase the Office of Economic Development’s (OED) existing Small Business Stabilization Fund by about \$1.4 million to provide grants to Seattle’s small businesses suffering economic hardship because of COVID-19.

This memorandum describes: (1) the background of the Small Business Stabilization Fund; (2) CB 119757; (3) potential amendments; (4) next steps the Council will need to take if it adopts this legislation; and (5) forthcoming legislation that will dedicate more resources to the fund.

Small Business Stabilization Fund

The Council’s 2020 Adopted Budget includes two new funds in OED to support small businesses – a [Small Business Stabilization Fund](#) and [Tenant Improvement Fund](#). The Small Business Stabilization Fund serves as a resource for small businesses facing “short-term emergencies, such as theft, vandalism, or emergency repairs, with a focus on those in high-risk displacement neighborhoods.” The Tenant Improvement Fund encourages “the development of affordable commercial tenant improvements for businesses in high displacement risk areas.”¹ The 2020 Adopted Budget includes \$300,000 of Community Development Block Grant (CDBG) funds for both initiatives.

The Small Business Stabilization Fund awards grants up to \$10,000 to cover operating expenses for qualifying businesses. In response to the sudden loss of revenues for Seattle’s small businesses due to the COVID-19 pandemic, the Mayor has proposed an emergency expansion of this fund. To be eligible, business owners must meet the following criteria:

- Have income at or below 80 percent of Area Median Income;
- Employ five or fewer people;
- Be physically located within City limits (i.e. brick-and-mortar location);
- Experienced a loss of income due to impacts related to the COVID-19 emergency; and
- Be willing to share applicable financial information, per federal requirements.

¹ Seattle Office of Economic Development, 2020 Adopted Budget, <https://www.seattle.gov/Documents/Departments/FinanceDepartment/20adoptedbudget/OED.pdf>

OED will prioritize outreach to small businesses located in neighborhoods at high risk of displacement. Franchises, chains, or businesses restricted to patrons above the age of 18 are ineligible for this program.

CB 119757

CB 119757 would transfer \$1,416,298 of one-time CDBG funds to the Small Business Stabilization Fund from two sources:

1. \$416,298 of 2019 underspend of CDBG funds for program administration in the Human Services Department (HSD); and
2. \$1.0 million in the 2020 Adopted Budget appropriated for HSD's Community Facilities Program for a senior care facility in the ground floor of an affordable housing project on the north parking lot of the Pacific Medical Center in Beacon Hill. The current project timeline does not require this funding in 2020, and the City Budget Office (CBO) believes that there will be sufficient CDBG funds in 2021 or 2022 to recommit to the project.

The legislation also includes a provision allowing OED to distribute the funds following Council adoption, prior to the effective date.

Additionally, \$125,384 of unspent 2019 CDBG funds will be transferred administratively to OED by CBO. The amount that will be transferred includes:

- \$51,019 from the Office of Housing (OH) of 2019 CDBG underspend from staffing, administration and planning;
- \$24,365 from OH of 2019 CDBG underspend from the Home Repair Program and staffing; and
- \$50,000 from OED of 2019 CDBG underspend for small business support.

The total funding amount, \$1,541,682, is estimated to assist at least 150 businesses.

Amendments

Currently, there are two amendments for consideration:

- Amendment 1 (Councilmember Morales) would request that OED prioritize racial equity in evaluating applications and add a reporting requirement regarding applications received, awardees, and the process for selecting awardees.
- Amendment 2 (Councilmember Herbold) would request that OED expand eligibility of grants to businesses with 10 or fewer employees and certain businesses that do not have a brick-and-mortar location.

These amendments are currently in draft form and will be distributed in advance of the next City Council meeting when finalized.

Next Steps

If Council passes CB 119757, it will also need to adopt changes when the updated Annual Action Plan (AAP) is considered later this spring. The AAP is required by the U.S. Department of Housing and Urban Development (HUD) for the City to receive funds from four federal grant programs: CDBG, HOPWA (Housing Opportunities for Persons with AIDS), ESG (Emergency Solutions Grant), and Home Investment Partnerships. The AAP should be consistent with both the *5-Year Consolidated Plan for Housing and Community Development* and the City's adopted budget.

In accordance with the HUD process, following its adoption of the 2020 budget, Council held a public hearing and discussed the [Draft 2020 AAP](#) on December 11, 2019 at the Finance and Neighborhoods Committee. A revised AAP reflecting the final federal appropriations amounts and the changes in planned program spending (associated with the emergency expansion of the Small Business Stabilization Fund) will be posted to the HSD website, initiating a 30-day public comment period. The AAP will be available for a public hearing and Council consideration after the 30-day period is completed, which will likely be in April.

Additional Legislation

Due to overwhelming demand from the business community, the Mayor has identified an additional \$980,556 of unspent 2019 CDBG funds from OH's Rental Housing Preservation and Development Revolving Loan Program that can be shifted to the Small Business Stabilization Fund. Added to the funds transferred by CB 119757 and administratively by CBO, this will bring the total amount to \$2,522,238 of one-time 2019 CDBG funds, which will provide assistance to at least 250 businesses.

OH will still retain \$2 million in program-generated revenue for this program in 2020. The transfer of these funds will be effectuated in forthcoming legislation.

cc: Kirstan Arestad, Executive Director
Aly Pennucci, Supervising Analyst