

Memorandum



CITY OF DALLAS

DATE July 31, 2020

The Honorable Members of the Economic Development Committee:
TO Tennell Atkins, (Chair), David Blewett, (Vice-Chair), Jennifer Staubach Gates,
Adam McGough, Omar Narvaez, Jaime Resendez, Chad West

SUBJECT **Upcoming Agenda Items: Small Business Continuity Fund Program Statement changes**

On August 12, 2020, City Council will be asked to consider a council item to authorizing an amendment to the Program Statement for the Small Business Continuity Fund (SBCF) to reflect the addition of additional federal funding as provided by the Coronavirus Relief Fund (CRF) and to make other technical and clarifying changes that allow the more flexible CRF funding to be used.

On April 22, 2020, City Council authorized the creation of the SBCF to provide grant and loan funding to Dallas small businesses impacted by COVID-19 pursuant to Resolution No. 20-0646. The program was initially funded through CDBG funds provided by the CARES Act, and subject to CDBG program regulations.

Funds provided through CRF are more flexible and as a result, adhering to CDBG program requirements for non-CDBG funds, creates an unnecessary administrative burden. The revised program statement removes the CDBG income and reporting requirements for those SBCF awards not funded by CDBG funding. Businesses are still required to create or retain 1 job and remain in business for at least 6 months for all grant awards.

A revised Program Statement is available and attached as Exhibit A.

Should you have any questions, please contact Courtney Pogue, Director, Office of Economic Development at (214) 670-0170.

A handwritten signature in blue ink that reads "Eric A. Johnson".

Dr. Eric Anthony Johnson
Chief of Economic Development & Neighborhood Services

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney (Interim)
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager
Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
Nadia Chandler Hardy, Assistant City Manager
Michael Mendoza, Chief of Strategy and Special Initiatives
M. Elizabeth Reich, Chief Financial Officer
Laila Aleqresh, Chief Innovation Officer
Directors and Assistant Directors

City of Dallas Small Business Continuity Fund

Program Statement

Approved April 22, 2020

Revised June 10, 2020 and August __, 2020

PURPOSE

The City hereby establishes and provides for the administration of the City of Dallas Small Business Continuity (CDSBC) Program to promote local economic development by maintaining small business operations and retaining employment within the City, pursuant to 42 U.S.C. §5305 and the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The purpose of the Fund is to ensure continued operations of small businesses and job retention by those businesses impacted by the COVID-19 Pandemic. The Fund will be administered by the Office of Economic Development or through selection of a subrecipient. Awards made using Community Development Block Grant (CDBG) funding will operate in conformance with the CDBG programs and its national objective of providing benefits to the low to moderate income community. Awards made using Coronavirus Relief Fund (CRF) funds or any other non-CDBG funds will adhere to the guidance as defined in this document and any appropriate local, federal, or state laws or regulations, and will be used for grants only. This program will sunset at the end of 2021.

FUNDING

Various funding types may be used under this Program and must follow the requirements of the funding types. This program statement may be amended by the City Manager or designee to include amendments as appropriate to meet funding requirements.

Initial CDBG funding for the program was provided through a \$5 million allocation of Community Development Block Grants (CDBG) from Housing and Urban Development (HUD) from the CARES Act. These CDBG funds, and any other awarded CDBG funds, must be used to benefit a low-to-moderate income population and meet certain job creation and retention requirements as required by the CDBG program. This program, in compliance with the CDBG program, requires the creation or retention of at least one full-time equivalent, permanent job per \$35,000 of CDBG funds used, that at least 51% of eligible businesses full time jobs created or retained involve the employment of low to moderate income persons, and that jobs would be lost without this assistance. Approximately \$2.5 million would be available for grant funding, providing a minimum of 250 small business grants. Of the \$2.5 million available for grant money, \$1.25 million would be targeted to businesses located in high poverty and/or low-income areas. The remaining approximately \$2.5 million would be available as loan funding, providing a minimum of 50 loans.

Additional funds, including CRF funds or any other non-CDBG funds, may be added at the sole discretion of the City Council. Additional outside funds as provided by private sector partners may also be added by

donation to the City or by donation to the subrecipient or its contractor (third-party administrator) on behalf of the City. Any additional funding other than CDBG funding allocated to this Program will be available for grant funding.

BUSINESS ELIGIBILITY

For purposes of this program statement, eligible small businesses for CDBG funding are those businesses that meet the following:

- a. **Geographic location requirement:** Businesses must be located in Dallas. Businesses not located within Dallas city limits are disqualified, in accordance with federal funding eligibility guidelines; and
- b. **Physical location requirement:** Businesses must operate out of a physical location within Dallas city limits. Physical location includes a ‘brick and mortar’ edifice, farmers market, and other types of physical spaces. This will be verified through a review of the Certificate of Occupancy as granted by the City of Dallas or other method; and
- c. **COVID-19-related harm requirement:** The business must be able to demonstrate that they have experienced a loss of income of at least 25% due to the COVID-19 pandemic; and
- d. **Micro-enterprise status requirement:** Microbusiness owners must meet the income requirements established by federal funding eligibility guidelines. Micro-business owners had to have low-moderate income (less than 80% of the Area Median Income). Micro-businesses had to employ five people or fewer, in accordance with federal funding eligibility guidelines; **OR**
- e. **Low to moderate income (LMI) employees requirement:** Businesses that do not meet the microbusiness definition must create or retain jobs to benefit the LMI population. Each business owner must submit an income eligibility certification form documenting the creation/retention of jobs for LMI residents of Dallas. Forms must indicate income levels and Dallas residency for employees.

	80% Area Median Income – Dallas MSA							
# of People in Household	1	2	3	4	5	6	7	8
Household Income	48,300	55,200	62,100	68,950	74,500	80,000	85,500	91,050

For purposes of this program statement, eligible small businesses for non-CDBG funding are those businesses that meet the following:

- a. **Geographic location requirement:** Businesses must be located in Dallas. Businesses not located within Dallas city limits are disqualified, in accordance with federal funding eligibility guidelines for any non-CDBG federal funding; and

- b. Physical location requirement:** Businesses must operate out of a physical location within Dallas city limits. Physical location includes a ‘brick and mortar’ edifice, farmers market, and other types of physical spaces. This will be verified through a review of the Certificate of Occupancy as granted by the City of Dallas or other method; and
- c. COVID-19-related harm requirement:** The business must be able to demonstrate that they have experienced a loss of income of at least 25% due to the COVID-19 pandemic;

Program Requirements

Businesses must demonstrate that they were in operations as of September 1, 2019. Eligible applicants are low-to-moderate income (LMI) microbusiness owners (those with 5 or few employees, including themselves) and/or small businesses that employ (or had employed as of September 1, 2019) LMI workers. Small businesses are defined as those businesses with 50 or fewer employees and revenue under \$1.5 million. To comply with CDBG regulations, borrowers will provide the City with an income eligibility certification form from each applicant as well as a commitment to create and retain jobs and to report on creation and retention of jobs.

The fund will have a loan and a grant component; funding recipients can apply for either a loan or grant, but not both. CDBG requirements will apply to CDBG-funded loans and grants. Non-CDBG requirements will apply to non-CDBG funded grants.

Eligible businesses may receive a grant of SBCF in an amount equal to the lessor of (i) \$10,000 or (ii) the company’s average monthly payroll, rent or mortgage interest, utilities and any inventory costs total for the months of January, February and March 2020, multiplied by two, with a minimum grant amount of \$1,000. The public purpose of the grant shall be to maintain business operations or retain jobs to reimburse the costs of business interruption caused by the COVID-19 pandemic. Eligible Businesses shall execute a grant agreement committing the Eligible Business to retain or create at minimum one (1) full time job and continue its normal business operations to the extent allowed by local, state and federal law for at least six months after the date of payment of the financial assistance. Funds may be used for payroll, rent, and/or working capital.

Rather than a grant payment, businesses may opt to apply for a SBCF loan. Loans under this program would be a higher amount (up to \$50,000) with a very low interest rate of 0-1% and 6 months deferred payment, with a loan term of up to 5 years. (e.g. up to 12 months deferred payments and up to 4 years of repayment). The loan balance is due at the end of the term. Eligible Businesses shall execute a loan agreement committing the Eligible Businesses to retain or create at minimum one (1) full time job for loans equal to or less than \$35,000, or at minimum two (2) full time jobs for loans greater than \$35,000 and continue its normal business operations to the extent allowed by local, state and federal law for at least six months after the date of payment of the financial assistance. The loan funds would meet the needs of small businesses who have a larger capital need. Funds may be used for payroll, rent, and/or working capital. Businesses would again need to demonstrate a 25% reduction in business as a result of the COVID-19 pandemic. Loans would be sized based on a company’s average monthly payroll, total rent or mortgage interest, utilities and any inventory costs for the previous three months or the months of

January, February and March 2020, and multiplied by two. The loan amount would be the lesser of two months expenses or \$50,000.

No more than one SBCF payment will be made per business.

The eligible business must execute a grant or loan agreement with the subrecipient or subrecipient's third-party administrator to secure the grantees' commitment to job retention and continued operation in consideration for the funding. The amount of the funding may be reduced if the funding recipient is able to get assistance from other sources including state or federal disaster relief or if the funding recipient is eligible to receive insurance proceeds for their losses. Applicants must disclose on the application if they are applying for additional funding and must report at 6 months if additional funding was received.

Complete applications for funding will be accepted from May 4, 2020 to May 11, 2020 at 11:59 p.m. Incomplete applications will be rejected. Afterwards, completed applications for grant and loan funding will be entered into a lottery for funding, with grants for businesses in high poverty/low income areas entered into a separate lottery. Completed applications for loan funding will also be selected in random order. Eligibility for the funding and execution of the funding agreement will include review of the application and supporting documentation including but not limited to:

1. Confirmation that business is engaged in activities that are regulated by the City of Dallas and contains appropriate licenses and permits to operate in the City.
2. Certification that the businesses is located in the City of Dallas.
3. Verification that entity is registered with Secretary of State of Texas as a valid business by September 1, 2019
4. Documentation that revenue has declined by 25% or more as a result of the COVID-19 pandemic.
5. Verification that the businesses have \$1.5 million or less than annual gross revenue in 2019
6. Evidence that the business has 50 or fewer employees (5 or fewer for micro-enterprises)
7. Completed and signed IRS W-9 Form
8. Documentation to verify the economic hardship suffered as a result of the COVID-19; including tax returns, financial statements, and other financial and employment data, including IRS form 941.
9. Documentation on income eligibility, job creation/retention and employees are Dallas residents.

The Office of Economic Development may open additional application periods to accept additional business applications if additional funds are made available, but is not obligated to do so. Additional funds can be used to support applications that were declined under the first application period of the SBCF program but would now otherwise be eligible.

Funds shall not be awarded to persons or entities who have outstanding city liens or tax liens, who are party to a lawsuit against the City, who are currently in default under any other agreement with the City, or who have in the previous 5 years been party to a contract with the City that was terminated due to default.

City of Dallas employees and officers are not eligible for this program. Owners of multiple businesses will only be eligible for one award. Locally owned businesses with more than three locations in the City of

Dallas are ineligible for the program. Non-locally owned franchises are not eligible for this program. Non-profit organizations are not eligible for this program. Business or individuals whose primary revenue is generated from rental/income producing properties are not eligible for this program. Businesses that solely serve an age restricted clientele (18 and up) are not eligible for this program.