

Memorandum



DATE May 1, 2020

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

SUBJECT **Dallas Small Business Continuity Fund**

On Monday, May 4, 2020, the Small Business Continuity Fund (SBCF) will official accept applications for assistance from Dallas-based small businesses. The goal of the fund is to provide immediate relief by helping business owners retain their businesses and their employees in the City of Dallas.

Summary

On April 22, 2020, the Dallas City Council established and provided 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, with the expectation that funding recipients retain at least 80% of the workforce that they had as of February 29, 2020. The Fund will be administered by the Office of Economic Development or through selection of a third-party financial administrator. The program will operate in conformance with the Community Development Block Grant (CDBG) program with a national objective of providing benefit to the low to moderate income community.

Funding for the program was provided by using \$5 million in allocation of Community Development Block Grants (CDBG) from Housing and Urban Development (HUD) from the CARES Act. These funds must be used to benefit a low-to-moderate income population and must meet certain job creation and retention requirements. 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 \$2.5 million would be available as loan funding, providing a minimum of 50 loans. Additional funds, including general 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 third-party financial administrator on behalf of the City.

Eligible businesses may receive a grant of SBCF funding in an amount equal to the lesser of (i) \$10,000.00 or (ii) the company's average monthly payroll total for the previous three months. Grant funds shall be used for payroll expenses. Grantees shall execute a grant agreement committing the Grantee to retain 80% of jobs held on February 29 as documented in the application in consideration of the grant funds and provide the City with documentation showing that the Grantee maintained certain employment levels for at least six months after the date of issuance of the financial assistance.

Rather than a grant payment, businesses may opt to apply for a SBCF loan. Loans under this program would be the lesser amount of (i) two months expenses or (ii) \$50,000.00, with an interest rate of 0-1%, up to twelve months deferred payment, and a loan term of up to five years. Loans must be repaid in full. Two months expenses 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. 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. Grantees shall execute a loan agreement committing the Grantee to retain 80% of the jobs held on February 29 as documented in the application in consideration of the loan funds and provide the City with documentation showing that the Grantee maintained certain employment levels for at least six months after the date of issuance of the financial assistance.

Applicants to the Small Business Program will be required to provide the following:

- Confirmation that business is engaged in activities that are regulated by the City of Dallas and contains appropriate licenses/permits to operate in the City.
- Certification that the businesses is located in the City of Dallas.
- Verification that entity is registered with Secretary of State of Texas and/or Dallas County as a valid business by September 1, 2019
- Documentation that revenue has declined by 25% or more as a result of the COVID-19 crisis.
- Verification that the businesses have \$1.5 million or less than annual gross revenue in 2019
- Evidence that the business has 50 or fewer employees
- Evidence that the microenterprise has 5 or fewer employees
- Completed and signed IRS W-9 Form
- 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.
- Documentation on income eligibility, job creation/retention and employees are Dallas residents.

Financing

2020 CDBG Fund (CARES Act) - \$5,000,000.00

Coordination

The Office of Economic Development staff coordinated with multiple departments for the creation and launch of the SBCF.

Recommendation

No recommendation at this time. This memo is for informational purposes only.

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



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

c: Honorable Mayor and City Council
T.C. Broadnax, City Manager
Chris Caso, City Attorney
Mark S. Swann, City Auditor
Billerae Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer 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 and Chief Resilience Officer
M. Elizabeth Reich, Chief Financial Officer
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M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors