

Memorandum



CITY OF DALLAS

DATE May 29, 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 June 10, 2020, City Council will be asked to consider a council item to authorize an amendment to the Program Statement for the Small Business Continuity Fund (SBCF) to clarify that job requirements are determined by the Community Development Block Grant (CDBG) program and other technical and clarifying changes.

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 is funded through CDBG funds provided by the CARES Act, and subject to CDBG program regulations.

When City Council approved the SBCF Program, the agenda item included a Program Statement that contained a few technical errors and inconsistencies and a requirement that recipients retain at least 80% of the workforce that they had as of February 29, 2020. The revised program statement reflects the clean-up changes and corrections requested by City staff, including clarification that CDBG requirements can be made by either supporting the creation/retention of jobs for a Low-to-Moderate Income (LMI) population OR by providing support to LMI microenterprise owners (those businesses with five or fewer employees, including the owner), and changing the requirement that recipients retain at least 80% of the workforce that they had as of February 29, 2020 to retainment or creation of at least one job per grant and up to two jobs per loan and that businesses continue their 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. A revised Program Statement is available and attached.

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
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
M. Elizabeth Reich, Chief Financial Officer
Laila Alequresh, Chief Innovation Officer
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors

City of Dallas Small Business Continuity Fund

Program Statement

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. 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. [This program will sunset at the end of 2021.](#)

FUNDING

Funding for the program would be 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 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 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 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 subrecipient or its contractor (third-party administrator) on behalf of the City.

BUSINESS ELIGIBILITY

For purposes of this program statement, eligible small businesses 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 COVID-19; 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

Program Requirements

Businesses must demonstrate that they were in operations as of September 1, 2019. The fund will have a loan and a grant component; funding recipients can apply for either a loan or grant, but not both. 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 previously employed) at least 51% LMI workers. Small businesses are defined as those businesses with less than 50 employees or 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.

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 previous three months, multiplied by two. The public purpose of the grant shall be to maintain business operations or retain jobs despite 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, and multiplied by two. The loan amount would be the lessor 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. No more than one fund payment will be made per business.

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 crisis.
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.

A copy of the application is attached as reference; the City, subrecipient or third party administrator reserve the right to make changes to the application.

Grants 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. 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.