

# Memorandum



DATE November 3, 2020

Honorable Members of the Ad Hoc Committee on Covid-19 Recovery and Assistance:

TO Casey Thomas (Chair), Tennell Atkins, David Blewett, Jennifer S. Gates,  
Cara Mendelsohn, Omar Narvaez, Jaime Resendez

SUBJECT **Upcoming Agenda Items: Small Business Continuity Fund (SBCF) Update**

At your November 11 council meeting, you will consider an agenda item to make additional changes to the SBCF program. The item will authorize 1) amendments to the Small Business Continuity Fund (SBCF) Program to; a) amend the eligibility requirements for CRF businesses to remove the requirement that businesses employ low to moderate income workers; b) increase the maximum grant to \$15,000; c) add an additional computation method for grant and loan sizing; and d) reduce the minimum number of loans funded to 25 and minimum amount of loan funding to \$1,000,000; 2) a second amendment to the Community Development Block Grant (CDBG) subrecipient agreement between City of Dallas and the Dallas Development Fund (DDF) in accordance with the amended SBCF Program; and 3) a first amendment to the subrecipient agreement between the City of Dallas and DDF in accordance with the amended SBCF Program and to increase available funding by up to \$2 million in Coronavirus Relief Fund (CRF) funding to bring the total amount of CRF funds appropriated to the SBCF Program to \$4 million

On April 22, 2020, City Council authorized the creation of the SBCF Program 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. \$2 million in additional, non-CDBG funding provided by the CARES Act has been allocated to this program, with additional funds being added with this upcoming item.

Non-CDBG 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 defines eligible businesses for the CRF funds only as those with less than \$1.5 million in revenue and removes all requirements related to serving a Low-to-Moderate Income (LMI) population. The LMI requirements still apply to all businesses funded with CDBG funds.

Additionally, the revisions to the SBCF Program add an additional method for determining grant and loan size, which simplifies the document requirements. Under the new method, the average monthly revenue from 2019 will be computed by taking the 2019 revenue

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**Upcoming Agenda Items: SBCF Amendments**

and dividing by 12. The average monthly revenue will then be multiplied by three. The previous method of eligible business expenses from January to March can continue to be used, but the average expenses will be multiplied by three rather than two. In both cases, funds can be used to replace three months expenses/revenues rather than two from the original program design as the economic conditions continue to be challenging. To correspond with the three-month time frame, the maximum grant amount is increased from \$10,000 to \$15,000.

The revised SBCF Program statement also reduces the minimum number of loans required from 50 to 25 and requires a minimum of \$1,000,000 to be used for the loan program. Loan underwriting has taken significantly more time than the grant underwriting, and fewer applicants are qualifying to receive a loan due to inadequate or uncertain cash flow due to ongoing covid-19 recovery. With the program revision, loan lottery winners who would otherwise be eligible for grant funding but were determined to be not eligible, can switch to the grant program. The amendments to the SBCF Program will not apply to any loan or grant agreements that were executed before November 11, 2020.

Finally, both the CDBG and CRF subrecipient contracts between the City of Dallas and Dallas Development Fund (DDF) need to be amended to reflect the amendments to the SBCF Program statement and the additional CRF funding of a minimum of \$1 million and up to \$2 million.

To date, 221 grants have been awarded, totaling \$1,637,200, and 17 loans have been awarded, totaling \$415,900. The average grant size is \$7,408 and the average loan size is \$24,465. These changes are anticipated to increase the size of the grant awards but have less impact on the loan side, given the need for cash flow to cover repayment.

Please contact me with any questions.



Dr. Eric Anthony Johnson

Chief of Economic Development & Neighborhood Services

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|----|-------------------------------------------------------------|-------------------------------------------------------------------|
| c: | T.C. Broadnax, City Manager                                 | Jon Fortune, Assistant City Manager                               |
|    | Chris Caso, City Attorney                                   | Joey Zapata, Assistant City Manager                               |
|    | Mark Swann, City Auditor                                    | M. Elizabeth Reich, Chief Financial Officer                       |
|    | Biliera Johnson, City Secretary                             | M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion |
|    | Preston Robinson, Administrative Judge                      | Directors and Assistant Directors                                 |
|    | Kimberly Bizzor Tolbert, Chief of Staff to the City Manager |                                                                   |
|    | Majed A. Al-Ghafry, Assistant City Manager                  |                                                                   |