



Legislation Text

File #: 20-2152, Version: 1

STRATEGIC PRIORITY: Economic and Neighborhood Vitality
AGENDA DATE: November 11, 2020
COUNCIL DISTRICT(S): All
DEPARTMENT: Office of Economic Development
EXECUTIVE: Dr. Eric A. Johnson

SUBJECT

Authorize **(1)** amendments to the Small Business Continuity Fund (SBCF) Program to; **(a)** amend the eligibility requirements for Coronavirus Relief Funds (CRF) businesses to remove the requirement that businesses employ low-to-moderate income workers; **(b)** increase the maximum grant to \$15,000.00; **(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 \$1,000,000.00; **(2)** a second amendment to the Community Development Block Grant 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 \$2,000,000.00 in CRF funding to bring the total amount of CRF funds appropriated to the SBCF Program to up to \$4,000,000.00 - Not to exceed \$2,000,000.00 - Financing: U.S. Department of Treasury - Coronavirus Relief Funds

BACKGROUND

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 Community Development Block Grant (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.

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-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 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 \$10,000.00 to \$15,000.00.

The revised SBCF Program statement also reduces the minimum number of loans required from 50 to 25 and requires a minimum of \$1 million 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 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.

A revised SBCF Program statement is available and attached to the resolution as Exhibit A.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

Information about this item was provided at the Special Called meeting of the Ad Hoc Committee on COVID-19 Economic Recovery & Assistance on April 14, 2020.

On April 22, 2020, City Council authorized the establishment and administration of the City of Dallas SBCF Program by Resolution No. 20-0646.

On June 10, 2020, City Council authorized amendments to the SBCF Program statement by Resolution No. 20-0913.

City Council was briefed on the proposed uses of Coronavirus Aid, Relief and Economic Security Act, Coronavirus Relief Funds to facilitate assistance to eligible communities and households economically impacted by COVID-19 on June 17, 2020.

The Economic Development Committee was briefed by memorandum regarding this matter on August 3, 2020.

On August 12, 2020, City Council authorized amendments to the SBCF Program statement by Resolution No. 20-1167.

The COVID Ad Hoc Committee was briefed by memorandum regarding this matter on November 5, 2020.

FISCAL INFORMATION

Fund	FY 2020	FY 2021	Future Years
U. S. Department of Treasury - Coronavirus Relief Funds	\$2,000,000.00	\$0.00	\$0.00