



**CITY OF ELK GROVE  
CITY COUNCIL STAFF REPORT**

**AGENDA TITLE:** Consider a resolution establishing the City of Elk Grove 2021 COVID-19 Business Recovery Grant Program and adopting the Program Policies, Procedures and Guidelines

**MEETING DATE:** September 8, 2021

**PREPARED BY:** Rachael Brown, Economic Development Manager

**DEPARTMENT HEAD:** Darrell Doan, Economic Development Director

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**RECOMMENDED ACTION:**

Staff recommends the City Council adopt a resolution establishing the City of Elk Grove 2021 COVID-19 Business Recovery Grant Program, and adopting the Program Policies, Procedures and Guidelines.

**BACKGROUND INFORMATION:**

In July 2020, City Council adopted a resolution establishing a budget for Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding that the City received through the State of California Budget Act of 2020. As part of that approval, Council established a budget of \$750,000 for small business grants to assist small businesses who had been negatively impacted economically by the COVID-19 pandemic.

In August 2020, Council adopted a resolution establishing the City of Elk Grove COVID-19 Small Business Recovery Grant Program (the "2020 Program"). The 2020 Program had two one-week application periods. After both application rounds were concluded, 111 grants were awarded totaling \$437,500.

On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021 (Rescue Plan) into law. The \$1.9 trillion financial package is intended to combat the COVID-19 pandemic, including public health and economic

impacts. The Rescue Plan includes funds provided directly to the City of Elk Grove for uses allowed under the Rescue Plan, including for business support.

On August 11, 2021, Council adopted a resolution establishing a budget for the Rescue Plan funding. As part of that approval, Council established a budget of \$4,000,000 in the Fiscal Year 2021-2022 City Budget for business grants to assist businesses who have been negatively impacted economically by the COVID-19 pandemic and directed staff to return to Council with details of a grant program for approval at a future meeting.

### **ANALYSIS/DISCUSSION:**

Under the provisions of the Rescue Plan and consistent with guidance provided by the US Treasury Department, Rescue Plan funds may be used by municipalities to provide grants to businesses. The Treasury guidance defers to municipalities to determine what businesses are eligible and on what terms grants will be provided.

The attached resolution establishes the City of Elk Grove 2021 COVID-19 Business Recovery Grant Program and adopts a set of Policies, Procedures, and Guidelines (the “2021 Program”). In establishing the 2021 Program, staff evaluated the results from the similar 2020 Program, and obtained new input from the business community.

Some of the key differences between the two programs are:

- Removal from the eligibility requirements that the business could not have received other forms of financial assistance
- Modification of the business revenue review period from comparing three months of revenue in years 2019 and 2020, to comparing 12 months for years 2019 and 2020
- Expand application period from one week to 30 days.
- Creation of a list of targeted industries that had increased impacts to business operations due to the COVID-19 pandemic and that would be eligible for increased grant funding, even if the targeted business is not a small business as defined in the 2020 Program
  - The proposed targeted industries outlined in the 2021 Program include the following:
    - Hospitality – includes hotels
    - Restaurants – includes restaurants, bars, coffee, and tea shops

- Entertainment – includes bowling alleys, movie theaters, performing arts, and event venues
- Personal services – includes hair salons, nail salons, massage parlors, and fitness studios
- Daycares – includes adult and child daycares

To determine funding allocation amounts for the 2021 Program, staff evaluated business license data of Elk Grove businesses for an 18-month period. Of 4,395 total licensed businesses, 1,637 were categorized as home-based. Of the remaining 2,758, staff reviewed one-third of these to categorize the businesses and found that approximately 40% would fall under the above targeted industry types. Staff then determined the average grant amounts given under the 2020 Program and applied them to the 2021 Program at an assumed 50% application rate.

Using this analysis, staff projected the funding allocations for the 2021 Program to be estimated as shown in Table 1:

**Table 1: Proposed Grant Allocations by Category**

Funding Allocation Estimates	Number of Licensed Businesses	Estimated 50% Application Rate	2020 Average Grant Amount	Total Estimated 2021 Grants by Category	% of Total
Home Based Businesses	1,673	819	\$500	\$409,250	8.5%
Target Businesses	1,103	552	\$5,000	\$2,757,500	57.2%
Other Small Businesses	1,655	828	\$2,000	\$1,655,000	34.3%
	<b>4,395</b>	<b>2,198</b>		<b>\$4,821,750</b>	

Using this analysis in establishing the 2021 Program it is recommended that the grant amounts and funding set-aside for eligible businesses be set as follows:

- Home-based businesses
  - 10% of allocated funds (\$400,000)
  - \$500 flat rate grant per qualified business
- Other non-target businesses
  - 30% of allocated funds (\$1,200,000)
  - \$800 per FTE; maximum grant amount of \$16,000, based on 20 FTE maximum
- Target businesses
  - 60% of allocated funds (\$2,400,000)
  - \$1,250 per FTE; maximum grant amount of \$25,000

Key eligibility criteria include:

- Business located in Elk Grove
- Business licensed in the City of Elk Grove
- Business was operational as of March 1, 2020, is still in business at the time of application, and intends to remain open
- Business experienced a net revenue loss (gross revenue net of operating expenses) of at least 25% for the calendar year 2020 compared to the calendar year 2019
- Business is in good standing with the City and is compliant with all City, state, and federal laws and regulations related to the business
- For home-based and non-targeted businesses – business entity earned \$3 million annual revenue or less in calendar year 2019
- For non-targeted businesses, the business must have employed 20 or fewer Full-Time Equivalent (FTE) employees as of March 1, 2020
- For targeted businesses:
  - Business employed 40 or fewer FTE employees as of March 1, 2020
  - Eligible business types: hospitality/hotels, entertainment venues, restaurants, personal services, and daycares

Funds can be used for:

- General business operations
- Payroll expenses
- Supplier payments
- Rent, lease, or mortgage payments for business real or personal property
- Personal Protective Equipment (PPE) and/or sanitation supplies and equipment
- Costs of compliance with county, state, or federal requirements or recommendations

A 30-day on-line application period will be opened commencing as soon as administratively possible and after outreach and marketing efforts are well underway. During this period, businesses may apply for a grant on-line at [www.elkgrovecity.org/covid19biz](http://www.elkgrovecity.org/covid19biz).

It is staff's expectation that the majority of applications will be submitted via the online application portal; however, any business lacking access to the internet and/or a computer will be able to easily submit a paper-based application by contacting staff. In addition, all application will be available in both paper and electronic format in all key languages. Staff and its partners will be available to provide personalized live assistance via phone, in-person, or virtual meetings to assist any applicant in all key languages.

To ensure all businesses have an equal opportunity to apply for a grant, outreach efforts will be as wide-ranging as possible and will occur both before and after the application period opens. General outreach efforts will include press releases and BusinessWise e-mail blasts, business and economic development partner organization assistance, announcements and reminders at public meetings, direct messaging/mailings to all licensed businesses for which the City has contact information, social media posts, advertising, and media engagement. In addition, every effort will be made to widely publicize this program to as many Elk Grove businesses as possible with particular focus on targeted industries and minority business communities.

Staff will review all applications for completeness and eligibility, determine grant amounts, and process grant payments. The City Manager is authorized to make all final decisions on Program eligibility, business categorization, and grant amounts, and any related interpretations or decisions necessary to make a grant decision. All businesses accepting a grant will be required to sign a non-negotiable Affidavit, Waiver, and Release form requiring the applicant to declare that all information contained in their application is true.

Due to the uncertainty of the number of applications that may be received, it is possible that the Program could be over-subscribed or under-subscribed. If over-subscribed, there may not be funding available for all eligible businesses to receive a grant. If under-subscribed, there may be funds left over. If over-subscribed in one or all categories, all eligible businesses in the category may be part of a random drawing within their employment-based funding allocation levels to select grant recipients. If under-subscribed at the end of the initial 30-day application period, staff may opt to reopen the application period for a subsequent application round to attempt to expend all funds.

It is also recommended that the City Manager be given authority to move funds between under-subscribed and over-subscribed business grant categories as needed to fully allocate the grant funds. The actual number of

grants and dollar amounts will vary based on the number of eligible businesses that apply and the number of employees per eligible business.

**ALTERNATIVE ACTIONS:**

As alternative actions, Council could elect not to establish the Program as presented or could direct staff to modify the provisions of the Program prior to establishing the Program.

**FISCAL IMPACT:**

The Program will have no impact on City finances other than staff time and minor resources. Funds in the amount of \$4,000,000 for the Program are included as part of the FY 2021-2022 Budget from the first Rescue Plan payment to the City of \$10,972,303 received in June 2021.

**ATTACHMENTS:**

1. Resolution
  - a. Exhibit A: Program Policies, Procedures, and Guidelines

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ELK GROVE  
ESTABLISHING THE CITY OF ELK GROVE 2021 COVID-19 BUSINESS RECOVERY  
GRANT PROGRAM AND ADOPTING THE PROGRAM POLICIES, PROCEDURES AND  
GUIDELINES**

**WHEREAS**, On March 11, 2021, the American Rescue Plan Act (Rescue Plan) was signed into law by the President of the United States and is intended to combat the COVID-19 pandemic including public health and economic impacts; and

**WHEREAS**, the Rescue Plan includes funds provided directly to the City of Elk Grove for uses allowed under the Rescue Plan, including for business support; and

**WHEREAS**, the Rescue Plan Funds are intended to provide support to state, local, and tribal governments in responding to the impacts of COVID–19 and in their efforts to contain the spread of COVID–19 in their communities, to residents, and to businesses; and

**WHEREAS**, the COVID-19 pandemic has had a significant negative financial effect on many of Elk Grove’s businesses; and

**WHEREAS**, on August 11, 2021, by resolution, the City Council established an expenditure allocation plan for Rescue Plan funds and amended the Fiscal Year 2021-2022 City Budget to include \$4,000,000 for small and targeted business grants to assist businesses who have been negatively impacted economically by the COVID-19 pandemic and directed City staff to return to the City Council with such a program for its consideration; and

**WHEREAS**, on this date, staff presented to the City Council a recommendation to establish the City of Elk Grove 2021 COVID-19 Business Recovery Grant Program.

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Elk Grove hereby establishes the City of Elk Grove 2021 COVID-19 Business Recovery Grant Program as detailed in the City of Elk Grove 2021 COVID-19 Business Recovery Grant Program Policies, Procedures, and Guidelines attached hereto as Exhibit A and incorporated herein by reference, and authorizes the City Manager to implement the Program consistent with the attached Guidelines.

**PASSED AND ADOPTED** by the City Council of the City of Elk Grove this 8<sup>th</sup> day of September 2021

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BOBBIE SINGH-ALLEN, MAYOR of  
the CITY OF ELK GROVE

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
JASON LINDGREN, CITY CLERK

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JONATHAN P. HOBBS,  
CITY ATTORNEY



## City of Elk Grove 2021 COVID-19 BUSINESS RECOVERY GRANT PROGRAM POLICIES, PROCEDURES AND GUIDELINES

### PROGRAM OVERVIEW

To further support businesses in Elk Grove experiencing negative financial impacts of COVID-19, the City of Elk Grove has created the “2021 COVID-19 Business Recovery Grant Program” (hereafter, the “Program”). The Program provides grant funding to assist businesses with absorbing costs associated with the financial impacts of the COVID-19 pandemic and to support business recovery. The total amount of grant funds available is \$4 million.

The Program provides grants up to \$25,000 to certain eligible businesses. There is a limited allocation of funds available for the Program; therefore, depending on the number of businesses that apply, it is possible that not all eligible businesses can be assisted. If any of the categories as outlined below are oversubscribed, a random drawing may be used. The allocation, amount, business eligibility and making of grants will be solely within the City Manager’s discretion.

### BUSINESS ELIGIBILITY

Outlined below are the three grant categories and eligibility criteria for a business to receive a grant. Eligibility exceptions may be considered by the City Manager.

#### Home-based Small Business Eligibility

- Business is currently physically located within the boundaries of the City of Elk Grove in a residence and provides goods and services within the boundaries of Elk Grove.
- Business is in good standing with the City of Elk Grove (e.g., possess a valid business license and certificate of occupancy where applicable, is in compliance with all applicable zoning and permit requirements, is current on all City bills and obligations, and is not subject to any liens or judgments by the City related to the business).
- Business is compliant with all City, State, and Federal laws and regulations related to the operation of the business.
- Business was operational as of March 1, 2020, is still in business at the time of application, and intends to remain open.
- Business earned \$3 million annual gross revenue or less in calendar year 2019; the business must submit tax returns to validate this eligibility criteria.
- Business had a net revenue loss (defined as gross revenue net of operating expenses) of at least 25% for the calendar year 2020 compared to calendar year 2019; the business must submit tax returns to validate this eligibility criteria.
- For businesses with multiple locations, only employment and revenue figures for the Elk Grove location(s) can be used to qualify for a grant under the Program, and all grant funds received must be used only to support Elk Grove business operations. Multiple locations within Elk Grove operating under a single business entity will be considered one business for purposes of the Program.

### Non-targeted Small Business Eligibility

- Business is currently physically located within the boundaries of the City of Elk Grove and provides goods and services within the boundaries of Elk Grove.
- Business is in good standing with the City of Elk Grove (e.g., possess a valid business license and certificate of occupancy where applicable, is in compliance with all applicable zoning and permit requirements, is current on all City bills and obligations, and is not subject to any liens or judgments by the City related to the business).
- Business is compliant with all City, State, and Federal laws and regulations related to the operation of the business.
- Business was operational as of March 1, 2020, is still in business at the time of application, and intends to remain open
- Business earned \$3 million annual gross revenue or less in calendar year 2019; the business must submit tax returns to validate this eligibility criteria.
- Business had a net revenue loss of at least 25% for calendar year 2020 compared to calendar year 2019; the business must submit tax returns to validate this eligibility criteria.
- For businesses with multiple locations, only employment and revenue figures for the Elk Grove location(s) can be used to qualify for a grant under the Program, and all grant funds received must be used only to support Elk Grove business operations. Multiple locations within Elk Grove operating under a single business entity will be considered one business for purposes of the Program.
- Business employed 20 Full-Time Equivalent (FTE) employees or less, as of March 1, 2020.

### Targeted Business Eligibility

- Business is currently physically located within the boundaries of the City of Elk Grove and provides goods and services within the boundaries of Elk Grove.
- Business is in good standing with the City of Elk Grove (e.g., possess a valid business license and certificate of occupancy where applicable, is in compliance with all applicable zoning and permit requirements, is current on all City bills and obligations, and is not subject to any liens or judgments by the City related to the business).
- Business is compliant with all City, State, and Federal laws and regulations related to the operation of the business.
- Business was operational as of March 1, 2020, is still in business at the time of application, and intends to remain open.
- Business had a net revenue loss of at least 25% for calendar year 2020 compared to calendar year 2019; the business must submit tax returns to validate this eligibility criteria.
- Business employed 40 FTE employees or less, as of March 1, 2020.

- Eligible business types:
  - Hospitality – includes hotels
  - Entertainment – includes bowling alleys, movie theaters, performing arts, and event venues
  - Restaurants – includes restaurants, bars, coffee, and tea shops
  - Personal services – includes hair salons, nail salons, massage parlors, and fitness studios
  - Daycares – includes adult and child daycares

The City Manager will make all final determinations as to a business's business type

### **FUNDING ALLOCATION LEVELS**

Grant amounts to eligible businesses will be determined as follows:

- Home based small businesses:
  - 10% of the allocated funds (\$400,000) will be dedicated to this category
  - \$500 flat grant amount per qualified business
- Non-targeted small businesses:
  - 30% of the allocated funds (\$1,200,000) will be dedicated to this category
  - \$800 per FTE; maximum grant will be \$16,000, based on 20 FTE maximum
- Targeted businesses:
  - 60% of the allocated funds (\$2,400,000) will be dedicated to this category
  - \$1,250 per FTE; maximum grant amount will be capped at \$25,000

### **USE OF FUNDS**

Grant funds can be used to offset or reimburse the business for operational costs or revenue loss caused by the COVID-19 pandemic, including:

- General business operations.
- Payroll expenses.
- Supplier payments.
- Rent, lease, or mortgage payments for business real or personal property.
- Personal Protective Equipment (PPE) and/or sanitation supplies and equipment.
- Costs of compliance with County, State, or Federal requirements or recommendations.

### **APPLICATION, REVIEW, AND APPROVAL PROCESS**

An initial 30 calendar day application period will be established which will commence on a Monday at 9 AM (the exact date of which will be determined and broadly publicized), and will close 30 calendar days later, at 5 PM. All applications must be submitted electronically via the City's online application portal which will be established at [www.elkgrovecity.org/covid19biz](http://www.elkgrovecity.org/covid19biz). The City will not accept applications in any other manner except in the sole discretion of the City Manager and will not accept applications after the application period closes. The following steps will be followed:

- Business submits online application and uploads required documents (listed below)
  - Business License Certificate
  - 2019 and 2020 Filed Business Tax Returns
  - W9
- City reviews application and supporting materials
- City determination of business eligibility and grant amount
- A random drawing may be used for any category that is oversubscribed
- Initial application period will be 30 calendar days; subsequent rounds may be initiated if funds are not exhausted during initial round
- The City Manager or his/her designee will make all final decisions on Program eligibility and adherence and any related interpretations necessary to make a grant decision.

**PUBLIC RECORD**

Unless otherwise exempt under applicable law, applications and application materials are public records. All information received from an applicant, whether received in connection with a grant application or in connection with any grant-funded activities performed, are subject to disclosure pursuant to the California Public Records Act, unless otherwise exempt.

**AFFIDAVIT, WAIVER, AND RELEASE FORM**

All businesses offered a grant who choose to accept the grant will be required to sign a non-negotiable affidavit, waiver, and release form prior to payment being made. The affidavit will require the applicant to declare that all information contained in the application is true and correct and can be used as admissible evidence in any legal proceeding against the company if the City attempted to recoup any grant funds provided under false pretenses.

**PAYMENT METHOD**

Grant payments will be made by check or electronic deposit to a US based bank account in the business's name.