



CITY COUNCIL STAFF REPORT



July 12, 2022

ITEM TITLE

Agreement: Approve Agreement with The San Diego Foundation to Administer Grants to Small Businesses and Nonprofits in the City of Chula Vista

Report Number: 22-0184

Location: No specific geographic location

Department: Economic Development

Environmental Notice: The activity is not a “Project” as defined under Section 15378 of the California Environmental Quality Act State Guidelines; therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required. Notwithstanding the foregoing, the activity qualifies for an Exemption pursuant to Section 15061(b)(3) of the California Environmental Quality Act State Guidelines.

Recommended Action

Adopt a resolution approving an agreement with The San Diego Foundation for administration for the \$3.6 million Chula Vista American Rescue Plan Act Small Business and Nonprofit Relief Grant Program to aid in economic recovery and appropriating up to \$252,000 for administration **(4/5 vote required)**.

SUMMARY

On August 24, 2021, City staff presented a plan for the \$57.5 million in American Rescue Plan Act (ARPA) Coronavirus State and Local Fiscal Recovery Funds (SLFRF) funding to City Council which was subsequently adopted. As part of this plan, \$2.6 million has been allocated to Economic Development to create a grant program to provide economic relief and assistance to small businesses and nonprofits.

Due to the time intensive nature of administering a grant program as learned with the \$1.5 million dollar Chula Vista CARES Small Business Grant Program, staff is proposing the San Diego Foundation to serve as program administrator for the Chula Vista American Rescue Plan Act Direct Grants for Small Businesses and Nonprofit Relief Grant Program (“Grant Program”) as they have the expertise to expeditiously process and award grant funds. As specified within the proposed agreement, The San Diego Foundation would also provide \$1 million of their own funds to award to Chula Vista nonprofits through the Grant Program, increasing the amount of dollars flowing into Chula Vista for economic recovery. The proposed Grant

Program is in compliance with the Department of the Treasury’s final rule which allows assistance to small businesses and nonprofits to respond to the negative economic impacts of the pandemic.

ENVIRONMENTAL REVIEW

The proposed activity has been reviewed for compliance with the California Environmental Quality Act (CEQA) and it has been determined that the activity is not a “Project” as defined under Section 15378 of the state CEQA Guidelines because it will not result in a physical change in the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA. Notwithstanding the foregoing, it has also been determined that the activity qualifies for an Exemption pursuant to Section 15061(b)(3) of the California Environmental Quality Act State Guidelines. Thus, no environmental review is required.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

DISCUSSION

On March 11, 2021, President Biden signed into law the American Rescue Plan Act, more commonly known as ARPA, which authorizes \$1.9 trillion in federal relief in response to the novel coronavirus (COVID-19). On May 10, 2021, the U.S. Department of the Treasury announced the launch of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF), established by the American Rescue Plan Act, to provide \$350 billion in emergency funding for eligible state, local, territorial, and Tribal governments. Chula Vista received \$57.5 million in total from the SLFRF. On August 24, 2021, City staff presented a plan for the \$57.5 million in ARPA SLFRF funding to City Council which was subsequently adopted. As part of this plan \$2.6 million has been allocated to Economic Development to create a Grant Program to provide economic relief and assistance to small businesses and nonprofits in compliance with the Department of the Treasury’s final rule that allows assistance to small businesses and nonprofits to respond to the negative economic impacts of the pandemic.

In the third quarter of 2021, a business assistance survey was sent to 7,636 licensed businesses with email addresses on file and 180 survey responses were received. Most respondents indicated they would like funds to replenish depleted reserves, cover payroll expenses, rent, equipment, and to pay down debt that has accrued during the pandemic. An additional survey was administered in the first quarter of 2022 to assess business recovery status. The findings highlight that small businesses are experiencing a very tepid recovery, still have depleted cash reserves, and have a high demand for more grant funding.

To meet the needs of our small business community, an expanded Grant Program with larger awards is proposed. Due to the time intensive nature of administering a grant program as learned with the \$1.5 Million Chula Vista CARES Small Business Grant Program, staff is proposing the San Diego Foundation to serve as program administrator for the Grant Program as they have the expertise to expeditiously process and award grant funds.

About the Program Administrator: The San Diego Foundation

The San Diego Foundation has provided over \$1.3 billion in grantmaking to nonprofits throughout San Diego County since 1975. In 2021, the nonprofit agency awarded over \$100 million to support families and nonprofits during the pandemic. As of March 2022, on behalf of the City of San Diego, The San Diego

Foundation administered \$11.2 million in grant relief funds to small businesses and nonprofits. The San Diego Foundation, working with the Small Business Development Center (“SBDC”), would serve as the program administrator of the Grant Program, should the agreement be approved. SBDC is a technical partner and will manage the disbursement of the ARPA Funds consistent with the purposes and requirements outlined within the proposed agreement. The San Diego Foundation’s responsibilities as program administrator are proposed to include:

- Administration of the Grant Program to provide direct grants to economically disadvantaged and at-risk businesses and to nonprofits serving the City of Chula Vista or its residents.
- Ensuring a process to obtain accurate and complete applications for grants, document applicant's compliance with eligibility requirements, and approve applications meeting the eligibility requirements.
- Issuing or directing payments to awardees for approved applications and maintaining records of all payments.

As program administrator, the San Diego Foundation’s overall goal is to ensure equity in providing financial assistance to Chula Vista small businesses and nonprofits. In addition to providing these services, in alignment with their mission of providing funds to nonprofits, The San Diego Foundation will be adding \$1 million of their own funds to award to Chula Vista nonprofits, bolstering Chula Vista’s economic recovery.

Allocation and Distribution of Funds

The \$2.6 million in ARPA funds allocated by the city will be dispersed to eligible small businesses and nonprofits with \$2.1 million funding small businesses and \$500,000 funding nonprofits. A strategic partnership with the San Diego Foundation as the program administrator would also provide an additional \$1 million to nonprofits.

As part of a larger regional economic recovery strategy, City staff and the San Diego Foundation are proposing to participate with and award \$600,000 of the San Diego Foundation’s \$1 million contribution to the San Diego Regional Policy Innovation Center (SDRPIC). Through their partnership with the San Diego Foundation, SDRPIC brings the talent, notoriety, and expertise of the Brookings Institution, a respected think tank globally, to understand and address the key issues in our region. \$500,000 is proposed to be allocated to SDRPIC to secure Chula Vista’s position in participating with the Brookings Institute, County of San Diego, and San Diego Regional Economic Development Corporation. SDRPIC’s efforts are intended to support Chula Vista’s economic recovery and address broad regional challenges such as climate resilience, affordable housing solutions, infrastructure investment, and broadband access. This work will help jumpstart transformational shifts to strengthen our economy and build regional resilience through multi-jurisdictional collaboration, original research, and data collection. This expenditure of funds to SDRPIC will position the City to leverage ARPA dollars to receive additional funds in the future to implement the efforts described. The remaining \$100,000 dollars will be allocated to support the development of a new arts and culture related project to support cross border immigrant empathy.

| Source | Amount | Use |
|-------------------------------------|-------------|---|
| City of Chula Vista - ARPA Funds | \$2,600,000 | \$2,100,000 to small businesses \$500,000 to nonprofits |
| San Diego Foundation – Supplemental | \$1,000,000 | \$1,000,000 to nonprofits |
| City of Chula Vista - General Fund | (\$180,000) | Administration Fees (5% of total program funds) |
| City of Chula Vista - General Fund | ≤(\$70,000) | Reimburse up to \$70,000 for Third Party Costs (e.g., audit(s), legal fees) |

Under the terms of the proposed agreement, the program administrator would have until March 31, 2023, to expend funds. Any monies not spent will be returned to the City allowing ample time to repurpose funds, if needed, prior to the December 31, 2024, deadline to exhaust ARPA dollars. If the parties agree, the final expenditure date may be extended.

Establishing Program Eligibility

In developing the Grant Program, city staff focused on doing so from an inclusive economic development lens targeting businesses that were most affected by the pandemic. Out of the approximate 16,000 licensed businesses in the City, staff estimates that there are over 10,000 businesses and nonprofits in Chula Vista that would qualify for financial assistance under the proposed eligibility requirements. By including nonprofits supporting Chula Vista (60) and home-based businesses (6,000) staff has greatly expanded the eligibility of businesses who suffered adverse impacts due to COVID-19. Eligible businesses are limited to:

- Restaurants, coffee shops, ice cream parlors, fast food, fast casual
- Personal care services (e.g., barber shops, hair salons, nail salons, eyebrow/eyelash services, massage, tanning)
- Bars, breweries, tasting rooms
- Community-serving services (e.g., florists, tailors, dry cleaners, cobblers, embroidery, car wash, dog wash, etc.)
- Events industry
- Fitness (e.g., gyms, dance and fitness studios, personal trainers, yoga, martial arts, etc.)
- Retail (e.g., clothing, home-improvement supplies and goods, electronics, beauty products)
- Daycare/childcare including afterschool programs, daycare, tutoring, indoor and outdoor youth sports such as gymnastics, dance, etc.
- Manufacturing (e.g., food and clothing manufacturers)
- Senior care
- Home based businesses (i.e. child care)

Adult entertainment, cannabis businesses, arms dealers, or any other exclusions noted by ARPA are not eligible to receive grant funds.

Award Amounts and Eligibility Criteria

Grant awards of \$10,000 each may be awarded to Chula Vista small businesses meeting these requirements, until the funds are exhausted:

- Must be self-employed workers, independent contractors, sole proprietors, or corporations with no more than 100 employees in addition to the owners.
- Small businesses must have a net profit under \$150,000 or gross revenue under \$250,000, as reported in their 2019 federal taxes.
- Must have a valid City of Chula Vista business license at time the application is made.
- Must have been in operation before April 1, 2020.
- Businesses must have a demonstrated decline in revenue or service demand due to COVID-19.
- Must be an eligible business type located within the City of Chula Vista.

In the 2020 Chula Vista CARES Small Business Grant Program eligibility requirements, only for-profit brick and mortar businesses were eligible to receive funding. Since the administration of that program, staff has identified a need for funds to also aid the nonprofit businesses of our community in their economic recovery and is well-positioned to meet that need with administrative and financial support from the San Diego Foundation. Eligible nonprofits must serve areas of priority consideration such as performing arts, music and culture, early childhood education, senior services and organizations involved in health, nutrition and well-being of the residents of Chula Vista.

Grant awards ranging from \$5,000 to \$100,000, other than the award to SDRPIC, will be awarded to Chula Vista nonprofits meeting these requirements:

- Must be located in or serve the City of Chula Vista, or it's underserved communities.
- Must be a priority nonprofit business that meets any of the below criteria:
 - Nonprofits that focus on the following issues: performing arts, music and culture, early childhood education, senior services, and organizations involved in health, nutrition and well-being of the residents of Chula Vista.
 - Nonprofits that did not receive allocations through such programs as the Paycheck Protection Program, Shuttered Venue Operators Grant, California Relief Grant, or the Chula Vista CARES Small Business Grant Program.
 - Other areas identified by the Program Administrator and SBDC, in consultation with and approved by the City, using similar metrics that meet the intent of this priority.

Program Launch and Timeline

Following the City Council's approval of the agreement, the City will promote the grant opportunity via electronic communication to all businesses in the City's business license database, as well as through social media outreach to small businesses. The San Diego Foundation will partner with SBDC host organizations and trusted community-based organizations to provide outreach to hard-to-reach-communities. Additionally, marketing materials and the online application will be translated into multiple languages including, but not limited to Spanish, Tagalog, Japanese, Chinese, Korean, Arabic, Somali, Swahili and others, as necessary. An outreach component of additional value includes The San Diego Foundation creating and disseminating media content to highlight small business literacy, wellness, entrepreneurship, and development resources directly to applicants.

Following approval of this proposed Grant Program, The San Diego Foundation will open the application within 14 days with the application being open for a period of at least 60 days.

DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the real property holdings of the City Council members do not create a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.).

Staff is not independently aware and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

CURRENT-YEAR FISCAL IMPACT

Approval of this agreement will result in \$0 net fiscal impact to the General Fund. Staff is requesting to appropriate \$250,000 of supplies and services expenditures. \$180,000 is needed for program administration and will be funded with ARPA funds available in the revenue recovery category, resulting in no net impact to the General Fund. The City is also responsible for funding up to \$70,000 for third party costs including, but not limited to audit or legal fees, staff is requesting to appropriate excess Property Tax Revenues to cover these anticipated expenditures, resulting in no net impact to the General Fund.

Staff is requesting the proposed budgetary adjustments reflected in the table below:

General Fund Budget Adjustments

| DEPARTMENT | SUPPLIES & SERVICES | TOTAL EXPENSE | TOTAL REVENUE | NET COST |
|---------------------------|---------------------|-------------------|---------------------|-------------|
| GENERAL FUND | | | | |
| Non-Departmental | - | - | (70,000) | (70,000) |
| Economic Development | 250,000 | 250,000 | (180,000) | 70,000 |
| TOTAL GENERAL FUND | \$ 250,000 | \$ 250,000 | \$ (250,000) | \$ - |

Other Funds Adjustments

| DEPARTMENT | TRANSFERS OUT | TOTAL EXPENSE | TOTAL REVENUE | NET COST |
|-------------------------------|-------------------|-------------------|---------------------|-------------|
| OTHER FUNDS | | | | |
| American Rescue Plan Act 2021 | 180,000 | 180,000 | (180,000) | - |
| TOTAL OTHER FUNDS | \$ 180,000 | \$ 180,000 | \$ (180,000) | \$ - |

ONGOING FISCAL IMPACT

There is no ongoing fiscal impact associated with this item.

ATTACHMENTS

Agreement - City of Chula Vista American Rescue Plan Act of 2021 Direct Grants for Small Businesses and Nonprofit Relief Fund Agreement with The San Diego Foundation

Staff Contact: Eric Crockett, Deputy City Manager