

Best Practices: COVID-19 Economic Development Response

Business Outreach

Perform businesses outreach to **understand the needs of the business community and connect them to available funding and resources.**

How to Connect:

Online business survey, e-blast, social media groups, etc.



Infrastructure and Exposure

Advertise businesses still operating on the City website.

Provide signage for business still operating.

Partner with the private sector to **help businesses transition** to the new normal.

- **Case Study:** Cities can partner with Postmates to develop a pilot program that waives all commission fees for small businesses in the community.

Funding for Businesses

Immediate funding is critical for small businesses to avoid layoffs and permanent closure. Cities can assist businesses in their community by helping them obtain funding from existing Federal and State programs and/or developing their own funding programs.

CITY PROGRAMS

Loan/Grant Programs: Best practices for administering loan and grant programs:

- Partner with private corporations (local banks, developers, private donors, etc.)
- Allow the general public to make tax deductible donations to a grant program
- Allocate Community Development Block Grant (CDBG) Funds, pursuant to the Guide to CDBG Eligible Activities to Support Infectious Disease Responses found [here](#).
- Allocate funds from the EDA Economic Adjustment Assistance program to capitalize a loan fund, pursuant to program guidelines.

SBA PROGRAMS

Paycheck Protection Program: Federally backed loans to small businesses that can be used to pay payroll costs, interest on mortgage obligations, rent, and utilities.

- *Amount:* Determined by formula based on average monthly payroll cost. Maximum loan amount is \$10 million.
- *Eligibility:* Any business under 500 employees or meets the size standard of employees established by the SBA for the industry in which the business operates. Recipients must have been in operation on February 15, 2020.
- *Forgiveness:* Loan forgiveness will be provided for the sum of documented payroll costs, mortgage interest payments, rent payments, and utilities over the 8 week period after loan is made. 75% of the forgiven amount must be for payroll costs. Forgiveness will be reduced if full-time headcount declines or if salaries and wages decrease.
- *Terms:* Loan has a maturity of 2 years and interest rate of 1%. Any principal and interest that is not forgiven can be deferred for 6 months after disbursement of the loan.

How to Apply: Borrowers must submit a loan application to a participating lender by June 30, 2020. The application can be found [here](#). Find participating lenders [here](#).

Economic Injury Disaster Loans (EIDL): Low interest loan to help businesses meet financial obligations and operating expenses that could have been met had the disaster not occurred.

- *Amount:* Determined by actual economic injury and financial needs. Maximum loan amount is \$2 million .
- *Eligibility:* Any business under 500 employees or meets the size standard of employees established by the SBA for the industry in which the business operates. Business must have been in operation on January 31, 2020.
- *Terms:* Maturity of up to 30 years with interest rate up to 3.75%.
- *Loan Advance:* Advance of up to \$10,000. Funds will be made available following a successful application. The loan advance will not have to be repaid.

How to Apply: Borrowers can apply for the EIDL and EIDL advance electronically with one application on the SBA website. The application can be found [here](#).



SBA PROGRAMS (CONTINUED)

Small Business Debt Relief Program: The SBA will automatically pay the principal, interest, and fees of current 7(a), 504, and microloans and new 7(a), 504, and microloans issued prior to September 27, 2020.

How to Apply: No action is required to receive this benefit.

FEDERAL TAX CREDITS & TAX DEFERRAL

Employee Retention Tax Credit: Refundable credit against payroll tax liability.

- *Amount:* Credit equal to 50% of the first \$10,000 in compensation per "eligible employee" (i.e. \$5,000 max credit per employee). The credit only applies to wages paid after March 12, 2020 and before January 1, 2021.
- *Eligibility:* Eligible employers must have business operations fully or partially suspended due to a government order limiting commerce, travel, or group meetings or must experience a reduction in gross receipts of at least 50% when compared to the same quarter in the previous year. An employer can't receive a tax credit if the employer receives a Paycheck Protection Program Loan.
- *Criteria for "Eligible Employees":* For employers with less than 100 full-time employees, all employees are eligible for the credit. For employers with more than 100 employees, full-time employees who are being paid but not providing service are eligible for the credit.

How to Claim Tax Credit: Eligible employers will report their total qualified wages and the related credits for each calendar quarter on their federal employment tax returns. For more information, please visit the IRS website [here](#).

Relief from Penalty for Failure to Pay Employment Taxes: Businesses may defer paying the employer portion of certain payroll taxes through the end of 2020. All deferred taxes would be due in two equal installments, the first at the end of 2021 and the second at the end of 2022. Payroll taxes that can be deferred include the employer portion of FICA taxes, the employer and employee representative portion of Railroad Retirement taxes, and half of SECA tax liability. An employer can't defer taxes if they receive a Paycheck Protection Program Loan.



CALIFORNIA STATE (GO-BIZ) PROGRAMS

California Disaster Relief Loan Guarantee Program: Small business loans backed by the State of California that can be used for continuance of business including , but not limited to, rent and payroll.

- *Amount:* Maximum loan amount not specified.
- *Eligibility:* Business must have 1- 750 employees that have been negatively impacted by COVID-19. Some nonprofits are also eligible.
- *Terms:* Negotiated between lender and borrower. The loan is guaranteed up to 7 years and covers up to 95% of the loan.

How to Apply: Contact a participating lender to enroll. Participating lenders include Bankers Small Business CDC, Pacific Community Ventures, and First Northern Bank of Dixon.

California Capital Access Program (CalCAP): Small business loans backed by the State of California that can be used for land acquisition, construction and renovation, start up costs, equipment and inventory, and working capital.

- *Amount:* Maximum loan amount is \$5 million.
- *Eligibility:* Business must have 1- 500 employees and be classified as a small business per SBA Guidelines. The business and at least 51% of employees or its income, sales, or payroll must come from business in California.
- *Terms:* Varies by lender. CalCAP provides 100% coverage on certain loan defaults.

How to Apply: Contact a participating lender to enroll. A list of participating lenders can be found [here](#).

Funding Available to Cities to Assist Small Businesses

EDA Economic Adjustment Assistance Program: Flexible program that provides grant funding for technical, planning, and public works projects including, but not limited to, capitalization of revolving loan funds, construction or upgrade to public infrastructure (including broadband), and other activities that can support the creation of businesses and jobs.

- *Eligibility:* Eligible applicants include Economic Development Districts, Indian tribes, states and local governments, institutions of higher education, and eligible nonprofit organizations.
- *Cost Share Requirements:* Grants used for disaster recovery activities may be 100% funded by the federal government.
- *Awards:* Grants will be awarded based on strength and feasibility of the projects proposed. The relative economic distress of the region will also be considered.

How to Apply: Apply for grants at Grants.gov. The application can be found [here](#).

CDBG Funding: The CARES Act allocated supplemental funding to Grantees for FY 2020, which will automatically be distributed to Grantees. The amount allocated to each recipient can be found [here](#). The Guide to CDBG Eligible Activities to Support Infectious Disease Response can be found [here](#).

COVID-19 Relief Fund: Funding for State, Local, and Tribal governments to cover costs incurred between March 1, 2020 and December 30, 2020 due to COVID-19 . The portion of funds distributed to each state is based on population. Localities with a population of more than 500,000 will receive assistance directly from the Treasury, while those with less than 500,000 residents are not guaranteed funding and will need to work with the state on applying for it.

Sources: sba.gov; business.ca.gov; irs.gov ; eda.gov; hud.gov; [CARES Act](#)