

# ECONOMIC RECOVERY TASKFORCE

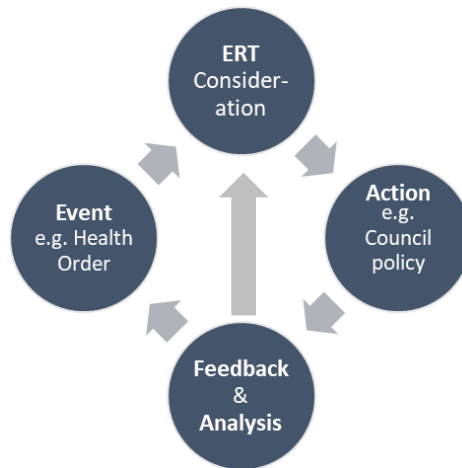
[Santa Rosa COVID-19 Recovery Framework]



The objective of this task force is to address current issues that are within the City's purview resulting from the pandemic and related health orders while strengthening Santa Rosa's economic recovery and resiliency for the long run.

- **Current Issues** – immediate actions to help get through current situation
- **Mid- and Long-Range Needs** – steps needed to facilitate long range vision; future additional resources, essential services and priority projects, e.g. items that inform the General Plan update, policy development/changes related to the built environment, organizational changes, etc.

## Process Guide:



## SNAPSHOT of ERT EFFORTS as of 06-12-2020

**This list is not static; the list and the process is meant to be dynamic and evolving reflective of the pandemic it is responding to.**

### PRIORITIZED

- Working Capital for Small Businesses:** a proposed \$5,000 Microloan Program using a \$2,000,000 appropriation from the City's unassigned fund balance (or a separate account). This request directs staff in Economic Development to issue \$5,000 microloans to businesses with less than 50 employees. Staff, based on input and a deeper understanding of Santa Rosa's fiscal needs, can determine the actual term of the loan and rate, but for the sake of this proposal, it is recommended that the loans be repaid at a fixed annual interest rate of 2% (similar to the federal SBA loan). The funds can be repaid on a monthly, or annual basis, or the full sum can be repaid at the end of 60 months (5 years). If additional time is needed to repay the loan, a 5-year extension may be filed for, but the interest rate on the outstanding balance shall jump to a 9% APR. This will incentivize repayment within 5 years but allow for an extension if a 10-year economic recession takes hold.

  - 5/19/20 – Council pulled item to consider potentially developing the program with full Council input via council meetings.

6/2/20 – Council acted to send back to ERT for review and discussion.

6/5/20 – ERT reviewed in depth (**see attached Working Capital Supplemental Information**).

Discussion focused on:

- Loan amounts (e.g. \$2m @ \$5k/loan = 400 loans; \$500k @ \$5k/loan = 100 loans)
- Loan types (deferred, amortized, interest only) and admin costs (400 loans, per year cost by loan type would be \$40k, \$20,600, or \$10k respectively)
- Criteria and process decision points
- Discussion summary:
  - Is possible if Council allots funds, but will it be useful? Not sure a \$5k loan would be useful, e.g. would not cover 1 mo rent; threat of eviction does not currently exist
  - Would like more specifics behind the proposal – where is feedback coming from; what were their specific asks; how will \$5k be helpful
  - Chamber grants – ask how the \$1k was used/how made a difference
  - Follow up with Healdsburg to understand how their program is working

**b. FFCRA Paid Leave for COVID-19 Care**

*Note: given timing issues (act sunsets 12/31/20), this item was advanced by ERT prior to waiting for Council to consider prioritizing on 6/30. It is scheduled for the 7/7/20 Council meeting, though may change if direction on priority is given at the 6/30/20 study session.*

- 6/5/20 and 6/12/20 – presented and discussed model ordinance submitted by and meeting with Labor. Discussed, analyzed and refined proposal for Council consideration.
  - Discussed differences in Labor model ordinance vs. San Jose, San Francisco and Los Angeles ordinances (only known cities in CA that have acted on this item).
  - ERT recommends move forward (understanding data on potential impacts is unknown and will not be available with this timeline) with the following key points:
    - Inclusion of businesses 500 or more employees, which includes franchises located within Santa Rosa City limits if the owner/employer has more than 500 employees nationally.
    - Inclusion of healthcare workers which removes discretion from employer as provided by the Act.
    - Is silent on the inclusion of emergency workers.
    - Is silent on the hardship clause for small businesses.
    - Removes the \$2,000 maximum cap and 2/3 of salary limitation for childcare and/or caring for another person for COVID reasons for all employers subject to this ordinance.
    - This ordinance would create one cap of \$510/day/employee up to \$5,110 max of leave related to COVID to be used for self or for caring for another person.
    - Allows employers an offset for COVID related leave already given to an employee before the effective date of this ordinance.
    - Would be enforced by an employee bringing an action in Superior Court
  - Sonoma County Board of Supervisors also considering proposal; heard Labor presentation on 6/9/20; requested staff report with analysis in August (est.).

**c. Develop updated city policies aligned with ABC rules, and work with State/ABC on state level requests – ongoing as updates and new requests arise**

- NOTE: Consumption of alcoholic beverages in public would fall under the jurisdiction of local law enforcement. Public regulations regarding the consumption of alcohol can vary from city to city.

At this time businesses/licensees may offer alcohol for off sale consumption and may also expand their licensed area within a defined area submitted for approval to the ABC in a new permit application.

d. **Open & Out – outdoor dining and social space**

- Street closures –
  - CHS – Fourth St. from B to E; north-south streets remain open – *will close using a special event permit pulled by Chamber and coordinate all other elements with participating partners.*
  - RRS – Fourth St. between Wilson and Davis – *currently pursuing parklets; may seek closure pending underpass parking lot situation.*
- Issues addressed/addressing include Parking, Duration of program, ABC element, Check list of requirements/needs for business, Barricades / Public Safety, Garbage

e. **Latino business recovery and Latino communication – ongoing**

- Biz owners having difficulty with access to assistance and technology; relying on rumors and info from other biz owners.
- Providing ongoing assistance and resource for applying for aid; identifying and looking for long term access inequities for recovery resources; rethinking and re-strategizing communication plans.

f. Create **quick regulations for emerging industries** we'd like to incubate or encourage – ongoing

g. **Inside Out There program** – shop SR site ([www.OutOfThere.com](http://www.OutOfThere.com))

h. **Incubator Program** – partner with SRJC EShip (entrepreneurial program) and seeking EDA funds or other grants

- accelerators/incubators offer startup companies assistance/guidance looking to take the next step in growth, filling a need in Santa Rosa's entrepreneurial ecosystem. Many entrepreneurs lack adequate resources for the "in-between" stage — especially since incubators and investors look for a business model and traction that was hard to develop as an untested founder. Needs include: Funding – could be grants, partnerships, City funds; Host organization, including mentors, speakers, etc.; Location; Angel investors & venture capital.

### **PARKING LOT EFFORTS AND IDEAS**

i. **Vacant spaces**- identify how to utilize those spaces in an interim fashion. Or front façade/window ideas? Goal: Activate the streetscape.

j. **Right of 1<sup>st</sup> Recall**

k. Amend **mobile vending/food truck policy** to allow more mobile vending

l. **Partner programs** with the JC and high schools where we to train, re-train and retain working people.

- m. Consider any changes needed for ongoing **COVID working conditions** or to encourage alternative work needs for entrepreneurs – none identified at this point
- n. **Family friendly and family informed spaces.** That our common areas would be more useable for people with small children and have amenities like play areas and restrooms. – starting this w/ Parklets and Fourth Street Space Project (Open & Out)
- o. **Downtown Preservation and Economic Protection Plan:**
- **Request:** To guard against vacant storefronts in Downtown Santa Rosa, and across the City of Santa Rosa, staff should put forward a policy that levies a \$75 per month fee to landlords who have storefronts that are vacant for 6 months or more. This will bring in additional income for the City of Santa Rosa, which will help the City financially as it engages in supportive programs such as rental assistance and the microloan program. The policy may also have the intended effect of causing landlords to engage in short-term lease contracts known as “Pop-ups.” More specifically, these are leases that are intentionally shorter in duration (e.g. 6-months, or 1-year), as opposed to a traditional commercial lease of two to three years, which can create a significant barrier-to-entry to entrepreneurs who need to secure a loan to capitalize their start-up business. All too often, commercial landlords will hold out for the highest price, because their intent is to secure a long-term tenant. However, this has a negative impact on the vitality of a downtown, surrounding businesses, and it prevents young entrepreneurs from realizing their business dreams
  - **Action to date – staff level:** drafted a related policy for the Downtown Economic Vitality section of the Downtown Station Area Specific Plan as follows:  
Economic Vitality  
Goal: Ensure the long-term economic viability of the Downtown Station Area.
    - Expand and diversify the downtown employment base by attracting new employers, including technology, medical/bio, engineering, and media that provide well-paying jobs; and by nurturing and retaining small businesses and start-up firms.
    - Ensure that development is designed to accommodate flexible uses that can accommodate a pivot in business type to residential as economies evolve.
    - In collaboration with the Metro Chamber of Commerce, downtown businesses, and other business advocacy groups, maintain a downtown business attraction program to assist with site identification, incentive programs, permitting assistance, and other aspects related to attracting or relocating a business.
    - Preserve some sites in the Courthouse Square area for employment-oriented development to retain the Downtown Station Area as a regional employment hub.
    - Encourage the integration of commercial tenant spaces designed to accommodate small businesses within new development.
    - Expand programs to activate public spaces. Explore public/private partnerships to support programming that encourages evening and weekend activities that appeal to residents and visitors, including families, students, and seniors, as well as lunchtime events for downtown employees.
    - Support efforts to attract residents and visitors through marketing campaigns that highlight events, programming, and destinations and promote use of transit to access to Downtown Santa Rosa.
    - Ensure that downtown zoning allows for home-based businesses in all areas.

- Encourage a vibrant Downtown area by establishing a Downtown Facade Improvement Basics (D-FIB) program that would support efforts to create attractive facades on existing buildings.
  - Consider a program to fine property owners of storefronts that are vacant for more than 6 months.
  - Encourage local arts & culture and economic vitality with “pop-up” businesses (Downtown POPs), cultural or artistic exhibitions, public and private events, or other temporary uses for vacant storefronts and parcels in the Plan area.
  - Partner with local businesses and organizations to support public events that showcases Downtown Station Area merchants, music, and food.
  - Expand the availability of infrastructure and services needed to support employment growth, including high-speed broadband communications, fiber and wireless infrastructure, enhanced transit opportunities, and supportive services.
- p. **Policy to cap percentages charged for food delivery services**  
I.e. financial arrangements with restaurants and drivers/delivery companies; e.g. some cities (SF, Seattle, etc.) have recently passed measures capping the percentages services like Uber Eats and DoorDash can charge restaurants at, for example, 15%.
- q. **Enhance enforcement options** related to emergency closure requirements and business compliance
- r. **Other ROW use options – Parks** – Use of parks and city ROW space like Comstock and Jeju Way
- s. **Reusable & Compostable Food Ware Ordinance** –Passed in January 2020, The Santa Rosa Zero Waste Master Plan aims to reduce the environmental impacts of solid waste and includes the recommendation to implement a Reusable & Compostable Food Ware Ordinance.
- Consider whether to model Zero Waste Sonoma ordinance (no polystyrene; requires computable/recyclable disposable for special events and food/beverage providers to events; single use items available only on request; encourages use of reusables, but not mandatory. Or Model Berkeley’s phased ordinance: 1) single use ware only on request or at self-serve stations; color coded receptacles available at all food vendors; city facilities/events must use compostable; 2) all disposable food ware certified compostable and free of chemicals; prepared food vendors must charge \$0.25 for every disposable cup provided; 3) prepared

#### **ITEMS RESOLVED OR REMOVED FROM THE LIST**

- t. **COMPLETED – City-wide parklet pilot program** through administrative process
- u. **COMPLETED – Temp sidewalk seating & use of city alleys** through administrative process
- v. **RESOLVED - Commercial Tenant Lease Relief:** *resolved by State unless Council requests further action*
- **Request:** The Santa Rosa City Council had the chance to take this issue up over three weeks ago, but deferred to the State’s Judicial Committee. Unfortunately, that deferment will cost commercial tenants (i.e. businesses over \$1,000,000 citywide. The average commercial lease rate in Santa Rosa is roughly \$6,500.

- **Action:** The Judicial Council Order does protect commercial tenants. City Attorney Gallagher took a quick look at the draft legislation. It appears to go farther. It gives commercial tenants the right to delay payment of any rent for 12 months until after the emergency ends with no late fees. For other certain specified small commercial tenants, who follow certain requirements, they can terminate the lease with no penalty, but is required to pay some of the rent due

- w. **Removed - Neighborhood service hubs** (temp service assistance centers a la the Seattle model) - *Not a realistic model for the City at this time; needs and services available virtually; no stated or requested need*
- x. **Removed - Procurement-related possibilities** – County also researched, found not practical and not needed; in businesses finding their own sources
- Purchase/resale of PPEs, other such needs for business
- y. **Resolved – Minimum Wage implementation** – no action taken at 5/19/20 Council meeting;

#### **ITEMS WORKING ON AT STAFF LEVEL/WITHIN DEPARTMENT**

- z. **Permitting issues / Entitlement action needs** – ongoing
- E.g. do we need to extend planning and/or subdivision entitlements? Or other date sensitive needs around development that need to address?
  - Ops around childcare space needs – what are the needs and issues assuming limits in group size/social distancing? – addressing via PED as needed for building, planning, engineering
- aa. **Bike/scooter share program** fast tracking options – TPW working on, ongoing
- bb. **City leases** – ED working with Legal, ROW, Parking, Water, Parks on actions related to City lease agreements (payment schedules, delays, reductions, waivers...)
- cc. **Tech/Broadband** (need to work with EDB on this – possible joint EDA grant app)
- dd. **SCTBIA** – addressing assessment opportunities

#### **ITEMS MOVED TO OTHER COMMITTEES/TASKFORCES**

- ee. **Cannabis tax** increase discussion – moved to Long Term Finance Committee
- ff. **Business tax** – increase \$3,000 cap – moved to Long Term Finance Committee
- gg. **Residential Tenant Program:** - moved to Comm Input & Inclusion Task Force  
As you work on this with the economic development subcommittee, I would also encourage you to think about how a program like this could help residential tenants recover financially once the Board of Supervisors ends the affirmative defense ordinance and back rent comes due. If the City does not have a mechanism to ethically lend money to a tenant or to a landlord who is covering the loss as a result of policy, the Council is going to be put in a dichotomous position of choosing between forgiving a tenant's rent at the expense of a landowner's retirement income and mortgage, or protecting the landowner's investment and retirement income at the expense of a tenant's housing

security. I sincerely hope the economic development subcommittee is working hard on alternatives to this inevitable forced dichotomy. This loan fund could fill that gap and help the city be made whole in the long term. I will also be sure to bring this up during the Study Session on ED ad hoc priorities and public input.

## **ITEM A - SUPPLEMENTAL INFORMATION**

### **WORKING CAPITAL FOR SMALL BUSINESSES**

Outline of discussion points at 6/5/20 ERT meeting regarding loan program considerations and based on original request submitted by Councilmember Tibbetts:

*The City of Santa Rosa should appropriate \$2,000,000 from the unassigned fund balance (or a separate account), and direct staff in Economic Development to issue \$5,000 microloans to businesses with less than 50 employees. Staff, based on input and a deeper understanding of Santa Rosa's fiscal needs, can determine the actual term of the loan and rate, but for the sake of this proposal, it is recommended that the loans be repaid at a fixed annual interest rate of 2% (similar to the federal SBA loan). The funds can be repaid on a monthly, or annual basis, or the full sum can be repaid at the end of 60 months (5 years). If additional time is needed to repay the loan, a 5-year extension may be filed for, but the interest rate on the outstanding balance shall jump to a 9% APR. This will incentivize repayment within 5 years, but allow for an extension if a 10-year economic recession takes hold*

#### **Loan amounts**

- \$2M @ \$5,000 is 400 loans
- \$500,000 @ \$5,000 is 100 loans

A **deferred loan** of \$5,000 @ 2% interest at 5 year mark will yield \$500.27 interest. X 100 = \$50,027 or \$10,000 per year to cover administration of the loans. For 400 loans would be \$200,108 or \$40,000 a year to cover administration

An **amortized loan** with monthly payments of \$87.64 over 5 years will yield interest of \$258 x 100 = \$25,800 or \$5,160 per year for Administration. For 400 loans \$103,200 over 5 years or \$20,640 per year

An **interest only loan** would be annual interest of \$100 over 5 years would be \$500 x 100 = \$50,000 or \$10,000 a year for administration

#### **Questions / Issues / Considerations**

- Criteria for loaning:
  - Eligibility criteria? Who gets one?
  - Can a business get multiple loans?
- Need standardized loan terms to reduce the administrative burden of tracking each individual nuance
- Process questions:

- Process for default, e.g.:
  - How will someone know it is in default?
  - Who is responsible for following up on businesses that do not make payments?
  - Who will communicate that a loan is to be written off for non- payment or business closes?
- Process for collecting payments, tracking payments made...
- Development of promissory note; will it be secured and filed with County?
  - Who will do that? If secured, who releases lien and there is a cost to put it on and take it off to the county
- Where will original promissory notes be stored?
- Can the loan be assigned to another entity?
  - What will the process be to issue new promissory notes?
- Will these loans fall to last position in a bankruptcy? Or first position with other loans?
- When will the loan repayment start? If monthly payments, will need to start 1 month after to allow interest to accrue.
- Responding to inquiries about the loan and calculating balances and payoff quotes. Responding to information requests about the loan.
- Software to track the loans and maintain balances.
  - Who will manage the software updates and report balances at end of year?
- What vehicle will be used to communicate with loan recipient that loan payment is due? Letter? AR invoice?
- An annual communication will need to happen to inform recipient that they have a loan with us and the balance of that loan, who will do this?
- Available for auditors to test and review documents
- Finance will have to record the loan receivable when documents signed. When payments are made, they will be recorded against principal and interest revenue. Annually will have to calculate how much interest is earned and not paid. Will need to verify the loan receivable balance in the GL annually at year end