



CITY COUNCIL AGENDA REPORT

MEETING DATE: OCTOBER 20, 2020

ITEM NUMBER: CC-9

SUBJECT: REALLOCATION OF CARES ACT FUNDING FOR COVID SMALL BUSINESS RELIEF GRANT PROGRAM

DATE: OCTOBER 13, 2020

FROM: DEVELOPMENT SERVICES DEPARTMENT/ ECONOMIC DEVELOPMENT

**PRESENTATION BY: DANIEL INLOES, ECONOMIC DEVELOPMENT ADMINISTRATOR
JENNIFER LE, ACTING DIRECTOR OF ECONOMIC AND DEVELOPMENT SERVICES**

FOR FURTHER INFORMATION CONTACT: DANIEL INLOES, AICP 714-754-5088

RECOMMENDATION:

Staff recommends that the City Council:

1. Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines because this action will not result in a physical change to the environment, directly or indirectly;
2. Authorize the City Manager to take any and all actions necessary to develop and administer a second round of the Small Business Relief Grant Program to allocate \$792,469.39 in the remaining Coronavirus Relief Funds to the Small Business Relief Grant Program in accordance with the Grant Agreement between the City of Costa Mesa and County of Orange.

BACKGROUND:

The County of Orange (County) received \$554 million under the Federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

On May 26, 2020 the Orange County Board of Supervisors (Board) allocated \$75 million of the CARES Act funds received by the County to cities for economic support initiatives. Each of the five County Supervisors received \$15 million to distribute to cities within their respective supervisorial districts. Supervisor and Board Chair Michelle Steel,

the Second District representative, allocated the funds directly to the cities in her district. The City of Costa Mesa received \$2,746,469.39 of the CARES Act Funds for COVID relief and small business support.

The subrecipient grant agreement between the County and the City was approved by City Council on June 2, 2020. The funds must be used to pay for expenses associated with “the provision of economic support to small businesses located in the [County’s] Second District in connection with the COVID-19 public health emergency, including expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures and unemployment insurance costs related to the COVID-19 public health emergency, if such costs will not otherwise be reimbursed by the federal government.”

On June 16, 2020 City Council allocated the funds as itemized in the table below and staff immediately initiated the Small Business Relief Grant Program. As of this draft of this report, 152 grants have been issued and over \$1.355 million disbursed to small businesses throughout Costa Mesa.

**TABLE 1
CARES ACT FUNDING ALLOCATED ON JUNE 16, 2020**

Amount	Project
\$1,794,000	Small Business Relief Grant Program
\$160,000	Small Business Relief Grant Program (Stage 4 businesses, etc.)
\$16,000	Program Administration
\$750,000	CIP Right-of-Way Projects
\$26,469	Shop Costa Mesa, Costa Mesa BAC
\$2,746,469	CARES ACT FUNDING ALLOCATED ON JUNE 16

ANALYSIS:

Based on recent clarifications and direction from the County, the CARES Act dollars must be reallocated to a business grant program. As such and based on the success of our existing Grant program and the need to direct these funds into our community as quickly as possible, staff is moving forward with the necessary steps to distribute the \$2.746 million into the itemized allocations listed below. Staff is seeking Council concurrence with the below allocations, which allocates the remainder of CARES Act funding to the Small Business Grant Relief Program.

**TABLE 2
MODIFIED ALLOCATION OF CARES ACT FUNDING**

Amount	Project
\$1,954,000	Small Business Relief Grant Program Round 1
\$792,469.39	Small Business Relief Grant Program Round 2
\$2,746,469.39	CARES ACT FUNDING ALLOCATED

The \$792,469.39 for the Small Business Relief Grant Program Round 2 will be allocated to businesses that previously applied for the Grant Program, but were not awarded in Round 1. Requirements and procedures will be identical to Round 1, except that disbursement amounts will be increased to \$10,000, \$15,000 and \$20,000. In addition, the prioritization structure will be modified to prioritize in commercially-zoned properties as first priority, industrially-zoned properties as second, and home occupation permits as the third priority. Round 2 will be processed concurrently with the remaining funds from Round 1 to ensure that the funds are disbursed prior to the County's deadline of December 30, 2020. Staff believes there will be sufficient funds to award grants to most, if not all, eligible businesses that originally applied. If grant funds remain after all eligible businesses who applied have received grant funding, the remaining grant funds will be prorated and disbursed to previous grant recipients.

ENVIRONMENTAL REVIEW:

Staff recommends the City Council find this action is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

ALTERNATIVES CONSIDERED:

The County has indicated the CARES Act dollars should be used for a small business grant program. The City could choose not to use these funds for a Small Business Relief Grant Program and return the funds to the County.

FISCAL REVIEW:

There is no impact to the General Fund for implementation of this program. All grant monies disbursed and the costs for OC SBDC to administer the grant program are included in the \$2.7 million CARES Act grant funding. While OC SBDC has not charged the City for the administration of the Small Business Relief Grant Program, City staff in Economic Development and Finance have performed administrative activities.

LEGAL REVIEW:

The City Attorney's Office has approved this report and the attached resolution as to form.

CITY COUNCIL GOALS & PRIORITIES:

City Council Goal No. 3 (Keep the City Fiscally Sustainable)

CONCLUSION:

Staff recommends that the City Council approve the recommended actions which will disburse \$792,469.39 directly to small businesses within the City of Costa Mesa that have been directly impacted by COVID-19.

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