



County of San Mateo

Inter-Departmental Correspondence

Department: BOARD OF SUPERVISORS
DISTRICT 1
File #: 21-807

Board Meeting Date: 10/19/2021

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors
From: Supervisor Dave Pine, District 1
Supervisor David Canepa, District 5
Subject: 2021 SMC Strong Small Business Assistance Program, Round 2

RECOMMENDATION:

Adopt a resolution:

- A) Approving reallocation of up to \$1,500,000 in American Rescue Plan Act funds, or other funds as determined by the County Manager, under the 2021 SMC Strong Small Business Assistance Program ("2021 SMC Strong"), Round 2 for administration and distribution of grants to benefit eligible local small businesses; and
- B) Authorizing and directing the County Manager to amend the agreement with the SMCU Community Fund for administration and distribution of the \$2,000,000 in 2021 SMC Strong grants, as needed, to implement Round 2 of 2021 SMC Strong.

BACKGROUND:

Since the start of the pandemic, the County, along with other funders, have contributed over \$12,800,000 in funds for grants that have been distributed to almost 1,000 local small businesses. The first small business grant program was launched in April of 2020 and provided grants to businesses with gross income of \$2,500,000 or less. Subsequent rounds of grants focused on businesses and business owners in targeted zip codes, have set lower income caps, and have targeted specific types of businesses that were significantly impacted by COVID-19 such as restaurants, breweries, and wineries.

On July 20, 2021, the Board of Supervisors approved the 2021 SMC Strong Small Business Assistance Program ("2021 SMC Strong") with an allocation of \$2,000,000 ("Round 1"). Round 1 was intended to fund 200 grants of \$10,000 each to assist very small businesses that had not received funding from previous Small Business Grant rounds or other state or federal assistance in the past 12 months. Eligibility criteria for Round 1 grants included a 2019 gross income cap of

\$120,000 and a demonstration that grantee businesses had been adversely affected by the pandemic.

During the application period for Round 1 grants, which closed on September 7, 2021, 489 applications were received. Of those applications, 103 were deemed ineligible because they were duplicates or because the applicants had received local, state, or federal grants in the past 12 months, which left 386 initially-eligible applicants.

Because the \$2,000,000 in Round 1 grant funding was distributed by jurisdiction, based on population, the eligible applicants were sorted by jurisdiction. Thereafter, 200 applicants were randomly selected, by jurisdiction, as potential grantees. The potential grantees were then asked to submit eligibility documentation (e.g., to substantiate their income, physical location within the County, etc.). In the initial review of eligibility documents from potential grantees, reviewers found that many of the applicants were ineligible due to gross income that exceeded \$120,000 in 2019 and/or because the applicants' income was higher in 2020 than in 2019, making it difficult for these applicants to demonstrate a negative financial impact to their business due to COVID-19.

From the eligibility documentation reviewed to date, we anticipate there may be up to \$1,500,000 in funds that will not be distributed in Round 1. Prior to determining the actual amount of remaining funds, however, staff will review all submitted 2021 SMC Strong eligible applications and award grants to all eligible businesses.

DISCUSSION:

To provide critical funds to local small businesses still suffering from the COVID-19 pandemic, it is recommended that all remaining 2021 Round 1 funds be applied to a second round of 2021 SMC Strong grants ("Round 2"). Round 2 would have all the same eligibility criteria as Round 1, with the exception that the gross income caps would be raised to \$500,000 for all businesses, except for food-related businesses, for which the gross revenue cap would be \$1,000,000, to reflect the generally lower profit margins in the food-related business sector.

The higher income caps would make most of the ineligible Round 1 businesses eligible for Round 2 grants and address the reviewers' findings that gross income is not an optimal indicator of profit for small businesses, especially during the current pandemic.

In developing this approach, staff also considered changing the income cap from gross business income to net business income. This option, however, was rejected because many business owners report income differently. Some reflect their profits as net income while others pay themselves wages, rather than reflecting a net income. Therefore, basing grant eligibility on net income would risk making grant eligibility turn on applicants' accounting preferences, rather than actual need. We also considered eliminating the income cap altogether, but that would be contrary to the Board's intent to assist small businesses most in need. The proposal to increase the gross income limits for grant eligibility is fair, relatively easy to administer, and consistent with the Board's intent.

Upon approval by the Board, a new application period for Round 2 will open. All rejected Round 1 applicants will be automatically entered into the Round 2 grant pool and will not need to reapply.

The County contracted with SMCU Community Fund to administer and distribute the 2021 SMC

Strong grants. That contract will be amended, as needed, to implement Round 2.

FISCAL IMPACT:

Since Round 2 grant funding would use American Rescue Plan Act funds, or other funds as determined by the County Manager, that have already been appropriated for a small business grant program, there is no additional fiscal impact associated with approving Round 2 of 2021 SMC Strong.