



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY EXECUTIVE

File #: 23-569

Board Meeting Date: 7/11/2023

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Michael P. Callagy, County Executive
Supervisor Warren Slocum, District 4

Subject: Financial Assistance for Impacted Small Businesses on Middlefield Road

RECOMMENDATION:

Adopt a resolution:

- A) Approving an allocation of \$985,000 to fund a grant program for eligible small businesses located in the North Fair Oaks area that have been negatively impacted by the Middlefield Road Improvement Project; and
- B) Authorizing the County Executive, or designee(s), to negotiate and enter into an agreement with the SMCU Community Fund to administer and distribute up to \$980,000 in grants under the Middlefield Road Small Business Assistance Program in exchange for an administrative fee totaling \$5,000.

BACKGROUND:

Middlefield Road is the “main street” of North Fair Oaks, a principal shopping and service destination, the primary north-south route through the community, and a crucial component of community identity. Historically, however, portions of Middlefield Road included narrow sidewalks, few street amenities, and no dedicated bike lanes. Beginning in the summer of 2021, the County has been engaged in an extensive construction project to improve Middlefield Road (Project), including the installation of new traffic signals and streetlights, utility undergrounding, sanitary sewer replacement work, pedestrian and bicycle improvements, wider sidewalks, street trees, street amenities, and installation of public WiFi. This complex Project has involved partnerships with a large number of other agencies and utilities. Once completed, the Project will provide an improved corridor for various modes of transportation and community access to Middlefield Road and the surrounding commercial district in North Fair Oaks, one of the lowest-income areas of the County.

Substantial progress has been made on the Project, but more work is required to complete the Project. To date the following significant work items have been completed: 95% of the sanitary sewer

work, 95% of the underground utility infrastructure installed, the sidewalks on Middlefield Road from Douglas Avenue to Fifth Avenue in the southbound direction have been replaced or wider sidewalks constructed (50%), significant roadwork in the southbound direction completed, and streetlights on the west side of Middlefield Road have been installed (50%).

The Project, however, has experienced a number of significant challenges since the start of construction that have exacerbated traffic and access issues along the Project corridor. Such challenges include: impacts from Covid, weather delays due to record rains this last winter (three month schedule impact), unanticipated utility conflicts encountered during construction, parallel work performed by utility partners within the Project limits, and a water main break in the area unrelated to work on the Project, to name a few. While Public Works staff, the prime contractor, and partner agencies have worked diligently to overcome these challenges, they have resulted in schedule changes and other impacts to the local community, especially businesses with storefronts in the construction zone. Construction requiring the temporary road/sidewalk reconfigurations and closures is expected to continue for several more months.

DISCUSSION:

While some degree of disruption to the operations of adjacent properties is inherent in any construction project in the public right of way, the businesses on Middlefield Road have experienced interruptions to customer access and other impacts from the Project that have far exceeded expectations. There have been road closures and changes in traffic patterns, lane configuration changes, parking impacts, and, most significantly, pedestrian and customer access to business frontages for long periods of time. Although pedestrian and customer access has been generally maintained through construction, the convenience and proximity to the businesses for customers have been impacted. Small businesses with storefronts on Middlefield Road have reported significant negative impacts, including inability to make payroll and or pay regular utility bills owing to substantial lost businesses, creating challenges to continued operations through the construction period.

These same small businesses, which serve and employ residents of the North Fair Oaks community, were among those most adversely affected by the COVID-19 pandemic and many continue to suffer from its lingering financial impacts. While it is hoped that the road reconfiguration and pedestrian improvements will ultimately contribute to economic recovery in the area, during the Project, businesses in the construction zone have had to address significant customer access disruptions at a time when most small businesses in other downtown shopping areas and business districts in the Bay Area have been able to implement measures to re-attract customers to aid in pandemic recovery.

In light of these exceptional circumstances, staff proposes offering direct financial assistance to businesses to mitigate disruptions caused by the Project and allow businesses to continue to operate during remaining construction. Providing economic support and mitigating financial hardship for small businesses on Middlefield Road adversely impacted by the Project serves a public purpose, as it will help these small businesses continue to operate, make payroll, provide employment to the local community, and maintain Middlefield Road as a commercial and cultural epicenter of North Fair Oaks.

In consideration of this public purpose, staff proposes allocating \$985,000 to establish the Middlefield Road Small Business Assistance Program ("Program"), which would offer up to two \$5,000 grants (at least 30 days apart) through October 2023 to small businesses that meet all of the following criteria:

- The business must currently occupy a physical commercial business space with a customer-serving storefront on Middlefield Road within the Project limits which runs approximately between Douglass Avenue and Fifth Avenue
- The business must be in full compliance with all applicable regulations including, but not limited to, regulations related to the following:
 - County Environmental Health permits
 - County/City planning and building requirements
 - State/local business and Bureau of Alcoholic Beverage Control permits
 - State and local minimum wage requirements
- The business was lawfully operating and located at its current location at some period during Project construction and is open for business and serving customers at that location at the time of each grant disbursement, with a plan to remain in operation through completion of the Project.
- The business has fewer than 25 full-time employees.
- The business is independently owned and operated. If the business is a franchise, it must be independently owned and operated by a County resident, or 50% or more of the franchisee ownership must be comprised of County residents.
- The business must generate its income from active sources (not passive income, such as money earned from interest, dividends, and rental property).
- The business must have suffered a negative financial impact due to the construction work on the Project (such as, for example, decreased revenue or gross receipts, increased costs, decreased capacity to weather financial hardship, challenges in covering payroll, rent or mortgage, and other operating costs).

The County may independently assess whether multiple businesses at the same location are independently eligible to receive funding.

The following businesses are ineligible to receive a grant under the Program: (1) Cannabis businesses and/or businesses that support cannabis businesses; and (2) liquor stores, tobacconists, and/or smoke/vape shops.

The County may modify the Program criteria as necessary to implement the intent of the Program to provide relief to impacted businesses.

Applications for the Program will be simple, easy to complete and available in English, Spanish, and Chinese. Outreach and application assistance will be provided by the Office of Community Affairs (OCA) and applications will be accepted both online and in-person at the OCA office in North Fair Oaks located at Casa Circulo Cultural.

Applications will be accepted beginning in July 2023, and will be awarded on a first-come, first-served basis to eligible small businesses. To receive a grant, grantees will be required to provide a copy of a government-issued photo ID, a completed attestation confirming the business was negatively financially impacted by the Project, proof of business address, and a completed W-9 form. Information regarding legal residency is not a condition of approval, and no such information collected in connection with the Program will be shared with other government agencies.

Staff further proposes that the Board authorize the County Executive, or designee, to negotiate and enter into an agreement with the SMCU Community Fund, as the County's Fiscal Agent, to administer the Program and distribute grants to eligible businesses in exchange for an administrative fee of \$5,000. SMCU Community Fund has successfully administered a number of COVID-related small business support grant programs for the County, including in North Fair Oaks, and is uniquely qualified to administer the Program.

The County Attorney's Office has reviewed and approved as to form the Agreement and the resolution.

PERFORMANCE MEASURE:

<u>Measure</u>	<u>Target</u>
Number of small businesses assisted	98

EQUITY IMPACT:

The County is dedicated to ensuring the success and vibrancy of small businesses along Middlefield Road that employ and serve the diverse residents of the North Fair Oaks community, one of the lowest income areas of the County. The Program will further that purpose by providing economic support and mitigate financial hardship for small businesses on Middlefield Road adversely impacted by the Project. Staff does not expect any negative impacts from the Board's action.

FISCAL IMPACT:

The \$985,000 for this program is included the \$10 million in Measure K reserves allocated to the Project in the Recommended FY23-24 Budget.