

City of La Quinta

CITY COUNCIL: May 5, 2020

STAFF REPORT

AGENDA TITLE: APPROVE A MODIFIED, ROUND II COVID-19 SMALL BUSINESS ECONOMIC RELIEF PROGRAM FOR LA QUINTA BUSINESSES IMPACTED BY NOVEL CORONAVIRUS DISEASE

RECOMMENDATION

Approve a modified, Round II, COVID-19 Small Business Emergency Economic Relief Program for La Quinta businesses impacted by novel coronavirus disease.

EXECUTIVE SUMMARY

- On March 16, Riverside County Public Health Officer, Dr. Cameron Kaiser, ordered all County residents to stay at home to help prevent the spread of COVID-19. In addition, all non-essential businesses were directed to remain closed.
- Council established a \$1.5 million COVID-19 Small Business Emergency Relief Program (Program) and appointed an Ad-Hoc Committee to review the Program. Applications opened for 10 days from April 21 – April 30.
- The Program received 93 applications. After reviewing the applications only 48 provided the required documents, 37 did not complete the application, and 8 did not qualify.
- Staff is recommending a modified Round II of the Program. This would allow for broader eligibility but with the same documentation requirements.

FISCAL IMPACT

Round I of the Program is expected to approve approximately \$425,000 in loans. Round II of the Program would utilize the remaining \$1 million, previously allocated from the Economic Disaster Emergency Reserve. Expenditures would be charged to account 247-0000-60510.

BACKGROUND/ANALYSIS

The City recognizes that COVID-19 has put a difficult burden on our small business community. As a response to this unprecedented challenge, on March 25, 2020, the City Council authorized the appropriation of up to \$1.5 million from the City's Economic Disaster Reserves, and directed Staff to bring back to the Council for consideration a program offering micro-loans or similar relief to assist local businesses affected by the COVID-19 local emergency.

Round I of funds were provided to eligible businesses of 25 or fewer full-time equivalent employees in the form of zero interest, loans beginning at \$5,000 and up to \$20,000. A total of \$500,000 is available exclusively to restaurants in the City.

Round II has been announced and will allow all businesses that would have been eligible in Round I to apply, including those that may have applied, were deemed eligible, but were not granted a loan. Additionally, Round II will allow broader eligibility, such as businesses with over 25 employees and home businesses that do not have a physical storefront such as Handymen, Caterers, and Pest Control professionals.

NOTE: *Short Term Vacation Rentals, Realtors, and Residential Property Management Companies will continue to be excluded from participation in the program. Commercial Property Management is eligible.*

Round II of applications will be reviewed and approved by the Ad-Hoc Committee comprised of two councilmembers, two Finance Advisory Commissioners and two city staff members (Financial Services Analyst and Assistant to City Manager). The City will begin accepting applications on Monday, May 11, 2020 at 8:00 a.m. The application period will close on Wednesday, May 20, 2020.

Eligibility and Program Guidelines are described in the attached application.

ALTERNATIVES

Council may elect not to approve the program.

Prepared by: Gil Villalpando, Assistant to City Manager
Approved by: Jon McMillen, City Manager

Attachment: 1. Round II COVID-19 Small Business Emergency Relief Program Application.



ATTACHMENT 1

ROUND II - COVID-19 SMALL BUSINESS EMERGENCY ECONOMIC RELIEF FUND

For City of La Quinta Businesses Impacted by COVID-19

The City of La Quinta (City) recognizes that coronavirus disease (COVID-19) has put a difficult burden on our small business community. As a response to this unprecedented challenge, the City established a \$1.5 million COVID-19 Small Business Emergency Economic Relief Fund (Fund), with the goal of helping to provide small businesses with emergency cash flow during this immediate health crisis.

ROUND I of funds were provided on a first-come, first-serve basis to eligible businesses of 25 or fewer full-time equivalent employees in the form of zero interest, secured loans beginning at \$5,000 and up to \$20,000. A total of \$500,000 is available exclusively to restaurants in the City.

ROUND II has been announced and will allow all businesses that would have been eligible in ROUND I to apply, including those that may have applied, were deemed eligible, but were not granted a loan. Additionally, ROUND II will allow broader eligibility, such as businesses with over 25 employees and home businesses that do not have a physical storefront such as Handymen, Caterers, and Pest Control professionals. **NOTE:** *Short Term Vacation Rentals, Realtors, and Residential Property Management Companies will continue to be excluded from participation in the program. Commercial Property Management is eligible.*

Should you have received a loan in ROUND I of this program, you are allowed to reapply, and will be awarded only after all eligible businesses that have not previously been awarded a loan have been reviewed.

Loan applications are administered through our City's Finance Department. Applications for **ROUND II will begin to be accepted on Monday, May 11, 2020 at 8AM, and the deadline for all applications is Wednesday, May 20, 2020 at 5PM.** Loan approvals will not be made until after the deadline to allow all businesses an equal opportunity to be reviewed. This program will close once all funds have been allocated. Eligibility and Program Guidelines are described in the following pages.

All applications must be submitted online through our loan application portal. The application page will be accessible at www.laquintaca.gov/covid19businessloan. Should you have any questions, please email our Economic Development Department at ED@LaQuintaCA.Gov.

IMPORTANT

Did you know the City of La Quinta has compiled a list of resources for small businesses, employers, and employees? **This list includes other financing opportunities and important information for you to take advantage of from Third-Party, Local, County, State, and Federal providers.** Please visit the following website for further information:

<https://econdev.laquintaca.gov/incentives/economic-development-incentives>

LOAN TERMS

- 1) Repayment Term: 0% interest for a term up to one year. Initial loan payment will begin after April 1, 2021 and be equally billed on a monthly basis in accordance to a loan repayment schedule, not to exceed two years.
- 2) Loan Amount: *See ALLOCATION OF FUNDS SECTION* below.
- 3) Loan Proceeds: Funds shall be used for operational needs such as lease/mortgage payments, payroll materials, supplies and services.
- 4) Successful applicants are required to execute a promissory note in order to receive funding allotment.

ELIGIBILITY

- Be a for-profit, independently owned local business. NOTE: Short Term Vacation Rentals (governed by Chapters 3.24 & 3.25 of the La Quinta Municipal Code), Realtors, and Residential Property Management Companies do not qualify to receive a loan under this program. (Commercial Property Management Companies do qualify).
- Be a restaurant, retail, service, or entertainment business with a storefront physically established within the City of La Quinta;
- Homebased businesses are eligible, but are limited to a maximum of \$5,000 loan.
- Have a current City of La Quinta Business License and have been in operation as of March 1, 2020;
- Provide a written statement demonstrating a hardship due to COVID-19, such as a loss in revenue;
- Have written sick leave policies to assist workers impacted by the COVID-19 pandemic;
- Comply with the City's non-discrimination policy;
- Not include a business owner that has previously applied for a zero-interest loan under this program;
- Be in good standing with the City of La Quinta as of March 1, 2020 (e.g., no liens or judgments, etc.); and
- Application is deemed complete by the Ad-Hoc Committee.

ALLOCATION OF FUNDS

In order to assist as many businesses as possible, upon approval, funding will be allocated as follows:

- Businesses employing 0-5 Full-Time Equivalent (FTE) employees and Home Businesses would be eligible for \$5,000
- Businesses employing 6-10 FTE employees would be eligible for up to \$10,000
- Businesses employing 11-15 FTE employees would be eligible for up to \$15,000
- Businesses employing 16+ FTE employees would be eligible for up to \$20,000

Meaning of "Full-time Employee"

The abbreviation FTE is short for "full-time equivalent." The City of La Quinta determines the total number of employees of a business on a FTE basis. A full-time employee is one who works 40 hours per week. For example, one employee who works 40 hours per week equals one FTE. To determine the FTE number for part-time employees, add the total number of hours worked in a week by all part-time employees, and then divide that number by 40. For example, if a business has four part-time employees who work a total of 10 hours per week, those employees equal one FTE.

Example of Weekly FTE Calculation:

If you have 5 part-time employees working a combined total of 120 hours per a week, this equals 3 FTE (120 hours ÷ 40 hours = 3).

ROUND II APPLICATION QUESTIONS

Disclosure of Information

The City of La Quinta understands and supports the public's right to access public records. Information submitted through this application is a public record and may be subject to disclosure under the California Public Records Act (PRA). In addition, the City of La Quinta may be required to disclose information submitted through the application by some other legal process, for example, a subpoena. Please note, that all identifiable personal information will be redacted from any such request.

I agree that the City of La Quinta may determine in its sole discretion whether information submitted through this application is subject to disclosure under the California Public Records Act or through another legal process.

PRINTED NAME: _____

SIGNATURE: _____

CONTACT INFORMATION

Applicant Name: _____

Applicant Email: _____

Applicant Phone Number: _____

REQUIRED DOCUMENTATION

All required documentation shall be attached to the loan application at time of submittal. Please use this checklist to ensure your application is complete.

- **Current City of La Quinta Business License**
- **W-9 Form (can be found at <https://www.irs.gov/pub/irs-pdf/fw9.pdf>)**
- **2020 Balance Sheets and Profit-and-Loss Statements for the months of January, February, and March**
- **2019 Balance Sheets and Profit-and-Loss Statements for the months of January, February, and March to demonstrate hardship**
- **Payroll records for the months of January and February 2020 (Confidential information such as social security numbers or employee birth dates should be excluded)**
- **Tax Returns for 2018 and 2019 (If 2019 tax return is not done, a complete balance sheet with profit and loss is acceptable)**
- **Current FICO score of principal officer/majority owner**
- **Any additional supporting information the applicant wishes to submit**
- **Fully executed and signed loan application form**

If March 2020 financial statements are not yet prepared, banking records for March 2019 and 2020 demonstrating business losses may be accepted. Please redact the account numbers before submitting

BUSINESS INFORMATION

Business Name (dba): _____

Business Address: _____

Primary Business Owner Name: _____

Primary Business Owner Home Address: _____

Do you own or lease your establishment at this location? _____

Type of Business Entity – Please provide Articles of Incorporation or bylaws for type of entity

- Corporation (C-corp, S-corp)
- Limited Liability Company (LLC)
- Partnership (LLP, joint venture)
- Individual/Sole Proprietorship
- Franchise
- Nonprofit
- Other

Primary Business Activity

- Retail
- Restaurant
- Other (applicant can specify, esp. nonprofits) _____

Please describe your business: (Include what the business produces and how it generates revenue.)

Normal Business Hours (Pre-COVID-19):

Normal Day(s) of the Week (Pre-COVID-19):

Current Business Hours:

New Day(s) of the Week:

Number of FTE Employees - Please provide copy of certified payroll: _____ Employees

How many years has this establishment been in business? _____

IMPACT OF COVID-19

Please describe the business hardship that has resulted from COVID-19 and, if funded, how would you utilize these resources:

Please address impacts on revenues, number of employees, modified business hours, etc. (verification may be required)

When did the hardship begin?

What do you envision the impacts might be over the course of the next 30 days?

Are there any other services you may need, such as Marketing or Remote Work Assistance?

FINANCIAL INFORMATION

The City of La Quinta reserves the right to request supporting documentation for all requested information. Please be prepared to provide Tax information, a current Preliminary Title Report, Certified Payroll documentation, and other items as necessary.

Federal Tax ID (EIN): _____

City of La Quinta Business License #: _____

Amount of Monthly Rent or Mortgage (please provide copy of mortgage statement or current lease):

Does the business or owner(s) have any outstanding liens or judgements?

Is the business or business owner(s) currently the subject of any litigation?

Current FICO score of principal officer/majority owner

CERTIFICATIONS

- I understand that I am applying for a loan that must be repaid.
- I hereby certify that my business follows all applicable laws, including providing paid sick leave and following anti-discrimination laws.
- I hereby certify that I will use the funds allotted as described in this application.
- I hereby certify that all of the information submitted in this application is true and correct and is subject to audit by the City of La Quinta.

PRINTED NAME: _____

SIGNATURE: _____

Please visit our COVID-19 website for critical information to keep you and your loved ones safe:

<https://www.laquintaca.gov/residents/public-safety-services/covid-19-resources-information>

Please visit our COVID-19 Updates and Small Business Resources website for additional financing opportunities from Third-Party, Local, County, State, and Federal providers:

<https://econdev.laquintaca.gov/incentives/economic-development-incentives>

