



# City of Palo Alto

## City Council Staff Report

(ID # 11602)

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**Report Type: Consent Calendar**

**Meeting Date: 10/19/2020**

**Summary Title: Continuing the Business Grant Program with private donations**

**Title: Approval of two Recommended Modifications to the Small Business Grant Program: 1) New Grant Amounts of \$5,000, 2) Limiting Eligibility to Currently-operating Businesses; and a Budget Amendment in the General Fund**

**From: City Manager**

**Lead Department: City Manager**

### Recommendation

Staff recommends that Council approve the following modifications to the Small Business Grant Program as the program transitions from City funding to private funding:

1. Approve \$5,000 as the funding level of each selected business-grantee, and
2. Add an eligibility criterion: Grantees must be currently operating as of the date they are selected, and
3. Amend the FY 2021 Budget Appropriation Ordinance (two-thirds majority approval) for the General Fund by:
  - a. **Increasing the City Manager's appropriation for revenue by \$33,000;**
  - b. **Increasing the City Manager's appropriation for general services expense by \$33,000**

### Background

On [May 4, 2020](#), Council established a Small Business Grant Program to assist local businesses during the COVID-19 pandemic. **Part of the program's design included each business-grantee receiving \$10,000 or two months of operating expenses, whichever is less, funded through a \$500,000 allocation from the City's General Fund. By mid-August 2020, [50 local businesses](#) received grants from the General Fund. Forty-nine received \$10,000; one received \$7,775 (monthly expenses were less than \$5,000/month), leaving \$2,225 of the original \$500,000.**

### Discussion

Part of Council's direction on May 4, 2020 included establishing a donation program whereby private individuals and businesses could donate money to help continue the grant program. Consequently, the City entered into a partnership with the East Bay Community Foundation (EBCF), which established the [Palo Alto Business Relief Fund](#) to accept tax-deductible donations directly benefiting local businesses. As of this writing, there is approximately \$30,000 in the Fund. When added to the remaining \$2,225, there is about \$32,225 available for the grant program as of late September 2020.

**In continuing the program, staff suggests two modifications to the program's current design:** (1) provide no more than \$5,000 to each business-grantee, and (2) establish "currently operating" as a new eligibility criterion.

The lowering of the funds from \$10,000 to \$5,000 reflects the smaller pool of currently available funding. The Fund will remain open for future donations and if the pool grows significantly, the City will fund additional businesses at the \$5,000 level. The additional criterion of "currently operating" reflects the unfortunate reality that some businesses may not be open or reopen. Alternatively, currently operating businesses may be operating indoors, outdoors, through deliveries, curbside pick-up, live online lessons, or other means.

In order to ensure that the private donations are assisting businesses that remain in operation, and not those that have temporarily or permanently closed, staff recommends Council adopt as an eligibility criterion businesses that are currently operating, meaning operating in some form as of the date they are selected to apply for a grant. In all other aspects, such as manner of selection, review process, and eligibility criteria, the program will remain the same.

#### Resource Impact

There are no new financial impacts associated with the recommendation. Future grants will primarily come from private donors, in addition to the small amount of city funding (\$2,225) remaining in the program. Private donations will be sent to the City from the **EBCF and received as revenue in the City Manager's Office budget.**

Future grants will be sent to grantees from the expense budget of the City Manager's Office at a total amount that does not exceed the total revenue. This is a net zero **change to the City Manager's Office FY2021 budget. If additional donations are received, budget adjustments will be brought forward to recognize corresponding revenue and expenses for the program.** Since this is a change in appropriations it requires a two-thirds majority vote of the City Council.

#### Stakeholder Engagement

For the next round of grants, all business who have submitted a pre-application form, at any time, will be included in the drawing. This includes businesses who were included in the first May drawing, but were not selected to apply for a grant. As before, all pre-

applicants chosen from the drawing will be asked to apply for a grant by submitting documents to demonstrate eligibility, which will be reviewed by staff.

The pre-application form has [remained on the City's website](#) since the inception of the grant program, allowing businesses to complete the form at any time. And staff will communicate to the business community the date of the next drawing well in advance, to allow ample time for those who have not completed the form to do so.

#### Environmental Review

Accepting the staff recommendation **does not meet the definition of a "project" under the California Environmental Quality Act** and therefore, no environmental review is required.