

COVID-19 SMALL BUSINESS SUPPORT GRANT PROGRAM

APRIL 21, 2020
TOWN COUNCIL



ABOUT THE GRANT PROGRAM

- Council on April 7 authorized the program – which offers one-time grants of up to \$5,000 to eligible local businesses – and dedicated toward it \$200,000 in funding
- Applications were open April 9-16 – a total of 241 businesses submitted applications, with requests totaling more than \$1.1 million
 - All but 27 businesses requested the maximum \$5,000 in support, making the average request \$4,776
- Program criteria defined “small businesses” as those having fewer than 25 FTEs prior to the COVID-19 crisis; the business had to be operating one year – as determined by the date of Town business license issuance – to be eligible
- The criteria set out priority funding status for storefront retail, restaurants/food shops, and personal care small businesses (barbers, hair and nail salons, etc.)
- Preference was expressed for businesses that remitted sales tax to the Town during 2019

ABOUT THE GRANT PROGRAM

- Town Council as part of its discussion on April 7 determined that franchises located within Castle Rock and whose franchisees also reside within Town are eligible
- Other small businesses were considered for grants as funds are available, with lesser priority, as long as they met program criteria – including all additional criteria set out on the next slide
- Consistent with the program after which the Town's was modeled, ineligible businesses were stated within program criteria to include:
 - Liquor stores
 - Auto- and construction-related businesses
 - Regional businesses with more than five locations in Colorado
 - Professional service businesses
 - Nonprofit organizations

ADDITIONAL CRITERIA

- The business must have a physical and publicly accessible location in the Town of Castle Rock that is not based in a residence or coworking space.
- Eligible businesses must provide a statement or other evidence that the business has suffered economic harm (e.g. loss of revenue or income, employee lay-off, etc.) between March 1, 2020, and the date of the application that can be attributed to the COVID-19 pandemic and/or the subsequent State of Colorado public health orders mandating restricted or closed business practices.
- Businesses are required to provide information, via an online application, on how granted funds will be used.
- To be eligible, a business must be in good standing with the Town in regard to Town business licensure and sales tax and use tax returns. The business must further be operating in accordance with applicable laws and registered with the Colorado Secretary of State's Office.
- The business must meet all established program criteria and agree to provide financial records to support its application upon the Town's request.
- The business must have applied for a federal SBA loan and provide proof of application.

APPLICATION CLASSIFICATION

- A grant review team consisting of representatives of Town Council; staff from the Town Manager's Office and Finance Department; the Castle Rock Economic Development Council and the Castle Rock Chamber of Commerce reviewed all applications against the criteria on April 17 and made the following determinations:
 - 63 priority businesses applied and met all required criteria
 - 31 other small businesses applied and met all required criteria
 - 147 businesses were deemed ineligible for one or more reasons
 - The most common reason for ineligibility was being a professional service business, with about 40 businesses disqualified solely by that criteria
- The team considered multiple approaches to recommending grants and ultimately decided on the recommended approach being presented tonight

FUNDING CONSIDERATIONS

- \$200,000 is presently dedicated to this grant program
- \$200,000 is presently dedicated to the KIVA loan program with the EDC
 - 15 applications are in process, for a total current financial need of up to \$60,000
- \$400,000 is presently dedicated to the Colorado Lending Source loan program, for which a bank partner is still being sought
- To fully fund all 94 eligible businesses' requests would require \$450,030 in resources – an increase of \$250,030
 - To fund priority at 100% and non-priority at 50% of requested would reduce this to \$381,765, or an increase of \$181,765
- Council could consider revisiting some program criteria, like the professional services exclusion, which would necessitate additional funding for awards; staff cautions awarding “ineligible businesses,” since many likely did not apply because they were stated ineligible

RECOMMENDED FUNDING APPROACH

The grant review committee requests that **\$65,000** in resources from the KIVA loan program be redirected to the grant program to fund this approach.

Funding recommendations for qualifying priority businesses (standalone storefront retail, restaurants/food shops, personal care – barbers, hair and nail salons)

\$5,000 (or 100% of amount requested) – priority businesses remitting at least \$5,000 in 2019 sales tax
\$3,750 (or 75% of amount requested) – priority businesses remitting at least \$2,500 in 2019 sales tax
\$2,500 (or 50% of amount requested) – priority businesses remitting less than \$2,500 in 2019 sales tax
\$1,250 (or 25% of amount requested) – priority businesses that did not remit any sales tax in 2019

Funding for qualifying non-priority businesses (other eligible types of businesses)

\$1,000 – non-priority businesses remitting at least some 2019 sales tax
\$ 500 – non-priority businesses that did not remit any sales tax in 2019

This approach would result in awards to the 63 priority businesses totaling \$243,500, for an average of \$3,865, plus \$21,500 in awards to the 31 non-priority businesses, for an average of \$694.

A FEW NOTES ABOUT THE APPROACH

- The recommended approach reflects the established program criteria, including preference for businesses that collected and remitted Town sales tax during 2019.
- When classifying applications, the grant committee considered non-priority businesses operating within a collective physical location (like within a larger salon or shops like the Barn or Emporium), while the primary business was considered priority.
- Businesses determined “ineligible” were emailed information Monday about the reason for that classification; a handful of adjustments were made today to the recommendations based upon new information supplied as a result of those communications.
 - In the interest of time, and in appreciation of the available resources, staff has not recommended any further dispute process nor cure period for applications deemed ineligible; Council could provide direction otherwise, understanding that any alternate recommendations that could result might result in the need for increased funding.
- The grant review committee fully supports the recommended funding approach; members of the committee are on the call tonight and glad to speak to the process as Council may desire.



RECOMMENDED MOTIONS

"I move to reallocate \$65,000 in funds from the KIVA program to the COVID-19 Small Business Support Grant Program."

AND

"I move to direct staff to award grants according to the grant review committee's recommended approach."