

DISCUSSION/DIRECTION:

THIRD-ROUND COVID-19 SMALL BUSINESS SUPPORT GRANTS

DECEMBER 15, 2020
TOWN COUNCIL



ABOUT THE GRANT PROGRAM

- Council on Nov. 17 authorized the program, with a budget of roughly \$500,000 – this is the latest of numerous business support programs the Town has offered throughout the COVID-19 pandemic
- Applications were open Nov. 19-Dec. 4 – 101 unique businesses submitted applications
- Non home-based small businesses (defined as 25 FTEs or less) that have been operating within Town limits for six months – as determined by the date of Town business license issuance – are eligible
- The business must be in good standing with the Town, registered with the Secretary of State and have applied for federal small business assistance to be eligible
- Franchises located within Castle Rock and whose franchisees also reside within Town are eligible
- Ineligible businesses include:
 - Auto- and construction-related businesses, liquor stores and nonprofit organizations

ADDITIONAL DETAILS

- For the third round, Council directed funding priority be given to independently owned restaurants and bars, which are being the most severely impacted by current public health orders
- Council continued the criteria that provides preference to businesses that collected and remitted Town sales tax during 2019
- Council adjusted the criteria to allow professional services and regional businesses with more than five locations to qualify, but with lesser priority
- Council also directed lesser funding priority be granted to businesses that had already received \$10,000 in Town grants through the first two rounds of this program
 - Staff extended this to include businesses that had received \$7,500 to provide equity
- Council provided staff discretion to increase award amounts beyond \$5,000 to individual businesses and \$500,000 in total grants as may be needed to exhaust the Town's reimbursement eligibility under the federal CARES Act

APPLICATION REVIEW/ALTERNATIVES

- Councilmembers, staff from the Town Manager's Office and Finance Department, and members of the Castle Rock Chamber and EDC screened the applications and make the following recommendations:
 - 86 businesses applied and met all required criteria
 - The review team did not audit the financial information provided by rather took at face value businesses' stated financial losses and verified supporting documentation was supplied
 - 38 of these businesses would be first-time recipients of the Town's COVID grants
 - 15 businesses applied and were deemed ineligible for one or more reasons
 - The most common reason for ineligibility was not being located in Town, with four businesses disqualified by that requirement
- Staff developed a scoring system based on Council's direction, which the committee used to recommend award amounts for individual businesses

SCORING SYSTEM – 50 POINTS

- **10 points** – any business that meets all qualifications
- **Up to 10 points** – one point for each \$5,000 in declined revenue when comparing 2019 to 2020, maxing out at \$50,000 in decline
- **Up to 10 points** – one point for each \$5,000 in 2019 Town sales tax remitted, maxing out at \$50,000 in remittance (for businesses established in 2020, staff used sales tax remitted to date to estimate an annual amount for which to award points)
- **10 points** – businesses most impacted by current Level Red orders: restaurants, gyms, retail, personal services and limited health care (the State's definition of limited health care was used in applying points for those businesses)
- **10 points** – independently owned restaurants and bars
- **-2.5 points** – de-prioritization of professional service and regional businesses with more than five locations, as directed by Council, and of food trucks and businesses within businesses, as recommended by the grant review team

AWARD ALTERNATIVES

OPTION 1

Multiply the original calculated award by 2.1 to reach a program budget of \$510,100. Individual grants would range from \$250 to \$10,500. The maximum cumulative award would be \$15,500.

OPTION 2

Double the recommended awards from Option 1 to reach a program budget of \$1,068,700. Individual grants would range from \$3,150 to \$21,000. The maximum cumulative award would be \$26,000.

Councilmember Cavey, who sat on the review team, proposed alternatives that did not take into account sales tax generated by the businesses. For simplicity's sake, staff assigned the 10 points that had been awarded based on sales tax to any business meeting basic qualifications, increasing that to 20 points.

OPTION 1A

Multiply the alternative calculated award by 2.1 to reach a program budget of \$647,230. Individual grants would range from \$1,720 to \$10,500. The maximum cumulative award would remain \$15,500.

OPTION 2A

Double the recommended awards from Option 1A to reach a program budget of \$1,347,160. Individual grants would range from \$7,350 to \$21,000. The maximum cumulative award would remain \$26,000.

COMPARING THE ALTERNATIVES

- Staff did not believe it best to present no-sales tax alternatives that kept overall totals at \$500,000 and \$1 million because some of the businesses Council said it wished to help most, restaurants, would have seen their recommended awards decrease using that approach
- Option 1 would result in average grants of \$5,931.40 and Option 2 of \$12,426.74. Option 1A would average to \$7,525.93, and Option 2A to \$15,664.65. Staff recommends Option 1 or 2
- If Council wishes to award grants using Option 2A, the likely result is that some Town expenses that would otherwise be eligible to be reimbursed would not be, due to Town CARES funds being exhausted by this program
 - Even under this option, Town staff anticipates ending 2020 with a balanced budget
- Council to date has awarded \$466,000 in COVID grants, so any of the alternatives presented would bring the Town's direct support of local businesses through this program to the neighborhood of \$1 million – perhaps going as high as \$1.8 million – of the Town's potential \$3.5 million in CARES Act reimbursements; additional support programs are not represented in these figures, only the grants

ADDITIONAL DISCUSSION POINT

Councilmember Cavey also inquired about funding a grant to the one business denied because it's a franchise and the owner lives within Douglas County but not within the Town. Grant amounts for this business would be as followed for the various alternatives:

1: \$3,675 1A: \$5,775 2: \$7,350: 2A: \$11,550

Whether to approve a grant is within Council's discretion. Staff notes that eight businesses were disqualified for this reason in previous rounds, and a change in criteria in this area was not approved and advertised, so there is a chance they would have reapplied had a change been earlier decided.



RECOMMENDED MOTIONS

"I move to direct staff to award grants under option 1 / 1A / 2 / 2A."

"I move to direct staff to include in the awards the eligible franchise whose owner resides in Douglas County."