



City of San Antonio

Agenda Memorandum

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Agenda Date: April 26, 2022

In Control: Economic and Workforce Development Committee Meeting

DEPARTMENT: Economic Development Department

DEPARTMENT HEAD: Brenda Hicks-Sorensen

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Briefing on the American Rescue Plan Act (ARPA) Funds for Small Business Support.

SUMMARY:

The Economic Development Department will provide an overview of the impact of COVID-19 on small business, previous funding and support provided through the Coronavirus Aid, Relief, and Economic Security Act (CARES), and considerations for the distribution of ARPA funding for small businesses based on ongoing work with the Small Business Advisory Commission.

Staff also requests feedback from Economic and Workforce Development (EWDC) on priorities for investments in small business programs and initiatives.

BACKGROUND INFORMATION:

According to the 2020 San Antonio Small Business Ecosystem Assessment, in 2016 San Antonio and Bexar County had approximately 34,000 employer small businesses that comprise our local

economy and represent approximately 93% of employment firms. Separately there were also approximately 145,000 non-employer sole proprietorships in the region. These small employer firms and sole proprietorships accounted for 34% of the local workforce.

City's Recovery and Resiliency Program:

With the onset of the COVID-19 pandemic, many of the city's small business were negatively impacted. In June 2020, as part of the Recovery & Resiliency Plan, City Council approved funding to provide direct cash grants to support small businesses impacted by COVID-19. Funding could be used to support ongoing operations including personnel expenses, rent, and utilities. Administered in partnership with LiftFund, a total of \$42.9 million in grants was provided to 1,693 business. Most of this funding was allocated from the City's \$270 million of Coronavirus Relief Funds provided in the CARES Act as well as General Fund resources.

Following the completion of the micro business grants, LiftFund surveyed recipients to gauge outcomes of the investment. As expected, recipient businesses reported substantial challenges but remained optimistic. Of the nearly 400 respondents, 81% indicated that 2020 annual gross revenues would be at least half of 2019 annual gross revenues and 64% indicated they planned to hire or rehire employees. In addition, recipients of the hospitality grants were surveyed, and it was found that the funding was instrumental to the health of the businesses and contributed to San Antonio's economy: 77.5% are planning to or have already hired or re-hired a total of 658 employees and close to 61% saw their revenue increase in 2021 despite the pandemic. In both surveys, business owners cited ongoing difficulties with cost and availability of both supplies and labor as major challenges.

The Resiliency & Recovery Plan also included the purchase and distribution of \$2 million of personal protective equipment (PPE) to San Antonio small businesses and non-profits to safely reopen their doors while protecting employees and customers. Over 8,200 San Antonio businesses and non-profits received PPE supplies through a mass distribution event at the Alamodome, Council District specific distributions, and outreach by partner organizations and associations.

Also, as part of the Recovery & Resiliency Plan, \$1.1 million was allocated to establish a small business Outreach Program and the Place-Based & Virtual Hubs Program. Through the Outreach Program, Centro, SAGE, Southside First, Prosper West, and greater: SATX (formerly known as San Antonio Economic Development Foundation) provided support and resource referrals to over 19,000 San Antonio businesses to help with navigating the ongoing business challenges presented by COVID-19 and support future business resiliency. The Place-Based & Virtual Hubs program provided funding to LiftFund, the Maestro Entrepreneur Center, SAGE, Southside First, and Prosper West, to support investments in their existing, physical community small business hubs. The partners conducted 26 community meetings and 140 webinars, provided over 1,100 mentoring sessions, and over 1,600 training sessions.

Despite these efforts, according to the 2020 San Antonio Small Business Ecosystem Assessment, since the start of the pandemic, total small business revenue and the number of small businesses open in San Antonio decreased by 45% and 35%, respectively. It is difficult to quantitatively assess the ongoing status of small businesses in our community, but based on anecdotal evidence, certain

sectors continue to face ongoing challenges due to the pandemic and its secondary impacts.

American Rescue Plan Act (ARPA) Local Fiscal Recovery Funds:

On March 11, 2021, Congress signed into law ARPA which included resources to support local government's response to and recovery from the COVID-19 pandemic. The City of San Antonio was awarded \$326.9 million in State and local Fiscal Recovery Funds. As part of the FY 2022 Budget process, City Council approved \$97.50 million to support the City budget and address community needs. On November 18, 2021, Council approved an additional \$30.0 million for utility assistance. The remaining \$199.4 million remained unallocated and was intended to be awarded following a community engagement process that began in the fall of 2021.

On October 20, 2021, City Council was briefed and presented with a potential spending framework, strategic guiding principles, and a community input plan for the use of the ARPA State and Local Fiscal Recovery Funds. In November 2021, the City held community meetings and launched a survey to obtain feedback on the use of the ARPA Funds. Specifically, City Council requested that the Small Business Advisory Commission (SBAC) be engaged to discuss the needs and priorities of small businesses impacted by COVID-19. Three public meetings with the SBAC were held on November 17, November 29, and December 4, 2021, to garner input from the small business community. SBAC heard comments from 32 individuals during the three sessions and two written statements were submitted to SBAC for consideration. In addition to public comment provided at the SBAC meetings, feedback from the small business community was obtained through an SASpeakUp feedback form. The form was open from November 17 through November 27 and yielded 157 responses from local small business owners. The results from this survey were presented to the SBAC on November 29 in conjunction with the second public comment opportunity. The top challenges identified by the small business community through the SASpeakUp feedback form included the following:

- Access to Financial Capital
- Labor/Hiring
- Reduced Customers/Revenue
- Rent/Mortgage
- Supply Chain

SBAC had a robust discussion about the feedback they received, as well as relying on their knowledge for the districts they represent, and their experience, to recommend the following broad priorities, in order of prioritization, to City Council for consideration of American Rescue Plan Act investments.

1. Access to Capital
2. Capacity Building
3. Localism
4. Ecosystem Enhancements
5. Geographic Placemaking

Additional meetings were held in December 9, 2021 and January 26, 2022 to obtain further policy

direction from the City Council and to discuss community input. Finally, on February 3rd, City Council approved a spending framework. This Spending framework supports the continued response to the COVID-19 pandemic, addresses community priorities, and allocates funds for City employee compensation/benefits/retention.

Included in the spending framework are seven categories that will be further discussed at three Council Committees to develop plans and expected outcomes for each of the categories. The table below reflects these categories.

City Council Committee	Spending Category	Amount (In Millions)
Economic and Workforce Development	Small Business	\$30.9
	Youth	\$10.0
	Digital Inclusion/ Literacy	\$6.9
Community Health, Environment, and Culture	Arts	\$5.0
	Seniors	\$5.0
	Non-Profits Social Services	\$4.0
Public Safety	Mental Health	\$26.0

ISSUE:

The Economic and Workforce Development Committee will begin discussions to develop a plan for the allocation of the \$30.9 million allocated to Small Business. The Economic and Workforce Development Committee will provide policy direction to City staff to develop a plan that:

1. Identifies a COVID-19 impact
2. Includes programs/ strategies that will benefit community members affected by the impact identified in Step 1
3. Defines desired equitable outcomes with metrics to measure those outcomes
4. Provides a not-to-exceed, 4-year implementation plan

FISCAL IMPACT:

The ARPA – Local Fiscal Recovery Funds Spending Framework approved by City Council on February 3rd allocated \$30.9 million to Small Business.

ALTERNATIVES:

This item is for discussion purposes only.

RECOMMENDATION:

This item is for discussion purposes only.