



City of San Antonio

Agenda Memorandum

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Agenda Item Number: 2

Agenda Date: May 24, 2022

In Control: Economic and Workforce Development Committee Meeting

DEPARTMENT: Economic Development Department

DEPARTMENT HEAD: Brenda Hicks-Sorensen

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Implementation plan for the American Rescue Plan Act (ARPA) Funds for Small Business.

SUMMARY:

The Economic Development Department will provide a briefing of the proposed implementation plan for the distribution of ARPA funds, developed in coordination with the Small Business Advisory Commission, for possible action by the Economic and Workforce Development Committee (EWDC).

BACKGROUND INFORMATION:

With the onset of the COVID-19 pandemic, many of the city's small businesses 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 \$45.5 million in grants was provided to 1,870

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.

On February 3, 2022, City Council approved the spending framework for Local Fiscal Recovery Funds received by the City of San Antonio under ARPA. This framework included \$30.9 million for small businesses. Based on direction received at the April 26, 2022, EWDC meeting and incorporating the extensive input received from the community and the Small Business Advisory Commission, the Economic Development Department will present the proposed implementation plan for utilization of ARPA funds to mitigate the impact of the COVID-19 pandemic on San Antonio small businesses.

ISSUE:

The presentation will include programmatic allocations, key equitable outcomes and performance indicators, along with proposed funding levels for each program. The list below summarizes the recommended programmatic funding allocations, by category:

- Access to Capital: \$15,425,000
 - Hard Hit Industries Grants: \$11,500,000
 - Growth Fund Loan: \$3,000,000
 - Emergency Fund Loan: \$925,000
- Capacity Building: \$1,450,000
 - Launch SA Improvements: \$300,000
 - Back Office Support Program: \$750,000
 - Web Presence Program: \$400,000
- Ecosystem Enhancements: \$6,200,000
 - Implementation of Pillars Identified in the SA Ecosystem Report: \$6,000,000
 - Ecosystem Mapping: \$200,000
- Localism: \$625,000
 - Buy Local Program Implementation and Operations Support: \$625,000
- Geographic Placemaking - \$6,250,000
 - Operation Facelift 2.0: \$3,000,000
 - Outdoor Spaces Program: \$1,250,000
 - Corridor Program Pilot: \$2,000,000

In addition, staff recommends allocating \$1.0 million for program administration within the Economic Development Department. This will support multiple solicitation processes needed to identify implementation partners and monitor the resulting contracts.

The equitable outcomes identified for this implementation plan include:

- Increased opportunity and access to capital for underserved groups with a focus on Black- and Latino-owned businesses;
- Identify and address structural barriers to create opportunities for business owners;
- Coordinated and sustainable small business ecosystem that serves as a safety net during future economic downturns;
- Support for production and consumption of local goods while promoting local history, culture and identity; and
- Strengthening the connection between people and the places they share.

Performance indicators that will measure progress towards these outcomes include:

- Small business lending by geography (both banks and community development financial institutions (CDFI))
- Increased capital demand
- Job creation and retention
- Small business revenue
- Decreased business failure rate
- Increased access to business development resources
- Increased buy local multiplier
- Shift in consumer behavior and sentiment
- Increased corridor investment

This proposal was presented to the Small Business Advisory Commission on May 10, 2022 and received SBAC's endorsement along with the recommendation that City Council expedite allocation of Small Business funding. To this end, staff will also seek the Committee's input into priority criteria and expectations for the recommended grant program and return to the Committee in June with a proposal for this specific program.

FISCAL IMPACT:

The ARPA – Local Fiscal Recovery Funds Spending Framework approved by City Council on February 3, 2022 allocated \$30.9 million to Small Business.

ALTERNATIVES:

Should EWDC choose not to approve this item, the Economic Development Department will collect feedback from the committee and make updates to the proposed implementation plan for future EWDC briefing and approval.

RECOMMENDATION:

The Economic Development Department recommends approval of the ARPA for Small Business Implementation Plan by EWDC.