

# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Nanci Klein

**SUBJECT:** 2020 CITY SMALL BUSINESS  
GRANTS UPDATE

**DATE:** January 29, 2021

Approved



Date

01/29/21

## INFORMATION

### EXECUTIVE SUMMARY

To support regional coronavirus relief efforts, between March and December 2020, the City of San José offered three small business grant programs: 1) Silicon Valley Strong Small Business Grants of \$10,000 funded through corporate donations; 2) San José Community Development Block Grant-funded (CDBG) Microenterprise Grants of \$15,000 using the City's redirected federal FY 2019-20 CDBG funds; and 3) San José Small Business Rent Relief Grants of up to \$15,000 funded by federal Coronavirus Relief Funds (CRF).

In total, these three grant programs disbursed \$6.09 million in grants to support 499 San José small businesses owned by low- or moderate-income individuals, primarily from communities of color located within San José.

Silicon Valley Strong Small Business and CDBG Microenterprise Grants were administered by Opportunity Fund, a nonprofit community development finance institution. Small Business Rent Relief Grants were administered by the Enterprise Foundation, which operates the Silicon Valley Small Business Development Center. Both Opportunity Fund and the Small Business Development Center have successful track records in providing a broad range of funding and technical assistance to low- and moderate-income entrepreneurs, focusing on business owners who are immigrants and/or people of color. The City worked with these partners to center racial equity and community needs in the development of grant criteria and through targeted outreach efforts.

This memorandum provides an update on the impact of the three programs and details on the CDBG Microenterprise Grants and Small Business Rent Relief Grants. A [memorandum](#) on the Silicon Valley Strong Small Business Grant Program dated July 7, 2020 was previously provided to Council.

## **BACKGROUND**

San José is home to 55,000 small businesses, more than half of which are immigrant-owned and more than 60% of which are owned by people of color. In addition, there are more than 30,000 sole proprietorships or single-person businesses. These small businesses represent more than 97% of all active businesses and generate nearly 43% of all employment in San José. Just as critically, these businesses often represent important cultural and neighborhood anchors in our underserved communities.

## **ANALYSIS**

The economic impact of the COVID-19 pandemic has been devastating to San José small businesses. County Public Health Orders in response to the pandemic triggered a rapid closing of businesses and a dramatic decline in consumer spending. Ongoing uncertainty with waves of infection and safety restrictions has led to widespread economic injury for small businesses, particularly in the restaurant, entertainment, personal services, and nonfood retail sectors.

The economic drain of the COVID-19 pandemic has put many San José small and micro-businesses at risk of failure. When a small business fails, the business owner, their family, customers and suppliers, and the whole neighborhood suffer as well.

The City's small business grant programs extended critical lifelines to recipient businesses. Each of the three grant programs leveraged available funding sources in response to the most pressing small business needs.

- **Silicon Valley Strong Small Business Grants** leveraged corporate donations to provide grants of up to \$10,000 to mitigate economic losses for micro-businesses that were the least likely to have access capital and federal relief funds.
- **CDBG Microenterprise Grants** used CDBG funds to provide grants of up to \$15,000 to cover working capital and business re-startup needs due to the COVID-19 crisis.
- **Small Business Rental Relief** used CRF dollars to provide grants of up to \$15,000 to cover small business owners' unpaid or pending rent from March 1 through December 30, 2020.

Details on the number of applications received and grants awarded are included below in the "results" section. Additional information on grant criteria, application process, and outreach for the CDBG Microenterprise Grants and Small Business Rental Relief Grants are also outlined below.

**Grant Criteria: CDBG Microenterprise Grants**

To be eligible to apply for the CDBG Microenterprise Grant Program, businesses had to meet the following federally-mandated requirements:

- The business had to be located within the City of San José
- Business owner had to live in Santa Clara County (local requirement)
- Business had to have five or fewer full-time employees including the business owner
- Business had to be active, in good standing (no active bankruptcies), and have been in business prior to March 1, 2019
- Applicants could not have received a Paycheck Protection Program or SBA Economic Injury Disaster loan
- Applicant had to own at least 51% of the business (or be one of two 50% owners that were a part of the same household)
- The maximum household income of business owner had to be at or below 80% of area median income by family size at the time of underwriting
- Grant funds had to be used to cover working capital and business re-startup needs due to the COVID-19 crisis
- Priority was given to essential businesses as defined by the Santa Clara County public health orders

**Grant Criteria: Small Business Rental Relief Grant Program**

To be eligible to apply for the Small Business Rental Relief Grant Program, businesses had to meet the following requirements:

- Business had to demonstrate an economic injury from COVID-19 (20% or more reduction in gross revenue and/or staffing; local level set for federal requirement of impact)
- Business had to be located in a commercial building within San José
- Business owner had to live in Santa Clara County
- Business had to have 10 or fewer full-time employees including the business owner
- Business had to be active and working to continue
- Business had to have been in business prior to January 31, 2020
- Business owner's household had to own at least 51% of the business
- Total family income of business' owner had to be at or below 80% of area median income by family size

For both the CDBG Microenterprise and Small Business Rental Relief Grant Program, businesses that were franchises or chains were ineligible to ensure that support went to businesses that were local in nature. Furthermore, businesses restricted to patrons above the age of 18 were not eligible. Separate grant programs were available through the City for nonprofits and childcare businesses and were, therefore, not included in these small business grant programs.

### **Application Process**

The CDBG Microenterprise Grants launched on August 12, 2020 with an application deadline of August 28, 2020. The Small Business Rent Relief Grants opened on September 8, 2020 with an application deadline of September 22, 2020. Combined, these two programs received over 1,000 applications. Please see the “results” section below for a detailed breakdown on applications received and grants awarded.

Translations of the online English application and supporting documents were created in Spanish, Vietnamese, and Traditional and Simplified Chinese for the CDBG Microenterprise Grants. The online applications and supporting documents were available in English, Spanish, and Vietnamese for the Small Business Rent Relief Grants.

To make the process more user-friendly, potential applicants to both grants answered a screening tool. If they met the criteria, applicants then were able to access the full application. If they did not, they reached a page with information about how to connect to other resources for small businesses. This process was designed to ensure that ineligible applicants didn't waste precious time filling out a full application when they didn't meet the basic criteria.

### **Targeted Outreach**

Using lessons learned from other COVID-19 relief grant programs around the state and nation, the Small Business Assistance Unit within the City's Emergency Operations Center developed a targeted outreach campaign with an equity focus.

Direct outreach for the CDBG Microenterprise and Small Business Rent Relief Grants focused on San José zip codes that have been the most impacted by the pandemic-induced recession and have experienced the highest rates of COVID-19 in the County. These zip codes include 95111, 95112, 95113, 95116, 95122, and 95127. These six zip codes not only include the highest need neighborhoods in San José, they are also home to numerous small business owners of color, immigrant-owned businesses, women-owned businesses, and micro-businesses. While grants were not restricted to these zip codes, targeted one-on-one outreach was focused on these neighborhoods.

Outreach activities for the CDBG Microenterprise and Small Business Rent Relief Grants included:

- Direct emails in English, Spanish, and Vietnamese to potentially eligible businesses in the targeted zip codes (Due to the pandemic, the City used emergency emails from the Business Tax database to communicate with approximately 40% of businesses in target areas).
- Tri-lingual email and informational materials provided to neighborhood business districts, ethnic chambers of commerce, and 30+ business-serving organizations which participate in the City-led collaboration BusinessOwnerSpace.com.
- Collaborative workshops with business organizations.

- Connection with nonprofits serving the targeted neighborhoods so that they, as trusted community partners, could extend information further to businesses not already connected with business organizations.
- Multilingual informational materials on the City website and SJeconomy.com, as well as on the sites for Opportunity Fund (CDBG Microenterprise Grants) and Silicon Valley Small Business Development Center (Small Business Rent Relief Grants).
- Outreach to San José-based Opportunity Fund and Small Business Development Center clients, representing thousands of potential applicants.
- Information included in Emergency Operations Center Flash Reports.
- Information provided to the Mayor and City Councilmembers to share on social media, in newsletters, and with constituents.

**Results**

In total, 2,260 business owners submitted applications through the Silicon Valley Strong Small Business, CDBG Microenterprise, and Small Business Relief Grant Programs. Through these three programs, 499 grants were awarded for a total of \$6.09 million.

The CDBG Microenterprise Grants Program received 182 applications from business owners, with 61 grants of \$15,000 awarded for a total allocation of \$915,000. Due to the heavy documentation requirements on the federal CDBG funds, there was a high dropout rate from initial program inquiries. All eligible applicants that completed the application were funded.

The Small Business Rental Relief Program received 911 applications from business owners and 296 grants of up to \$15,000 were awarded for a total allocation of \$3.76 million. Applicants were ordered through a random lottery system and awarded grants until funding was exhausted.

The following table summarizes the breakdown of awarded CDBG Microenterprise and Small Business Relief Grants by demographic:

<b>Program</b>	<b>% Target Zip Codes</b>	<b>% BOOC</b>	<b>% Gender M/ F/ Other</b>	<b>% Low-Mod Income</b>	<b>%&lt;=5 Employees</b>	<b>%&lt;=10 Employees</b>
<b>CDBG</b>	52%	95.1%	57%/ 43%/ 0%	100%	100%	100%
<b>Rent Relief</b>	52%	92.2%	49%/ 50%/ 1%	100%	84%*	100%
BOOC: Business Owner of Color						
* estimated from applications						

Overall, grants for the three programs including Silicon Valley Strong Small Business Grants, were awarded to the following groups:

- 92.5% to business owners of color: (BOOC)
  - 58.3% - Asian/Pacific Islander
  - 25.9% - Hispanic/Latinx
  - 2.0% - Black/African American
  - 6.3% - Other Ethnic Minority
  - 7.5% - White/Caucasian

- 57% to businesses located in targeted zip codes:
  - 37% in 95116, 95122, 95127, or, for Microenterprise Grants and Small Business Rent Relief Grants in 95111
  - 20% in 95112 and 95113 Downtown
  
- 19% of the overall applications for the Silicon Valley Strong Small Business Grants and Small Business Rent Relief Grants were received in Vietnamese or Spanish, and 17% of the grants were awarded to applicants who had submitted an application in Vietnamese or Spanish. The online CDBG Microenterprise Grants application was in English, with translated grant information available separately in Spanish, Vietnamese, and Simplified and Traditional Chinese, therefore, information on applicant language preference is not available.
  
- Grantees by Industry included:
  - 27% Food Services (Restaurants, Catering, Food Trucks)
  - 18% Personal Care Services (Hair and Nail Salons)
  - 10% Retail Trade (Retail and Grocery Stores)
  - 8% Professional, Scientific, and Technical Services (Accounting, Taxes, Professional Services)
  - 6% Automotive Repair and Maintenance
  - 5% Health Care and Social Assistance
  - 4% Arts, Entertainment, Recreation, Fitness
  - 3% Construction
  - 19% Other (industries representing less than 3% of grantees)

### **Next Steps**

Staff continues to monitor legislation at the Federal and State level to identify and promote potential funding opportunities for small businesses. To provide program details and connections with assistance organizations, the Office of Economic Development (OED) offers a popular webinar series for small businesses. Recently OED held virtual information sessions on the California Relief Grants on January 5 and January 28 and the new round of federal Payroll Protection Program loans on January 13, January 21, and January 26, 2021. These sessions have drawn more than 713 small business attendees.

/s/  
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For questions, please contact Jeff Ruster, Assistant Director of Economic Development, at (408) 535- 8183 or Michelle McGurk, Assistant to the City Manager, at (408) 535-8254.