



COUNCIL STAFF REPORT

CITY COUNCIL of SALT LAKE CITY

TO: City Council Members

FROM: Ben Luedtke, Budget & Public Policy Analyst

DATE: March 7, 2023

Project Timeline:

1st Briefing: February 21, 2023

2nd Briefing: March 7, 2023

Potential Final Vote: March 7, 2023

RE: American Rescue Plan Act (ARPA) Local Business Assistance Grant Awards

NEW INFORMATION

At the February 21 briefing, the Council discussed the Committee's recommendation to award \$755,718 for 31 applications as shown in the Attachment 1 Funding Log. The Council took a straw poll (Council Member Petro absent) to support the Committee's funding recommendations dependent upon receiving clarification for how Phase 1 applicants that scored 70 or higher would be prioritized in Phase 2. Council Members deliberated getting more funds out in Phase 1 vs allowing time for additional applications to be submitted in a proposed Phase 2.

Some Council Members have received additional information since the briefing and would like to consider releasing all \$2 million in Phase 1. A proposed Phase could come to the for review in the summer depending on the Committee's meeting schedule and the Council agenda availability during the FY2024 annual budget deliberations.

A summary of clarifications and considerations from the first briefing is listed below the four options provided by the Administration. *Note: the Council may elect to choose from these options, or discuss other options going forward.*

Four Options Provided by the Administration

The Economic Development Department provided four options below (A through D) for the Council's consideration. The four options are listed below as a summary. See the next page for more details on each option that were provided by the Administration.

Option A – \$1,017,397 for 42 applications (\$261,679 more than the Committee's original recommendation) and bonus points in Phase 2 for applicants that scored between 75 – 77.9 in Phase 1.

Option B – \$755,718 for 31 applications and bonus points in Phase 2 for applicants that scored 70 or more in Phase 1.

Option C – \$1,452,093 for 57 applications (\$696,375 more than the Committee's original recommendation); \$547,907 remaining for passthrough nonprofit applications providing services to small and local businesses which the Committee is reviewing over the coming weeks. *Note at the time of publishing this report the exact dollar amounts for this option were being confirmed.*

Option D – \$755,718 for 31 applications; note this is the Committee's original recommendation.

OPTION A (*Award \$261,679 more funding in Phase 1 and bonus points in Phase 2*)

\$1,017,397 for 42 applications and bonus points in Phase 2 for applicants that scored between 75 – 77.9 in Phase 1

City Council can approve the Committee's recommended list of 31 applicants to receive grant funding AND award an additional 11 applicants scoring between 78-79.5 as part of Phase One, Group One, funding distribution. Additionally, any applicants with an average score between 75.0 and 77.9 would receive bonus points on their Phase 2 application.

- The number of bonus points awarded could be decided by Council or the administration.
- Applicants with scores between 77.0 and 77.9 would be notified of bonus points for a high Phase 1 score and would receive technical assistance from staff to enhance their Phase 2 applications further.
- This would add 11 additional applicants to receive funding bringing the Phase One group one request to \$1,017,397.

OPTION B (*Committee's original recommendation and bonus points in Phase 2*)

\$755,718 for 31 applications and bonus points in Phase 2 for applicants that scored 70 or more in Phase 1

City Council can approve the Committee's recommended list of 31 applicants to receive grant funding AND request staff to award bonus points to any applicant from Phase One, Group One, scoring an average score of 70.0 or higher to receive bonus points on their Phase 2 application.

- The number of bonus points awarded could be decided by Council or the administration.
- Applicants in this category would be notified of bonus points for a high Phase 1 score and would receive technical assistance from staff to enhance their Phase 2 applications further.
- This would not add any additional applicants past the initial 31 recommended, but would award bonus points to 50 applicants, and potentially increase the amount of their award based on a higher average score in Phase 2.
- The amount funded would remain \$755,718.00. Note: the group receiving bonus points has a total ask of \$1,452,093 (meaning not all applicants with a score in the 70's will receive funding).

OPTION C (*Award all funding to Phase 1 applicants*)

\$1,452,093 for 57 applications; \$547,907 remaining for passthrough nonprofit applications providing services to small and local businesses which the Committee is reviewing now

City Council can decide to continue funding high-scoring applicants past the initial 31 recommended by the Committee until a total of \$1,500,000 is exhausted.

- This would exhaust all ARPA funds allocated towards the following ARPA expenditure categories: 1) Small Businesses, 2) Travel, Tourism, & Hospitality, and 3) Artist-Artisan Businesses
- There would not be a second phase for small businesses to apply.
- This would add an additional 26 applicants with averaged scores of 75% and above and require a funding request of \$1,452,093.

OPTION D (*Committee's original recommendation; no bonus points in Phase 2*)

\$755,718 for 31 applications

City Council can approve the Committee's recommended list of 31 applicants to receive grant funding AND allow for Phase Two to proceed without any preference to applicants who have applied before. During Phase Two, to provide extra points to applicants who have already applied would make it unfair to new applicants. The bonus for businesses applying a second time is the mere fact they can apply a second time and improve the quality of their application. Presumably, businesses applying for the first time in Phase Two will already be at a significant disadvantage to those who have had some experience.

Clarifications and considerations during the first briefing included:

- The Committee is currently reviewing 40 applications for passthrough nonprofit grants providing services to small local businesses. The Committee will forward funding recommendations to the Council in the coming

weeks. This would conclude Phase 1 of the program assuming funding remains depending on which option the Council prefers as listed below.

- The Economic Development Department created a waiting list for businesses that did not apply during Phase 1. There are currently 39 businesses on the waiting list.
- The ordinance governing the program identified geographic equity as a criterion for the prioritization process. The Committee interpreted this to mean there should be at least one applicant funded in each Council District. This is why two applications (#30 and #31) are recommended for funding despite scoring less than other applications which are not recommended for funding.
- There were three applications unable to show a proven loss as required by federal ARPA guidelines. These applications do have listed scores but are disqualified.
- The Committee's priority is to spread funds further to more applicants. A sliding scale approach also called a performance approach was used to advance this priority.
- Some Council Members expressed a preference for more information about how local a business is and impacts to the City. For example, does the business only have a registered address in Salt Lake City but operates mostly in other jurisdictions? Is the business primarily serving clients in Salt Lake City?
- Some Council Members mentioned potentially adding more ARPA funding to the program for a future phase depending on how much of the City's ARPA fiscal recovery funding remains and how much may be needed in the next annual budget.

ISSUE AT-A-GLANCE

In April 2022 as part of Budget Amendment #4 of FY2022, the Council approved one-time \$2 million from ARPA for local business assistance grant awards managed by the Economic Development Department. If the 31 grants are awarded as recommended, then \$1,244,282 would remain for future phases of local business assistance grant awards. Note the Council also approved a separate one-time \$2 million from ARPA for nonprofit assistance grant awards managed by the Community and Neighborhood Department (CAN). The Committee is currently reviewing nonprofit applications submitted through CAN's process. The Community Recovery Committee is recommending \$755,718 of ARPA grant awards to 31 local businesses as shown in Attachment 1 - Funding Log. The Mayor made no changes to the Committee's funding recommendations. The Administration reviewed all applications for eligibility and compliance with federal ARPA guidance. **The Council has final decision-making authority over the grant awards including the dollar amounts and uses.** Please see "Additional Information" section for more on applications, award limits, scoring, and clarifications about the recommended funding log.

Goal of the briefing: Review the recommended grant awards, identify questions and potential modifications to the awards and/or process, and determine whether the Council is comfortable scheduling an adoption vote.

POLICY QUESTIONS

1. Questions about Recommended Grant Awards – Does the Council have any questions about the 31 recommended local business assistance grant awards?
2. Award Based on Sliding Scale or Full Eligible Amount – The Council may wish to discuss with the Administration why the Committee recommends awarding based on a sliding scale and not the full eligible amount. The difference between the two approaches is \$125,475.
3. Requiring Unsuccessful Phase 1 Applications to Reapply in Phase 2 – The Council may wish to discuss with the Administration why applicants not recommended for funding in Phase 1 would not be considered in Phase 2 unless they reapply. Would the Council like remaining Phase 1 applications to be considered in Phase 2?
4. Minimum Grant Amount – The Council may wish to discuss with the Administration identifying a minimum funding award for individual grants like the \$30,000 minimum for annual HUD grants and \$50,000 for CIP.

Setting a minimum amount is intended to balance the burden of administering the grants with creation of public benefits. Nine of the grant recommendations are less than \$10,000 and the smallest #17 is \$2,583.

ADDITIONAL & BACKGROUND INFORMATION

Applications: 296 applications were submitted for Phase 1 during the month of September 2022. 157 applications were received from eligible local businesses and 40 from nonprofits. Note at the time of publishing staff was clarifying with the City Attorney's Office whether nonprofits could also be considered local businesses in the context of this funding. The other 99 applications were ineligible for reasons such as the applicant was located outside of city limits, did not begin operations within the federal time requirements, the application was incomplete, or late.

Award Limits: The maximum award is \$100,000 for any of the ARPA assistance grants per City Code Chapter 2.20.040(A) (see Attachment 2). There is no minimum award set in ordinance. The City uses minimum awards for other programs such as annual grants from the U.S. Housing and Urban Development Department (HUD) and the Capital Improvement Program or CIP (See policy question #3). Grant recipients must submit documentation for reimbursements and file quarterly reports with the City. Some local businesses could be ineligible depending on the minimum award amount.

Scoring: Eligible applications were scored on a scale of zero to 100 with higher scores being better. Identifying information such as names and addresses were removed from applications before the Community Recovery Committee reviewed and scored them. This was done to improve the integrity of the process. See Attachment 3 for a summary list of all 157 eligible local business applications ordered from highest to lowest combined score. The attachment shows average scores in the second to last column which is an average of all Committee member's scores who ranked the application.

Funding Recommendations: The 31 local business applications are recommended to receive a grant award based on a sliding scale rather than the full eligible funding amount. The Administration provided this example: "if an applicant had an eligible funding amount of \$10,000 and received an average Committee score of 90.0, then their final funding amount would be \$9,000." The sliding scale approach results in less funding to applicants but spreads the limited ARPA dollars to more applicants.

Future Phases: The Administration reports the 31 local business grant awards recommended to the Council are Phase 1 Group 1. Phase 1 Group 2 will be nonprofit grant award recommendations. Note at the time of publishing staff was clarifying with the City Attorney's Office whether nonprofits could also be considered local businesses in the context of this funding. Applications for Phase 2 are expected to be accepted during a 30-day window beginning in March. The timing of funding recommendations for Phase 2 applicants will depend upon how many eligible applications are received. No Phase 3 is planned; the full \$4 million is expected to be recommended for awards during the two phases. Applications not recommended for funding in Phase 1 would need to reapply in Phase 2 (see policy question #4).

Funding Log (Attachment 1): The log shows the 31 local businesses recommended for funding. Note that when an application is listed as "Received other assistance: None" this means the local business received zero financial assistance from any level of government. The columns moving from left to right are: recommended local business number one through 31, local business name, Council District, amount of funding the local business requested, amount of requested funding that is eligible (must shown proven loss and other ARPA requirements), the Community Recovery Committee's recommended funding, the Council's funding decisions (uses the Committee's amount as a starting point), and the category of AB – Arts and Artisan Businesses, SB – Small Business, and TTH – Tourism, Travel, or Hospitality. Several acronyms are spelled out at the end.

Spending Deadlines: Under federal guidelines ARPA funds must be obligated by the end of calendar year 2024 and must be fully spent by the end of calendar year 2026. City Code Chapter 2.20.050 (see Attachment 2) sets an earlier spending deadline of December 31, 2024, to provide public benefits at a faster pace.

Community Recovery Committee

(See Attachment 2 for the ordinance)

In April 2022, the Council enacted Chapter 2.20 of Salt Lake City Code creating the time-limited Community Recovery Committee as an official City board. Section 2.20.060 of the ordinance identifies a sunset for the

Committee once all the ARPA program funds are expended or the federal spending deadline has passed. The Committee reviews applications and makes funding recommendations to the Mayor and City Council for the ARPA local business and nonprofit assistance grants. The Committee has seven or nine members who also serve on other City boards or committees.

Grant Categories

(See Attachment 2 for the ordinance)

No specific categories are identified for the business assistance grants. These grants are focused on small and local businesses, tourism, travel, or hospitality, and support for artists and artisan businesses. A business must first demonstrate an economic and/or operational hardship caused by the pandemic, and then propose an ARPA eligible use for the grant funds.

Specific categories are identified for the nonprofit assistance grants which are: “offering services to retrain displaced workers; providing legal or other assistance for evictions or rent relief; expanding educational opportunities; deploying resources to mitigate the digital divide; supporting parents or children affected by COVID-19 including childcare or after school programs; and providing access to healthcare services including mental health support.” (2.20.040(A)) Note nonprofits may submit applications for programs not listed above.

ATTACHMENTS

1. Local Business Assistance ARPA Grants Funding Log
2. Community Recovery Committee Chapter 2.20 of Salt Lake City Code
3. Summary List of Eligible Local Business Assistance ARPA Grant Applications by Average Committee Score

ACRONYMS *(from this staff report and Attachment 1 Funding Log)*

AB – Arts and Artisan Businesses

ARPA – American Rescue Plan Act

BIPOC – Black, Indigenous, and People of Color

CAN – Community and Neighborhoods Department

CCL – Child Care Licensing

CIP – Capital Improvement Program

EIDL – Economic Injury Disaster Loan

FY – Fiscal Year

HUD – United States Housing and Urban Development Department

IRC – International Rescue Committee

LLC – Limited Liability Company

PPP – Federal Paycheck Protection Program

SB – Small Business

SBDC – Utah Small Business Development Center

TBD – To Be Determined

TTH – Tourism, Travel, or Hospitality