



To: Rorie Watt, CBJ Manager
CC: Jeff Rogers, CBJ Finance Director
Mila Cosgrove, CBJ Deputy Manager
From: Brian Holst, JEDC Executive Director
Date: Wednesday, July 8, 2020
Re: COVID-19 CBJ Sustainable Business Grant Program, Phase 2 & 3 Recommendations

Introduction

The CBJ Assembly adopted Ordinance 2019-06 (AC)(b)(am), which provides for \$3.5 million in grants to Juneau businesses experiencing financial hardship due to COVID-19. Per the Ordinance, businesses must demonstrate financial hardship by showing a decline in business revenue of 20% or more from 2019 to 2020. A qualifying business may then submit actual and estimated expenses for the period of April 1 through August 31, 2020, in three categories of “fixed” expenses: 1) utilities, 2) long-term debt, and 3) rent/leases. Thirty-three percent (33%) of those expenses, up to \$33,000, can be granted to businesses, including non-profits. This program is Phase One of a three-phase program. Phases Two and Three may be adjusted to better meet the needs of the business community. An additional \$8.5 million is currently earmarked for these future phases. This memorandum outlines suggested changes to the CBJ Business Sustainability Grant Program Phases Two and Three, based on experience gained through the implementation of Phase One.

Phase One Observations

Phase One of the CBJ Business Sustainability Grant Program is assisting many businesses adversely impacted by COVID-19. Here are some observations about the program:

- Grant size is relatively small.
- Applications can require 50 or more data points (various utilities for five months each, for example) and are considered burdensome by many applicants because of the amount of paperwork.
- Very small businesses are not applying.
- Award amounts are heavily influenced by high rent and high debt payments. Businesses located in downtown generally receive higher awards because of the relatively high rents.
- Maximum grant amount seems reasonable. The average size of an award in Phase One is approximately one-third of the maximum award.
- There is no minimum grant amount, which occasionally results in both a business and the grant administrator spending considerable time to process and award a very small grant.

Phase Two and Three Proposed Changes

1) Financial Hardship

- No change.

2) Award Eligibility Calculations

- Make all award calculations based on six months, April through September. This will increase average award size.
- No expenses will be used for eligible expenses that would result in duplicate awards, which will require a verification from each recipient in each phase.

Utilities:

- Minimum utility deduction of \$200 per month per business, or \$1,200 (or \$1,000, if five months). If a business would like to document and be considered for a higher utility amount, they can present documentation establishing actual expense.

Debt Service:

- Long-term Debt should be redefined as Business Debt, as defined in the operating procedures by the Grant Administrator, which would allow other debts that meet the intent of the grant program to be considered in award calculations. This addresses the needs of the smallest businesses that want to apply.
- Debt payments on business-related credit card balances (or similar business lending products) can be considered. Eligible expenses will be calculated by using the average revolving debt (balance of capital not paid within the period) from the three dates of April 30, May 31 and June 30. Twenty percent of the balance of this business-related credit card (or similar) debt will be eligible for grant support.
- Business lines of credit can be included in the eligibility calculation. Twenty percent of balances as of June 30, 2020, on active business lines of credit can be included, up to an aggregate of \$10,000 in Phase Two and Three.
- Inventory loans can be included in the eligibility calculation. Twenty percent of the short-term debt (not less than 90 days) as of June 30, 2020, of inventory purchase debt is eligible for grant relief, up to an aggregate of \$10,000 in Phase Two and Three.
- Monthly payments on federal deferred emergency loans for the period of July through December 2020 can be included.
- JEDC Emergency Loan obligation should be considered eligible debt included in the grant reimbursement calculation. Up to six months (July through December 2020) of payments can be included in the grant at 66% for Phase Two and 33% for Phase Three as long as payments are made directly against the loan (not disbursed to the recipient but paid against the awardee's obligation). The JEDC Emergency Loan Program, funded by CBJ, was specifically defined by Ordinance as a bridge to other resources. Including reduction of six months of this COVID-19 incurred debt is consistent with the intent of both the loan and grant programs.

Lease/Rents:

- No change.

3) Simplified Business Grant:

Introduce an alternative, streamlined award methodology for very small businesses. If businesses opt-in to this program, they are eligible for one award. Applicants in Phase Two that received an award in Phase One can receive a second a simplified grant for the difference between a Phase One award and the total eligible through a Simplified Business Grant.

- Grants up to \$5,000 for any business operating in Juneau. Award is the lesser of \$5,000 or 10% of the sum of gross revenues in one twelve-month period, calculated based on the sum of twelve consecutive months of gross sales starting no earlier than January 2019 as reported to CBJ for gross sales on sales tax reporting. For businesses with fewer than 12 months of consecutive operations in Juneau, awards will be based on the months available through June 2020. For non-profits (or those not reporting Gross Sales to CBJ for a legitimate reason), the award is based on the annual revenue (excluding gaming-related operations) for a twelve-month fiscal year ending no earlier than June 2019. Minimum grant size is \$500. Any business with gross sales or revenues of less than \$5,000 a year should not apply. Sole Proprietorships and single-member LLCs (or similar) can apply, but the sum of awards cannot exceed \$5,000 to any individual.
- Applicants must meet all criteria of the Phase One grant program with one exception: Instead of the financial hardship criteria (demonstrating a 20% decline in gross sales from 2019 to 2020), applicants will certify that they are adversely impacted by COVID-19 and will include a brief explanation of adverse impact.
- This award is an alternate method to provide minimum relief to businesses in Juneau and cannot be added to other CBJ Business Sustainability Grant Program awards. An award of the dollar difference between a previous grant and a minimum award under this Simplified Business Grant can be made.

4) Future considerations:

Should sufficient funds remain available as we head into Phase Three of this program, we recommend the following:

- Financial Hardship is calculated based on a decline in revenue of 20% or more between 2019 and 2020. Reducing the financial hardship threshold to 10% will result in more businesses being eligible for an award.
- Other business expenses that were not financed by debt, and are therefore covered in the Debt Service section, or addressed by other grant programs, be considered for addition.

5) Recommended Changes to Ordinance:

- Change Long-Term Debt to Business Debt.
- Extend award calculation period end date from August 31 to September 30.