



DISCUSSION

City of San Bernardino Request for Council Action

Date: August 7, 2024

To: Honorable Mayor and City Council Members

From: Rochelle Clayton, Acting City Manager;
Kenneth Chapa, Director of Economic Development

Department: Economic Development

Subject: **Small Business Grant Program, Round Two: Proposed Award Amount Increase (All Wards)**

Recommendation:

It is recommended that the Mayor and City Council of the City of San Bernardino, California amend the Small Business Grant Program, Round Two, increasing the award amounts from \$5,000 & \$10,000 to \$10,000 & \$20,000.

Executive Summary

The proposed action will increase the award amounts under the Small Business Grant Program, Round Two. The Small Business Grant Program utilizes American Rescue Plan Act (ARPA) funds to benefit business that qualify for funding under the Program guidelines. The initial response and feedback from the small business community supports that the maximum impact to small businesses would be achieved through increasing the grant award amounts.

Background

The City of San Bernardino was awarded \$77 million under the American Rescue Plan Act (ARPA). Treasury issued the final ARPA guidance for the use of the funds on January 6, 2022, providing clarification on allowable investments, but generally not expanding the list of eligible projects and programs. The City is working within the guidance, focusing on investments in Qualified Census Tracts (QCTs) and other priority investments.

The allowable investments include providing assistance for small businesses that have experienced a negative impact resulting from the COVID-19 pandemic. In February of 2022, Council directed Staff to develop a small business and non-profit grant program. The Mayor and City Council unanimously approved Resolution No. 2022-26, allocating \$4,000,000 for the funding of the Small Business Grant Program.

Staff implemented Council's direction to develop a Small Business and Non-Profit Grant Assistance Program for San Bernardino based organizations. In collaboration with the Inland Empire Small Business Development Center (SBDC), staff established the framework for grant assistance to businesses and organizations that were negatively impacted by COVID-19 or are qualified as an "underserved small business group." In order to provide the greatest small business and non-profit support, the program requires applicants to participate in business training offered by the SBDC at no cost to the applicant.

On August 2, 2023, the Mayor and City Council approved a program reallocation of \$873,700 of ARPA funds from the Small Business Grant Program to the Entrepreneurial Development Services and Resource Center (the "ERC", also known as the Aspen Institute Initiative). The task of establishing the ERC and insuring a minimum operating period of three years required a total investment of \$1,873,700 from the City of San Bernardino. This allocation reduced the total available funds allocated to the Small Business Grant program to \$3,126,300.

During the first round of the Small Business Grant Program, the City of San Bernardino awarded \$2,575,000 of the available \$3,126,300 in grant funding to 105 local small businesses and non-profit organizations. Individual grant award amounts varied from \$10,000 to the program maximum of \$35,000. A total of 87 local small businesses and 18 non-profit organizations received grants during the first round of funding. The first round of funding for the Small Business Grant Program closed leaving a remaining fund balance of \$551,300.

On March 6, 2024, the Mayor and City Council approved the Second Round of the Small Business Grant program, amending the proposed grant award amounts to \$5,000 and \$10,000.

Discussion

The City of San Bernardino's small business community continues to face significant challenges due to the lingering impacts of the COVID-19 pandemic. The initial round of funding provided essential relief to 105 grant recipients. Despite these efforts, many local businesses continue to struggle and fully recover.

Staff opened the second round of the Small Business Grant Program on May 1, 2024. Since this time, the City has received 101 applications, with 29 being deemed eligible for grant funding. Round two of the Small Business Grant Program currently has a total of \$551,300 of funds available to distribute to San Bernardino businesses.

The current award amounts authorized by Council (\$5,000 & \$10,000) would fail to exhaust the remaining program funds of \$551,300. Staff is hereby recommending that Council consider increasing the grant awards to \$10,000 & \$20,000. A higher grant award amount will make a significant difference in ensuring the sustainability of these vital small businesses. Providing larger grants will address the substantial financial

gaps that many businesses are experiencing, allowing them to invest in critical areas such as staffing, inventory, and working capital.

Small Business Program Grant award structure, Round Two:

Current Grant Thresholds:

Grant Award

- For Profit Small Business - \$5,000 - \$10,000

ELIGIBLE BUSINESS GROSS REVENUE (2019, 2020, 2021, or 2022 taxable year)	GRANT AWARD AVAILABLE PER BUSINESS
Annual gross revenue under \$50,000	\$5,000
Annual gross revenue equal or greater than \$50,000 up to \$2,500,000	\$10,000

Proposed Amended Grant Thresholds:

Grant Award

- For Profit Small Business - \$10,000 - \$20,000

ELIGIBLE BUSINESS GROSS REVENUE (2019, 2020, 2021, or 2022 taxable year)	GRANT AWARD AVAILABLE PER BUSINESS
Annual gross revenue under \$50,000	\$10,000
Annual gross revenue equal or greater than \$50,000 up to \$2,500,000	\$20,000

The successes experienced during the first round of the Small Business Grant Program highlights the demand of implementing such grant programs. The need for further assistance is well supported by the overwhelming response of applications received during round two of the Small Business Grant Program. Increasing the grant award amounts enables the City to make a more meaningful difference in the lives of small business owners and their employees, fostering a stronger, more resilient community.

2021-2025 Strategic Targets and Goals

The use of the American Rescue Plan Funds, as outlined, aligns with Key Target No.3. Improved Quality of Life by investing in businesses and services that positively impact the San Bernardino community; and Key Target No. 4. Economic Growth and Development by investing in the economic development of local San Bernardino-based businesses.

Fiscal Impact

There is no impact to the General Fund. The proposed action will expend the remaining fund balance allocated to The Small Business Grant Program of \$551,300.

Conclusion

It is recommended that the Mayor and City Council of the City of San Bernardino, California amend the Small Business Grant Program, Round Two, increasing the award amounts from \$5,000 & \$10,000 to \$10,000 & \$20,000.

Attachments

Attachment 1 – Original Small Business Grant, Round Two Guidelines

Attachment 2 – Amended Small Business Grant, Round Two Guidelines

Attachment 3 – US Treasury ARPA Guidelines

Attachment 4 – Resolution No. 2022-26, ARPA Fund Allocations

Attachment 5 – PowerPoint

Ward:

All Wards

Synopsis of Previous Council Actions:

August 4, 2021	Mayor and City Council received a report and discussed the allocation of American Rescue Plan funds.
October 20, 2021	Mayor and Council adopted Resolution 2021-247 which committed American Rescue Plan funds to eligible projects and programs, and amended the 2021/22 Budget by \$8,160,000.
February 2, 2022	Mayor and Council adopted Resolution 2022-26 which committed American Rescue Plan funds to eligible projects and programs.
September 21, 2022	Mayor and Council approved Round One Small Business and Non-Profit Training & Grant Program Guidelines
March 6, 2024	Mayor and Council approved Round Two Small Business Training & Grant Program Guidelines