

Date: August 19, 2020
To: Plano City Council
From: Brandi Youngkin
Subject: Small Business Grants – Phase 2

Summary The Collin County Commissioners Court reached a consensus on Monday, August 17, 2020 to run a countywide small business grant program of up to \$25,000 per business with total funding between \$15-20 million. The Court anticipates utilizing the National Council for Community Development (“NCCD” or “NDC”) to administer the program. Final details, including a third party administrator contract, should be approved at the Collin County Commissioners Court meeting next Monday, August 24, 2020. If approved, funding could be distributed to businesses by the end of September.

The Court reached general consensus on the items below:

- a. Program is available to ALL small businesses in Collin County (inside and outside of cities) with the exception of those located in the City of Dallas.
- b. A small business is defined as having revenues of less than \$5 million and 100 FTE’s.
- c. Businesses that previously received local CARES Act funding are eligible to apply and receive up to a total of \$25,000 combined from the programs. Example: A business that received \$15,000 from the McKinney program, is eligible to receive an additional \$10,000 from the County program.

The County asked that the cities assist with the marketing of this program in the same manner as the other Collin CARES programs.

Background According to a recent U.S. Census Bureau’s Small Business Pulse Survey (most recently conducted the week of June 21-27):

- Over 80% of Texas businesses reported that COVID-19 had a moderate or large negative effect on their business;
- 45% of Texas businesses reported decreased weekly revenues (in mid-April, 75% of Texas businesses reported decreased weekly revenues);
- Over 60% of Texas businesses thought it would take an additional 4 or more months to return to normal business operations;
- ~73% of Texas businesses had received PPP funding; and
- Less than 4% of Texas businesses had received funding from state or local programs.

Below are a list of considerations for offering a second round of small business grants.

- Businesses are continuing to struggle to attain pre-pandemic revenues, despite decreased operational restrictions
- Businesses that received Paycheck Protection Program (PPP) funds in April/May have expended those funds

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- Many businesses owned by people of color and women were left out of PPP; they did not have strong banking/accounting relationships and were denied PPP loans or declined to apply; many of these businesses are home-based
 - Business owners are exhausted – they are trying to manage their business, adapt to new operational restrictions/requirements, and obtain funding/financing to allow their business to continue to operate
 - CARES Act funding is “use it or lose it”
 - Program should:
 - Be easy to understand
 - Small business owners should know exactly how the maximum grant is calculated, the eligible uses for grant funds, and the documentation required to be submitted
 - Many business owners are unable to hire an accountant to apply on their behalf; they are completing grant applications on their own and after hours (and they may not have easy access to required documents)
 - Many business owners felt confused by the changing regulations regarding PPP; they are wary of programs that are complex and might lead to misunderstandings/repayments
 - Allow for small businesses to qualify for the maximum amount of grant available
 - Allow grant funds to be used for working capital, including payroll, rent/mortgage expenses, PPE, marketing, etc.
 - Each small business has been uniquely affected by COVID-19 and its impact on business revenues and expenses (i.e. landlord’s agreement to waive/defer rent, significant PPE costs, new/expanded online presence)
 - Allow as many businesses as possible to be eligible
 - Home-based businesses, non-profits, and franchises contribute to economic output and many of these businesses are employers

Below is a list of positive reasons for a Third-Party Administrator (“TPA”).

- A TPA will manage the pre-application/full application process:
 - Design marketing materials including flyers, FAQs, and infographics;
 - Respond to applicant’s questions via email and telephone;
 - Conduct initial eligibility screening; and
 - Conduct lottery, if needed.
- A TPA will process and underwrite all full applications, including:
 - verifying eligibility for the program including business location, time in business, business structure, number of employees, identification of owners, etc.;
 - determining maximum grant amount by verifying supporting documentation and will review application for red flags in tax returns, bank statements, business formation paperwork, etc.;
 - reviewing the work of Processors and Underwriters to ensure consistency and quality of work; and
 - reviewing the SAM, CAIVRS, and OFAC/Treasury databases to ensure that business/business owner is eligible to receive federal funding and perform any other required delinquency verification (bankruptcy, property tax liens, franchise account status, etc.).
- A TPA will ensure that grant agreements are signed and funds are timely disbursed.