



# **Economic Development Presentation**

*Economic Development Committee*  
*SMALL BUSINESS RELIEF PROGRAM*

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# COVID 19 IMPACT ON SMALL BUSINESSES

## U.S Department of Commerce Small Business Index-June Report

- 55% percent of small businesses believe it will take six months to a year before the U.S. business climate returns to normal
- 71% are concerned about financial hardships as a result of reduced business activity
- 19% of those remain temporarily closed as a result of insufficient demand for products/services.

## Outlook for Houston, although trending positive from last month, is bleak as well

- A Greater Houston Partnership survey showed
  - 91% of member businesses with 500 or fewer employees have lost revenue
  - More than one-third have laid off workers and about half said they were not paying employees during the slowdown.
  - Four in 10 businesses said they can survive the slowdown for only four weeks or less.

## Office of Business Opportunity June Financial Pulse Survey (178 Businesses)

- 58% secured Paycheck Protection Program funds; 40% of those found funds to be sufficient
- 30% secured SBA Economic Injury Disaster Loan funds – 15% of those found funds to be sufficient.



## CITY'S RESPONSE TO ASSIST IMPACTED SMALL BUSINESSES

As a response to the decline in consumer activity and its impact on small businesses, the Office of Business Opportunity, the Housing Community and Development Department and the Office of Economic Development are proposing 2 programs to support small businesses using various funding sources including:

- CARES Act Funds
- Section 108 Funds



Each proposed program is intended to provide financial resources to those businesses that:

- Were ineligible for other federal, state and/or local loan programs or were eligible but did not receive sufficient funds; and
- Can demonstrate the need and uses of funds to mitigate the impact of the crisis and move towards recovery.



## TARGETS FOR SMALL BUSINESS LOANS/GRANTS

- I. Micro Small Businesses**
- II. Mid Small Businesses**
- III. Small Businesses**





# MICRO SMALL BUSINESSES

## Micro Small Businesses:

- These businesses on average have **five or fewer employees (including the owner) with annual sales and assets valued at less than \$250,000.**
- This segment of small businesses is comprised of businesses that have limited financial resources with very limited liquid assets and ability for repayment of a loan.
- These businesses are most at-risk of closure in the event of shocks in the economy.
- May include catering, event planning, childcare and house cleaning businesses. Usually also includes businesses that may be described as “mom and pop” shops.





# MID SMALL BUSINESSES



## Mid Small Businesses

- These businesses on average have **fifteen or fewer employees (including the owner)** with annual sales and assets valued at **less than \$1,000,000.**
- This segment of small businesses is comprised of businesses that have a moderate amount of financial resources with a moderate ability for repayment of a loan.
- These companies are at risk of closure, significantly reducing employees or reducing services or goods delivered.
- May include boutique apparel, professional service firms, recruiting companies and restaurants.



# SMALL BUSINESSES

## Other Small Businesses

- These businesses on average have **greater than 15 employees (including the owner) with annual sales and assets valued greater than \$1,000,000.**
- This segment of small businesses is comprised of businesses that have considerate resources with a stronger ability for repayment of a loan.
- These companies are at risk of reducing employees or reducing services and goods delivered.
- May include technology, manufacturing and construction companies.





# OBO GRANT/LOAN PROPOSAL



## Small Business Economic Relief Program

- OBO will oversee the administration of a CARES Act funded \$15 million grant and/or loan program for businesses located within the city.
- Funds from this Program will be allocated funds across all of Houston's communities, to for-profit businesses and chambers of commerce except where expressly prohibited.
- The Program will serve micro, macro and small businesses impacted by COVID-19 to cover working capital costs, such as payroll, accounts payable, rent, mortgage and other necessary expenses.
- The goal is to be a resource that businesses economically impacted by COVID-19 may leverage to sustain their operations during and after the pandemic.





# OBO GRANT/LOAN PROPOSAL

CARES Act requires that funds only be used to cover expenses that:

- are necessary expenditures incurred due to the public health emergency with respect to COVID-19;
- were not accounted for in the City's budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act); and
- were incurred during the period that begins on March 1, 2020 and ends on December 30, 2020.

## **Small Business Economic Relief Program Eligibility Requirements**

Company must:

- Be located within city limits and be in existence for at-least one (1) year;
- Generate \$2 million or less in gross annual revenue;
- Have 15 or fewer employees; and
- Be in good standing with city requirements, including all tax payments.

All companies must provide documents verifying their eligibility pursuant to the established requirements.



# PRIORITIZATION FOR OBO GRANT/LOAN FUNDING

## Proposed prioritization criteria for equitable distribution of funds:

- **Geography:** funds should be allocated across the city, ensuring businesses located in Complete Communities and/or low- or moderate-income (LMI) geographic areas are able to participate
- **Employee Makeup:** Businesses for whom at least 50% of their employees are LMI individuals.
- **Resiliency:** Businesses that demonstrate a strong chance of remaining open post-COVID-19.
- **Access to Capital Challenges:** Businesses with demonstrated challenges with obtaining business financing through traditional financial sources.
- **Insufficient Funding:** Businesses who have received other funds which did not objectively meet their needs.



# ELIGIBLE BUSINESSES AND PERMITTED USE OF FUNDS

## Eligible Businesses:

- All for-profit businesses, except those engaged in illegal activities; speculation; multi-level pyramid sales; gambling; investment or lending; sexual or adult-oriented themes; liquor, smoke or CBD sales; non-profit or religious services; and those businesses which were not ordered to close
- Chambers of Commerce - An important part of the business development and support ecosystem.

## Eligible Use of Funds:

- Payroll, accounts payable, rent, mortgage, PPE for employees, marketing strategies, including creating an online presence and other sales alternatives
- Sourcing from alternative suppliers for supplies/materials that cost more
- Other bills and expenses incurred prior to or due to economic injury and
- New measures (e.g., plastic sneeze guards, better ventilation, high-efficiency air filters, drive-up windows, implementing delivery services, etc.) to adapt to COVID-19 conditions.
- Other reasonable uses will be considered where the business can demonstrate expenditures related to the costs of business interruption caused by required closures or an expense that qualifies as an eligible expenditure under section 601(d) of the Social Security Act.



# SELECTION OF A COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION

## CDFI as OBO Grant/Loan Administrator:

- Community Development Financial Institutions are private institutions that are dedicated to providing affordable lending to help low-income, low wealth and other disadvantaged people and communities access economic resources.

## Selection of CDFI:

- City has requested proposals from local CDFIs to determine the most qualified and cost-conscious administration partner

## Priority Considerations:

- CDFI's capacity to administer Program within timeline necessary to meet the CARES Act December 30, 2020 expenditure deadline.
- Proposed plan for administration of Program including marketing strategy, accepting and processing applications electronically, application review criteria and regular progress reporting to OBO.
- Ability to provide technical assistance to grant/loan recipients focusing on areas such as resiliency, financial health and growth.



# TIMELINE FOR OBO PROGRAM

July 1, 2020

- Selection of CDFI

Mid-July

- Council Agenda

After Council Approval

- Applications Open
- Funds Disbursed by October 1, 2020



# HOUSTON ECONOMIC INJURY MICROENTERPRISE LOAN PROGRAM

- The Houston Economic Injury Microenterprise Loan Program (HEIMLP) is being developed to provide affordable loans for microenterprises impacted by COVID19.
- A microenterprise is defined as a business with 5 or fewer employees, including the owner.
- The program will be administered by HCDD under Section 108 of Title I of the Housing and Community Development Act of 1974, as amended.
- The city will submit a request to HUD for a \$10M authorization increase and funding for the HEIMLP.
- HCDD seeks to make a targeted investment to provide relief to impacted small businesses least likely to obtain relief from other sources of relief capital in order to address disparities exacerbated by COVID19.



# HOUSTON ECONOMIC INJURY MICROENTERPRISE LOAN PROGRAM

- **Funding Source:** HCDD Section 108 funding authority; supplementary funds as needed to support comprehensive program design.  
Note: If approved, HCDD will represent the primary borrower and will be required to repay if small businesses default on loans
- **Amount of Funding:** \$10M.
- **Loan Value:** Individual loans between \$5,000 - \$35,000
- **Repayment Structure:** 6% interest secured loan, up to 5 years of amortized payments terms (similar repayment structure to SBA).
- **Eligibility Requirements:** In order to apply, company must be located within city limits and established prior to March 1, 2020. The company must generate greater than \$0 but less than \$250,000 in gross annual revenue\*, have 5 or less employees and be in good standing with city requirements, including all taxes. All companies must provide documents verifying their compliance with program guidelines.

\* Annual revenue and number of employees criteria may change if business needs dictates



# ELIGIBLE BUSINESSES AND PERMITTED USE OF FUNDS

## ➤ **Eligible Businesses:**

All for-profit businesses, except those engaged in illegal activities; speculation; multi-level pyramid sales; gambling; investment or lending; sexual or adult-oriented themes; liquor, smoke or CBD sales; non-profit or religious services; and those businesses which were not ordered to close.

Company cannot be a recipient of a PPP, other CARES or federal, state or local award.

## ➤ **Eligible Use of Funds:**

Loan proceeds may be used for equipment, machinery, inventory, and working capital costs defined as payroll, rent and utilities.





# LOAN ADMINISTRATION

## ➤ CDFI as Loan Administrator:

- Community Development Financial Institutions are private institutions that are dedicated to providing affordable lending to help low-income, low wealth and other disadvantaged people and communities access economic resources.

## ➤ Selection of CDFI:

- The Housing Community and Development department will request letters of interest/qualifications from a list of local and national CDFI's to determine the most qualified and cost conscious administration partner



## TIMELINE FOR HCDD SECTION 108

July 1, 2020 – October 2020

- HUD Program Guidelines and Funding Approval
- Selection of CDFI

November 2020

- Council Agenda to Approve CDFI

January 2021

- Applications Open



# COMPLEMENTARY LOAN PROGRAMS OR PROPOSALS

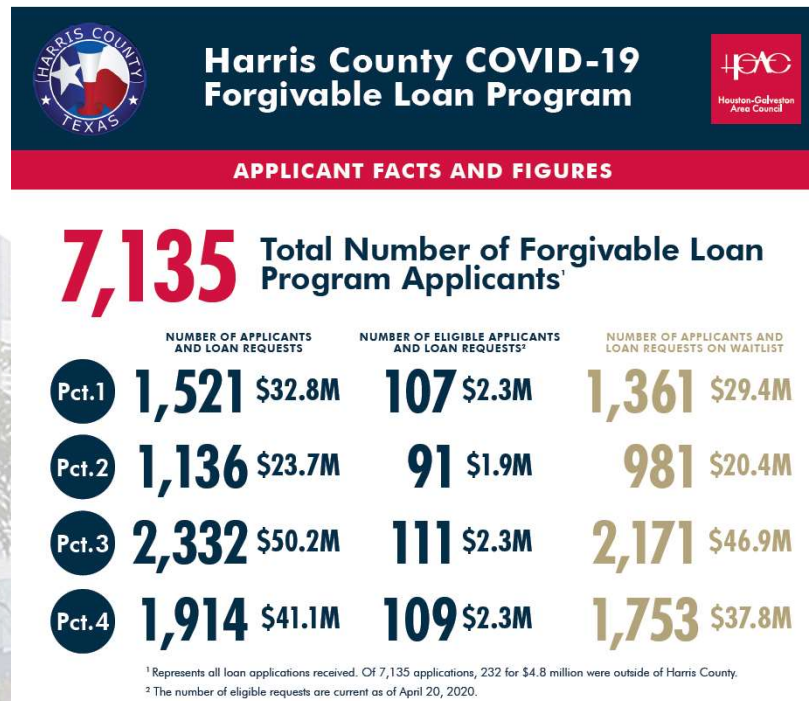
- **Harris County Small Business Loan Program**
- **Harris County Galveston Local Development Corp RLF**



# Harris County COVID-19 Loan Program

## Loan:

- For businesses with net worth of \$15M or less and \$5M or less after federal taxes for preceding 2 years after the application
- Up to \$25,000 Forgivable Loan
- \$10M total Loan Pool





# Harris Galveston Area Loan Development Corporation

## ➤ HGALDC:

- Bridge Loan Program up to \$25k for small business awaiting disaster relief from the Small Business Administration (SBA)
- Meet payroll, leasing or mortgage, utilities, and other business related expenses

## ➤ HGALDC EDA Regional RLF Grant :

- The entity has submitted a regional grant of approximately \$2M to recapitalize its existing Revolving Loan Fund. Funding expected within the next few weeks.
- Will be supported by regional partners including City of Houston and Qualifying Houston Businesses will be eligible to apply
- Loan Value up to \$300,000. Most will average about \$100,000 more or less.
- Loan Terms
  - 4% interest rate. We are working on a 0% rate for the first year.
  - 5-10 year terms
  - Economic Development Goal - Must create or retain 1 job for every \$75,000 lent (\$120,000 for manufacturing businesses).
- Due to significant need in the area, H-GALDC is considering an additional recapitalization.



# Harris Galveston Area Loan Development Corporation

## HGALDC SBA 504:

- The H-GALDC is also a Certified Development Corporation through the US Small Business Administration. They offer loans through the SBA's 504 program. These are loans for fixed assets, such as real estate, land, buildings and long-term equipment.
  - Interest rates as low as 2.6%!
  - Long terms of 20 -25 years = low payments
  - Loans may be up to \$5,000,000 or more.
  - Most average about \$1,000,000.
  - Economic Development Goal - Must create or retain 1 job for every \$75,000 lent (\$120,000 for manufacturing businesses).



# Bank of America Grant Program

- **General Description:**

- In 2020, the Bank of America Charitable Foundation will issue two requests for proposals (RFPs) on the priority focus area of ECONOMIC MOBILITY:

- First RFP in January focused on the needs of the community by addressing economic development and social progress
- Current RFP focuses on access to housing and building vibrant communities addressing small business support, commercial corridors, neighborhood preservation

- Office of Economic Development is exploring a grant submission to complement the small business programs or other viable economic development project

- Currently assessing program guidelines for viable projects

- Initial consideration was to leverage this loan to the HCDD program to reduce interest and create loan reserve
- Will explore other eligible projects and engage grant writer



# Economic Development Administration (EDA)

## ➤ EDA CARES ACT:

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, [signed into law](#) by President Donald J. Trump on March 27, 2020, provides the Economic Development Administration (EDA) with \$1.5 billion for economic development assistance programs to help communities prevent, prepare for, and respond to coronavirus.

The EDA grant examples include:

- Economic recovery planning and preparing technical assistance
- Preparing or updating resiliency plans to respond to future pandemics
- Implementing entrepreneurial support programs to diversify economies
- Constructing public works and facilities that will support economic recovery
- The deployment of broadband for purposes including supporting telehealth and remote learning for job skills.





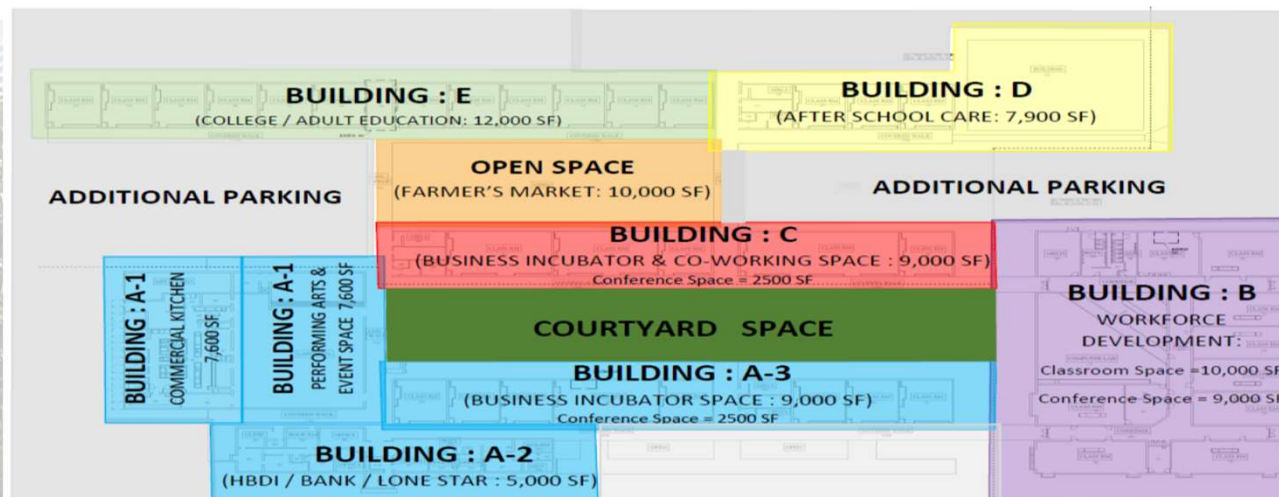
# EDA Grant Proposals

## ➤ Bethune Empowerment Center (Eco Dev):

The Bethune Empowerment Center (BEC) will be a centralized workforce and economic development hub in the Acres Home community. It will comprise a coalition of partners to provide job training apprenticeships, small business incubators and resources and affordable co working spaces. The project will comprise of 5 distinct buildings with 7 distinct uses and spaces and developed in 3 phases.

- Phased development of coworking and traditional office space, commercial kitchen, workforce development, early childhood development and meeting spaces.
- The BEC's estimated budget to build out the building is \$3-5M per phase.
- The City of Houston will form a partnership with the City's Office of Business Opportunity (OBO), and the Houston Business Development Inc. (HBDi), Homebuilders Institute, and Texas Culinary Center.

## BETHUNE EMPOWERMENT CENTER MAP





# EDA Grant Proposals

➤ **Gulfton Textile Lab/Commercial Kitchen (Eco Dev Coordinator):**

Collaboration with the non-profit Connect Community and St. Luke's United Methodist Church and the proposed development will include multifamily mixed income housing, a textile small business incubator and a commercial kitchen.

- 7,000-10,000 sf textile makerspace and incubator for small businesses in Gulfton
- CNC textile equipment for cut and sew fabrication, classrooms for digital technology and small business development
- Commercial kitchen will offer job training programs for youth in culinary arts and cottage food incubators
- \$3M investment for lab and kitchen



**GULFTON  
TEXTILE  
LAB**



# OBO COVID-19 Resource HUB



## COVID-19 RESOURCE HUB

OBO’s website was revamped in March 2020 to help Houston business owners and citizens quickly access information related to the following:

- Health Updates from Credible Sources (City, County, Federal, CDC)
- CDC Guidance for Businesses
- PPP Loan Information & Webinars
- Alternate Revenue Solutions
- Unemployment Information

**OFFICE OF BUSINESS OPPORTUNITY**

COVID-19 Related Information

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**Business Opening Resources**

- Houston Testing Sites and Requirements (.pdf)
- CDC Guidance for Businesses
- City of Houston COVID-19 Information & Updates
- Harris County Novel Coronavirus (COVID - 19) Hub

**COVID-19 Related Emergency Financial Resources for Small Businesses**

- PPP Loan Forgiveness Spreadsheet by Vistra Energy (.xlsx)
- Small Business Success with PPP (.pdf)
- List of Participating Paycheck Protection Program Lenders in Texas as of April 23, 2020
- Preparing for Paycheck Protection Program (PPP) Loans
- Faith-Based Organizations FAQ Regarding Participation in SBA loans under the PPP and EIDL programs
- Paycheck Protection Program: Borrower Application Form
- Find Eligible Paycheck Protection Program Lenders
- NextSeed Co
- How to Calculate
- COVID-19 re
- SBA Corona
- Translated r
- Micro Loans
- Liftfund: CO

**COVID-19 Related Small Businesses Programs, Webinars, and Other Resources**

*This does not constitute the Office of Business Opportunity's endorsement of any business or organization.*

- Free PPP Loan Webinar - June 3, 2020 & June 4, 2020
- Guide To Reopening Businesses from Baylor College of Medicine (.pdf)
- Small Business Development Center (SBDC) Virtual Business Advising
- ICIC Small Business Resource Center
- Resources for Restaurateurs, Grocers, and Hospitality-Related Businesses

**COVID-19 Related Resources for Individuals**

- Texas Unemployment Benefits Services
- IRS Economic Impact Payments: What you need to know

# 1500+

*Unique Impressions*

*Since Inception*



*Thank You*



*Questions?*