

**CITY COUNCIL
AGENDA REPORT**

MEETING DATE: 04/07/2020
AGENDA HEADING: Regular Business

AGENDA DESCRIPTION:

Consideration and possible action to approve a Small Business Financial Assistance Plan in response to COVID-19.

RECOMMENDED COUNCIL ACTION:

- (1) Provide Staff direction to implement a Small Business Financial Assistance Plan for certain Rancho Palos Verdes businesses, using one or any combination of the proposed options.
- (2) If selected as an option, adopt Resolution No. 2020- __, authorizing and approving a one-time only refund in the required Business License Taxes collected from certain defined small businesses in response to the COVID-19 local emergency and in implementation of City Council Resolution No. 2020-11.

FISCAL IMPACT: Unknown at this time.

Amount Budgeted:	\$0
Additional Appropriation:	N/A
Account Number(s):	N/A

ORIGINATED BY: Angelina Garcia, Interim Director of Finance

REVIEWED BY: Same as above

APPROVED BY: Ara Mihranian, AICP, City Manager

ATTACHED SUPPORTING DOCUMENTS:

- A. Resolution No. 2020-__ (page A-1)
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BACKGROUND AND DISCUSSION:

On March 11, 2020, the World Health Organization declared that the coronavirus (COVID-19) outbreak was a pandemic. On March 13, 2020, President Trump declared a national emergency due to COVID-19. On March 17, 2020, the City Council adopted Resolution No. 2020-11, declaring a local emergency and providing the City additional powers to coordinate local efforts, and identify and procure resources needed to effectively address the emergency as needed. On March 19, 2020, Governor Newsom and the County of Los Angeles issued the "Safer at Home" order, which is effective until April 19, 2020, unless extended.

In response to the County and State orders, all nonessential businesses were required to close and restaurants were required to change their operations by only allowing take-out and delivery services. The Terranea Resort, Trump National Golf Club, and America's Best Value Inn closed for business after the "Safer at Home" order was issued. As a result of the closures or modified operations of certain City businesses, Staff began exploring if and how the City can assist its businesses during the COVID-19 pandemic.

Businesses in the City vary in many characteristics, including sales (gross receipts) and number of employees, to name a few. Generally, there are service-oriented businesses, such as retail, restaurants, and fitness studios; and professional office services, such as medical, realtors, and accounting offices. For the purposes of the proposed financial assistance plan, Staff recommends that assistance be offered to the City's small businesses that provide retail, food and other similar services to the community from a physical ("brick-and-mortar") location in the City, with gross (sales) receipts of less than \$1.5 million in 2019.

Based on City records, there are approximately 189 of businesses in the City that may meet these criteria. By comparison, there are nine businesses that generate \$1.5 to \$5 million, five businesses that generate \$5 to \$10 million, eight businesses that generate \$10 to \$50 million, and one business that generates more than \$50 million per year in gross receipts.

Based on the forgoing discussion, Staff proposes that the City Council consider one or any combination of the following options to provide temporary financial assistance to City-defined small businesses during the current COVID-19 crisis.

1. One-Time Refund of the 2020 Business License Tax

In FY19-20, the City budgeted \$904,000 in Business License Taxes (BLT). Currently, the City has received over \$800,000 in BLT. Of this amount, the City received slightly over \$450,000 in BLT from 212 businesses located within the City. The intent of the BLT is to partially offset the cost of providing City services such as public roads and other City infrastructure.

The BLT is calculated based on gross receipts received within the last 12 months plus a base tax of \$76. About 4% of the businesses in the City generate \$1.5 to \$5 million in gross receipts, about 2% of the businesses generate \$5 to \$10 million, another 4% generate between \$10 to \$50 million, and the remaining 89% of local businesses generate less than \$1.5 million in gross receipts.

Since most in-City businesses are currently closed or operating under uncertain limitations for the foreseeable future, the City Council may consider directing Staff to issue a one-time only refund of the BLT paid by small businesses for the 2020 calendar year. Such a refund could essentially be considered an overpayment and pursuant to Section 5.04.230 of the Rancho Palos Verdes Municipal Code:

“No refund of an overpayment of taxes imposed by Municipal Code Section 5.04 shall be allowed in whole or in part unless a claim for refund is filed with the City within a period of one year from the last day of the calendar month following the period for which the overpayment was made, and all such claims for refund of the amount of the overpayment must be filed with the City on forms furnished by him and in the manner prescribed by him. Upon the filing of such a claim and when he determines that an overpayment has been made, the City may refund the amount overpaid”.

A refund will provide businesses affected by COVID-19 to receive immediate assistance from the City while they seek relief from State and Federal agencies (as described under the “Additional Information” section of this report). The affected businesses can send a refund request to the City via email with the following information:

- Short statement for the request
- Business name
- Contact information
- Proof of payment of their 2020 Business License Tax

If this option is selected by the City Council, Staff will immediately begin reaching out to qualifying businesses to implement this program.

The financial impact of this option is a reduction in the BLT revenue in the amount not to exceed \$65,000, less than 1% of the unrestricted surplus in 2019. Staff believes this is sustainable under current conditions because there is a sufficient General Fund unrestricted surplus to absorb this reduction to our General Fund Revenues. Additionally, as this is a one-time reduction, future budgets would not be impacted.

While this is a refund of taxes already collected, Staff believes that the provision of this assistance plan fosters and promotes a public benefit for which it was enacted. Per Section 5.04.015 of the Municipal Code:

“The business license tax will contribute to the general fund, and will thereby partially offset the cost of providing city services, such as public roads and other public infrastructure and utilities”.

Providing this relief to business owners in an effort to ensure their ongoing operations, provides a continuation of BLT revenues from these businesses, but also helps to prevent the likelihood of the blight that could be caused if the businesses cease to operate due to the COVID-19 pandemic. If the City Council is inclined to approve this approach, the attached resolution would formally authorize this option.

2. Donations

Another option for City Council consideration would be to call on the Rancho Palos Verdes community to provide donations to assist local businesses that have been

financially impacted due to COVID-19. The most popular online crowdsource-funding platform, GoFundMe, offers a secure platform and has already set up a fund to help small businesses affected by COVID-19. Additionally, this organization has partnered with other companies (Intuit and Yelp) by contributing an initial \$1.5 million in donations to their Small Business Relief Initiative. The benefit to requesting contributions through this platform is that this is the most widely used site for crowdsource funding, and anyone (not just the Rancho Palos Verdes community) could donate.

Under this option, the City would administer the fund specifically for the benefit of the City's small businesses (as defined in this plan) and distribute proceeds to local businesses based on criteria set forth by the City. All donations accepted would be tax-deductible to the donors.

The financial impact of this option is the fees charged by GoFundMe: 2.9 percent payment-processing fee on each donation plus 30 cents per donation, which would be the City's cost to administer. As an example, if the City were to take in 1,000 donations for \$100 apiece (\$100,000 total), the fee paid by the City would be \$3,200. Based on the relatively low cost relative to the relief we can provide to the small business community, Staff believes the City can sustain this cost. Should the City Council consider making this effort cost-neutral, Staff could explore passing on the fees to the donation recipient.

3. CDBG Stimulus

The Los Angeles County Development Authority (LACDA) is exploring various opportunities to provide programs and services to support the resiliency of businesses across Los Angeles County. One idea being considered is to utilize Community Development Block Grant (CDBG) funds to provide loans and grants to low- and moderate-income owners of microenterprise businesses. A microenterprise business is a small business that has five (5) or fewer employees. These funds could be used for short-term working capital for operating expenses to retain jobs and support service delivery.

The City receives approximately \$140,000 in CDBG funds on an annual basis. These funds are currently programmed to fund capital project improvements, mostly curb-cut enhancements to provide accessibility in accordance with Americans with Disabilities Act (ADA) guidelines. Currently, the City has approximately \$30,000 in unspent funds available to repurpose to fund these loans. Loans would be subject to the interest rates and repayment terms established by CDBG, and interest earned is required to be allocated to future CDBG-eligible programs. It is not uncommon for CDBG loans to be issued bearing no interest. As the loan portion would eventually be repaid, the City would not necessarily have to forgo implementing future ADA-compliant curb-cut enhancements, as they would be timed based on loan repayment dates.

The financial impact of this option would be the remaining, unspent CDBG balance of \$30,000. However, should a borrower default, the City would need to find another

funding source for future capital project improvements. Absent CDBG funding, these projects would compete with others for Capital Fund reserves.

ADDITIONAL INFORMATION

In addition to the above-mentioned options, the following list of additional options to assist all of the City's businesses, including Federal and Local programs currently available to the small business community, is provided for discussion purposes.

State and Federal Resources for Businesses

State and Federal resources are currently available to help small businesses financially impacted by the COVID-19 crisis. In addition to the possible City programs described above, the following options are currently available to local businesses.

U.S. Small Business Administration (SBA) Economic Injury Disaster Loans

SBA's Economic Injury Disaster Loans offer up to \$2 million in working capital to assist small businesses in paying for fixed debts, payroll, accounts payable and other financial obligations and operating expenses that cannot be paid due to the financial impact of the COVID-19. The interest rate is 3.75% for small businesses and 2.75% for non-profits. SBA offers loans with long-term repayments in order to keep payments affordable, up to a maximum of 30 years. Terms are determined on a case-by-case basis, based on the borrower's ability to repay. If the business requests a loan over \$25,000, collateral may be required.

Applicants may apply online by visiting disasterloan.sba.gov/ela. The deadline to apply for an Economic Injury Disaster Loan is December 16, 2020. For additional information on the Economic Injury Disaster Loan, business owners should call (800) 659-2955 or email disastercustomerservice@sba.gov.

SBA Capital Loans

SBA also works with lenders to provide loans to small businesses. The agency doesn't lend money directly to small business owners but sets guidelines for loans made by its partnering lenders to make it easier for small businesses to get loans. Loans guaranteed by the SBA range from small to large and can be used for most business purposes, including long-term fixed assets and operating capital. For more information, business owners should visit sba.gov/funding-programs/loans.

California Infrastructure and Economic Development Bank (IBANK)

IBANK's Disaster Relief Loan Guarantee Program is currently available to small businesses needing assistance to overcome economic injury caused by COVID-19. Financial Development Corporation (FDC) partners throughout the State are assisting businesses in securing a 95% guarantee on bank loans of up to \$1 million. For

additional information on the Disaster Relief Loan Guarantee Program, business owners should visit ibank.ca.gov/small-business-finance-center.

Tax Assistance

Employers experiencing a hardship as a result of COVID-19 may request up to a 60-day extension of time from the California Employment Development Department (EDD) to file their state payroll reports and/or deposit state payroll taxes without penalty or interest. A written request for extension must be received within 60 days from the original delinquent date of the payment or return. For more information, business owners should call the EDD Taxpayer Assistance Center at:

Toll-free from the U.S. or Canada: 1-888-745-3886
Hearing impaired (TTY): 1-800-547-9565
Outside the U.S. or Canada: 1-916-464-3502

Transient Occupancy Tax Relief Credits

On an annual basis, the City receives approximately \$5.6 million in Transient Occupancy Tax (TOT), or 17.7% of the FY19-20 General Fund revenue budget. Of this, nearly 96% is received from one hotel: the Terranea Resort. The closure of both City hotels will undoubtedly impact this revenue base, both for the hotels and for the City. Recognizing the financial stress this places on the hotels, the City Council may ask Staff to come back at its next meeting (April 21, 2020) with a report to consider assisting the two City hotels with the payment of their TOT. This could either be in the form of deferring the timing of the TOT payments for the period during which they experience significant decline in occupancy, or offering these hotels short-term loans up to the amount of their calculated TOT payment, with interest equal to the LAIF rate or City average rate of return, as another measure to allow a deferral of the TOT.

CONCLUSION:

In an effort to provide financial assistance to those local small businesses experiencing a downturn in revenues and activity due to the COVID-19 pandemic, Staff has identified options for the City Council's consideration to financially assist the City's valued small business community. As such, Staff seeks direction from the City Council about implementing a Small Business Assistance Plan.

ALTERNATIVES:

In addition to the Staff recommendation, the following alternative actions are available for the City Council's consideration:

1. Take no action.
2. Provide Staff with further direction.

RESOLUTION NO. 2020-__

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RANCHO PALOS VERDES, CALIFORNIA, AUTHORIZING AND APPROVING A ONE-TIME ONLY REDUCTION IN THE REQUIRED BUSINESS LICENSE TAXES COLLECTED FROM CERTAIN DEFINED SMALL BUSINESSES IN RESPONSE TO THE COVID-19 LOCAL EMERGENCY AND IN IMPLEMENTATION OF CITY COUNCIL RESOLUTION NO. 2020-11

WHEREAS, in December 2019, an outbreak of respiratory illness due to a novel coronavirus (a disease now known as COVID-19) was first identified in Wuhan City, Hubei Province, China; and,

WHEREAS, COVID-19 is a respiratory disease that may result in serious illness or death and is easily transmissible from person to person, and according to the federal Centers for Disease Control and Prevention (“CDC”) as of March 29, 2020 there are over 120,000 confirmed cases of COVID-19 in the United States and over 2,100 deaths due to COVID-19 in the United States; and

WHEREAS, on March 4, 2020, the Governor declared the existence of a state of emergency in the State of California due to the threat posed by COVID-19; and

WHEREAS, on March 11, 2020, the Director-General for the World Health Organization declared that COVID-19 can be characterized as a “pandemic”; and

WHEREAS, on March 13, 2020, the President of the United States declared that the outbreak of COVID-19 in the United States constitutes a national emergency; and

WHEREAS, on March 14, 2020, the Governor issued Executive Order N-25-20, which ordered that “[a]ll residents are to heed any orders and guidance of state and local public health officials, including, but not limited to the imposition of social distancing measures, to control the spread of COVID-19”; and

WHEREAS, on March 17, 2020, the Rancho Palos Verdes City Council through Resolution No. 2020-11, proclaimed the existence of a local emergency, and confirmed and ratified the proclamation by the Director of the existence of a local emergency in response to COVID-19; and

WHEREAS, on March 18, 2020, the Los Angeles County Emergency Services Director further issued a Countywide Shelter at Home Order and Regulation No. 4 for the County of Los Angeles (“County”) that took effect on Thursday, March 19, 2020 at 5:00 p.m., and that was further amended and ratified by the County Health Officer on March 21, 2020; and

WHEREAS, on March 19, 2020, the Governor issued Executive Order N-33-20, including the Order of the State Public Health Officer mandating all individuals living in the State of California to stay home or at their place of residence except as needed to maintain continuity of operations of the federal critical infrastructure sectors, as outlined at <https://www.cisa.gov/identifying-critical-infrastructure-during-covid-19>; and

WHEREAS, the Governor, the State Public Health Officer, the Los Angeles County Emergency Services Director, and the Los Angeles County Health Officer have promulgated and issued, and will reasonably continue to promulgate and issue, various orders, rules and regulations concerning the COVID-19 state of emergency that are applicable within the jurisdiction of the City of Rancho Palos Verdes (“Orders”), pursuant to State and County law, including but not limited to the California Emergency Services Act (Gov. Code §§ 8550, *et seq.*) and the California Public Health & Safety Code §§ 101029, 120155, 120275, 120295; and

WHEREAS, in a short period of time, COVID-19 has rapidly spread throughout California, the County of Los Angeles, and the City of Rancho Palos Verdes, necessitating stringent public health emergency orders as well as guidance from federal, state and local authorities; and

WHEREAS, the COVID-19 pandemic continues to spread rapidly within California, the County of Los Angeles, and the City of Rancho Palos Verdes, continues to present an immediate and significant risk to public health and safety, and can result in serious illness or death, especially to vulnerable populations, including the elderly and those with underlying health conditions; and

WHEREAS, heightened levels of public health and safety planning and preparedness have been necessitated in preparation for and response to confirmed cases of COVID-19 in the County of Los Angeles, and rapid response not lending itself to otherwise applicable notice and approval timelines has been and will be necessary to respond to the rapidly evolving pandemic and to mitigate against the spread of COVID-19 and its resulting public health and safety impacts; and

WHEREAS, one of the many effects of the COVID-19 pandemic and the various state, county, and local declarations of local emergency, and the implementing orders flowing therefrom, is the economic distress that may be experienced by local businesses, particularly those not included in the 16 critical infrastructure sectors defined by PPD-2; and

WHEREAS, Californians in 16 critical sectors are to continue working. The 16 critical infrastructure sectors, as defined by Presidential Policy Directive 21 (PPD-21) are defined as those whose assets, systems, and networks, whether physical or virtual, are considered so vital to the United States that their incapacitation or destruction would have a debilitating effect on security, national economic security, national public health or safety, or any combination thereof; and

WHEREAS, examples of these essential services include pharmacies, grocery stores, takeout and delivery restaurants, and banks to name a few. While a portion of the City's business community falls within this category, there are a substantial amount that have been negatively impacted by the mandated closures, as they do not meet the definition of "critical infrastructure sectors"; and

WHEREAS, the courts have consistently recognized that actions to respond to an epidemic are "designed to promote the public interests, as opposed to the furtherance of the advantage of individuals" and that "[s]uch a determination of a public purpose is peculiarly the function of the Legislature, not of the courts"; and

WHEREAS, in order to provide relief from such economic distress, to promote the general welfare of the City's small business community, the provision of Municipal Code, Chapter 5.04, that apply to the taxes administered by the City of Rancho Palos Verdes shall be adjusted, on a one-time basis, as provided hereinafter so as to afford a Business License Tax refund to businesses that experience negative financial impacts as a result of COVID-19

NOW, THEREFORE, THE RANCHO PALOS VERDES CITY COUNCIL HEREBY RESOLVES, AS FOLLOWS:

SECTION 1. The foregoing recitals are true and correct and are incorporated herein as the findings of the City Council and the factual and legal predicate for the actions taken hereinafter.

SECTION 2. In order to mitigate the adverse impacts of the foregoing declarations of emergency, and implementing orders, during the pendency of such emergency on the "small businesses," as defined hereinafter, located with the geographic boundaries of the City of Rancho Palos Verdes, the Director of Emergency Services, acting by and through the Interim Finance Director, is hereby authorized and ordered to undertake the following tasks:

(1) upon request by a "small business," as defined hereinafter, refund the Business License Tax amounts paid for their Calendar Year 2020 Business License Tax pursuant to Rancho Palos Verdes Municipal Code, Chapter 5.04; and

(2) in order to affect such refund an impacted "small businesses" must request such, in writing, and provide following information:

- Short statement on the reason for the refund request
- Business name
- Contact information
- Proof of payment of the Calendar Year 2020 Business License Tax

(3) following a review of the information provided, issue, as warranted, and upon compliance with the following sections of this resolution, a refund for any payment of business license tax so evidenced; and

(4) for the purposes of such re-assessment, an eligible "small business" shall be defined as a "brick and mortar" business located with the geographic boundaries of the City of Rancho Palos Verdes that generated less than \$1.5 million in 2019 gross receipts.

SECTION 3. No refund of an overpayment of taxes imposed by Rancho Palos Municipal Code, Chapter 5.04, shall be allowed in whole or in part unless a claim for refund is filed with the City within a period of one year from the last day of the calendar month following the period for which the overpayment was made, and all such claims for refund of the amount of the overpayment must be filed with the City on forms furnished by him and in the manner prescribed by him.

SECTION 4. Upon the filing of such a claim the City's Director of Emergency Services, acting by and through the Interim Finance Director, may determine that an overpayment of taxes has been made. Upon such a determination, the Director of Administrative Services may authorize a refund the amount overpaid.

SECTION 5. This Resolution shall take effect immediately upon adoption of a majority of the entire membership of the Rancho Palos Verdes City Council at a duly convened virtual City Council meeting.

SECTION 6. The City Clerk shall certify to the passage and adoption of this resolution.

PASSED, APPROVED and ADOPTED on this 7th day of April, 2020.

John Cruikshank, Mayor

Attest:

Emily Colborn, City Clerk

State of California)
County of Los Angeles) ss
City of Rancho Palos Verdes)

I, Emily Colborn, City Clerk of the City of Rancho Palos Verdes, hereby certify that the above Resolution No. 2020-__ was duly and regularly passed and adopted by the said City Council at a regular meeting thereof held on April 7, 2020.

Emily Colborn, City Clerk