



Supporting Small Businesses During COVID-19 A Toolkit for Local Governments

May 2020

Overview

LISC offers our partnership to local cities as they aim to remake small business ecosystems in unprecedented times. During this difficult time, businesses that already faced barriers to traditional financing before the COVID crisis, including minority- and women-owned businesses and low and moderate income businesses, will face even greater challenges. We note that it is imperative to place a racial equity lens on recovery and resiliency efforts to ensure that diverse businesses aren't left behind. Given our nation's racial wealth gap, a pandemic of this nature is likely to have a deeper and more devastating impact on entrepreneurs of color, as we saw after the 2008 financial crisis. We have seven recommended areas that governments can prioritize to support their small business communities: deferring fees, instating a moratorium on evictions, providing technical assistance, forming public/private partnerships, investing with low cost capital, launching a 'Call for Data' campaign, and initiating a buy-local campaign.

Strategies

Defer all payments

We recommend deferring all payments due from small businesses until 2021 or beyond. This includes utility bills, taxes, fees, and outstanding loan payments. Business loans should be deferred, put into forbearance, or restructured in another way. Utility bills, business licensing fees, and taxes should be deferred. See case studies below on how San Francisco and Seattle are choosing to defer small business payments.

Case studies

The City of San Francisco deferred tax payments of Gross Receipts Tax, Payroll Expense Tax, Commercial Rent tax, and Homelessness Gross Receipts Tax until March 2021 for businesses with 2019 gross receipts of \$10MM or less. Annual license and permit fees on behalf of Department of Public Health, Fire Department, Police Department, Entertainment commission, and the Office of Cannabis extended fee deadline until June 2020. This will support more than 10K businesses.

The City of Seattle is similarly deferring taxes and fees for their small businesses. Seattle is deferring city business-and-occupation tax payments for some small businesses until late 2020. They are also keeping water and electricity services on while offering deferred payments on these utility bills.

Instate a moratorium on evictions

Cities across the country have either passed or are planning to pass motions that allow for a temporary moratorium on commercial evictions. It is important to note, however, that these moratoriums are not deferring rent payments, but rather prohibiting landlords from tenant evictions. Cities need to maintain other measures to encourage on-time lease payments when possible.

Case studies

On March 20th, Governor Andrew Cuomo announce a 90-day eviction moratorium. Under the order, no residential or commercial tenants can be evicted. Many other cities are also signing eviction moratoriums, including Hawaii, California, Delaware and Illinois.

Provide business assistance

Now more than ever, businesses need in-depth technical assistance. To the extent possible, we recommend providing virtual one-on-one meetings with businesses on how to navigate through this time. Topics to discuss include managing business plan restructuring, cash flow, bill payment relief, applying for low-cost capital, keeping the workforce safe, and creative customer retention strategies. With many small proprietors facing irrecoverable financial challenges during this crisis, technical assistance around exit strategies, including closing, selling or liquidating a business, will become increasingly important to ensure that proprietors are able to mitigate their personal debt upon closure.

Many businesses will now need help re-positioning their business model during this pandemic. National companies such as clothing brands (Christian Siriano, American Apparel, and Hanes) are making protective gear for hospital staff and automakers (GM, Ford, and Tesla) are producing ventilators. Small businesses have an opportunity to pivot as well. Some food-based businesses are serving as small grocery markets and breweries are producing hand sanitizer products. TA providers should help small businesses brainstorm on how they can use their current resources to provide much needed resources with little additional overhead costs.

Resources

[SBA Guidance & Loan Resources](#)

[Chamber of Commerce Small Business Guide](#)

[CDC Small Business Finance Resource Guide](#)

Form public-private partnerships

Local governments should partner with private companies to further enhance the small business lending environment. In addition to deploying low or no cost loans directly, governments can partner with local anchor institutions, supply chain organizations, or larger companies to invest in historically disinvested companies. Some example partnerships are highlighted below:

- Set up a specialty loan pool in which private companies can elect to participate on loans up to 99%
- Serve as the guarantor on loans made by other lending institutions or seek partners that can provide guarantees on government-issued loans
- Raise grant dollars from philanthropic institutions to serve as loan loss reserves

Case studies

Amazon established a \$5MM grant fund for businesses in the Bellevue, Washington and the South Lake Union and Regrade neighborhoods of Seattle. Businesses that rely on foot traffic and that have 50 employees or less, or that have less than \$7MM in revenue can apply. Additionally, Facebook has committed to offer 30K businesses \$100MM in grants and advertising credits.



Invest with low cost capital

Businesses are struggling to maintain the cash on hand necessary to keep themselves afloat. During this emergency, businesses need financing that can be deployed quickly and at low or no cost. We recommend that all cities establish an emergency loan fund for small businesses immediately. Capital can be deployed out of general operating funds, CDBG block grants, and/or EDA funds. Cities may choose to augment resources by leveraging private funds in addition to government dollars. Loans can be structured as recoverable grants or low-cost/no fee micro-loans with flexible terms. Funds may be deployed in-house or in partnership with community-based lenders, CDFIs, and community based organizations.

Case studies

The City of Los Angeles created a Small Business Emergency Microloan program in light of the pandemic. These loans range from \$5K to \$20K and have interest rate options of 0% for 6 months to a year or 3%-5% for 5 years. These loans do not come with any additional fees. Micro-enterprises in the City of LA that are low-income or will retain low-income jobs are eligible to apply. Small businesses in the City of LA are also eligible if they will retain low-income jobs. Loans can be used for working capital only. See additional loan requirements on EWDD website [here](#).

The City of Charlotte is partnering with LISC to use CDBG to establish the Charlotte Micro Business Relief Fund, which will provide \$1M in grants to small businesses to assist in meeting urgent needs, including ongoing operational costs such as payroll, vendors, utilities, and rent. The fund will support microenterprises (with five or fewer employees) in priority corridors identified in the City's development plan. Businesses must be low to moderate income per CDBG regulations.

Resources

[CDBG HUD Resources](#)

[Matching funding sources for economic development](#)

[Relief Fund Typologies](#)

Launch a 'Call for Data' campaign

We encourage local governments to launch a 'Call for Data' campaign in order to create a database of small businesses and to establish a direct line of contact with those that are most impacted by this pandemic. Key information, such as contact information, hours of operation, capital and TA support needed, and workforce status can be collected through electronic, mail-in, or phone-based surveys. Surveys can be implemented with the help of business chambers, TA providers, lending institutions, and local anchor organizations. Developing a small business database is a perfect opportunity to either upskill your current staff or hire a local tech company to help build out the database. Additionally, non-profit community-based organizations can serve as great partners to source the information and maintain the database.

Case study

As an example, see the City of Oakland's COVID-19 Business & Nonprofit Impact Data Survey [here](#). The database will arm local governments with a robust source of data-backed information that can be leveraged for external reports, philanthropic requests, and internal planning purposes. Furthermore, the database will prove useful even after the pandemic subsides as a way to stay connected with businesses and to monitor their economic progress over the coming years.



Initiate a buy local campaign

Once the information is collected on small businesses, cities can leverage the database to launch a buy local campaign for specific industry sectors. Example ideas for a food-based initiative could include the following:

- Launch a social media marketing campaign to encourage the community to support local restaurants (e.g. "Take-out Tuesday")
- Partner with Business Improvement Districts to develop virtual food events such as cooking classes or food education courses
- Support a diverse range of food-based businesses by initiating tailored campaigns in partnership with ethnic chambers (e.g. "Mediterranean Monday" or "Thai Tuesday")
- Educate the community on health standards being maintained by restaurants during the pandemic

Case studies

Topeka has launched the HOST Program (Helping Others Support Topeka) to support local businesses and those recently unemployed. The HOST program raises private and public funds to buy \$250 gift cards to support local businesses. Those gift cards are given to people unemployed by the virus. The program has raised \$481,000 in private funding and \$1 million in public funding.

Resources

[How to Build a Buy Local Campaign](#)

[How to Develop a Locally-Made Brand Platform](#)

[Social Media Strategies for Local Governments](#)
