



MEMORANDUM

Willi D. Drabky

TO: Timothy J. Baroody, Fredericksburg City Manager
FROM: Bill Freehling, Director, Economic Development and Tourism
RE: Business Assistance programs
DATE: July 9, 2020 (for July 14, 2020, meeting)

ISSUE

Should City Council adopt a small business assistance program and marketing program using CARES Act funding?

RECOMMENDATION

Council should allocate \$250,000 to business assistance grants and \$250,000 to a marketing program focused on publicizing the resumption of business activity in the City of Fredericksburg.

BACKGROUND

Fredericksburg City Council at its June 9, 2020, work session tentatively approved appropriating \$500,000 of its roughly \$2.5 million CARES Act allocation to a business-assistance program. Staff was asked to develop a proposal for how this program could work. City staff on June 16 vetted an initial proposal with the recently formed Business Assistance Committee (Mike Adams, George Snead, Michele Mansouri, Suzy Stone, Beth Black and Lee Murray) to get feedback on the program. That proposal was discussed with City Council at its June 23, 2020, meeting, and Council voted on the basic criteria for the grant program. Staff was asked to take applications and report back to Council on the results.

Staff used that criteria to develop a short grant application that ran between June 25 and July 6. Staff received 105 applications. Here are the basic criteria:

- Have one or more physical locations in the City of Fredericksburg, including the principal place of business. Home-based businesses qualify.
- Be current on all City tax obligations prior to March 1, 2020, and be fully permitted.
- Have been in business in the City of Fredericksburg with all appropriate permits and licenses since at least July 1, 2019.
- Gross receipts in 2019 cannot have exceeded \$2.5 million.
- Have been impacted by the COVID-19 pandemic.
- Be a for-profit business.

Council also asked staff at the June 23 meeting whether any of the money intended to be allocated to business-assistance programs could be used for marketing. Several businesses have told staff and Council members that this would be the most-effective form of assistance.

Based on additional guidance released by the U.S. Treasury Department, a portion of the funds could indeed be used for marketing that promotes the City's reopening from business closures related to the COVID-19 pandemic. Here is recently released language from a question-and-answer document released by the federal government (*italics added*).

May recipients use Fund payments to remarket the recipient's convention facilities and tourism industry?

Yes, if the costs of such remarketing satisfy the requirements of the CARES Act. Expenses incurred to publicize the resumption of activities and steps taken to ensure a safe experience may be needed due to the public health emergency.

Staff believes that a \$250,000 marketing campaign to publicize the safe reopening of tourism-oriented Fredericksburg small businesses and institutions (restaurants, retail stores, hotels, museums, art galleries, etc.) would be impactful, and as such the recommendation is to use half of the business-assistance funds for such a program. Professional assistance would be sought to help develop a successful marketing campaign.

The remaining half of the allocation, \$250,000, could go toward the business assistance grant program. That would equal the funds expended (\$250,000) on business grants made during an earlier round of assistance this past spring.

Staff recommends using a random drawing method to choose and disburse the business assistance grants. As discussed with Council at the June 23 meeting, this method would eliminate subjective bias and has been used by multiple Virginia localities. The public would be able to watch the drawings live or recorded to remove any doubt of fairness.

Staff recommends that qualifying businesses be divided into three separate buckets for the three drawings based on their 2019 gross receipts (pro-rated for those open for only part of 2019). These three below categories are consistent with how the City divides businesses when calculating business license taxes.

- **Category 1:** Businesses with 2019 gross receipts of less than \$100,000. **Businesses in this category could qualify for a \$2,500 grant.**
- **Category 2:** Businesses with 2019 gross receipts between \$100,000 and \$350,000. **Businesses in this category could qualify for a \$5,000 grant.**
- **Category 3:** Businesses with 2019 gross receipts of more than \$350,000, but no more than \$2.5 million. **Businesses in this category could qualify for a \$7,500 grant.**

Staff received the following approximate number of applications. These were being vetted as of the time of the memo publication to determine whether they met the basic criteria. Exact numbers should be available by the July 14 City Council meeting.

- **Category 1 (revenue of less than \$100,000):** 30 applications
- **Category 2 (revenue between \$100,000 and \$350,000):** 35 applications
- **Category 3 (revenue of more than \$350,000):** 40 applications

ITEM #11A

Staff recommends the following number of businesses from each category receive grants from the random drawing, for a total allocation of \$250,000. This would mean 45 businesses, or approximately 43 percent of the grant applicants, would receive funding:

- **Category 1:** 10 grants of \$2,500 each (\$25,000 total)
- **Category 2:** 15 grants of \$5,000 each (\$75,000 total)
- **Category 3:** 20 grants of \$7,500 each (\$150,000 total)

The random drawing could be held by July 17, and the checks could be disbursed the following week.

FISCAL IMPACT

This \$500,000 would be funded from the City's CARES Act allocation.

ATTACHMENT

Resolution



July 14, 2020
Regular Meeting
Resolution 20-__

MOTION:

SECOND:

RE: Adopting Two Small Business Assistance Programs Using CARES Act Funding

ACTION: APPROVED: Ayes: 0; Nays: 0

Fredericksburg City Council at its June 9, 2020, work session tentatively approved appropriating \$500,000 of its roughly \$2.5 million CARES Act allocation to a business-assistance program. Staff developed a proposal for how this program could work. That proposal was discussed with City Council at its June 23, 2020, meeting, and Council voted on the basic criteria for a grant program. Staff was asked to take applications and report back to Council on the results. Staff received 105 applications.

Council also asked staff at the June 23 meeting whether any of the money intended to be allocated to business-assistance programs could be used for marketing. Several businesses have told staff and Council members that this would be the most-effective form of assistance. Based on additional guidance released by the U.S. Treasury Department, a portion of the funds could indeed be used for marketing that promotes the City's reopening from business closures related to the COVID-19 pandemic.

Staff believes that a \$250,000 marketing campaign to publicize the safe reopening of tourism-oriented Fredericksburg small businesses and institutions (restaurants, retail stores, hotels, museums, art galleries, etc.) would be impactful, and as such the recommendation is to use half of the business-assistance funds for such a program. Professional assistance would be sought to help develop a successful marketing campaign.

The remaining half of the allocation, \$250,000, could go toward the business assistance grant program. Details are spelled out in a staff memo accompanying this resolution. That would equal the funds expended (\$250,000) on business grants made during an earlier round of assistance this past spring.

Therefore, the City Council of the City of Fredericksburg, Virginia, hereby resolves to adopt the two Small Business Assistance programs as laid out in the staff memo and to allocate \$500,000 of its CARES Act funding to the two programs.

Votes:

Ayes:

Nays:

Absent from Vote:

Absent from Meeting:

Clerk's Certificate

I certify that I am Clerk of Council of the City of Fredericksburg, Virginia, and that the foregoing is a true copy of Resolution No. 20- adopted at a meeting of the City Council held July 14, 2020, at which a quorum was present and voted.

Tonya B. Lacey, MMC
Clerk of Council