



**CITY OF ELK GROVE
CITY COUNCIL STAFF REPORT**

AGENDA TITLE: Consider a resolution establishing the Small Business Permit Assistance Program and authorizing the City Manager to take all actions reasonably necessary to implement and administer the Program

MEETING DATE: June 9, 2021

PREPARED BY: Luis Aguilar, Economic Development Specialist

DEPARTMENT HEAD: Darrell A. Doan, Economic Development Director

RECOMMENDED ACTION:

Staff recommends that the City Council receive information and adopt a resolution establishing the Small Business Permit Assistance Program and authorizing the City Manager to take all actions reasonably necessary to implement and administer the Program.

BACKGROUND INFORMATION:

On December 31, 2020, the Sacramento Regional County Sanitation District (SRCSD) Economic Development Treatment Capacity Bank Program was discontinued and no longer available to Elk Grove businesses. The purpose of the Treatment Capacity Bank Program was to encourage economic development by providing businesses with sewer credits that could be applied towards a business’s sewer connection fees at the time they connected a commercial project to the sewer system, resulting in significant cash savings. The sewer credits were provided and funded by SRCSD, who in turn provided a bank of credits to the City to distribute to businesses at its discretion. The program was administered for the City by the Economic Development Department. There was no cost to the City to participate in the program other than staff time.

From 2005 through 2020, the sewer credit program benefitted more than 190 mostly small Elk Grove businesses by providing them with over \$2.7 million in upfront cost savings on their business construction and tenant improvement projects. These new businesses created 4,800 new jobs over the last 15 years.

At the conclusion of the Economic Development Treatment Capacity Bank Program, the City received a cash-out of unused credits from SRCSD at the rate of \$1,462 per unused credit for a total amount of \$718,377.09. These funds have been deposited in the City's Small Business Economic Incentive Fund.

ANALYSIS:

With the conclusion of SRCSD's sewer credit program, staff believes it is important to continue to provide targeted financial support to new and expanding small businesses seeking to occupy commercial space and is therefore recommending a new program to replace the sewer credit program that would provide similar levels of support for similar purposes.

In calendar year 2020, businesses spent on average \$9,142 to obtain City planning approvals and building permits for new commercial construction projects, and \$2,019 for commercial tenant improvement project permits. For small businesses, these costs can be a significant barrier to moving forward with a project.

To help defray these costs and generally support new and expanding small businesses to start and expand, staff has developed and recommends approval of the City of Elk Grove Small Business Permit Assistance Program to replace the sewer credit program. The Program provides grants up to \$10,000 to small businesses to defray the cost of obtaining City planning and/or building permits and approvals required to construct or retrofit commercial space that the business will occupy. Small businesses are defined under the Program as businesses with less than 20 employees and revenues under \$3 million dollars.

Key components of the Program include the following:

- Financial assistance in the form of a grant of up to \$10,000 that can be applied towards the costs of obtaining City planning and/or building permits and approvals necessary to occupy commercial space.
- The grant would only be used for the costs of obtaining City planning and/or building permits and approvals and could not be used for any other purpose.
- Grants would be provided in the form of a credit against a grantee's planning and/or building project account and could not be provided directly to the grantee in the form of cash.

- Applications would be accepted on a rolling basis and grants would be made as funding permits.
- Non-profit small businesses would be eligible.
- Certain types of businesses like home-based, gig economy service providers, mobile vendors, political and religious organizations, online-only vendors, or businesses with three or more locations would not be eligible.
- Applicants awarded a grant would be required to enter into an Economic Incentive Agreement with repayment provisions for certain circumstances should the business fail to open.

The attached resolution includes the Small Business Permit Assistance Program Policies, Guidelines, and Procedures document that would govern administration of the Program and contains further details on eligibility requirements, application processes, review processes, and funding terms, among other items. If approved, staff would establish application procedures, evaluation protocols, and decision processes.

ALTERNATIVE ACTIONS:

The City Council could elect to not establish the Small Business Permit Assistance Program. Staff does not recommend this action because it would not further the Council's goals and economic development strategy related to small business support. The City Council may also provide further direction that it deems appropriate.

FISCAL IMPACT:

The Program will be funded with the funds received from SRCSD for unused sewer credits in the amount of \$718,377.09. The Program would have no initial impact on the General Fund or City finances other than staff time. Funds of \$350,000 per year have been included in the proposed Program Budgets for FY 2021-22 and 2022-23. To the extent the City Council desires to continue the Program after the current funding is exhausted, the likely funding source would be the General Fund.

ATTACHMENTS:

1. Resolution
 - a. Exhibit A: Small Business Permit Assistance Program Policies, Guidelines, and Procedures

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ELK GROVE
ESTABLISHING THE SMALL BUSINESS PERMIT ASSISTANCE PROGRAM AND
AUTHORIZING THE CITY MANAGER TO TAKE ALL ACTIONS REASONABLY
NECESSARY TO IMPLEMENT AND ADMINISTER THE PROGRAM**

WHEREAS, the City Council of the City of Elk Grove has established a goal, among other things, to be “a vibrant community and sustainable economy with diverse businesses and amenities” and to “promote business attraction, retention, and expansion;” and

WHEREAS, providing business support services and financial assistance to help small businesses start and expand is an important component of the City’s economic development strategy; and

WHEREAS, small businesses face significant financial barriers related to the costs of planning and building permits and fees when starting or expanding a business in a commercial space; and

WHEREAS, lowering the barriers to entry or expansion for small businesses by providing financial support to defray these costs is a key component of assisting small businesses; and

WHEREAS, the establishment of the Small Business Permit Assistance Program will lower barriers to entry or expansion for small businesses, will advance the City’s economic development strategy, and will further the Council’s economic development goals.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Elk Grove hereby establishes the Small Business Permit Assistance Program, adopts the Small Business Permit Assistance Program Policies, Guidelines, and Procedures attached hereto as Exhibit A and incorporated herein by reference, and authorizes the City Manager to take all steps reasonably necessary to implement and administer the Program, all subject to limitations as to budgeted funding.

PASSED AND ADOPTED by the City Council of the City of Elk Grove this 9th day of June 2021

BOBBIE SINGH-ALLEN, MAYOR of the
CITY OF ELK GROVE

ATTEST:

APPROVED AS TO FORM:

JASON LINDGREN, CITY CLERK

JONATHAN P. HOBBS,
CITY ATTORNEY

**SMALL BUSINESS PERMIT ASSISTANCE PROGRAM
POLICIES, GUIDELINES, AND PROCEDURES**

Program Overview

The Small Business Permit Assistance Program (“Program”) is designed to support the launch and growth of small businesses in Elk Grove, California who occupy or will occupy commercial space by providing financial support in the form of a grant in an amount of up to \$10,000 to defray the costs of obtaining City of Elk Grove (“City”) planning and/or building permits and approvals required to operate the business in the space. The overriding goal of the Program is to lower the barriers to entry or expansion for small businesses by reducing their upfront costs of obtaining permits and approvals for their project.

For the purposes of the Program, a small business is defined as an existing or new for-profit or non-profit business with no more than 20 full-time equivalent employees, projected annual revenues of less than \$3 million, and which operates as a sole proprietorship, a partnership, a corporation, a limited liability company, or other lawful business entity.

Program Components

- Financial assistance in the form of a grant of up to \$10,000 that can be applied towards the costs of obtaining City planning and/or building permits and approvals necessary to occupy commercial space.
- The grant may only be used for the costs of obtaining City planning and/or building permits and approvals and may not be used for any other purpose.
- Grants will be provided in the form of a credit against a grantee’s planning and/or building project account and will not be provided directly to the grantee in the form of cash.
- Applications are accepted on a rolling basis and grants will be made as funding permits.

Program Guidelines

Eligible businesses must meet **ALL** the following criteria:

- The business/applicant must occupy or plan to occupy commercial space in the City of Elk Grove.
- The business must have a current planning or building application with the City for construction or reconfiguration of commercial space for its business use within the City.
- The business must be properly registered with the California Secretary of State.
- The business must be properly licensed with the City of Elk Grove.

- The business must be in good standing with the City (e.g., have no open enforcement actions or delinquencies).
- The business must meet the Program definition for a small business, as follows:
 - An existing or new for-profit or non-profit business with no more than 20 full-time equivalent employees (“FTEs”).
 - An FTE is defined as an employee who works at least 2,080 hours per year over a 12-month period. Part-time employees may be considered an FTE for purposes of this Program (for example, two part-time employees who regularly work 1,040 hours per year can be converted to one FTE and identified as one FTE).
 - An existing or new for-profit or non-profit business projected to generate less than \$3 million in gross annual business revenue in the next calendar year.

The following businesses are **NOT** eligible to apply for the Program:

- Landlords or developers of commercial space
- Home-based businesses
- Independent contractors and consultants
- Gig economy service providers such as Uber, Lyft, or Doordash
- Independent home rental businesses such as Airbnb or VRBO
- Online-only businesses, including sellers on Etsy or E-Bay or similar platforms
- Mobile vendors
- Businesses with three or more locations
- Political or religious organizations

The City Manager or authorized designee will make all final determinations on eligibility and has discretion to deviate from the above criteria by utilizing different, additional, or fewer criteria to make funding decisions on a case-by-case basis where it has been determined that the provision of a grant to a particular business who would not otherwise be eligible is in the best interest of the City. The City Manager or authorized designee may also determine that providing a grant to an eligible business is not in the best interest of the City and deny the grant application.

Funding Allocation Levels

For eligible businesses, if approved for funding, a grant in the amount of up to \$10,000 will be applied towards the grantee’s planning and/or building project account balance to reduce the costs of obtaining the City planning and/or building permits listed on the following City fee schedules:

- Building Permit Review/Zoning Clearance Fee Schedule
- Construction and Demolition Fee Schedule

- Environmental Fee Schedule
- Planning Fees Schedule
- Such other permit and approval fees as the City in its discretion approves of on a case-by-case basis

Approval Process

1. A complete grant application and all required materials are submitted to Economic Development staff.
2. Staff reviews the application and required materials.
3. Staff makes a funding recommendation to the Economic Development Director. In some cases, no funding recommendation will be made.
4. With the concurrence of the City Manager, the Economic Development Director makes a final funding determination, if any.
5. An Economic Incentive Agreement is signed by the grantee and the City Manager or an authorized designee.
6. Funds are deposited in the grantee's planning and/or building project account.

Repayment Requirements

- If the grantee is not operating its business at the commercial space within 12 months of the issuance by the City of a Certificate of Occupancy, the grantee must repay the grant funds with interest at the rate and within the time stipulated in the Incentive Agreement.
- In the event the project is denied by the City following the good faith efforts of the grantee to obtain the permit or approval, then no repayment is required.
- In the event the grantee abandons the project prior to City approval of the project and grant funds have been advanced and used by the grantee, the grantee must repay the grant funds with interest pursuant to the Incentive Agreement.

Funding Process

1. Upon execution of an Economic Incentive Agreement, the grant amount will be transferred from the City's Small Business Economic Incentive Fund or other suitable fund to the grantees project account with Development Services. Funds will not be paid directly to the grantee.
2. Grant funds will reduce eligible charges in the grantee's account up to the maximum \$10,000 grant amount. The grantee is responsible to costs in excess of the grant amount.
3. Any unused grant funds will be transferred back to the City fund of origin upon approval of the project.

General Conditions

Economic Development staff will prepare application forms and materials, identify required submittals, and define necessary processes needed to receive and evaluate funding requests under this Program. All application materials and processes are subject to change from time to time.

The estimated time from completed application to a funding decision, evidenced by an Economic Incentive Agreement, will vary depending on the quality and completeness of the application, the responsiveness of the applicant, and the workload of City staff, among other factors.

All applications for funding under the Program shall be considered on a case-by-case basis. Funding is not guaranteed, and the City has complete discretion to approve or deny any application for funding, and to provide full or partial funding, or none at all. All funding decisions shall be final and the applicant shall have no right of appeal from any decision on any funding application, nor the decision to accept or not accept a funding application, nor the decision to process or not process any funding application. All funding decisions shall be documented by a written Economic Incentive Agreement executed by the grantee and the City setting forth the terms and conditions of any funding under the Program. Applicant shall have no rights in any funding, or otherwise under the Program, absent a fully executed Economic Incentive Agreement.

Applicants shall comply with all laws with respect to the receipt and use of any funding under the Program. The City makes no representation as to whether any applicant's receipt or use of such funding would be subject to the state prevailing wage laws, as set forth at Labor Code sections 1720, et seq. To the extent applicable, applicants shall cause all work performed with such funding to be performed in compliance with all applicable laws including, without limitation, state prevailing wage laws pursuant to Labor Code sections 1720, et seq. In the event an applicant fails to comply with any applicable law, including, without limitation, prevailing wage laws, the applicant shall be liable for the payment of all penalties, wages and/or damages resulting therefrom, and shall defend, indemnify, and hold the City harmless for any violations or alleged violations of law. These provisions will be included in any Economic Incentive Agreement. Applicant is encouraged to seek legal advice through legal counsel of their choosing for further guidance.