

RESOLUTION NO. 2020-118

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA REVISING THE LOAN PROGRAM FOR RESIDENTS AND BUSINESSES OF THE CITY IN RESPONSE TO THE COVID-19 PANDEMIC BY 1) CONTINUING THE CITY OF MARINA COVID-19 BUSINESS AND RESIDENTIAL LOAN PROGRAM UNTIL THE REMAINING FUNDING IS EXHAUSTED OR DECEMBER 31, 2020, WHICHEVER COMES FIRST; 2) REVISING THE BUSINESS LOAN CRITERIA FOR THOSE NOT MEETING THE INCOME LIMITATION AND WERE CLOSED IN THE MARCH TO MAY TIMEFRAME BE OFFERED LOANS UP TO \$5,000; AND, CONTINUE FUNDING THE OUTREACH WORKER UNTIL DECEMBER 31, 2020, AND AUTHORIZING THE FINANCE DIRECTOR TO MAKE NECESSARY ACCOUNTING AND BUDGETARY ENTRIES

WHEREAS, on March 13, 2020, the City Manager in his role as the Director of Emergency Services, issued a "Proclamation of a Local Emergency Related to COVID-19 (Coronavirus) pandemic; and

WHEREAS, the impacts from the COVID-19 virus; the associated measures to protect public health; and local, regional, and national orders for residents to shelter in their places of residence has had a dramatic negative effect on many resident's financial resources; and

WHEREAS, many residents face destabilized housing situations due to the impacts of the COVID-19 pandemic which has created undue hardship for residents due to a lack of alternative housing; and

WHEREAS, individuals most impacted may need a very rapid response from local agencies, lenders, and support providers to survive these impacts; and

WHEREAS, it is in the community interest to support residents of the City of Marina by ensuring adequate access to capital while other sources of state and federal funding are pending; and

WHEREAS, the City has One Hundred Thousand dollars available in its Emergency Fund which could be budgeted to fund the Stabilizing Loan Program for Residents; and

WHEREAS, the Stabilizing Loan Program for Residents and Businesses is necessary to protect the health, safety, and welfare of the citizens of Marina; and

WHEREAS, the Stabilizing Loan Program for Residents and Businesses was effective as of April 21, 2020; and

WHEREAS, the Stabilizing Loan Program for Residents and Business was extended on June 2, 2020 to August 31, 2020;

WHEREAS, COVID-19 therefore has and will continue to cause conditions of peril to the health, safety, and welfare of City of Marina residents.

WHEREAS, the City Council has reviewed the results of the City's COVID-19 loan program and determine it needs to change certain provisions of the program to better serve the businesses and residents of Marina;

NOW, THEREFORE, be it resolved by the City Council of the City of Marina that:

A. The City Council hereby finds that the above-described conditions and as described in the Proclamation of Local Emergency related to the COVID-19 outbreak warrant and necessitate the creation of the Stabilizing Loan Program for Residents and Businesses and the establishment of this Program is in the best interest of the public.

B. Direct that the underwriting requirements of these loan programs be revised as follows:

1. The loan program will continue until December 31, 2020 or until the funds are exhausted.

2. The income requirements for the business loans will be modified as follows:

For businesses:

- 1) closed for at least 45 from March 1, 2020 to May 31, 2020; and,
- 2) household incomes not exceeding 3 times the Monterey County median income for 2019

be eligible for the business loans up to \$5,000 under the terms of the loan.

3. Authorize the continuation of the employment of the outreach worker until Dec. 31, 2020 at up to 20 hours per week.

C. The Finance Director is authorized to make necessary accounting and budgetary entries.

PASSED AND ADOPTED, at a regular meeting of the City Council of the City of Marina, duly held on the 1st day of September 2020, by the following vote:

AYES: COUNCIL MEMBERS: O'Connell, Morton

NOES: COUNCIL MEMBERS: Delgado

ABSTAIN: COUNCIL MEMBERS: Berkley

ABSENT: COUNCIL MEMBERS: None

ATTEST:

Bruce C. Delgado, Mayor

Anita Sharp, Deputy City Clerk

Exhibit A – Business Loan Summary

City of Marina Business Loan Program Summary, Round #3



Program

Total Funding: \$150,000
Source: General Fund
Decision Authority: City Determination is final. Additional applications based upon on changed circumstances are allowed.

Loan Terms

Maximum Loan: \$10,000 per business or \$5,000 for a higher income limit

Limitation: May not receive residential loan also.

Basis of Loan Amount: Documented delinquent bills for rent, employee wages and health benefits, utilities, or mortgage on business located in Marina if not closed during COVID event. If closed, any unpaid business expense during the COVID event.

Interest Rate: 0% in repaid by December 31, 2021; or,
3% from loan's funding date to be repaid by December 31, 2022.

Qualifications

1. Must have a business license of the City Marina as of January 1, 2019
2. Business must have had 10 or fewer employees before March 1, 2020. The requirement for restaurants is 20 or fewer employees.
 - Income Requirement:
 - For businesses open during March and April 2020, household income must be less than 112.5% of Monterey County Median to be eligible for the business loans.
 - For closed businesses for March and April 2020, household income must be less than 135% of Monterey County Median to be eligible for the business loans.

adjusted for household size as evidenced from Federal Tax returns from 2018 or 2019 or sufficient alternate data.

Monterey County Median Income (Published AMI 4/16/20)	
Household size	
1	51,850
2	59,300
3	66,700
4	74,100
5	80,050

Calculation	Example
2019 or 2018 Federal Business Tax income from tax forms	20,000
Business Depreciation	10,000
Household income including any business salary taken as a business expense	30,000
Adjusted business income	\$ 60,000

Note: If the household size is three people, the business qualifies for business loan.

3. For businesses that were closed for at least 45 days from March 1, 2020 to May 31, 2020 and household incomes no more than 3 times the Monterey County Median Income but more than the otherwise allowed income, loans up to \$5,000 may be made.
4. Must have had applied for SBA Economic Injury Disaster Loan (EIDL) or Payroll Protection Program Loan (PPP) due to the COVID 19 event or explain why unable to apply.
5. Applications to be submitted to the City with supporting documentation on or before December 31, 2020, or award of loans totaling \$150,000.00, whichever occurs first.

Applications are available at the City's website: CityofMarina.org under "Help for Businesses" button. For More Information, call Marisol Gomez, Accounting Services Manager, 831-884-1203



City of Marina Residential Loan Program Summary, Round #3

Program

Total Funding: \$52,000
Source: General Fund
Decision Authority: City Determination is final. Additional applications based upon changed circumstances are allowed.

Loan Terms

Maximum Loan: \$2,000 per household
Basis of Loan Amount: Documented delinquent bills for rent, utilities, or mortgage on property located in Marina for a primary residence.
Interest Rate: 0% in repaid by December 31, 2021; or,
3% from loan's funding date to be repaid by December 31, 2022.

Qualifications

1. Must be a resident of the City Marina as of January 1, 2020
2. Must have a household income of less than 80% of the Monterey County Median, adjusted for household size; or, non-discretionary debt (mortgage, one car payment, etc.) more than 25% of monthly income.
3. Must have had economic damage due to the COVID 19 event due to unemployment or reduction of hours in excess of 50% of work income.

Due Dates

Applications to be submitted to the City with supporting documentation on or before December 31, 2020, or award of loans totaling \$52,000, whichever occurs first.

Applications are available at the City's website: CityofMarina.org under "Help for Residents" button

For More Information, call Marisol Gomez, Accounting Services Manager, 831-884-1203

August 24, 2020

Item No: **11c**

Honorable Mayor and Members
of the Marina City Council

City Council Meeting
of September 1, 2020

**CITY COUNCIL CONSIDER ADOPTING RESOLUTION NO. 2020-,
REVISING THE LOAN PROGRAM FOR RESIDENTS AND BUSINESSES
OF THE CITY IN RESPONSE TO THE COVID-19 PANDEMIC BY 1)
CONTINUING THE CITY OF MARINA COVID-19 BUSINESS AND
RESIDENTIAL LOAN PROGRAM UNTIL THE REMAINING FUNDING IS
EXHAUSTED OR DECEMBER 31, 2020, WHICHEVER COMES FIRST; 2)
REVISING THE BUSINESS LOAN CRITERIA FOR THOSE NOT
MEETING THE INCOME LIMITATION AND WERE CLOSED IN THE
MARCH TO MAY TIMEFRAME BE OFFERED LOANS UP TO \$5,000; AND,
CONTINUE FUNDING THE OUTREACH WORKER UNTIL DECEMBER
31, 2020, AND AUTHORIZING THE FINANCE DIRECTOR TO MAKE
NECESSARY ACCOUNTING AND BUDGETARY ENTRIES**

REQUEST:

- 1) That the Council continue the City of Marina COVID-19 Business and Residential Loan program until the remaining funding for the loan programs is exhausted or Dec. 31, 2020.
- 2) That businesses that fail to meet the income requirement and were closed sometime during the March to May timeframe be offered loans up to \$5,000 on the same terms.
- 3) Continue funding the outreach worker until Dec. 31, 2020 up to 20 hours a week at a cost up to \$5,500.

Discussion

Current Loan Status. Last April, the City Council authorized an emergency loan program for residents and businesses that was scheduled to end May 31, 2020, initially funding the program at \$100,000 for each program.

At the conclusion of the first round, the loan status is shown in **Table I, Loan Status as of May 31, 2020.**

Table I
Loan Status as of May 31, 2020

City of Marina								
Loan Status Report								
				Review Status				
Loan Type	Program authorization	Received	Potential Funding Request	Approved	Declined	Loans awaiting review	Approval Rate	Loan Amount Funded
Residential	100,000	5	10,000	4	1	0	80%	6,500
Business	100,000	14	140,000	7	5	2	50%	62,300
Total	200,000	19	150,000	11	6	2		68,800

The Council determined it was appropriate to extend the program and made the following changes to the loan program:

- 1) Extended the program to August 31, 2020;
- 2) Relaxed the underwriting criteria for business loans; and,
- 3) Reallocated the funding as follows:
 - a. \$52,000 for residential loans
 - b. \$150,000 for commercial loans

As of the writing of this report, the loan programs activity is as follows as shown in Table II, Loan Status as of August 21, 2020.

Table II
Loan Status as of August 21, 2020

City of Marina									
Loan Status Report									
21-Aug-20		Review Status					Repayment Status		
Loan Type	Applications Received	Potential Funding Request	Approved	Approval Rate	Loan Amount Funded	Authorized Funding	Remaining Funding	Loans Repaid	Amount
Residential	14	28,000	10	71%	15,640	52,000	36,360	1	700
Business	15	150,000	10	67%	90,300	150,000	59,700	0	-
Total	29	178,000	20		105,940	202,000	96,060	1	700

Note: One business loan eventually approved as a resident loan

Loan Program Outreach. To promote the business loan program, the Council asked staff to create an outreach program. The City conducted a request for proposals to identify who might be able to assist the City in making an outreach to local businesses. Monica Kim was hired from that process to be the City's outreach worker. During the first couple of months, Monica identified local businesses here in Marina under \$1 million in gross receipts but above \$50,000. All 400+ of those businesses received notice of the program by:

- 1) An email blast through the business license program
- 2) A phone call contact from Monica
- 3) A letter to businesses which did not respond
- 4) An in-person but socially distant visit

Because of this work, Monica can report the following in Table III, Affirmatively Contacted Marina Businesses:

Table III
Affirmatively Contacted Marina Businesses

Business which have used Monica's help	79
Businesses not desiring any assistance	43
No-responsive businesses	181
Business Closed	<u>1</u>
Total affirmative contacts	304

One of the charges for Monica was to help all these business be aware of the Small Business Loan Administration's Payroll Protection Program (PPP) and the Economic Injury Disaster Loans (EIDL) because participation in these programs could at least offer a \$10,000 as a grant, if not more.

Because of Monica's efforts, the following applications were processed:

PPP	25
ELDI	35
Cal Coastal (ELDI)	<u>18</u>
Total	78

One of the happy discovers was that in the process, additional programs were discovered that business were eligible for other government benefits beyond these programs and the City's outreach worker was able to help individuals access various other sources, namely:

- **Eligibility for unemployment.** In process of helping Marina businesses, it was discovered that Federal law had made it possible for business owners to claim unemployment. Through Monica's assistance, business owners were able to claim over 170 weeks of enhanced unemployment benefits.
- **Disaster Relief Application for Immigrants.** This California program is available to non-citizens which provides grants equivalent to the Federal stimulus grants, funding three applications for \$1,200 each.
- **Disaster Relief Emergency Cash Assistance.** Three smaller Monterey County cash grants were given to business owners, totaling \$750.
- **FEMA Grants.** One business gained a \$1,000 grant from FEMA.
- **Non-IRS Filers Stimulus Application.** For those that are not required to file a tax return, the IRS has a program for these individuals to file forms to claim the \$1,200 stimulus grant payments. Two individuals qualified for this benefit.

The business owners for these loans have been hair stylists, Uber drivers, nail stylists, local supply storeowner, boutique store owner, food/product sales, apparel sales.

Observations. The City's outreach worker at first spent a great deal of time contacting the various businesses and educating them on the City's loan program. Because the City's loans require the applicant to apply for Small Business Loans also, the City's outreach worker learned about those programs and others. In time, more of her time has been spent accessing the other funds rather than the City's loans because the City's money is a loan and the other funds are out right grants. The City has spent about \$8,000 on outreach work so far. Given the low cost of this effort, staff would recommend funding this effort until Dec. 31, 2020 at 20 hours a week at a cost of \$11,000.

Residential loans have been turned down mainly because the loan could not be supported by expenses incurred by the applicant for costs imposed by the pandemic. Rather, loans were being requested to reimburse other people or to finance a move. These requirements tend to limit the loan and provide funds for specific expenses.

Business loans have been turned down mainly because the business owner's income in the prior fiscal year exceed the income limit. Many businesses did not ask for loans because of the income limit. Council may want to consider offering \$5,000 loans to businesses that do not meet the income

limit and were closed during the March to May time period if the Council wishes to make the loans more available.

Summary.

From the original \$200,000 the Council dedicated to the business and residential COVID-19 support loans, \$96,060 remains. Twenty loans have been made and one loan has been repaid.

The City has also benefitted local businesses and some residents through the work of their outreach worker, assisting individuals with obtaining grant monies, reducing the need for the City's loans.

The main reason that residential loans have been turned down or limited is that residents did not have unpaid, delinquent bills to support any or larger loans.

The main reason that business loans have not been funded is that the business owner's household income exceed the income requirements for the loans. It is apparent, however, that this year's income will be very different than last year. As a result, the Council may wish to offer to business owners who had to close at least for a period of time during the March to May timeframe a loan up to \$5,000, regardless of income.

FISCAL IMPACT: The proposal does not increase the budget for this program but maintains the program allocation. The proposed cost increase is for community outreach, up to \$5,500 for funding the part-time outreach worker until Dec. 31, 2020. The money is eligible for reimbursement from CARES Act Funds.

This could be considered a violation of resolution 2012-46, the balanced budget resolution, except it is a one-time allocation and this is during an emergency.

CONCLUSION:

This request is submitted for City Council consideration and possible action.

Respectfully submitted,

Eric Frost
Finance Director
City of Marina

REVIEWED/CONCUR:

Layne Long
City Manager
City of Marina