



Committee: PHED
Committee Review: Completed
Staff: Gene Smith, Legislative Analyst
Purpose: Final action – vote expected
Keywords: COVID-19, economic development

AGENDA ITEM #4H
April 6, 2021
Action

SUBJECT

Special Appropriation to the Fiscal Year 2021 Operating Budget, Montgomery County Government, Office of the County Executive, \$1,500,000 for Support for COVID-19 Response – Small Business Rental Assistance Program (Source of Funds: Undesignated Reserves)

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- The Planning, Housing, and Economic Development (PHED) Committee reviewed the appropriation on March 24, 2021. The PHED Committee recommends approval with the following amendments:
 - a. Amend the total appropriation from \$1,500,000 to \$1,011,156. This is the amount of unencumbered funding that remains from the Reopen Montgomery Program.
 - b. Amend the recipient of the funding to a Latino Economic Development Center (LEDC) contract. The Chief Administrative Officer must recommend an amendment to Section G of the FY21 budget resolution to execute this contract.
 - c. Amend the source of funds from General Fund Reserves to Federal Grant.
 - d. Amend the types of industries excluded in criterion #3 of Background Paragraph 7. The amendment now excludes medical practice, professional services businesses, religious organizations, and daycare facilities. Many of these businesses do not rely on foot traffic, like the target industries, or some industries have been eligible for grant funding through an alternative program.
 - e. Amend the resolution to note that ranked factors will be used to determine funding if applications exceed the appropriation. The ranked factors replace the priority consideration, and this approach was recommended by LEDC (see ©7-8).
 - f. Amend the resolution to include that no more than 10% of the appropriation may be used for admin costs in the action section.
- An amended version of the resolution is on ©1-3. The clean version that the Council will adopt is on ©4-6.

DESCRIPTION/ISSUE

Councilmember Jawando requested this appropriation to support small businesses impacted by COVID-19, specifically to assist with arrears rent payments or current rent payments.

SUMMARY OF KEY DISCUSSION POINTS

- A business would be eligible for this grant if it: 1) has its physical location(s) only in the County; or its County-based locations account for more than 50% of the business's total number of employees or 50% of the business's gross sales; 2) receives \$500,000 or less in annual revenue prior to the pandemic; 3) is classified as a retail or service-related business but is not a restaurant or food service business, medical practice, professional services business, religious organization, or daycare facility; 4) has a commercial lease in the County; and 5) can demonstrate a revenue loss due to the pandemic.
- LEDC recommended an approach to rank applicants by revenue loss due to the pandemic and tenure in the County. These ranked factors will be applied if the number of applicants exceeds the amount of funding for the program.
- Eligible businesses may receive up to \$10,000 or three months rent based on review.
- LEDC intends to broadly market this program and will also leverage its connection with the business community to reach out to disadvantaged communities. LEDC also notes its team will be available to assist in preparing application materials with businesses (see ©7-8).

This report contains:

Council staff memorandum to PHED Committee	Pages 1-5
Amended resolution	© #1-3
Clean resolution	© #4-6
LEDC program approach	© #7-8

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MEMORANDUM

March 15, 2021

TO: Planning, Housing, and Economic Development (PHED) Committee
FROM: Gene Smith, Legislative Analyst
SUBJECT: Special appropriation for the Small Business Rental Assistance Program
PURPOSE: Make recommendation for the Council

Those expected for this worksession:

Jerome Fletcher, Office of the County Executive
Taggart Hutchinson, Office of the County Attorney
Marla Bilonick, Executive Director, Latino Economic Development Center

The PHED committee will review and make a recommendation on the special appropriation introduced on February 9, 2021 by Councilmember Jawando to assist small businesses impacted by the pandemic by providing grants to assist with arrears rent payments or current rent payments (see ©1-3). **A public hearing was held on February 23, 2021 for this appropriation, and five speakers all spoke in favor of the appropriation.**

I. Background

Governor Hogan declared a State of Emergency on March 5, 2020 due to the spread of a novel coronavirus. For more than twelve months, the State and County have battled the health and economic emergency created by the pandemic. The County has created ten business assistance programs since March 2020 to support local business and the local economy impacted by the pandemic. These programs were initially reviewed by the [PHED Committee in January 2021](#). The subject appropriation will create a new business assistance program to support businesses during the pandemic.

A. Small Business Rental Assistance Program

The proposed special appropriation supports County small businesses with small grants to either pay for arrears rent payments or to address ongoing rent obligations. **The maximum award available is \$10,000 or three-months of rent, whichever is less.** The funding source for the appropriation is the general fund reserves. The eligibility criteria, as currently defined, are included in Background Paragraph 7 of the attached resolution (see ©2). A business is eligible to receive assistance from this program if it meets the following criteria:

- 1) Only has physical location(s) in the County; OR its County-based locations account for more than 50% of the business’s total number of employees or 50% of the business’s gross sales;
- 2) Receives \$500,000 or less in annual revenue prior to the pandemic;
- 3) Classified as a retail or service-related business but is not a restaurant or food service business;
- 4) Has a commercial lease in the County; and
- 5) Demonstrate a revenue loss due to the pandemic.

Councilmember Jawando proposes priority considerations for businesses in addition to the eligibility criteria. The priority considerations are for minority- and women-owned and for businesses that lease space in Zip Codes that have experienced the greatest impact from COVID-19 based on the number of cases. If the program is oversubscribed, businesses that can successfully verify that it meets either of the priority considerations will be funded prior to businesses that do not meet one of the priority considerations.

B. Data

The County publishes COVID-19 data through its [COVID-19 Information Portal](#) webpage, including [cases by ZIP Code](#). Table 1 below details the top ten ZIP Codes in the County by cumulative COVID-19 case count as of March 5, 2021. The County’s data table includes additional details based on other metrics to sort the data.

Table 1: Top Ten Zip Codes by Cumulative COVID-19 Case Count

Place Name	Zip Code	Cumulative COVID-19 Cases
Aspen Hill/Layhill	20906	6,300
Wheaton	20902	4,653
Colesville	20904	4,624
Darnestown	20874	3,783
Gaithersburg	20877	3,641
Montgomery Village	20886	2,827
Darnestown	20878	2,825
Rockville	20850	2,661
Hillandale	20903	2,503
Four Corners/White Oak	20901	2,487

Source: Montgomery County COVID-19 Information Portal

The number of minority- or women-owned businesses is more difficult to determine. The U.S. Census Bureau publishes county-level data about business owners rarely. The last time this data was collected was in 2012. Table 2 below details the business ownership in the County based on the 2012 survey. A couple of notes about this survey. First, the survey is based on the total number of firms that responded in 2012. Second, the ownership questions are separated into separate categories (e.g., minority-owned or not minority-owned). The result is that the percent total in Table 2 is a comparison to the opposite of the specific response, not the aggregate of all responses.

Table 2: County Business Ownership in 2012

	Number of Firms	Percent of Total Firms
Women-owned Firms	46,404	39.0%
Minority-owned Firms	51,051	42.9%
Veteran-owned Firms	9,178	7.7%
Total Firms	118,965	

Source: U.S. Census, 2012 Business Survey

The proposed program is limited to businesses that receive \$500,000 or less in annual revenue prior to the pandemic. There is not a good data source that provides county-level data for business revenue to detail how many businesses would meet this qualification. Table 3 provides details of the County businesses by the number of employees. While not a perfect correlation to total revenue, the table does provide an understanding of the number of small establishments in the County.

Table 3: Montgomery County Establishments by Number of Employees

Business Size	Number of Establishments	Percent of Total Establishments
1-4 employees	27,948	60.6%
5-9 employees	10,511	22.8%
10-19 employees	3,998	8.7%
20-49 employees	2,175	4.7%
50 or more employees	1,511	3.3%
Total	46,143	100.0%

Source: Maryland Department of Commerce

II. Discussion Questions

Has the County implemented a similar program?

The County has implemented ten unique programs to assist businesses during the pandemic. None of the programs provided grants based on rent payments or used rent payments as part of the calculation for the grants. The Public Health Emergency Grant Program provided grants based on the decrease in a business's revenue when compared to the pre-pandemic revenue. The grants provided for this program were fungible, meaning a business could use it for whatever losses it deemed important, including rent payments.

Who will implement the program?

Executive staff have shared that the Latino Economic Development Center (LEDC) will implement the program in partnership with the County's Business Advancement Team. Ms. Bilonick from LEDC will be available during today's discussion.

Executive staff noted that LEDC will administer the program at 10% of the total program to cover any administrative costs to implement it. This arrangement means that the Council will need to add \$150,000 to the appropriation to keep the program at \$1,500,000.

What additional actions must be completed prior to implementation?

If the Council approves this appropriation, LEDC and Executive staff will need to work together on several elements. Executive staff shared that the following must be completed before applications open:

- Develop an application.
- Develop an online for businesses to complete and submit the application.
- Develop a system to review and approve/deny applications – Executive staff will retain final approval of all applicants.
- Develop a process to confirm the appropriate use of funds.

What challenges are anticipated in the implementation process?

The implementation of any grant program can be complicated by the need to keep the process simple for business owners while protecting the County's fiduciary responsibility for public dollars. As currently drafted, the following are potential challenges for this program:

- Required application materials. The program will require several documents to verify that a business is eligible. These documents include 1) documentation to verify that the business operates only or mostly in the County; 2) appropriate financial statements to verify a business's annual revenue pre-pandemic; and 3) the business's commercial lease. If businesses do not have this documentation readily available, it will be difficult to apply and be deemed eligible for the program's grant.
- Verification of priority consideration elements. The business will have two opportunities to verify that it is eligible for priority consideration. Verification that the business operates in an impacted Zip Code will not be difficult. Verification that a business is minority- or woman-owned will be more challenging because it requires that the County use or create a certification process. The County typically uses the State's Minority Business Enterprise (MBE) Program as a verification of whether a business is minority- or woman-owned.

Executive staff have requested that the Council consider removing the minority- and woman-owned priority consideration. Based on the size of the businesses targeted by this program, it is likely that many will not have an MBE certification.

- Verification of the industry. The proposed program targets retail and service-related businesses in the County, but it specifically excludes restaurants or food service businesses because those businesses received specific support through the Restaurant Relief Program. LEDC and Executive staff will need to verify that a business meets this criterion likely through a combination of self-reporting and online review.

Executive staff requests that the committee exclude medical practice, professional services businesses, religious organizations, or daycare facilities. These businesses do not depend on foot traffic, and therefore, do not meet the intent of the program. In addition, medical practice businesses, like restaurants, were eligible for a specific assistance program previously.

- Revenue loss. Businesses do not need to meet a threshold of revenue loss due to the pandemic. A business could demonstrate a few hundred dollars of revenue loss and may still be eligible. The committee may want to consider if a certain threshold is necessary.

Executive staff requested that this item be deleted because it is safe to assume that most businesses experienced a loss in revenue due to the pandemic. Less documentation is required if this criterion is removed.

- Use of funds. The purpose of the program is to provide rent relief, but there is no additional documentation required to verify that the grant was used for this purpose. This is not uncommon for the County's grant programs. For similar programs, initial documentation, such as a lease agreement, provides support that the business has certain rent obligations. A business that is awarded a grant from this program will still have rent obligations. If a business uses all or part of this grant to pay for another business expense, the result is still the same – the business was able to continue operations in the County.

How will the priority consideration process work?

The County's typical process for priority consideration is to ensure all applicants that meet the priority considerations are funded first. Any eligible businesses that do not meet priority considerations will be funded, either on a first-come, first-served basis or on a lottery basis. If the total number of eligible businesses can be funded by the program, then all businesses will receive a grant regardless of priority considerations.

Is there any remaining Federal funding to support this program?

Executive staff noted that about \$1,000,000 of CARES funding was unspent and unencumbered for the Reopen Montgomery, as of mid-February 2021 report to the Council. Executive staff recently noted that this amount is about \$900,000 after the Reopen Montgomery Program was closed. The County's appropriations for CARES funding, overall, is greater than the total amount of funding available.

Resolution No.: _____
Introduced: February 9, 2021
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: Councilmember Jawando

SUBJECT: Special Appropriation to the Fiscal Year FY21 Operating Budget Montgomery County Government, Office of the County Executive, Latino Economic Development Center Contract, Support for COVID-19 Response – Small Business Rental Assistance, \$[1,500,000] 1,011,156 (Source of Funds: [Undesignated Reserves]Federal grant)

Background

1. Section 308 of the County Charter provides that a special appropriation is an appropriation which states that it is necessary to meet an unforeseen disaster or other emergency, or to act without delay in the public interest. Each special appropriation shall be approved by not less than six Councilmembers. The Council may approve a special appropriation at any time after public notice by news release. Each special appropriation shall specify the source of funds to finance it.
2. A new coronavirus disease, named COVID-19, appeared in China in December 2019 and spread extremely quickly. On March 11, 2020, the World Health Organization declared the disease a pandemic. The April 11, 2020 situation report from the World Health Organization stated that the number of confirmed cases worldwide has exceeded 1.6 million. As of January 22, 2021, there were 55,951 cases and 1,220 deaths in Montgomery County.
3. To slow the spread of the disease, Governor Hogan declared a State of Emergency and has issued several Executive Orders with actions that include, but are not limited to, closing schools; prohibiting activities by non-essential businesses that restrict traditional on-site operations; closing senior centers and adult medical day care programs; limiting the number of people that can gather; and closing all gyms, movie theaters, and bars and restaurants (excluding carryout and delivery service).
4. The efforts to contain the spread of the disease and the disease itself continues to have a crippling impact on Montgomery County's local business community.
5. Many businesses in the County are small retail or service-oriented businesses that depend

on customer volume to meet basic liabilities, like rent payments. The pandemic has significantly disrupted these businesses for more than 10 months.

6. The Council through this special appropriation is creating a program to provide grants to small businesses to support rental costs, either current or arrears rent payments, and based on the criteria in Paragraphs 7 and 9.
7. A business is eligible to receive assistance from this program if it: 1) has its physical location(s) only in the County; or its County-based locations account for more than 50% of the business's total number of employees or 50% of the business's gross sales; 2) receives \$500,000 or less in annual revenue prior to the pandemic; 3) is classified as a retail or service-related business but is not a restaurant or food service business, medical practice, professional services business, religious organization, or daycare facility; and 4) has a commercial lease in the County; and 5) can demonstrate a revenue loss due to the pandemic.
8. [Priority consideration should be given to businesses that are minority- and women-owned, and to businesses that lease space in Zip Codes that have experienced the greatest impact from COVID-19 based on number of cases.] The Latino Economic Development Center intends to prioritize grants based on ranked factors that include the revenue loss suffered and number of years that a business has been established. Ranked factors will only be used if the number of eligible applicants exceed the total amount of grant funding for the program.
9. Each eligible business may be awarded a grant up to three-months of rent based on its current lease or \$10,000, whichever is less, for this program.
10. A FY21 Operating Budget special appropriation is requested for the Economic Development Fund:

<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Total</u>	<u>Source of Funds</u>
\$0	[\$1,500,000] <u>1,011,156</u>	[\$1,500,000] <u>1,011,156</u>	[Undesignated Reserve] <u>Federal</u>

grant
11. This special appropriation is needed to implement this program.
12. Notice of public hearing was given and a public hearing was held.

Action

The County Council for Montgomery County, Maryland approves the following resolution:

A special appropriation to the FY21 Operating Budget for the Economic Development

Fund:

<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Total</u>	<u>Source of Funds</u>
\$0	[\$1,500,000]1,011,156	[\$1,500,000]1,011,156	[Undesignated Reserve]Federal <u>grant</u>

This special appropriation must only be used to implement the program as defined in Paragraphs 7 and 9. No more than 10% of this appropriation may be used to administer the program.

This appropriation is needed to act without delay in the public interest.

This is a correct copy of Council action.

Selena Mendy Singleton, Esq.
Clerk of the Council

Resolution No.: _____
Introduced: February 9, 2021
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: Councilmember Jawando

SUBJECT: Special Appropriation to the Fiscal Year FY21 Operating Budget Montgomery County Government, Office of the County Executive, Latino Economic Development Center Contract, Support for COVID-19 Response – Small Business Rental Assistance, \$1,011,156 (Source of Funds: Federal grant)

Background

1. Section 308 of the County Charter provides that a special appropriation is an appropriation which states that it is necessary to meet an unforeseen disaster or other emergency, or to act without delay in the public interest. Each special appropriation shall be approved by not less than six Councilmembers. The Council may approve a special appropriation at any time after public notice by news release. Each special appropriation shall specify the source of funds to finance it.
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significantly disrupted these businesses for more than 10 months.

6. The Council through this special appropriation is creating a program to provide grants to small businesses to support rental costs, either current or arrears rent payments, and based on the criteria in Paragraphs 7 and 9.
7. A business is eligible to receive assistance from this program if it: 1) has its physical location(s) only in the County; or its County-based locations account for more than 50% of the business's total number of employees or 50% of the business's gross sales; 2) receives \$500,000 or less in annual revenue prior to the pandemic; 3) is classified as a retail or service-related business but is not a restaurant or food service business, medical practice, professional services business, religious organization, or daycare facility; and 4) has a commercial lease in the County; and 5) can demonstrate a revenue loss due to the pandemic.
8. The Latino Economic Development Center intends to prioritize grants based on ranked factors that include the revenue loss suffered and number of years that a business has been established. Ranked factors will only be used if the number of eligible applicants exceed the total amount of grant funding for the program.
9. Each eligible business may be awarded a grant up to three-months of rent based on its current lease or \$10,000, whichever is less, for this program.
10. A FY21 Operating Budget special appropriation is requested for the Economic Development Fund:

<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Total</u>	<u>Source of Funds</u>
\$0	\$1,011,156	\$1,011,156	Federal grant
11. This special appropriation is needed to implement this program.
12. Notice of public hearing was given and a public hearing was held.

Action

The County Council for Montgomery County, Maryland approves the following resolution:

A special appropriation to the FY21 Operating Budget for the Economic Development Fund:

<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Total</u>	<u>Source of Funds</u>
\$0	\$1,011,156	\$1,011,156	Federal grant

This special appropriation must only be used to implement the program as defined in Paragraphs 7 and 9. No more than 10% of this appropriation may be used to administer the program.

This appropriation is needed to act without delay in the public interest.

This is a correct copy of Council action.

Selena Mendy Singleton, Esq.
Clerk of the Council



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MONTGOMERY COUNTY COMMERCIAL RENTAL RELIEF PROGRAM

Application Prioritization and Criteria

We recommend that applications be reviewed according to a **ranking prioritization**, which sequences applications in the review queue according to weighted target factors.

Given the size of grant funding and the barriers to access for the grant’s target populations, we suggest minimizing the application documentation by **streamlining ranking factors** to include economic injury and tenure.

In this approach, applicants are not ineligible on these criteria; rather, these factors come into play in the event that the grant program is oversubscribed, and would ensure that focus populations were prioritized in that case. These factors are specific enough to prevent tiebreaker situations in the event of oversubscription, without an excess of documentation.

In addition to increasing access to the application for disadvantaged owners, optimizing application requirements will expedite the review process, ensuring a swift disbursement of funds.

Ranking Factors		
Economic injury	Determines revenue loss suffered, comparing 2019 annual gross sales and 2020 annual gross sales	Prioritizes businesses who have seen the greatest financial damage as a result of the pandemic.
$\frac{[2020 \text{ Gross sales} * (\text{number of months open in 2019}/12)] - [2019 \text{ Gross Sales from Taxes}]}{[2019 \text{ Gross Sales from Taxes}]}$		
<ul style="list-style-type: none"> - If business opened part way through 2019 the appropriate monthly proportion would be applied to the 2020 annual gross sales - If 2020 taxes are not yet filed, a 2020 income statement would be accepted - If business was established in Jan-Feb 2020, economic injury would be calculated comparing Feb 2020 to Mar 2020 		
Tenure	Number of years that business has been established	Prioritizes businesses that have been members of the community the longest

We suggest that eligibility criteria be narrowed to establishing that the business is in compliance with Montgomery County regulations, and that they are in the retail establishment with a physical location that pays rent.

Eligibility Criteria	
Retail Business	Business falls into a retail industry category (see Addendum)
Articles of Incorporation/Organization	Business holds a license not to be expired after March 2020
Certificate of Good Standing	Businesses in good standing with the state of Maryland
Commercial Lease in Montgomery County	Business rents physical location space; landlord affidavit if lease expired
Pre-pandemic revenue below \$500,000	Business received \$500,000 or less in 2019 annual revenue



Disadvantaged Communities

While we do not recommend explicit prioritization in the grant application of disadvantaged businesses based on gender, race, disability, we will leverage our connection to these communities in Montgomery County in order to encourage their participation in the grant program. LEDC operates targeted Resilient Business Corridors programming in the Wheaton Triangle and Purple Line zones, providing **channels of outreach** with which we will promote the Grant to the area's underserved businesses.

Our Small Business Development team will also be available to support applicants in preparing for the application, in the event of any uncertainty or difficulty regarding documentation or business compliance.

Points for Further Consideration

- **Grant funding to be disbursed to landlord or tenant.** We recommend disbursing funds to the landlord directly, to ensure funding is used for the approved purpose of covering rent costs and to streamline the process for applicant businesses.
- **Physical location eligibility requirement.** We recommend modifying the eligibility requirement "has its physical location(s) only in the County; or its County-based locations account for more than 50% of the business's total number of employees or 50% of the business's gross sales" with the verified commercial lease located in Montgomery County. We believe using lease documentation alone provides sufficient evidence that the businesses located in Montgomery County, while reducing the document collection burden for applicants.

Addendum

Retail Business Categories
Art Supply Store
Bookstore
Cards, Gifts, Party Store
Clothing/Specialty Apparel Store
Consignment Shop
Convenience Store
Corner Stores
Dry Cleaner
Electronics Store
Flooring Center
Florist
Furniture Store
Gyms / Yoga, Dance, or Fitness Studios
Hair Salon / Barbershop
Hardware Store
Home Goods
Jeweler
Laundromat
Manufacturer with On-Site Retail
Massage Therapy
Nail Salon
Pet Supply Store
Pharmacy
Printing & Signage Shop
Specialty Products (e.g. beads, incense, candles)
Specialty Retail Store
Tuxedo/Dress Rental Shop
Waxing Center

