

AGENDA

CITY COUNCIL WORK SESSION

April 20, 2020

**4:00 PM, City Council Chambers
130 S Galena Street, Aspen**



I. WORK SESSION

IA. Small Business Rent Relief Grant Program

II. COUNCIL MEMBER COMMENTS

III. CITY MANAGER COMMENTS



MEMORANDUM

TO: Mayor and City Council
FROM: Mitch Osur, Director of Parking and Downtown Services
Ron LeBlanc, Special Projects Manager
Pete Strecker, Finance Director
THRU: Sara Ott, City Manager
DATE OF MEMO: April 17, 2020
MEETING DATE: April 20, 2020

RE: Small Business Rent Relief Grant Program Proposal

REQUEST OF COUNCIL: Council direction is sought on the creation of a small business rent relief grant program. The proposed program is reflective of Council’s direction in Resolution 33-2020 to provide options for the City to assist small business during the current economic crisis.

During the work session, staff seeks Council’s consensus on whether to offer this program to small businesses in Aspen city limits, and to provide direction on any desired modifications to the program design.

BACKGROUND:

Why consider a government-sponsored rent relief grant program?

The City of Aspen declared a local disaster emergency pertaining to the occurrence or imminent threat of widespread or severe damage, injury or loss of life or property resulting from COVID-19. Pitkin County also declared an emergency. The public health threat is ongoing, and it has triggered a financial threat to the local economy.

The initial impact to the economic health of our community was the result of the Governor’s closure of all ski resorts within Colorado, this at a time when tourism would generate significant commerce activity in our local economy. This spring break period is often when businesses would “bank” on sales to help carry them through the April and May off-season stretch. Subsequent to the Governor’s action, further immediate and forced closures occurred for all non-essential businesses as a result of public health orders. While the health and safety concerns around this action were real and required immediate response, this action also resulted in a near total halt on commerce in our community, taking away any hope of business to resume in the foreseeable future.

Given the above noted actions and the toll they have taken on our local small businesses, the City has concluded that for the benefit of our residences and our economy, action must be taken to mitigate long-term impacts that COVID-19 may impose.

Perhaps most importantly, many aspects of the spirit and uniqueness of Aspen is rooted in the small businesses that deliver extraordinary experiences – from dining, shopping, outdoors and more. Consideration of efforts that can help preserve this part of the community’s fabric is, and should continue to be, a focus of relief and recovery efforts.

It was not staff’s goal to accommodate every perspective in the program. Rather, the program focuses on balancing the many interests – from taxpayers, to business owners, to landlords, to the broader public good for keeping employment opportunities.

DISCUSSION:

Members of Council have expressed interest in aiding small businesses in a number of ways. The attached draft Small Business Rent Relief Grant program provides immediate critical financial resources to the tenant-owned businesses, to preserve the City’s sales tax revenues generated by the tenant-owned businesses, to enhance the likelihood that the impacted tenant-owned businesses in the City will be able to survive the current COVID-19 public health emergency, thereby protecting and preserving the short-term and long-term economic vitality of the City as a whole.

The City finds the public benefits to be derived from the draft program are both significant and substantial and justify the expenditure of the public funds necessary to establish and administer the program. The City further finds that the City will receive adequate consideration for its financial contribution to the program in the form of the significant and substantial public benefits described in this memo and the attached draft program flyer.

The attached draft program flyer provides information on eligibility, maximum awards, landlord participation requirements, and conditions for acceptance of grant funds. These program details were developed through research of other similar programs in Colorado, individual Councilmember comments, and several discussions with landlords and small business owners.

Possible Discussion Questions

During the work session, Council may wish to focus on a few key policy matters.

1. Does the Council agree with the public purpose to allow tax funds to be used as grant dollars to small businesses?
2. Does the Council agree on the proposed eligibility, awards, and other requirements outlines in the draft flyer?
3. Does the Council concur that this is a short-term program, intended to expire in July 2020 or when the funding allocation runs out, whichever occurs first?
4. Does the Council concur with the review committee composition and the appointment of committee members by the City Manager?

5. Is there additional information needed for the Council to provide staff direction on whether to move forward with the program?

FINANCIAL/BUDGET IMPACTS: Emergency Ordinance 5-2020 provided funding assistance for small businesses from the City’s General Fund. Staff anticipates reserving an initial \$600,000 allocation for this program. Depending upon applications, staff may administratively increase this amount.

Total Funding Amount Options	Estimated # of Businesses Impacted (Based upon \$10K-\$14K Awards)
\$400,000	25-40
\$600,000	40-60
\$800,000	60-80

MANAGER COMMENTS: It is important to note that the actions proposed above, while perhaps critical during this pandemic period, will also be counter-productive to the impact that would otherwise likely happen around commercial rental rates. By allowing the natural action to occur around empty store fronts and turnover in the commercial spaces, there is always an opportunity for natural correction to rental rates – by ensuring some level of relief to businesses and landlords during this time, the City is inadvertently propping up these higher rental rates in the near term.

RECOMMENDED ACTION: Staff recommends Council approve the proposed Small Business Rent Relief Grant Program and direct staff to implement the program as quickly as possible.

ALTERNATIVES: The Small Business Rent Relief Grant Program is part of a larger, comprehensive recovery and economic stimulus effort. In addition to the proposed rent relief grant program, a small business revolving loan program is under development. This revolving loan program should be considered a mid-term tool, while the rent relief is an immediate short-term program.

The Council may choose to direct staff to not implement the program, or to modify it as the Council sees in the best interest of the community’s recovery.

ATTACHMENTS: Draft Program Flyer



Small Business Rent Relief Grant Program

Why a rent relief grant?

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The City finds and declares the public benefits to be derived from the draft program are both significant and substantial and justify the expenditure of the public funds necessary to establish and administer the program. The City further finds and declares that the City will receive adequate consideration for its financial contribution to the program in the form of the significant and substantial public benefits described in this memo and the attached draft program flyer.

Who will be eligible for the program?

To qualify, a business must:

- a. Be currently closed by the Pitkin County Public Health Order and unable to operate remotely. Businesses offering take away food are eligible, as well as businesses that deliver goods or products.
- b. Have 25 or fewer full time equivalent (FTE) employees.
- c. Have a physical location in the City of Aspen
- d. Possess a current City of Aspen business license.
- e. Have a rent payment for the time period of April 1, 2020-July 1, 2020 due to a landlord to whom the business has no ownership interest.
- f. Be current on all payments to the City of Aspen, including, but not limited to the filing and remittance of a business license, sales/lodging taxes, water utility payments, and electric utility payments.
- g. Was open for business in Aspen on March 1, 2020; and have been in business since January 1, 2019.
- h. Be open at least 32 weeks a year.

Any business which is deemed a Formula Business, as defined in Sec. 26.104.110 (c), Definitions – Formula Use, of the City of Aspen Land Use Code, shall not qualify for this program. Further businesses that are traditionally office in nature, such as accounting, law firms, property management, real estate professionals, etc. do not qualify.

What is included in the program?

The purpose of this grant program is to provide rent relief for small businesses. Businesses are also encouraged to pursue other assistance programs offered by the federal government and the State of Colorado. This program's offering is equal to one-third the monthly rent for up to three months, not to exceed a maximum award of \$14,000.

Example: Rent with CAM is \$10,000/month for ABC Business, LLC. ABC Business's landlord agrees to credit ABC with 33% of rent and CAM, \$3,333, each month for April, May and June 2020. ABC Business can apply to the Rent Relief Program and, upon qualification, receive an additional \$3,333 as a rent assistance grant each month for up to three months paid directly from the City to the landlord. ABC would then be responsible for paying the landlord the remaining \$3,334 in rent each month. ABC's grant award is now maxed out at \$10,000 total.

How to apply?

A business needs to complete an application (an on-line application process is under development). Information and documents to be submitted in the application will include, but is not be limited to, the following:

- a. Paycheck Protection Program (PPP) details, such as status of application (in process, approved or declined) and the dollar amount requested and awarded), or evidence that PPP applications are no longer being accepted.
- b. List of current business owners.
- c. Copy of current lease.
- d. Date business was established and a current certificate of good standing from the Colorado Secretary of State.
- e. Copy of current insurance policy.

- f. Most recent business Federal Income Tax Return (Income Statement, balance sheet and cash flow report).
- g. A letter from your landlord stating there will be an aggregate (including CAM charges) rent reduction (not deferral) for at least three months equivalent to a minimum of one-third of the monthly rent, and waiving any future claims of a lease violation for the reduction of rent and CAM for the grant period. Financial kickbacks to the landlord or additional fees imposed by the landlord to the tenant will prevent the loan application from being approved.

Who will review applications and decide on awards?

A small grant review committee will review complete applications. The committee will be appointed by the City Manager and be composed of members such as:

- A member of the general public
- a banker, commercial lender or finance expert
- City's Finance Director
- Commercial real-estate professional, and
- one Aspen City Council member

The committee will use the eligibility criteria in making award decisions and will consider fully completed applications in the order they are submitted until the award period ends or funding is fully committed.

Who will make the payments?

The City will make payments directly to landlords on behalf of the tenant.