

AGENDA ADDENDUM

REGULAR PALM DESERT CITY COUNCIL MEETING

THURSDAY, MAY 14, 2020

CIVIC CENTER COUNCIL CHAMBER

73510 FRED WARING DRIVE, PALM DESERT, CA 92260

XIV. OLD BUSINESS

- A. REQUEST FOR AUTHORIZATION TO REPURPOSE THE INVEST PALM DESERT ECONOMIC DEVELOPMENT INCENTIVE PROGRAM TO A UNITE PALM DESERT BUSINESS SUPPORT PROGRAM THAT PROVIDES ECONOMIC RELIEF TO PALM DESERT BUSINESSES ADVERSELY IMPACTED BY THE COVID-19 PUBLIC HEALTH EMERGENCY.

Rec: By Minute Motion:

1. Authorize the repurposing of the Invest Palm Desert Economic Development Incentive Program to a United Palm Desert Business Support Program that provides economic relief to Palm Desert Businesses adversely impacted by the COVID-19 public health emergency.
2. Approve re-allocation of \$2,000,000 from the Invest Palm Desert Economic Development Incentive Program to the Unite Palm Desert Business Support Program.

Action:

POSTED: Monday, May 11, 2020 at 11:00 a.m.

STAFF REPORT
CITY OF PALM DESERT
ECONOMIC DEVELOPMENT DEPARTMENT

MEETING DATE: May 14, 2020

PREPARED BY: Wayne Olson, Senior Management Analyst

REQUEST: Authorize the repurposing of the Invest Palm Desert Economic Development Incentive Program to a Unite Palm Desert Business Support Program that provides economic relief to Palm Desert businesses adversely impacted by the COVID-19 public health emergency.

Recommendation

1. Authorize the repurposing of the Invest Palm Desert Economic Development Incentive Program to a Unite Palm Desert Business Support Program that provides economic relief to Palm Desert businesses adversely impacted by the COVID-19 public health emergency
2. Re-allocate \$2M from the Invest Palm Desert Economic Development Incentive Program to the Unite Palm Desert Business Support Program

Executive Summary

On January 23, 2020, the City Council approved Resolution 2020-14 establishing the Invest Palm Desert Economic Development Incentive Program. That program allocated \$2M of Economic Development reserves to establish a time-limited, targeted, and marketable programmatic source of funds to be directed at the attraction, expansion, and retention of economic development activity within the City. Since that time, COVID-19 public health emergency has had a tremendous impact on our community's economic vitality. Staff has developed and is proposing an alternative Unite Palm Desert Business Support Program totaling \$2M. The goal of the program is to help our local businesses and economic sectors alleviate business interruption impacts resulting from the COVID-19 pandemic.

Strategic Plan Objectives

The establishment of an Invest Palm Desert Incentive Program and the Unite Palm Desert Business Support Program aligns with the City's Envision Palm Desert Strategic Plan:

- Economic Development Priority 1: Expand job and business creation opportunities,
- Land Use, Housing and Open Space, Priority 4: Create a mixed-use City core integrating shopping, dining, lodging, and housing.
- Economic Development Strategic Plan (2018), High Priority (HPI) 2: Business Retention and Expansion Program, (HPI) 3: Revitalization of Key Commercial Districts and (HPI) 4: Entrepreneurial Development & Business Incubation Program.

2019 City Goals (pre-COVID):

- #5 – Develop and adopt economic development incentive programs for targeted businesses and properties.

Subcommittee Review

A draft Unite Palm Desert Business Support Program was presented to the Economic Development Subcommittee on May 5, 2020. The Subcommittee provided valuable input and direction, which is reflected in the proposed program within this report.

Background

City Council Resolution 2020-14 allocated funds to six targeted program areas that make up the Invest Palm Desert Program. To date, approximately 15 applicants have requested applications for that program, but none have returned an application to the City, presumably due to disruption caused by COVID-19.

On March 19, 2020, the State of California issued a Stay at Home directive in response to the COVID-19 pandemic and other federal directives. This necessary order had the unprecedented effect of stopping economic activity, except for essential businesses and critical services, while "flattening the curve" of potential contaminations. Our business community, along with the rest of the City, is now experiencing the financial, emotional, and health impacts of this unfortunate pandemic.

Discussion

In response to the economic impact of the pandemic, the Federal government passed the CARES Act which, in part, provided emergency access to capital via State and

Federal loan programs. The Paycheck Protection Program (PPP) and the Emergency Injury Disaster Loan (EIDL) have been the main federal economic relief response. Staff has coordinated with our local Small Business Administration (SBA) agency to put our businesses in the queue for these emergency relief resources.

However, as the pandemic and Stay at Home orders wear on, additional funding may be required to support our local economy. At the direction of the City Manager, staff has developed the Unite Palm Desert Business Support Program that addresses multiple sectors of our economy hardest hit by the COVID-19 closure orders. The proposed program focuses primarily on restaurants, retail, service industries, local small business, and our hospitality industry.

As proposed, Unite Palm Desert Business Support Program consists of 5 focus areas:

1. Focus 1: Emergency Loan Assistance Program
2. Focus 2: Business Outreach Efforts
3. Focus 3: Hospitality Support Program
4. Focus 4: CSU Expansion Efforts
5. Focus 5: Community Partners

The program attempts to simplify criteria and eligibility, within the bounds of appropriate oversight, and hopes to deliver much-needed support in the form of forgivable loans to small businesses, as well as with other mechanisms of support to other sectors of our local economy. The program is designed to be relatively simple to roll-out in order to provide the funds quickly and responsibly.

A summary of each program area follows:

Focus Area 1: Emergency Loan Assistance Program - \$1M recommended

This loan program focuses on small businesses of 0-25 employees and provides applicants with up to \$25,000 in a forgivable loan (with appropriate documentation). The terms of the loan will be a zero interest, with no payments for the first 24 months, loan and will be forgivable if the recipient identifies that monies were used to cover costs associated with impacts due to COVID-19. The maximum amount of the loan is \$25,000, and will be calculated on the following basis:

- Businesses with 0-5 full-time employees (FTE) may qualify for a flat \$5,000.
- Businesses with 6-25 (FTE) can qualify for \$1,000/FTE.

Special priority will be given to Palm Desert residents that own a business, and that employ Palm Desert residents. Applications will be received via email (or by delivery to City Hall, if the applicant does not have access to email). A City committee will oversee

the loan application approval. Economic Development Department staff will administer Focus Area 1 loans. Additional eligibility is outlined later in the report.

Focus Area 2: Business Outreach Efforts – Nominal fiscal impact

Since March 19, 2020, and when the Stay at Home order was issued, the City has activated a number of business support activities in response to the emergency. These support services and initiatives include:

- Business Support and Viability Response Team – a cross-departmental staff team that identified, tracked, and responded to COVID 19 concerns.
- Banner sign code that limited-term is temporarily waived.
- Business licenses renewals suspended for 90 days
- “Open for Business” banner program deployed– spent \$5,000 (appx 60 banners)
- Business Support Hotline and email - 760-776-6362, bizsupport@cityofpalmdesert.org
- Economic Development COVID web resources - <https://www.cityofpalmdesert.org/our-city/departments/economic-development/covid-19-business-resources>
- Business and employee “FAQ”- <https://www.cityofpalmdesert.org/our-city/departments/economic-development/covid-19-business-resources/covid-19-faqs>
- Hundreds of contacts with local businesses to provide a connection to local service partners including the SBA, Small Business Development Center and the Palm Desert Chamber of Commerce
- Social media presence

These no/low-cost efforts will continue through the epidemic, as well as during the progressive re-opening of businesses scheduled to launch as of the writing of this report.

Focus Area 3: Hospitality Support Program - \$900,000 recommended

Hospitality comprises a significant portion of the economy in Palm Desert and the Coachella Valley. Hotels have essentially been shuttered with a significantly negative impact on both their operations and the City’s collection of Transient Occupancy Tax (TOT). In order to support this vital sector of our economy once it is relaunched, staff recommends that \$900,000 be used to support the hospitality industry via a variety of programs including a guest voucher program, golf or entertainment packages, and other tourist-focused benefits. The program will leverage additional room nights and other sales tax revenues Citywide. This program focus area will be developed more thoroughly over the coming weeks in concert with the Palm Desert hotel and entertainment industry and City marketing/tourism staff. Final program details will be

provided at future Council meetings timed to meet the anticipated re-opening of many of the tourist venues within Palm Desert.

Focus Area 4 – CSU Expansion Efforts - \$50,000 recommended

Economic diversification is a necessary hedge against future community emergencies, as well as long-range economic planning. Priority One CV was established by the City Council on March 13, 2020, and is providing strategic planning and implementation of initiatives to secure a 4-year stand-alone CSU Palm Desert campus. Initial funding from the City was \$100,000. It was anticipated that community partners would be able to inject additional funding for this effort in the short term, but due to COVID budget impacts, they have not been able to contribute. This request supports activities necessary to support the ongoing efforts to secure an independent 4-year campus in Palm Desert.

Focus Area 5 – Other Community Partners - \$50,000 recommended

This focus area reserves a portion of funding to support our community partners' efforts that may arise in the coming months. The Community Development Block Grant (CDBG) program, as well as the CDBG-CV program, is providing support to non-profit partners within the community in excess of \$700,000. However, it may be necessary to provide support to other community organizations during the implementation of re-opening efforts whether in the form of marketing, signage, or other support. This category can be further refined in future reports to the Council.

Application Process and Eligibility for loans:

Focus Area 1 will require applications from local businesses. Staff has developed a draft application and will design a deadline with expedient delivery of funds in mind. It is proposed that applications be received via email (with a paper to City Hall, if necessary). A committee will be selected to review the applications with priority given to businesses with Palm Desert residents as owners and/or employees. Additional eligibility components may include:

- Priority will be given to business owned by Palm Desert residents, and businesses that employ residents in Palm Desert, and businesses headquartered in Palm Desert up to 25 full-time employees
- For-profit, independently owned local business with a focus on restaurants, retail, and service industry businesses
- Funds shall be used for operational needs such as property and equipment leases, mortgage payments, payroll, materials, inventories, and working capital
- Forgivable in month 25 with documentation of appropriate use of funds
- Current City of Palm Desert Business License and in operation prior to State's Stay at Home order (March 19, 2020) and be in good standing with the City of

- Palm Desert as of January 1, 2020 (e.g., current on utility bills, no judgments or fines, etc.)
- Physical establishment within the City of Palm Desert and no businesses with more than 4 franchises outside of Palm Desert may qualify (not applicable to hotels)
- One time loan per business

Additional program funding guidelines for other Focus Areas will be stipulated in program materials and in the resolution adopted at the meeting of the Council on May 28, 2020.

Fiscal Analysis

Staff is recommending that the Invest Palm Desert program monies be reallocated to support the Unite Palm Desert Business Support Program as described in this report. The table below shows the current allocation and the effects of the proposed re-allocation. In item A, below, the \$2M from the Invest Palm Desert fund would be “unallocated,” effectively suspending that program until further action by the City Council, and re-allocated to the Unite Palm Desert Business Support Program.

A summary of the fiscal analysis is provided here:

<u>Current Allocation</u>	
Total Economic Development Reserve	\$4M
Invest Palm Desert allocation (res 2020-14, 1/23/20)	-\$2M
Priority One CV support allocation (approved 3/12/20)	-\$100K
Total Reserve Remaining	\$1.9M
<u>A. Proposed Re-Allocation #1</u>	
Economic Development Reserve Remaining	\$1.9M
Un-allocate Invest Palm Desert & suspend program	+\$2M
Allocate Unite Palm Desert Business Support program	-\$2M
Total Reserve Remaining	\$1.9M

Summary

Staff is recommending the implementation of the Unite Palm Desert Business Support Program using \$2M of Invest Palm Desert program funds. Focus areas that require further review will be brought back to the City Council at future meetings.

LEGAL REVIEW	DEPT. REVIEW	FINANCIAL REVIEW	ASSISTANT CITY MANAGER
N/A Robert W. Hargreaves City Attorney	<i>MA</i> Martin Alvarez Director of Economic Development	<i>Janet M. Moore</i> Janet M. Moore Director of Finance	AF Andy Firestine Assistant City Manager
City Manager Lauri Aylaian: <i>LA</i>			