

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Discussion of Proposed American Rescue Plan Act (ARPA) Business Recovery Funding Allocation		
DEPARTMENT:	City Manager’s Office		
PRESENTED BY:	Nathan Daum, Economic Development Program Manager		
ACTION:	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution	<input type="checkbox"/> Motion
	<input checked="" type="checkbox"/> Discussion	<input type="checkbox"/> Public Hearing	

PROBLEM/ISSUE STATEMENT:

The American Rescue Plan Act (ARPA), which was signed into law by President Biden on March 11, 2021, is a \$1.9 trillion economic stimulus bill. The City of Shoreline was awarded \$7,533,842, of which 50% was received in 2021 and the remaining 50% will be received in 2022. Staff developed, based on Council feedback and direction, a comprehensive plan to make the best use of these funds within the required timeframes. The comprehensive plan included targeting an allocation of \$500,000 for the purpose of business recovery and stabilization.

On June 14, 2021, Council indicated support for staff’s Phase 1 funding recommendations, which included community and business support activities. The Phase 1 business recovery and stabilization allocation was \$93,000 to fund three years of outreach and analysis to Shoreline businesses through a partnership with the Shoreline Chamber of Commerce. Tonight, staff will present Phase 2 business recovery and stabilization funding recommendations.

RESOURCE/FINANCIAL IMPACT:

The \$7,533,842 in ARPA funding the City will receive will cover eligible expenditures that are fully obligated by December 31, 2024. Budgeting Phase 2 funds will happen through a 2022 budget amendment and as part of the 2023-2024 budget process.

RECOMMENDATION

Staff recommends that the City Council discuss staff’s recommended Phase 2 ARPA Business Recovery and Stabilization funding recommendations as identified in this staff report. If there is Council consensus to support these recommendations, staff will move forward with implementation and prepare a budget amendment to authorize the proposed expenditures.

Approved By: City Manager **DT** City Attorney **MK**

BACKGROUND

The American Rescue Plan Act (ARPA), which was signed into law by President Biden on March 11, 2021, is a \$1.9 trillion economic stimulus bill. Within the ARPA, the Coronavirus State and Local Fiscal Recovery Fund provides \$350 billion for states, municipalities, counties, tribes, and territories, including \$130 billion for local governments, split evenly between municipalities and counties. The City of Shoreline was awarded \$7,533,842 of which 50% was received in 2021 and the remaining 50% will be received in 2022. ARPA funding covers the period of March 3, 2021, through December 31, 2024. Costs must be incurred/obligated by December 31, 2024 and must be spent by December 31, 2026.

Following the passage of ARPA, the City Manager formed an internal staff committee to consider how Shoreline might make the most strategic use of these resources. High level allocations were subsequently approved by the City Council in June 2021, as outlined in the table below. The staff report for that discussion can be found at the following link: [Discussion of Proposed American Rescue Plan Act \(ARPA\) Funding Allocation](#).

Category	Subcategory	Targeted Amounts
Respond to public health emergency caused by COVID-19 or its negative economic impacts.	a. Limited Term ARPA Navigators (1.4 FTE)	\$511,000
	b. Human Service Needs	\$1,600,000
	c. Community and Youth Recovery	\$400,000
	d. Business Recovery and Stabilization	\$500,000
City cost recovery for COVID-19 related expenses.		\$500,000
Make necessary investments in water, sewer, stormwater, or broadband infrastructure.		\$4,022,000
Total		\$7,533,000

These initiatives were launched in a phased approach with Phase 1 consisting of:

1. A total of \$511,000 to fund up to 1.4 FTE limited-term Community Support Specialist (ARPA Navigator) positions.
2. A total of \$225,000 to fund community and youth recovery by supporting the YOLO program and a contracted Mental Health Therapist for youth and teens during 2022.
3. A total of \$93,000 to fund outreach and analysis to Shoreline businesses through a three-year partnership with the Shoreline Chamber of Commerce.
4. Approximately \$4M for qualifying infrastructure investments.

DISCUSSION

Business Recovery and Stabilization – Emerging National Policy Context

Staff recently participated in a Washington Economic Development Association (WEDA) meeting titled *Economic Response & Recovery*, which focused on the need for local governments to shift from the “Relief and Rescue” stage to a “Recovery and Restructuring” phase for business recovery. Presenters encouraged cities to consider the following when planning the use of their ARPA funding:

- Efforts considered success stories will be local partnerships and regional collaborations that drive towards a more inclusive economy. These partnerships will be the most competitive for future grant awards.
- Use currently available resources to build strong business support systems and establish intermediaries with community standing. If a city were to do just one thing, it would do well to set up new or invest in a capable business-support non-profit organization and help grow it to scale.
- Develop strategic plans with local partners, recognizing the new era of federal support harkens back to a time when there was much more funding available for small business and community economic development.

Previous COVID-19 Business Response Efforts

Beginning in early 2020 when it became apparent local small business would be significantly impacted by the pandemic, the City of Shoreline established a COVID-19 Small Business Response Team. This interdisciplinary staff team administered a number of measures intended to assist Shoreline small businesses with the economic burdens of the pandemic and related public health measures, including:

- Initiated regular email notifications with economic relief information for small businesses which grew to more than 1,000 subscribers within the first few months of the pandemic. Those interested in receiving these updates can sign up on the City website at shorelinewa.gov/alert by clicking on “COVID-19 Business Response.”
- Administered a Business and Occupation (B&O) tax deferral for businesses needing extra time to file B&O taxes due to the pandemic.
- Partnered with neighboring communities in the development of an online “Puget Sound Restaurant Map” and entered data for Shoreline restaurants open for business through modified COVID-safe practices such as expanded pickup and delivery services.
- Developed and implemented interim Outdoor Dining regulations to reduce barriers to expanded outdoor dining in Shoreline.
- Solicited applications and provided local review for the Washington State Department of Commerce’s Working Washington Grant in its 1st Round.
- Developed and implemented the Shoreline Small Business Support Program (SBSP) Grant. The City of Shoreline was one of the first in the Seattle area to distribute economic aid to local businesses early in the COVID-19 pandemic using federal CARES Act dollars. The SBSP awarded \$775,490 in economic relief grants of up to \$20,000 to 45 Shoreline businesses.

Phase 1 Updates: Businesses Outreach and Analysis

To cultivate ongoing relationships and better understand local business needs considering the widespread economic effects of the pandemic, the City partnered with the Shoreline Chamber of Commerce to contract for outreach to small businesses to better understand their needs, including the identification of challenges or opportunities for growth that the City can facilitate in the economic recovery. By establishing a systematic program of information-gathering and networking with Shoreline businesses, the City has added fundamental strength at the core of its economic development strategy, as existing businesses are the lifeblood of a local economy. This program, informed by regional data and other economic impact reports, is summarized below and forms the basis of the Phase 2 ARPA funding recommendations for supporting businesses under consideration by City Council tonight.

Chamber Outreach

The City executed a \$56,000 one-year business outreach contract with the Shoreline Chamber of Commerce, with the option of renewing annually throughout the duration of the ARPA eligibility period. This outreach will entail at least 240 meetings per year each of the three years. This is on track for the first year, with 80 meetings completed within the first four months. Outreach has been conducted in-person, by email, and by phone to businesses in nine of the City's 14 neighborhoods: Ballinger, Echo Lake, Hillwood, North City, Parkwood, Richmond Beach, Richmond Highlands, Ridgecrest, and Westminster Triangle. Meetings were held with:

- Recipients of Small Business Support Program (SBSP) Grants from the City of Shoreline,
- Businesspeople who are Black, Indigenous, or People of Color, and members of other demographic groups disproportionately impacted by the pandemic, and which had pre-existing disadvantages,
- Businesses located in one of the City's commercial zones, and
- Restaurant, recreation, and entertainment businesses particularly hard-hit by the pandemic.

Future phases of outreach over the course of 2022 will include, in addition to additional businesses in the categories listed above:

- Businesses located in (or seeking) ground-floor commercial spaces within mixed-use buildings,
- Office, health, and other employers that add to the daytime population in the City, and
- Home-based businesses.

Regional Economic Indicators

Economic data for the Western U.S., Washington State, and the Seattle Area were reviewed to provide context at varying levels as to the impact of the COVID-19 pandemic and related public health interventions implemented to reduce the spread of the novel coronavirus.

Federal Reserve Summary of Commentary on Current Economic Conditions - “The Beige Book”

Within the most recent edition of the Federal Reserve’s Beige Book can be found the Report of the District of San Francisco which covers the Western U.S. For the period between August 15-September 30, a number of economic indicators of note showed continuing effects of the COVID-19 pandemic, even while economic activity overall strengthened:

- Prices increased, driven by transportation and input costs.
- Labor market tightened, increased employment accompanied by strong upward wage pressures in almost all sectors.
- Retail sales expanded.
- Consumer services slowed.
- Growth in travel, leisure/hospitality, food services dampened by recent spike in cases (Delta variant).
- Labor shortages in hospitality and food services have constrained capacity.
- Agriculture, resource, manufacturing strengthened by strong consumer demand.
- Residential real estate: strong.
- Commercial real estate: subdued.
- Lending activity increased.

Washington State Employment Security Department Unemployment Claims

The Washington State Employment Security Department (ESD) tracks unemployment data which reflects the overall strengthened recent economic activity in our state and aligns with the broader trends for the Western U.S. Many experts acknowledge lower unemployment claims may reflect exhaustion on the part of job seekers, or a conscious decision to exit the workforce either permanently or until such time that better opportunities are more plentiful. Still, unemployment claims year-over-year are significantly reduced, and as shown in the “Unemployment Claims – Statewide” table below, are significantly lower than pre-pandemic levels.

Unemployment Claims - Statewide			
Washington Employment Security Department (ESD)			
Unemployment claim type	Week ending Nov. 27, 2021	Week ending Nov. 30, 2020	Week ending Nov. 30, 2019
Regular unemployment insurance initial claims	5,461	17,203	7,882
Continued or ongoing weekly claims for regular benefits	45,162	148,638	49,528
Total – regular initial and continued claims	50,623	165,841	57,410

Community Attributes, Inc. Pandemic Economic Impact Study

At the local level, thousands of Seattle-area businesses participated in three rounds of surveys over the course of 2020. While representing only 2% of the overall survey participants, dozens of Shoreline businesses participated in the Community Attributes, Inc. (CAI) pandemic economic impacts study commissioned by King County, the Seattle Office of Economic Development, and Greater Seattle Partners. Key findings and indicators of the CAI study included:

- Leisure and hospitality recorded the highest number of lost jobs and highest number of unemployment insurance claims.
- 30% of Arts, Entertainment, or Recreation businesses reported losing between 91-100% of their income compared to the same time in the prior year, 19% higher than the proportion of all other industries that reported the same.
- 9% of Arts, Entertainment, or Recreation businesses felt they would likely go out of business, 3% higher than respondents from all other industries.
- Minority or person of color-owned businesses, on average, reported an income decline of 64% compared to the same month in the prior year. This compares to a survey average of 56%.
- Just 17% of woman-owned businesses reported they had not had to reduce their staffing capacity; this compares to 31% reported by all survey respondents.

Information Gathering and Support

While economic indicators are mixed, significant headwinds unquestionably continue to buffet local businesses. With that in mind, the contract with the Shoreline Chamber of Commerce includes development of a database of information on our local businesses to enable the City to draw insights from the data as well as identifying challenges or growth opportunities for the business community that the City or its partners may be able to address. The contract also required an Outreach, Recovery and Retention report to be provided to the City. The report documented the challenges, needs and opportunities, referrals and connections made, and recommendations; all of which are included below.

Challenges identified:

- *Staffing shortage: limited availability for key roles such as cashier, cook, customer service, nail technician, hairdresser, tutors.*
- *Burnout: Small business owners are doing both the front-end customer service as well as back-of-house and working more than 60 hours per week.*
- *Supplies: Materials are hard to find as shipping times have lengthened, putting basic operations at risk.*
- *Neighborhood Safety: Perceived increase of homeless population near businesses leading to heightened concerns about safety (mostly on Aurora Avenue).*
- *COVID-wariness: Fear of the novel coronavirus among many customers continues to limit trips to stores and restaurants to those considered absolutely necessary.*
- *Price spikes: Price increases for supplies and rent are threatening existence of some businesses.*

- *For many immigrant business owners there is a lack of access of information in regards of business recovery resources.*

Needs and Opportunities

Based on interviews with businesses, the dominant themes of potential support and collaboration identified were as follows:

- *Expertise and guidance: marketing, business planning, finances, and other business coaching needs identified as a need among many business owners.*
- *Financial Assistance: continuing to share information about grants, low-interest loans, and other forms of relief or stimulus will be important to many businesses.*
- *Employer and employee connections: difficulty finding work in our community and a scarcity of workers reported by businesses suggest potential value in supporting job fairs and other initiatives led by partners such as Shoreline Community College*
- *Collaboration/trainings: shared interests among businesspeople in similar categories, or with similar needs represent opportunities to build awareness of resources in our local community.*
- *Networking and advertising: creating opportunities for businesses to connect with one another as well as the broader community can help increase business as well as referrals for vital resources, materials, staffing or other needs through greater connectivity between businesses.*
- *In-person inclusivity: launching an outreach campaign conducted largely in-person has helped illustrate communication preferences for different communities, with many immigrant and refugee businesses indicating they find in-person events far more accessible and useful to them than electronic or other newsletter-type communication methods.*

Referrals and Connections

The consultant and staff collaborated in response to some of the issues identified in meetings with businesses by referring them to resources within and outside of the City of Shoreline, including the following:

- *Small Business Flex Fund: Small businesses have been introduced to this new \$100-million revolving loan fund supported by the Washington State Department of Commerce and four banks. The Flex Fund offers low-interest, long-term repayment loans of up to \$150,000 to businesses of less than \$3 million in revenues and fewer than 50 employees.*
- *Emergency Services: In response to questions and concerns raised by businesses related to law enforcement and emergency services, the consultant and staff have initiated planning for information-sharing events to take place in 2022:*
 - *Shoreline Fire: Based upon concerns of adult care home operators seeking guidance as to how best to work with Fire Department in cases of medical emergencies, staff are working together now to plan an information-exchange event in 2022.*
 - *Shoreline Police Department: Based upon concerns of businesses regarding safety and crime, especially in the Aurora Corridor area, staff are planning an event with Police and small businesses in 2022.*

- *Shoreline Community College (SCC): Working with SCC to connect businesses with free services such as job description review, skills training for employees, and more.*
- *Shoreline School District culinary department: Introduced a business interested in collaborating with and supporting on-the-job learning opportunities for culinary arts students.*
- *Introduction of the Shoreline Chamber of Commerce: Introduced numerous businesses to the Chamber as a resource for networking, promotion, and collaborative purposes.*
- *Recology solid waste management: Introduced a business to food waste reduction resources through the City's Recology contract and sustainability program.*
- *Beauty Academy: helping connect multiple personal care and beauty businesses to provide opportunities for beauty trainees to gain more experience and support businesses in need of staffing or contractors.*
- *Shoreline Parks: working with a business interested in conducting outdoor fitness classes in the summer.*

Recommendations of Shoreline Chamber of Commerce:

- *Business Coaching and Guidance: Interviews with Shoreline small businesses revealed many who have a need for a deeper level of direct support and guidance on a variety of issues and opportunities such as developing a business plan, developing a marketing plan, expansion planning and other needs. A dedicated expert resource available to provide hands-on support for these businesses at no cost to them would represent an investment of ARPA funding with a high potential return in terms of local business stability and growth.*
- *Local Business Gift Cards as Job-Fair Incentives: The widespread need for workers at Shoreline small businesses represents a potential opportunity for economic expansion. A local business gift card giveaway is recommended to help promote and increase participation in job-fairs and other employer recruitment activities. By purchasing gift cards from local businesses and distributing them as door prizes and other incentives for job seekers, the City's ARPA dollars can be invested to both support these local businesses financially as well as provide an incentive to increase attendance and participation in job fairs and other hiring and recruitment activities locally.*
- *Networking Events: Citywide networking events to bring business owners and residents together to support local small businesses.*

Business Coaching and Guidance: Washington Small Business Development Center (SBDC)

Based on the findings of meetings with Shoreline businesses, many of whom are operating without a documented business plan and have interest in a specific next step for their business (such as sale or expansion) but do not have a plan nor access to an expert resource in that area, staff concurs with the consultant's recommendation to secure for the Shoreline small business community, at no cost to those businesses, expert advisory resources to aid them in their stabilization and recovery. Based on research and the recommendations of peers and local leaders in economic

development, staff is recommending that the City of Shoreline take the opportunity of utilizing ARPA funding to contract with the Washington Small Business Development Center (SBDC) to secure business advising services for Shoreline businesses.

The [Washington SBDC](#) is an accredited member of America's SBDC, an association of 62 statewide or regional networks of community-based business advisors who provide expert, confidential, no-cost advising to entrepreneurs and small business owners who want to start, grow or transition a business. The SBDC program is a partnership between the U.S. Small Business Administration (SBA) at the federal level and institutions of higher education and/or economic development centers at the state level. The Washington SBDC is among the oldest in the nation and has been hosted by Washington State University since 1980.

Due to the challenges of hiring faced by nearly all employers at this stage in the pandemic economic recovery, a fee-for-service approach is recommended. Ultimately, the City could choose to make a longer term commitment in order to secure an SBDC advisor assigned to work in Shoreline. However, at this time staff is recommending beginning with an equivalent investment into the SBDC program as a fee for service. This would secure for the Shoreline small business community the same advising capacity among the SBDC network which includes a variety of specializations among its advisors, several of which are already based in the local area, but would not be limited to the expertise of a single SBDC staff person.

The SBDC plays a critical role in the long-term health of small businesses, providing in-depth guidance on diverse business challenges, including:

- Starting or growing a small business,
- Acquiring capital,
- Business planning,
- Managing cash flow,
- Buying/selling/transitioning a business,
- Market research and strategy,
- Human resource management, and
- Business resilience.

Through this research, staff has learned that these are the same challenges that are faced by our local businesses in Shoreline.

The City would expect a level of service equivalent to a full-time SBDC advisor for its investment – once fully established, a business advisor typically has about 100 active clients each year and spends an average of 10 hours with each client. About 75% of those clients are existing businesses seeking to expand or adapt to a changing environment.

Over the past 10 years (2012 to 2021), Washington SBDC advisors have recorded meeting with an average of 2,800 business owners each year. Those business owners have credited their SBDC advisors with helping to:

- Create 8,315 jobs,
- Save 9,433 jobs,

- Start 1,502 businesses, and
- Access more than \$754M in new capital.

In that same period, the average full time business advisor reported annual economic impacts that include:

- Creating or saving 82 jobs,
- Accessing more than \$3M in debt or equity financing,
- Starting five (5) new businesses, and
- Increasing sales by \$2.4M.

Under the direction of the U.S. SBA, the Washington SBDC is required to meet annual goals set by the SBA that ensure effective and efficient use of state and federal resources. Business advisors keep confidential session notes to track client progress and record client-verified economic impacts attributed to SBDC advising. The Washington SBDC regularly compiles economic impact reports for services provided through each center and in each congressional district. These reports of aggregate impacts (client confidentiality is preserved) are shared with stakeholders and funding partners and would be provided regularly to the City of Shoreline.

After the conclusion of this three-year ARPA-supported period, the City would have the option of entering into a new contract with Washington SBDC to fund the placement of a full-time SBDC Advisor to be located in the City of Shoreline. A 50% federal match would be available, which would reduce the annual expense for the City from \$121,000 to \$60,500. The City could also ask partners to join in the investment needed to enable this support for the local business community to continue following the end of the ARPA-support period. More information about the Washington SBDC can be found in Attachment A to this staff report.

Phase 2 Recommendations for Council Discussion Tonight

Of the remaining \$407,000 allocated to ARPA Business Recovery and Stabilization, staff recommends proceeding with business advisory services at this time and continuing to explore the potential value of incentives to support job fairs and other recruitment efforts for local businesses in a potential future phase. This Phase 2 recommendation entails contracting with Washington SBDC for dedicated SBDC advisory services for Shoreline businesses in the amount of \$363,000 for three years.

Council Discussion Questions

Tonight, staff is seeking Council’s feedback on the following discussion questions:

1. Does Council have any questions regarding the recommended investment into Business Advisory Services for Shoreline small businesses?
2. Does Council support the proposed Phase 2 ARPA Business Recovery and Stabilization allocation recommendation?

RESOURCE/FINANCIAL IMPACT

The \$7,533,842 in ARPA funding the City will receive will cover eligible expenditures that are fully obligated by December 31, 2024. Budgeting Phase 2 funds will happen through a 2022 budget amendment and as part of the 2023-2024 budget process.

RECOMMENDATION

Staff recommends that the City Council discuss staff's recommended Phase 2 ARPA Business Recovery and Stabilization funding recommendations as identified in this staff report. If there is Council consensus to support these recommendations, staff will move forward with implementation and prepare a budget amendment to authorize the proposed expenditures.

ATTACHMENTS

Attachment A: WSBDC Summary 2012-2021



What is a Small Business Development Center

Who is the SBDC?

The Washington Small Business Development Center (SBDC) is an accredited member of the America's SBDC, an association of 62 statewide or regional networks of community-based business advisors who provide expert, confidential, no-cost advising to entrepreneurs and small business owners who want to start, grow or transition a business. Small businesses are job creators and innovators and America's SBDCs are the nation's proven, cost-effective and accredited infrastructure for small business development.

The SBDC program is a partnership between the U.S. Small Business Administration (SBA) at the federal level, and institutions of higher education and/or economic development centers at the state level. The Washington SBDC (www.WSBDC.org) is among the oldest in the nation and has been hosted by Washington State University (WSU) since 1980. With 30+ full time certified business advisors working in communities throughout the state, the WSU-SBDC collaboration yields meaningful local impact for our local stakeholders and community partners.

Our advisors are trained to help aspiring or existing entrepreneurs formalize and crystalize their business plans with in-depth, objective, and tailored coaching. The results speak for themselves.

What do we do?

1. *Business Development Support*

The SBDC plays a critical role in the long-term health of small businesses, providing in-depth guidance on diverse business challenges including:

- Starting or growing a small business
- Acquiring capital
- Business planning
- Managing cash flow
- Buying/selling/transitioning a business
- Market research and strategy
- Human resource management
- Business resilience

2. *Topical Trainings*

While one-on-one, confidential advising is the core service of SBDC advisors, the Washington SBDC network also offers training to build critical skills and knowledge. Ongoing workshops include:

- Cybersecurity for small business
- Export readiness
- Cash flow management
- Financial literacy

3. *Client-reported economic impacts*

Every SBDC network is required to meet annual goals set by the SBA that ensure effective and efficient use of state and federal resources. Business advisors keep confidential session notes to track client progress and record client-verified economic impacts attributed to SBDC advising. The Washington SBDC regularly compiles economic impact reports for services provided through each center and in each congressional district. These reports of aggregate impacts (client confidentiality is preserved) are shared with stakeholders and funding partners and are available to the public.

What are the results?

Once fully established, a business advisor typically has about 100 active clients each year and spends an average of 10 hours with each client. About 75% of those clients are existing businesses seeking to expand or adapt to a changing environment.

Over the past 10 calendar years (2012 to 2021), our advisors have recorded meeting with an average of 2,800 business owners each year. Those business owners have credited their SBDC advisors with helping to:

- Create 8,315 jobs
- Save 9,433 jobs
- Start 1,502 businesses
- Access > \$754 Million in new capital

In that same period, the average full time business advisor reported **annual** economic impacts that include:

- Creating or saving 82 jobs
- Accessing > \$3M debt or equity financing
- Starting 5 new businesses
- Increasing sales by \$2.4M

Why should I support the SBDC?

Because everyone needs small business. When small businesses succeed, so do our communities. They are key to our economic recovery, and they continue to be the nation's innovators and job creators. SBDC advising cannot happen without community support and we need you and your organization to be part of the solution.

