



DATE: September 22, 2020
CATEGORY: New Business
DEPT.: Community Development
TITLE: **Small Business Action Plan**

RECOMMENDATION

Adopt the Small Business Action Plan.

BACKGROUND

Small businesses are the backbone of the United States economy, contributing to the growth and vitality of a local economy while creating jobs, sparking innovation, and providing opportunities for people, including women and minorities. Small businesses also provide services to local customers and contribute to the vibrancy of a community. In California, small businesses create two-thirds of new jobs and employ nearly half of all private-sector employees.

The COVID-19 pandemic and ensuing economic recession have had a devastating impact on small businesses. On March 12, 2020, the City declared a State of Emergency due to the COVID-19 pandemic, and, on March 17, 2020, the Santa Clara County Public Health Order to Shelter-in-Place began, which reduced the ability of small businesses to maintain regular operations, impacting revenue and staff. Businesses had to close or stay open with reduced staff and customer access. Many small businesses were struggling financially prior to the onset of the pandemic because of competition from larger discount stores and a steady increase in online shopping.

The service economy is more vulnerable, and less resilient, to withstanding the effects of a national, or natural, disaster like the COVID-19 pandemic. Unlike the 2009 recession, the economic impact of this pandemic was immediate and deep. The resulting high unemployment, suspension of business operations, and the change to the everyday lifestyle of most customers brought small businesses to a standstill.

In an effort to assist small businesses, the Federal government provided a variety of economic stimulus measures for employers and employees through the Coronavirus Aid,

Relief, and Economic Security (CARES) Act. The Act provided funding assistance for small businesses, administered by the Small Business Administration, which included the following programs:

- The Paycheck Protection Program (PPP) provided small businesses with funds to pay up to eight weeks of payroll costs, including benefits. The PPP was available to a wide range of small businesses and eligible nonprofit organizations.
- The Economic Injury Disaster Loan (EIDL) provided an advance of up to \$10,000 to small businesses; however, funds were quickly depleted and then were available only as a loan.
- The Economic Development Administration (EDA) also has funding for economic development programs and projects; however, the EDA encourages a regional application, and community eligibility criteria include a high poverty rate and a history of high unemployment.

The CARES Act also gave states the option of extending unemployment compensation to people who do not usually qualify for regular State unemployment insurance. The program extended benefits and provided an additional \$600 weekly Federal stimulus payment which ended July 25, 2020. Unfortunately, some workers were discouraged from returning to work because the benefits they received were greater than wages they earned on the job. Overall, the Federal government programs were complicated and did not necessarily provide the immediate support that businesses needed.

The California Legislature also took action to assist small businesses. On September 9, 2020, Governor Gavin Newsom signed three bills into law in an effort to support small businesses as they recover from the COVID-19-induced recession:

- AB 1577 conforms State law to Federal law by excluding from gross income Paycheck Protection Program loans that were forgiven through the Federal CARES Act and subsequent amendments in the Paycheck Protection Program and Health Care Enhancement Act of 2020.
- SB 1447 authorizes a \$100 million hiring tax credit program for qualified small businesses. The hiring credit will be equal to \$1,000 for each net increase in qualified employees, up to \$100,000 for each qualified small business employer.
- SB 115, a budget trailer bill by the Committee on Budget and Fiscal Review, appropriates \$561 million in Fiscal Year 2020-21. This includes \$411.5 million to

advance economic stimulus, with \$230.5 million to help jump-start construction projects.

In response to the pandemic, the City also implemented the following initiatives within the first three months of the pandemic to support Mountain View small businesses:

- **#TogetherMV Online Donation Portal**—Created a donation portal on the City’s website, partnering with the Los Altos Community Foundation for residents to donate to rent relief efforts or to small businesses and collected over \$150,000.
- **Small Business Resiliency Program**—Created a program with approximately \$1 million in funding (\$500,000 from the City, \$400,000 from Google, \$100,000 from LinkedIn, and other funding from community members through the #TogetherMV donation portal). Partnered with Main Street Launch to provide interest-free loans of \$7,000 to 71 Mountain View small businesses.
- **Small Business Impact Survey and Call Center**—Contacted the City’s entire list of small businesses (over 600 phone calls made by staff) to share COVID-19 resources and information and learn how the pandemic impacted operations. Also launched an online survey to understand impacts to small businesses.
- **Castro Summer StrEATs Pilot Program**—Closed Castro Street to vehicular traffic, with over 60 businesses participating in the program. This program will continue through the end of the public health emergency order.

While the initial impact of the pandemic has lessened and unemployment and consumer buying have improved, most small businesses remain closed or operate on a limited basis. Moreover, minority-owned businesses have experienced a disproportionate impact to their operations during this crisis, and even large brand retailers that were experiencing a restructuring of their industry prior to the pandemic have declared bankruptcy and closed thousands of stores. Undeniably, the pandemic has changed the economy at every level.

ANALYSIS

As part of the Fiscal Year 2019-21 Council Goals process, Council directed staff to hold a Study Session to discuss the development of a Small Business Strategy, which staff has turned into an Action Plan (Plan). Due to the current business environment affected by the pandemic, staff accelerated the timeline and approval process of the Plan to continue providing immediate support to the small businesses.

The purpose of the Small Business Action Plan is to design solutions to assist the City's small businesses during the current economic crisis and strengthen their resilience for the longer term. The Plan provides recommendations for policies and resources that can reinforce and strengthen the foundation of small businesses and build greater capacity over time. The longer-term goal is to build resilience and provide small businesses with flexible tools that will help them weather the impacts from the next economic downturn and a constantly changing marketplace.

To assist with the Plan, the City hired Leslie Parks, an economic development consultant (Consultant) with regional and national experience in designing innovative programs and implementing small business and economic development action plans. Developing the Plan began with a review of existing business conditions at the national, State, and local level. This review looked at the types of businesses located in Mountain View, the number of employees, the age of a business, and businesses that are thriving or at risk. In addition, a business needs assessment was completed through interviews, focus groups, and surveys.

Definition of a Small Business

The Small Business Administration defines a small business as having fewer than 500 employees and has multiple "small business" definitions, depending on industry, ownership structure, number of employees, and revenue. Overall, there is no universally accepted definition of a small business. Small businesses are sometimes characterized by five to 15 employees, and the following terms are used to describe a small business:

- "Mom and Pop" business has an owner and one staff but no payroll;
- "Sole Proprietorship" business has no separate existence from its owner. Income and losses are taxed on the individual's personal income tax return;
- Small to Medium Enterprises are start-ups with fewer than 25 employees; and
- Informal businesses that are not formally included in the counts of small businesses.

The Small Business Administration reported that 99.9 percent of U.S. businesses are small businesses with fewer than 500 employees. These firms employ 47.1 percent of the private work force. Small businesses with 20 to 99 employees have the largest share of small business employment and create the most jobs.

Mountain View Small Businesses

Mountain View requires businesses located in the City or conducting business within the City's limits to obtain a business license. The information is collected into a database, which was used to create a profile of small businesses in the City. Based on the assessment, a profile of Mountain View's small businesses is summarized below:

- 3,017 businesses located in Mountain View;
- 2,950 businesses with 1 to 500 employees;
- 1,370 businesses have one employee and may be home-based businesses;
- The top five industry categories with the highest number of businesses are (in order): personal services, professional services, health care, retail, and accommodation/food services;
- 400 businesses are "medium-sized" and employ 11 to 100 employees that are predominantly in the professional, retail, personal service, and food/accommodation industry categories;
- 50 firms are involved in manufacturing, with higher-paying jobs and value for the economy; and
- An estimated 1,900 businesses started between 2011 and 2020, compared to 400 that opened between 1990 and 1999.

The profile of the City's small businesses was also compared with the State and national business data (Attachment 1: Small Business—State and National Comparison). It is important to note that it was not possible to use the same methodology or same data. Business categories used by the City did not align completely with those used by the Small Business Administration, but it is common for the business categories to vary from city to city. However, the comparison of Mountain View small businesses with a profile of small businesses at the State and national level did show the following differences:

- Mountain View has a high percentage of small businesses with 1 to 19 employees and fewer than 500 employees at 89 percent. This is compared to the State at 16 percent and U.S. at 17 percent;

- About 19 percent of the City's businesses are professional services, which also include a large number of nonemployment firms that are sole proprietors and are home-based;
- One-third of the City's small businesses are involved in personal services, which is three times the percentage for businesses in the State and U.S.; and
- Mountain View, compared to both the State and nation, has a higher percentage of firms involved in manufacturing.

Business Needs Assessment

Small Business Survey

To develop the Small Business Action Plan, extensive outreach efforts were completed to understand current business needs. The Consultant held focus groups with downtown businesses; interviewed the City's partners, including the Chamber of Commerce, Downtown Business Association, and NOVA; conducted individual business interviews; and released two surveys. Based on this input, the following key findings emerged:

- Businesses need to expand their customer base;
- Businesses need short-term funding assistance;
- Businesses need assistance reducing business costs;
- Businesses need assistance with promotions and advertising;
- Businesses need clear, consistent information about public health orders that affect operations;
- Businesses need assistance finding and retaining employees; and
- Finally, employers who are hiring noted that job seekers want assurances that the workplace offers safety and protection.

The focus groups and interviews discussed the continued decline of middle-income jobs that are typically found in manufacturing, production, suppliers, etc. Many of those businesses have relocated to lower-cost areas beyond Silicon Valley, where there is greater availability and lower cost of space. Also, a small percentage of layoffs have occurred in the tech sector to date, which contributes to the stability and resiliency of the

local economy. The continued resiliency of these large firms will play a key role in the recovery of the economy and small businesses in the City.

In addition, two surveys were released – one for businesses to provide feedback on their impacts and needs and another for community members to report their shopping habits. The surveys ensured businesses could provide feedback while engaging the community. The business survey received over 138 responses. A variety of businesses responded to the survey, which included restaurants, retail, health services, professional and technical services, and hospitality. The business survey responses were consistent with those received from businesses surveyed in other communities and by other organizations at the local, State, and national level. Below are the key takeaways from the survey results:

- 53 percent of businesses who responded said business has worsened since March 16, 2020;
- Businesses have no time and/or money for marketing and promotion;
- Businesses noted the following operating challenges:
 - Cost and difficulty obtaining materials, supplies, and products to sell;
 - Cost and difficulty obtaining Personal Protective Equipment (PPE) and supplies;
 - Difficulty understanding County and State health orders regarding business operation; and
 - Difficulty hiring and retaining employees;
- Businesses said they need financial assistance, such as grants (preferred over loans), waiver of City fees, and other considerations that lower operating costs; and
- 91 percent said they received PPP funding while 40 percent said they received an EIDL. Anecdotal feedback from businesses that applied or received either loan said the process was confusing and frustrating. Many did not hear back on their application status, and others reported that they are struggling with the paperwork that qualifies them for forgiveness of the loan.

The responses were also compared to a business survey conducted in April 2020 by the City. There is a greater need and urgency to support businesses, particularly because the Payroll Protection Program ended and enhanced unemployment benefits stopped.

Shopper Habits

Notably, the shopper habits survey received over 440 responses. This information will be made available to local businesses to help them retool their operations in order to better serve customers based on changes to their shopping preferences. Below are the key takeaways from the survey results:

- Over 90 percent of the respondents live in Mountain View;
- Most respondents are spending money on groceries (98 percent), followed by food from restaurants (73 percent) and goods/services for home improvements (48 percent);
- Respondents use a variety of shopping methods, including buying items online, in-store pickup, delivery, and mail; 83 percent said they buy in the store;
- 50 percent of respondents are purchasing food from restaurants once per week, while 22 percent buy three times per week;
- When respondents buy food from restaurants, 87 percent personally pick up take-out food, 35 percent use delivery services, and 36 percent dine at restaurants;
- 84 percent of respondents give preference to local merchants;
- 37 percent of respondents favor businesses that follow maximum safety procedures. Convenience, followed by customer service and price, matter the least in terms of restaurant selection; and
- Regarding advertising and promotion, 31 of respondents rely on social media, while 33 percent rely on print or electronic communications, and 21 percent rely on print advertising.

The shopper habits survey showed that it is important for a restaurant to offer a variety of options for buying food, including pick-up, delivery, and dining outdoors. Preference and safety are important to customers, but convenience and price are less so. Additionally, the fact that businesses do not have time or money to spend on promotion and advertising, and the finding that shoppers rely on social media and electronic communications for information about businesses, are issues that need to be resolved.

Small Business Action Plan

Small businesses continue to struggle as the COVID-19 pandemic impacts their operations. There is no predictability for what the economy, business environment, or recovery might look like. The sense of urgency to support small businesses has not diminished. Based upon the key findings, staff developed the following guiding principles to evaluate potential recommendations:

1. The key guiding principle is immediate implementation. Small businesses are facing an urgent threat and need immediate help.
2. City resources are required to prioritize the needs of the City's small businesses through implementation of resources that can provide immediate assistance. This could mean redirecting resources away from some projects and efforts and towards implementing the Action Plan.
3. Align and leverage capacity and resources of partners and partnerships, such as the Chamber of Commerce, Downtown Business Association, NOVA, and some of the City's large businesses that may be in a position to help.
4. Provide the greatest return on effort, time, and resources for businesses.
5. Build longer-term sustainability and capacity for businesses.
6. Produce outcomes that are sustainable and measurable for businesses.
7. Provide flexibility to allow businesses to be ready for uncertainty in the economic recovery.

Below is a summary of 10 recommendations in the Action Plan, and additional detail is provided in Attachment 2: Small Business Action Plan Recommendations. The recommendations are divided into two sections: immediate implementation to provide the greatest return for the longer term and for building resiliency for small businesses and additional implementation to provide solutions to address the key findings.

Following adoption of the Small Business Action Plan, staff will finalize the Plan and begin implementation of the website and newsletter and contacting partners (Month 1-3). This will be followed by creating the Small Business Action Team and looking for a "Shop Local" partner and funding (Month 1-4). Once the immediate implementation items are completed, staff will move on to the additional implementation items.

IMMEDIATE IMPLEMENTATION	Time Frame	Resources and Costs	Resiliency
<p>1. <i>Expand the customer base for small businesses using tools/resources that showcase them and keep them “top of mind” with existing and new customers. Develop a “Shop Local” program with a web-based directory of City businesses.</i></p>	<p>Three months to develop and launch.</p>	<p>Develop website directory.</p> <ul style="list-style-type: none"> • One-time start-up fee for platform customization: \$5,000 • Annual license fee for 900 plus businesses: \$15,000 <p>Management and implementation for six months.</p> <ul style="list-style-type: none"> • Consultant time: \$18,000 	<p>Long-term</p>
<p>2. <i>Create an interdepartmental Small Business Action Team in City Hall. Dedicate staff to regularly work with small businesses on challenges, issues, and opportunities.</i></p>	<p>Four months to develop and launch.</p>	<p>Development of team operating structure, including work flow plan and orientation training for staff.</p> <p>Development of team operating structure, including work flow plan and orientation training for staff.</p> <ul style="list-style-type: none"> • Consultant time: \$7,000 	<p>Long-term</p>
<p>3. <i>Businesses need to receive current information about tools, resources, and programs available. E-mail is the preferred communication channel for business based on the business survey. Develop a monthly small business electronic newsletter than can be e-mailed to the City’s small businesses.</i></p>	<p>Three months to develop and launch.</p>	<p>Creation of electronic newsletter template and management and implementation for six months.</p> <ul style="list-style-type: none"> • Consultant time: \$18,000 	<p>Long-term</p>

IMMEDIATE IMPLEMENTATION	Time Frame	Resources and Costs	Resiliency
<p>4. <i>Access to capital is the number one priority resource for small businesses. Modify the City's Small Business Resiliency Program to increase loan amounts and allow use of funds that will help businesses build stronger, long-term resiliency.</i></p>	<p>Three months to develop and launch.</p>	<p>Administer survey of applicants and recipients from first phase of loan program.</p> <ul style="list-style-type: none"> • Consultant time: \$3,000 	<p>Long-term</p>
<p><i>Estimated Cost for Immediate Implementation</i></p>		<p>Total Costs: \$66,000</p> <ul style="list-style-type: none"> • Resources: \$20,000 • Consultant: \$46,000 	

ADDITIONAL IMPLEMENTATION	Time Frame	Resources and Costs	Resiliency
<p>5. <i>Provide information about available public and private sector grants to assist small businesses. Use the City's economic development webpage and proposed monthly electronic newsletters to provide information about available public and private sector grants to assist small businesses.</i></p>	<p>One month to develop and launch.</p>	<p>Integrate into small business electronic newsletter.</p>	<p>Long-term</p>
<p>6. <i>Provide businesses support and assistance when using social media for advertising and promotion. Promote digital tools that can expand and improve electronic commerce for small businesses.</i></p>	<p>One month to develop and launch.</p>	<p>Integrate into small business electronic newsletter. Does not include technical assistance for businesses.</p>	<p>Long-term</p>

ADDITIONAL IMPLEMENTATION	Time Frame	Resources and Costs	Resiliency
7. <i>Businesses need current information and assistance maintaining and promoting a safe environment for customers and employees. Provide clear, consistent updated information about County and State health orders regarding business operations, including County- and State-approved checklist templates and other signage.</i>	Ongoing.	Integrate into small business electronic newsletter. Does not include technical assistance for businesses.	During Pandemic
8. <i>Promote Mountain View as a “safe city” for businesses and customers. Expand the “Shop Local” program to “Shop Local, Shop Safe.”</i>	One month to develop and launch.	Develop and launch campaign. <ul style="list-style-type: none"> • Consultant time: \$10,000 	During Pandemic
9. <i>Businesses need access to PPE and supplies. Explore options with private-sector businesses for bulk purchasing and other supplies needed by small businesses.</i>	Three months to develop and launch.	Identify staff to explore options.	During Pandemic
10. <i>Support employees with assurances of a safe work environment and resources for finding employment opportunities. Employers have difficulty hiring because workers want assurances of a safe work environment.</i>	Three months to develop and launch.	Integrate into small business electronic newsletter.	During Pandemic
<i>Estimated Cost for Additional Implementation</i>		Total Costs: \$10,000 (Consultant)	

FISCAL IMPACT

City funds in the amount of \$275,000 have been appropriated for implementation of the Small Business Action Plan as part of the Fiscal Year 2020-21 Budget. There is currently \$214,752 available, and staff estimates the cost to implement the Plan is approximately \$76,000. The Plan would also require about \$20,000 to \$25,000 in annual maintenance and implementation costs.

CONCLUSION

The current business environment and local economy have been deeply affected by the COVID-19 pandemic. Neither will return to the normal that existed before the pandemic. In fact, many small businesses already faced resiliency issues in the robust prepandemic economy that hastened the financial impacts from the economic downturn. The Small Business Action Plan will be the foundation for broader, sustainable programs to support local small businesses beyond the pandemic. As funding and staff resources become available and as the business environment and economy change over time, these programs can be modified to address changing business needs.

ALTERNATIVES

1. Approve the Small Business Action Plan with modifications.
2. Do not approve the Small Business Action Plan.
3. Provide other direction to staff.

PUBLIC NOTICING

The City Council's agenda is advertised on Channel 26, and the agenda and this report appear on the City's website. E-mail notification was distributed to the Downtown Business Association and Mountain View Chamber of Commerce.

Prepared by:

Tiffany Chew
Business Development Specialist

Aarti Shrivastava
Assistant City Manager/
Community Development Director

Approved by:

Kimbra McCarthy
City Manager

TC-AS/4/CAM
822-09-22-20CR

- Attachments:
1. Small Business Analysis—State and National Comparison
 2. Small Business Action Plan Recommendations