

LFUCG Small Business Economic Recovery Program

Work Session

April 20, 2021



Office of the
Urban County Council



Economic Recovery Program Proposal

- \$5 million to fund a local, small business economic recovery **grant** program, with the goal of allocating at least 50% of funds to minority and women owned businesses
 - Provide support to local small businesses with established goals to sustain or increase employment and/or payroll
 - Maintain partnership with Commerce Lexington Access Loan Committee for program administration
 - Maintain partnership with Traditional Bank for the banking component of the program
 - Program funds to be distributed in two tranches of \$2.5 million each. This resolution authorizes the first tranche of funding



Grant

- Grant up to \$25,000 per business or business group
- Focus on sustaining or increasing employment and/or payroll
- Considerations for approving applications and determining grant award amounts:
 - Eligibility based on basic requirements
 - Economic impact of the business
 - Importance and vitality of the business to the community
 - Prior federal or local funding relating to COVID-19 and occupational license fee or tax relief related to COVID-19
 - Business sectors most affected by COVID-19
 - Business' ability to retain or exceed its current employment and/or payroll levels
- Note: Requested grant amount may not be awarded in full



Goal: disperse 50% of funding to Minority & Women Owned Businesses

- Business or business group must be 51% minority/women-owned to qualify
- Certification of minority/women-owned is not required
 - Of the more than 4,000 entities registered in the Division of Purchasing database, only 66 are certified as minority, women, and disadvantaged business entities that locate in Lexington
 - 30% of minority/women-owned businesses in Central Kentucky are certified



Business Requirements

The following qualifications are required of the business or business group:

- Business must be located in Fayette County
- Maximum number of employees: less than 50, with an exception of restaurants – up to 100
- Has been in operation since January 1, 2021
- Good standing with the city and state; up to date on all taxes
- Sole proprietors, limited liability corporations, not-for-profits, and non-profits are eligible



Application Process

- Electronic
- Eligibility requirements will be based on the status of the business or business group as of January 1, 2021
- Application will include:
 - Lexington business license number, owner name or holding company, registration with Secretary of State
 - Identify business sector
 - List **any federal or local funding** received related to the COVID-19 crisis and what those funds were used for
 - A proposal for utilizing grant funding to sustain payroll and/or employment, which will establish benchmarks for program compliance



Approval Process

- Applications received directly by Commerce Lexington
- Partnership with the Access Loan Program Committee to review applications
 - Committee consists of senior level bankers and community members; has a strong understanding of level of funding and sustainability
 - Committee will determine the award amount for approved applications
- Funding distributed by Traditional Bank
- Agreements with recipients will not require Council approval



Program Compliance

- Eligibility for grant based on the employment/payroll goals established in the application proposal
- Benchmarks will be evaluated one year after the execution of the grant agreement
- Businesses that meet or exceed their employment/payroll goals will retain 100% of the grant award
- Businesses that do not meet their benchmarks will be required to pay back the grant based on a sliding scale of the proportion of benchmarks achieved
 - Example: Business X receives a \$25,000 grant based on retaining 10 employees. After one year, it has retained 8 employees and its total LFUCG payroll base amount is 85% of the amount at the time of application. Business X must repay 20% of the grant amount, which is \$5,000.



Administration of the Program

- Access Loan Committee will receive program applications, review proposals, and determine awards
- Commerce Lexington will execute grant agreements, evaluate benchmarks to determine program compliance one year after the grant agreements are executed, and collect funds from businesses that do not meet their employment and/or payroll goals
- 7.5% administrative fee, for this resolution that is not to exceed \$187,500 per traunch
 - Commerce Lexington will earn the administrative fee according to the amount of grant awards distributed
- Report outcomes by June 30, 2022



Funding the Program

- First tranche of \$2.5 million for this program will be paid for using budget stabilization funds, provided that American Rescue Plan funds are not yet available
- Currently, there is a total of \$25.6 million in budget stabilization
 - \$9.4 million is budgeted in the current year budget but unused, leaving \$16.2 million available
- We believe this program is an eligible expense for federal funds under the current guidelines for the American Rescue Plan
 - Propose reimbursing the budget stabilization fund once federal recovery funds are received

Questions?