



TO: Mayor Jim Langfelder; Director Val Yazell; Office of Economic Development staff

RE: City of Springfield CDBG COVID Application

DATE: April 28, 2020

FROM: Lisa Clemmons Stott, Downtown Springfield Inc Executive Director

Thank you for seeing how Springfield's small businesses, including downtown's independent micro-retailers, have been left behind in the federal stimulus and for moving swiftly to develop a local program using CDBG COVID funds to fill that gap. Downtown micro-retailers, who rely on tourism, are uniquely impacted by the coronavirus.

This document is a follow-up to our position paper on April 16 and serves as DSI's response to the public comment request from the EDC meeting on April 23rd.

It is our understanding that the program could be structured in three ways:

1. The business owner is considered "low income."
2. The business provides goods and services to low income individuals.
3. Job retention alone - comparing income before and after COVID, and seeing that the business is in danger of closing.

We would prefer that the City consider #3 as their baseline for the program, for the following reasons:

- Most of the business owners left out so far are sole proprietors or single owner/operators. If a business owner is a sole proprietor but married, they likely file joint taxes with their spouse. Several of our downtown business owners are married to state employees. As a joint filer, they would not be considered "low income" and would therefore be ineligible for this program. Yet they could potentially go out of business because of the loss of revenue caused by COVID.
- It is difficult to prove whether our small businesses primarily serve low income individuals, as our neighborhood is supported by a tourism economy.

Regarding the amount of time that a business must be in operation before receiving these funds, we would encourage the City to adopt the shortest amount of time it is comfortable with. Of the micro-businesses (employing less than five people) who responded to DSI's April 7th survey, 20% of them had been open less than three years.

Because of the dire consequences for businesses concerning COVID, and the confusing array of potential funding opportunities, businesses will need more clarity and flexibility regarding what this

fund's role of "gap financing" really means. If the goal of this program is to save our small, independent businesses, then the criteria must be broad enough to help more than a few businesses.

Regarding the idea that micro-businesses should only be awarded if they "cannot receive a traditional loan elsewhere," we believe it is unfair to expect the micro-business to ask their bank for a traditional loan and get rejected before being eligible for this City program; our micro-retailers, especially, do not know what type of revenue they can earn through the end of this year, as they have been heavily reliant on tourist foot traffic prior to COVID, and may not be able to pay even a low interest loan back without going out of business. In addition, we would ask that any form of unemployment awarded would not count against the applicant.

Regarding how to structure the funding, we would support either a forgivable loan or a grant, which will help both the tenant business and the landlord and keep funds circulating in our local economy. It makes sense that the loan would be forgiven if the business was still operating after a certain period of time.

Finally, if the City were to determine that the HUD guidelines were so strict that few businesses would be eligible, we would ask you to consider implementing broad programs that would help more businesses. We would endorse several ideas including:

- Using the funds to pay CWLP utility bills for micro-businesses for the months the Stay at Home order was in effect.
- Using the funds for technical assistance to help micro-businesses who had previously relied on foot traffic alone for their sales to learn how to effectively sell some of their products online.

Thank you again for working with HUD and your local constituents to develop the most equitable, manageable process that follows the rules. This program could assist in making sure that we don't lose our smallest independent businesses because of COVID.

ATTACHMENTS: COVID Survey Results of 4/7/20, Policy Paper dated 4/16/20