



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Kim Welsh  
Lee Wilcox

**SUBJECT: LOCAL ASSISTANCE  
FRAMEWORK**

**DATE:** March 16, 2020

Approved

Date

3/16/2020

## RECOMMENDATION

Accept an update regarding the Local Assistance Framework to aid San José residents, small businesses, and nonprofit community-based organizations with impacts related to the COVID-19 pandemic, including state, federal, and philanthropic assistance.

## OUTCOME

This report provides Council with a preliminary assessment of longer-term impacts that the COVID-19 (novel coronavirus) pandemic is having on San José residents, businesses, and nonprofits. The Local Assistance Framework will guide our efforts to ensure resources reach those in need as well as identify gaps in state, federal, and philanthropic assistance. The goal of today's update is to provide Council with a tool to guide our work in the coming weeks; to create a shared understanding of emerging needs; to advocate for state and federal resources; and to encourage our community to give generously to meet those needs.

This memorandum is to update the Mayor, City Council, City employees, and the San José community about the regional charitable response, including the creation of the San José Strong fund ([www.WeAreSanJoseStrong.org](http://www.WeAreSanJoseStrong.org)) to the spread of the COVID-19 pandemic and impacts on our community. We want to encourage generosity in this time of need.

## BACKGROUND

On January 31, 2020, the first case of COVID-19 (novel coronavirus) was reported in Santa Clara County. The City Manager's Office of Emergency Management and Emergency Operations Center leadership began preparing for impacts to City residents, employees, businesses, and community-based organizations.

On February 10, 2020, Santa Clara County declared a local emergency. This was followed by a statewide declaration by Governor Gavin Newsom on March 4, San José's declaration of local

emergency on March 6, a declaration of global pandemic from the World Health Organization on March 11, and a presidential emergency declaration on March 13, 2020.

On March 15, 2020, Governor Newsom urged the 5 million Californians age 65 and older and those with chronic health conditions to stay indoors. Additionally, the Governor issued new guidance urging all bars, nightclubs, brewpubs, and wineries to close and increasing much greater social distancing measures for restaurants.

Locally, impacts have cascaded over the past few weeks. On March 9, the Santa Clara County Health Officer imposed a countywide moratorium on mass gatherings of 1,000 or more persons. That moratorium was increased on March 13 with an order to cancel gatherings of more than 100 persons and restrict gatherings of more than 35 people. Additionally, the Santa Clara County Superintendent of Schools ordered all schools, public and private, closed to students for three weeks beginning March 16, 2020.

## **ANALYSIS**

The Administration is extremely concerned about the devastating impacts that the COVID-19 pandemic could have on our community, both short- and long-term. While our Emergency Operations Center is working hard to address immediate needs, such as ensuring seniors who are most at risk to the virus have access to food and that our unhoused residents have access to facilities for hand-washing and sanitation needs, we have put together this Local Assistance Framework to plan for the coming weeks and months.

Top of mind is the following: For many in our community, daily life is not just a challenge, but a crisis. Many of our residents and small businesses are already living on the edge. Many of the nonprofits who serve our community operate on razor-thin margins. Silicon Valley is one of the most expensive regions in the world, and our Administration and Council have already been working hard to address the challenges of access to affordable housing and good-paying jobs, homelessness, and historic inequities.

The goal of the Local Assistance Framework is to inspire generosity. We want to tell our community that San José cares and that we will help them connect with the resources that are becoming available through the state and federal government, as well as private philanthropy. On March 15, 2020, to enable our community to give, the San José Strong fund was established at the Silicon Valley Community Foundation with a goal of helping residents, small businesses, and nonprofits weather this crisis with financial assistance.

The economic impacts of this pandemic will be as profound and long lasting as the health impacts. As people isolate from the broader community and cease gathering or participating in a range of normal activities, the job loss and decrease in economic productivity will be severe.

Immediate impacts will be experienced among those workers working part-time and hourly jobs that do not pay sick time or for other leaves. Other impacts will include small businesses and sole proprietorships that see a decline in business activity; organizations that have had to cancel arts, culture, and other types of events, including conventions and conferences; and nonprofit organizations seeing drops in income as well as increased demand for services.

We are seeing an immediate need for support, starting with hourly workers, and then a sustained need for support for a wide range of people, businesses, and organizations. The effort to support them will require a combination of federal, state, local government assistance with private philanthropy. We are working diligently with our state and federal representatives, legislative advocates, and philanthropic partners to closely monitor and provide information on funding sources for people and businesses impacted by COVID-19.

This Local Assistance Framework provides a first look at a path forward. It must be a living and evolving plan, responding nimbly to changing needs. The pandemic situation changes moment-by-moment in our community and around the world. We recognize that needs will emerge that we haven't anticipated, and the framework is flexible enough to respond to changing needs.

The framework addresses three key groups:

- Residents, with a focus at those who are at highest risk of displacement due to illness, caregiving, loss of work hours, and loss of income, both individuals and families with children.
- Businesses, with a focus on small businesses and microbusinesses that are at risk of closure or displacement due to loss of clientele or health and safety restrictions.
- Community-based organizations, including the unique needs of San José arts and culture organizations and the impacts to the many other nonprofits serving the vast needs of our diverse community.

We are thankful to those who have already stepped up to help with resources for our residents, small businesses, and nonprofits. As an example, several utilities have agreed not to disconnect residents due to nonpayment of bills during the pandemic.

### ***Residents***

The San José metropolitan area is one of the most costly regions in the world. Despite our success as the Capital of Silicon Valley, many families and individuals can barely make ends meet. In Santa Clara County, approximately 9,706 people are without a home on any given night, 6,172 of them in San José. Many more are a single paycheck or medical emergency away from being unable to keep their housing. COVID-19 could have devastating impacts to families and individuals without access to sick leave or quality health insurance.

First with travel, conventions, and large events being postponed and cancelled to help contain pandemic, and now with bars, wineries, and brewpubs closing and restaurants scaling back dramatically, workers in hospitality and food and beverage industries have already seen reductions in work hours and take-home pay. With the continued spread of the disease, it is becoming readily apparent that locally the economic impacts will be disproportionately felt by the poorest households. With schools closed over the next several weeks and restrictions on gatherings tightened even more significantly the impacts for families living paycheck to paycheck could be dire. In San José, a large segment of these workers are already paying more than 50 percent of their wages towards rent and are either not able to stay home and/or work jobs that typically include high contact with the public. Any sustained period of unemployment could lead to a loss of housing, further exacerbating a grim situation.

Additionally, approximately 96,000 San José residents lack internet at home, a digital divide that means children lack access to learning tools during school closures, adults cannot telecommute or access assistance, and seniors will be unable to access resources or be even more isolated.

A key issue will be connecting those in need with available resources. We've learned about the importance of outreach from our experience with 2017 flood, but this pandemic carries its own unique challenges. We will keep Council informed and count on your assistance in getting the word out to your residents about help they can access.

#### State and Federal Resources

The state and federal government are taking action to help individuals and families impacted by COVID-19. On March 6, 2020, the President signed H.R. 6074, which provided \$8.3 billion in supplemental funding to combat COVID-19. A second funding bill, H.R. 6201, the Families First Coronavirus Response Act, passed the House of Representatives by a vote of 363-40. The Senate is expected to consider the measure this week. The bill would require private sector employers with fewer than 500 employees and government entities to provide paid leave and paid sick time to employees to self-quarantine; obtain a medical diagnosis or care for coronavirus; or provide care for a family member who is diagnosed or in quarantine or for a child whose school or day care has closed due to coronavirus. Employers would receive payroll tax credits to cover wages paid for sick leave and family leave for coronavirus. Additionally, the bill includes a self-employment tax credit, unemployment insurance measures, nutrition program funding, and \$1 billion to covering testing uninsured individuals.

California workers have access to services and benefits through the California Employment Development Department and California Labor Commissioner's Office, including unemployment insurance benefits for reduction of hours, California Paid Family Leave, workers' compensation, and Disability Insurance. The March 4 Executive Order from Governor Newsom waived the one-week waiting period for both disability insurance applicants who are unemployed and for unemployment applicants.

Resources for employers and workers are online at <https://www.labor.ca.gov/coronavirus2019/>. Santa Clara County has provided information on the webpage for the Office of Labor Standards Enforcement ([www.sccfairworkplace.org](http://www.sccfairworkplace.org)) and a free attorney-staffed Advice Line at 1-866-870-7725 for questions about these resources.

### *Philanthropic Resources*

On March 15, the City worked with the Community Foundation to create the San José Strong fund for the purpose of helping San José residents, small businesses, and nonprofits impacted by the COVID-19 pandemic. For residents, resources will be provided through Destination: Home, Sacred Heart, and the Homelessness Prevention System as well. Donations can be made online to Silicon Valley Community Foundation at [www.WeAreSanJoseStrong.org](http://www.WeAreSanJoseStrong.org).

This fund builds on work that the Silicon Valley Community Foundation is doing in partnership with other Bay Area philanthropic partners to address COVID-19 related challenges in their respective counties. In Santa Clara County, Destination Home and Sacred Heart Community Services are working through the Homelessness Prevention System partners to provide rapid financial assistance and resources to individuals and households who would be at risk of homelessness if coronavirus-related disruptions worsen.

Funds raised through the San José Strong fund will allow the Homelessness Prevention System to expand its reach to individuals and families impacted by the coronavirus through loss of income or family medical needs.

On March 24, the Housing Department plans to bring forward a recommendation to Council to allocate \$2 million in emergency funds for Destination: Home to prevent San José families and individuals from losing housing due to the pandemic.

### ***Businesses***

It is estimated that there are more than 50,000 small businesses in San José with the following breakdown:

- 35,250 are self-employed proprietors, offering services like consulting, bookkeeping, house cleaning, landscaping, and everything in between.
- 15,600 establishments employ between 2-35 employees and of these, 11,400 have 2-9 employees including many independent retail, restaurant, and food service businesses.

In total, small business is estimated to employ 156,600 individuals, representing 36% of all jobs in San José.

A work2future-commissioned study shows that in San Jose, 60% of small business owners are people of color, and almost 51% of small businesses are immigrant-owned. In addition, 30% of immigrant owners self-report that they do not speak English proficiently. For many San José residents, starting a business is a powerful wealth-building strategy designed to secure economic

self-sufficiency and a long-term future in the city. For family-owned businesses in the United States the intergenerational impact can be significant, with an estimated 30% of all family-owned businesses successfully passing to the next generation. Furthermore, starting a business represents an attractive career pathway to maximize the economic value of acquired experience, skills, and qualifications. Over time, these small businesses continue to provide a regular source of local employment cementing the relationship within residential neighborhoods. Across San José some small businesses are important community anchors that preserve and celebrate the City's cultural identity and social heritage.

Small business displacement was already a major concern prior to the COVID-19 pandemic. On October 1, 2019, the City Council held a Study Session on Displacement in San José, discussing both residential and small business displacement. The current pandemic threatens to exacerbate this existing problem in unimagined ways.

From the first impacts of Downtown restaurants and bars losing patrons with convention cancellations to neighborhood businesses and personal services providers seeing a downturn in patronage because residents are engaging in "social distancing," the impacts on our business community are significant. The Governor's guidance for all seniors age 65 and older to shelter at home will have major impacts on businesses that cater to this market.

Since the COVID-19 outbreak, 15 conferences and 32 theater performances have been cancelled in Team San José managed facilities. As of March 16, the accumulated revenue lost to Team San José due to San José Convention Center cancellations is approximately \$22.8 million, which included 132,4000 projected lost employee work hours. In addition, the loss of these events resulted in an estimated loss of \$26.8 million in projected direct spending in the business community around San José (in addition to the loss of revenue in Team San José facilities). There is also a projected loss of an estimated additional \$12.5 million in indirect spending, the ripple effect of incremental spending within the local economy.

Events at SAP Center and Earthquakes Stadium have been canceled or rescheduled through the end of March, in accordance with public health requirements. The National Hockey League has paused its 2019-2020 season, while Major League Soccer has suspended its season for 30 days. In addition to Sharks, Barracudas, and Quakes games, events that have not occurred as scheduled include Cirque du Soleil's AXEL, friendly matches between the U.S. Women's National Team and Brazil, as well as between Chivas de Guadalajara and Club León, and the Bacon and Beer Classic. Each of these events generate economic activity from fans patronizing San José businesses.

As discussed above, in addition to the existing County moratorium on gatherings of 100 people or more and restrictions on gatherings of 35 to 100 people (requiring patrons remain at arm's length from each other and have access to handwashing facilities), the State has now given guidance for bars, nightclubs, wineries, and brewpubs to close. For smaller restaurants and cafes, it may not be physically possible to provide enough space, and the Emergency Operations Center's business liaison team is already hearing of such businesses deciding to close operations

during the pandemic. “Mom and pop” landlords shared with Council on March 10, their concerns about tenants not being able to pay rent, which will then lead the them being unable to make mortgage payments.

To aid small and microbusinesses, the Administration as part of the Local Assistance Framework established a team with expertise in small business resources as well as cultural and language competency in Spanish and Vietnamese. They created a website with resources available in English, Spanish, and Vietnamese at [www.sjeconomy.com/covid19businessinfo](http://www.sjeconomy.com/covid19businessinfo). Key technical assistance partners such as SBDC, AnewAmerica, Minority Business Development Agency, and SCORE not only have long-standing track records in serving small businesses but also have the cultural and language competencies. A key new partner is Start Small Think Big, who provide pro bono legal support to low-income small business owners.

Direct email communication has gone out to more than 4,000 San Jose business representatives as well as the City's small-business partner organizations to inform them of the new website and other resources. Staff is working to target more businesses, including those most economically at-risk, in the days ahead.

#### City, State, and Federal Resources

In an effort to aid small businesses impacted by the pandemic, the Finance Department will be bringing forward on March 24 an extension of the current Business Tax Amnesty through June 30, 2020. Going forward, the City will continually assess needs and gaps and refine the small business assistance framework as the pandemic resolves.

The federal Small Business Administration (SBA) is now preparing to offer Economic Injury Disaster Loans to businesses in designated states and territories affected by COVID-19. H.R. 6074 allocated \$20 million in funding to this program, leveraging \$7 billion in assistance, then on March 11 the President announced an additional \$50 billion to the SBA for Economic Injury Disaster Loans.

Timing of the funding flow is unclear. The City of San José is assisting the County of Santa Clara in unlocking this funding source for our region. Assistance with paperwork is available from [Businessownerspace.com](http://Businessownerspace.com), a City of San Jose-led team of more than 30 programs which help small businesses. Partners offer free or low-cost mentoring, classes, and other support on many topics including access to capital, business planning, marketing, and legal issues.

As discussed above, the State of California's Employment Development Department has programs to help both employers and employees deal with the costs of illness, caring for ill family members, shorter hours and closures. Employers can request an extension on their payroll reports and payroll taxes. Additional resources are available from California Governor's Office of Business and Economic Development (GO-Biz) at <https://business.ca.gov/coronavirus-2019/>.

### *Philanthropic Resources*

As we learned from the 2017 flood, many San José small and microbusinesses will struggle to meet SBA requirements. To prevent closure or displacement due to the COVID-19 pandemic, local resources will also be needed.

To help those small businesses, the San José Strong fund will work with trusted partners to provide funding to facilitate required technical assistance and provide liquidity support to small businesses impacted by the COVID-19 pandemic and bridge gaps with state and federal funds. Technical assistance could include loan packaging/underwriting support, business plan restructuring, revamped marketing strategies, financial and tax advice and human resource and layoff aversion support. It would also include legal support related to restructuring of lease, credit, supplier and other contractual obligations. Liquidity support could include grants or low interest loans, buy down of existing interest rates for a fixed period of time, partial refinancing of existing debt to stretch out (say 6 months) to lower current payments, and other financial support to incentivize employee retention, payments owed to suppliers or landlords, and others.

To help San José small businesses, the San José Strong fund will work in partnership with the Silicon Valley Community Foundation, Opportunity Fund, and other partners, which have created a statewide Small Business Action Fund that will provide immediate, no-cost financial assistance to small business owners, as well as guidance on other forms of government support for which they may be eligible.

### ***Community-Based Organizations***

Santa Clara County is home to nearly 14,000 nonprofits designated as public charities under section 501(c)(3) of the Internal Revenue Code, 34% of which are located in San José, according to the Silicon Valley Council of Nonprofits<sup>1</sup>. Of the total nonprofit pool, 2,100 operate with budgets over \$100,000 and 55% are small, with budgets of \$100,000 to \$500,000. Additionally, one-third of health and human services nonprofits are headquartered in San José.

In ordinary times, San José nonprofits face numerous challenges: The high cost of housing makes it hard to attract and retain staff; much of the Silicon Valley's philanthropic wealth leaves the region; and as with small businesses, they are at risk of displacement when commercial property is redeveloped.

The COVID-19 pandemic is making a precarious situation worse. Volunteers, many of whom are retirees and in the categories at highest risk for the disease, are not showing up. At the same time, the demand for services is increasing in some areas. For example, families losing income will need assistance from food banks, while seniors may have an increased need for Meals on Wheels and those working with homeless residents are working to ensure health and access to hygiene.

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<sup>1</sup> SVCN Report, "The Nonprofit Landscape in Santa Clara County 2018." <https://www.svcn.org/2018-nonprofit-landscape-report>



The Health Department's moratorium on gatherings and guidance to cancel events has caused nonprofit partners to experience the economic impact of this health crisis more rapidly. As discussed above, Team San Jose, cultural organizations, and event organizers have cancelled or postponed events, theater performances, classes, and other programs as well as closed convention and cultural facilities. These closures and cancellations result in a loss of revenue to the organizations, income to the convention and cultural workers including artists, and the local economy. In addition to the immediate economic impact, there will be a long-term economic impact. For example, the source of funds for the Office of Cultural Affairs' arts grants is the Transient Occupancy Tax, which will be significantly impacted by convention cancellations and restricted travel.

Other nonprofits are reporting loss of income from fee-for-service programs or programs in which they are reimbursed on a per-client interaction. For example, Juma Ventures, a local workforce development nonprofit that employs 16- to 24-year-olds at local sports venues reports an anticipated \$320,000 in lost revenue for the San José region due to venue/event closure, and \$150,000 in anticipated wages not earned by youth during this time.

#### *State and Federal Resources*

SBA's Economic Injury Disaster Loan resources are also being made available to nonprofits to assist with COVID-19 impacts. Low-interest loans will be available at 2.75% (vs. 3.75% for businesses). The technical assistance and other resources available to small businesses through [Businessownersspace.com](https://www.businessownersspace.com) are also available to our nonprofits.

The City is working with our state and federal representatives and legislative advocates to closely monitor and advocate for funding sources for our community-based organizations impacted by COVID-19.

#### *Philanthropic Resources*

The San José Strong fund will raise funds to aid nonprofits in San José, both arts organizations and non-arts organizations, that have been impacted by COVID-19.

These efforts will work in partnership with and complement the Silicon Valley Community Foundation's Nonprofit Emergency Fund, which will assist nonprofits in Santa Clara and San Mateo counties with general support/operating grants. These funds may cover loss of revenue or unexpected costs, supplies related to health and hygiene, technology upgrades; and operational expenses related to shifts in direct service plans or provision of emergency services.

Additionally, we are in communication with other local foundations about their approach to philanthropic assistance to nonprofits.

The City is undertaking a survey of our grantees and San José based nonprofits, and we plan to share our findings with local funders. Key to this effort will be understanding short and long-term impacts related to the pandemic. We are looking at ways we can adjust our own existing grant requirements that may be difficult for our grantees to meet due to current circumstances or public health requirements.

### **CONCLUSION**

The COVID-19 pandemic is already hurting San José's residents, businesses, and community-based organizations. Particularly hard hit are those families and individuals who can least afford a medical or financial crisis, small-businesses, and nonprofits that are seeing an increased need for services or have had to cancel arts, cultural, or fundraising events. The City of San José is working to secure state, federal, and philanthropic resources to help address these economic impacts. The San José Strong fund will provide an avenue for giving to help our residents, small businesses, and nonprofits. Now is the time for all of us—residents, businesses, and government—to partner together to help, for those blessed with abundance to aid those in need. As the City's political leadership, the Council has an opportunity to shine a light on these challenges and inspire the community to join with us and give generously.

### **EVALUATION AND FOLLOW-UP**

The Local Assistance team will be surveying City of San José grantees, gathering information about economic injury and impacts to volunteers and staffing, to evaluate adjustments to contracts. We will report out to Council via informational memorandum and other avenues as appropriate.

### **CLIMATE SMART SAN JOSE**

The efforts described in this memo have no effect on Climate Smart San José energy, water, or mobility goals.

### **PUBLIC OUTREACH**

The Emergency Operations Liaison Branch has engaged in discussions with nonprofit, philanthropic, business, and advocacy organizations since the team was activated on March 6, 2020. Conversations are ongoing. This memorandum will be posted on the City's Council Agenda website for the March 17, 2020 Council Meeting.

HONORABLE MAYOR AND CITY COUNCIL

March 16, 2020

**Subject: Local Assistance Framework**

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**COORDINATION**

This memorandum has been coordinated with the City Attorney's Office; Housing Department; Department of Parks, Recreation, and Neighborhood Services; and the Office of Cultural Affairs.

**COMMISSION RECOMMENDATION/INPUT**

No commission recommendation or input is associated with this action.

**CEQA**

Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action. (City Manager)

/s/  
KIM WALESH  
Deputy City Manager

/s/  
LEE WILCOX  
Chief of Staff

For questions, please contact Michelle McGurk, Assistant to the City Manager, at (408) 535-8254.