

# MEMORANDUM

Office of the City Manager



**DATE:** March 23, 2020  
**TO:** Mayor and Councilmembers  
**THROUGH:** Steve McHarris, Interim City Manager *Steve McHarris*  
**FROM:** Alex Andrade, Economic Development Director  
**SUBJECT:** Office of Economic Development's Response to COVID-19

## Introduction

The purpose of this Information Memo is to convey how the City's Office of Economic Development is addressing current COVID-19 pandemic impacts to our business community, immediate and future challenges we expect to face, and the Office's role within the City organization. On Monday, March 16, 2020, the Santa Clara County Public Health Department issued an Order directing individuals, businesses and government agencies to shelter-in-place in order to slow the spread of COVID-19. Our hope is this information is valuable to you for sharing with Milpitas residents and our local business community as we work together in developing mitigation solutions during the shelter-in-place [Order](#) as well as our recovery planning for the future.

The COVID-19 pandemic has resulted in the declaration of a national emergency, with many local jurisdictions in California declaring a local public health emergency. This extraordinary Order to shelter-in-place has resulted in immediate consequences for many aspects of our Milpitas community. While this pandemic is clearly a public health and safety concern, the financial impacts our local and regional markets are experiencing is unprecedented and will likely have long lasting effects.

Santa Clara County's Public Health Department Order directs ceasing all non-essential business operations within the county. Businesses that are considered to provide essential services may continue to operate and are strongly encouraged to remain open while complying with the social distancing requirement. Section 10 of the Order provides definitions and exemptions for essential businesses. Essential business operations include, but are not limited to, the following:

Healthcare operations and infrastructure	Post office, mailing and shipping services
Food from grocery stores, food banks, farmers' markets and restaurants (delivery and take-out services only)	Businesses that supply products needed for working remotely
Gas stations	Products for other essential businesses with supplies necessary to operate
Banks and related financial institutions	Delivery (i.e., groceries, food, home services)
Hardware stores	Transportation providers
Laundromats, drycleaners and laundry service	Professional services (i.e., legal, accounting)
Service providers who provide safety and sanitation services	Educational institutions for distance learning

The Office of Economic Development has been coordinating, collaborating and consulting with various partners to ensure the local corporate community is well informed about available resources and information to assist Milpitas businesses. We recognize Milpitas businesses are an important part of the fabric of this community. To date, we have consulted with twenty-six Milpitas businesses seeking guidance and/or assistance in response to the COVID-19 pandemic and the County's shelter-in-place Order.

### **Background**

In 2018, Milpitas was home to 2,990 overall businesses that employed a workforce of 51,500. A small business is defined as having between two and fifty employees. In 2018, Milpitas was home to about 2,800 small businesses that employed approximately 16,300 people. Milpitas is home to a unique mix of industries including technology, advanced manufacturing, professional and scientific services, restaurants, retail, health, education, logistics and warehousing. While these businesses are a strength and keep Milpitas competitive, small businesses represent 93% of our overall business community and are projected to be hit the hardest by mandatory closures and safety measures. Recently, Office of Economic Development staff have engaged business representatives on the following COVID-19 related concerns.

<b>Business Type</b>	<b>Business Comments</b>
1. Retail	Needs assistance; seeking \$20,000 loan
2. Retail	Afraid business will close; seeking options
3. Hospitality	Hotel close to zero occupancy and other hotel has stopped construction. Hotel is requesting TOT deferral through the end of 2020 (for pay rent, vendors, staff)
4. Hospitality	Hotel is requesting TOT deferral
5. Retail	Clarification on essential/non-essential business and whether they can continue operations online, deliveries and pick-up
6. Restaurant	Business reduced by 50% since County Order enacted
7. Restaurant	Business reduced by 50% since County Order enacted
8. Automotive	Temporary furlough/layoff of 39 employees through at least 4/7/2020 due to COVID-19
9. Commercial	Rent reduction request for businesses in a geographic area
10. Leisure	Clarification on essential/non-essential business and donating 1,000 N95 masks to City of Milpitas
11. Restaurant	Requesting assistance
12. Advanced Manufacturing	Confirming manufacturing can continue
13. Advanced Manufacturing	Confirming manufacturing can continue
14. Retail	Clarification on retail center/food court
15. Restaurant	Requesting information about loans and other financial assistance
16. Restaurant	Requesting information about loans and other financial assistance
17. Personal Service	Requesting information about loans and other financial assistance
18. Commercial	Applied for SBA disaster loan. Seeking relief from upcoming City property tax fees due 4/1/2020
19. Restaurant	Requesting information about loans and other financial assistance
20. Education - Tutoring	Requesting information about SBA disaster loan program and other financial assistance

21. Business type not stated	Requesting information about SBA disaster loan program and other financial assistance
22. Retail (two stores)	Requesting information about SBA disaster loan program and other financial assistance
23. Automotive	Applied for SBA disaster loan. Terms of loan require applicants to be in operation for a full year. Does not meet qualification, so seeking other financial assistance
24. Medical	Inquiry regarding SBA disaster loan
25. Manufacturing	Inquiry regarding SBA disaster loan
26. Medical	Requesting information about SBA disaster loan program and other financial assistance

Staff has responded to many of the aforementioned business concerns. Notwithstanding, staff is currently in the process of responding to Small Business Administration (SBA) loan application assistance inquiries as the topic is more complicated and requires a specific skillset to guide applicants through the daunting process.

### **Proactive Business Community Information and Outreach**

Today's business response to COVID-19 can position companies to thrive tomorrow. As such, staff is taking a proactive outreach approach and contacted various business and education representatives to share business assistance and guidance information, etc. For instance, the following businesses and organizations have been consulted with to date: Onanon, Silicon Valley Small Business Development Center and Milpitas Chamber of Commerce. We also discussing a partnership with Milpitas Unified School District (MUSD) in pursuing a United States Economic Development Agency Feasibility Study Grant for workforce development training in collaboration with the City of Milpitas.

Given the high tech and advanced manufacturing industry's response to COVID-19 of reducing work related travel, staff reached out to various hospitality representatives to learn more about how the industry is responding. Staff communicated with representatives of Embassy Suites, Crowne Plaza Hotel, and Marriott Residence Inn during the week of March 11<sup>th</sup> and learned that generally local occupancy rates have been significantly reduced. The Milpitas hospitality occupancy average is typically around 80%. Staff anticipates that hotel occupancy rates will continue to diminish, which will result in much lower transient occupancy tax (TOT) revenues than originally projected. Like sales tax, hotel TOT is highly volatile, and a drastic market change due to the current pandemic crisis means that work reduction plans will likely be implemented soon. Marriott International will commence layoffs of their global workforce totaling in the thousands. Since Milpitas is home to Marriott Residence Inn, TownePlace by Marriott Silicon Valley and Courtyard by Marriott, the possibility of local layoffs is eminent.

The American Hotel & Lodging Association and the United States Travel Association estimate that approximately 45% of the industry's workforce will be eliminated. The hospitality industry has requested \$150 billion in federal aid.

### **City Communication Strategy**

The corporate community is seeking the City's response, guidance and regular communications. The Office of Economic Development has developed a communications strategy to communicate with empathy, flexibility and accessibility to provide valuable business assistance and guidance from various sources with the expertise in the areas of technical guidance and financial resource aide. Below is an update on the pandemic's business assistance and guidance information that has been disseminated via multiple channels of communication.

On March 11, 2020, a [Constant Contact message](#) was transmitted to local small businesses only. Of the estimated 2,800 small businesses, the City's Business License List includes approximately 2,100 email addresses for business representatives. The Constant Contact message consisted of sharing important messaging including the following:

- City Manager Steve McHarris' Information Memorandum to City Council communicating steps and precautions to ensure the safety of Milpitas residents, workforce, and visitors.
- Preparing contingency plans for the Milpitas community, including an updated Pandemic Response Plan, Continuity of Operations Plans for essential City services, and a plan for briefing City employees.
- City's priorities of ensuring the safety and well-being of City staff, sustaining delivery of critical City services, consistent communication and resources, and communications to assist Santa Clara County's Public Health Department and other agencies as needed.

On March 13, 2020, staff began posting updates and guidance for businesses and organizations in response to the COVID-19 outbreak on the [Economic Development webpage](#). The website includes up-to-date COVID-19 information specific to the City as well as links to several resources including:

- Santa Clara County Public Health Department's shelter-in-place Order with direction to temporarily close all non-essential services and definitions for essential businesses and guidance for workplaces.
- SBA's Economic Disaster Injury Loan program for business owners seeking financial assistance.
- State of California's Employment Development Department with information about the costs of illness and requests for extension of payroll reports and payroll taxes.
- Governor's Office of Business and Economic Development (GoBiz) with information for employers and employees.
- Silicon Valley Small Business Development Center (SV SBDC) with information on access to capital, business trainings, marketing and promotions, and various other resources.
- Centers for Disease Control, Occupational Safety and Health Administration, California Capital Access Program for Small Business (CalCAP), and PayPal business loans.

On March 21, 2020 a [second Constant Contact message](#) was disseminated to all businesses (approximately 4,500) who shared an email address with the City of Milpitas through the most recent Business License List. The message included the Office of Economic Development's mission to re-prioritize, in response to COVID-19 impacts on Milpitas businesses. Our immediate priority is providing businesses information and employer resources to mitigate the COVID-19-related loss of business. Targeted resources continue to include: County, State, and Federal COVID-19 announcements, programs, and information relevant to Milpitas businesses. We also addressed the meaning of "essential businesses" as we have found this to be a frequently asked question. Below are additional business resources and guidance outlined in the message:

- SBA released funds associated with the Economic Disaster Injury Loan program in Santa Clara County for businesses and non-profits for relief from COVID-19 impacts. The SBA Economic Injury Disaster Loan program provides small businesses with working capital loans of up to \$2 million, which can provide vital economic support to small businesses to help overcome the temporary loss of revenue.
- The City of Milpitas is offering businesses technical assistance on applying for this critical business loan. Staff will assist interested parties with loan eligibility, purpose of funds,

repayment plan, SBA supporting information required, etc. Business representatives needing assistance can write directly to staff via email at [BusinessAssistance@ci.milpitas.ca.gov](mailto:BusinessAssistance@ci.milpitas.ca.gov).

- Internal Revenue Service (IRS) extension of time to file tax returns.
- PayPal's Business Loan and PayPal Working Capital as potential gap financing while the SBA commences loan distributions.
- Frequently Asked Questions (FAQ) from GoBiz compiled for businesses.
- California's Employment Development Department programs.
- Refreshed CalCAP details on making loans to small businesses that have difficulty obtaining financing.

Staff will continue updating business partners as conditions change and anticipated resources become available.

### **Business Continuity and Recovery Efforts**

Office of Economic Development has also pivoted toward business continuity and recovery through researching, organizing, and consulting with our Milpitas City departments, Santa Clara County's Office of the Executive, financial institutions, and community based and philanthropy organizations. We are tracking small business requests and business outreach, participating in webinars with California Resiliency Alliance and International Council of Shopping Centers, and are partnering with the Silicon Valley Economic Development Alliance (SVEDA) on business resources and on Silicon Valley Strong for small business loan assistance and protecting employees. Staff is informed with up-to-date available resources to ensuring that our local businesses are able to connect with business and financial assistance that promotes continuity and recovery.

In addition, staff has communicated with local representatives of Wells Fargo Bank, Union Bank and City Bank to obtain information on business loans for Milpitas-based businesses. Unfortunately, local bank branches are not currently prepared for business assistance related to the COVID-19 crisis. We quickly learned that partnering with the Silicon Valley Small Business Development Center appears to be the most productive mechanism for ensuring success of our local businesses. As stated earlier, staff is researching a United States Economic Development Agency Feasibility Study Grant for workforce development training and partnership with MUSD. Staff is also consulting with representatives of Silicon Valley Community Foundation for possible Small Business Relief Fund partnership with [Opportunity Fund](#). The Small Business Relief Fund is slated to support small businesses whose employees are most at risk for diminished or lost wages. Staff will report back on these active collaboration opportunities.

### **Next Steps**

Our office is coordinating with our Finance Department regarding long-term COVID-19 implications. There are several steps businesses can now take to help improve their resilience through the above-mentioned resources. There are numerous business relief assistance programs being established each week that staff is posting to the [Economic Development website](#) and disseminating to our business community through Constant Contact. However, we believe small businesses will require additional assistance in understanding if they qualify for these assistance programs and how to complete applications for economic disaster injury loans. Staff is introducing a new concierge service to business owners seeking SBA economic disaster injury loans by assisting them through the application process, loan eligibility, purpose of funds, repayment plan, and any other SBA supporting information that is required to obtain the necessary funding to continue operations.

In addition, staff is currently preparing for the first Economic Development Council Subcommittee meeting scheduled for March 24, 2020 at 4:00 p.m. via Zoom and conference line for public participation.

The Economic Development Council Subcommittee Agenda is focused on COVID-19 business responses and recovery assistance. The Agenda includes selecting a Chair, a presentation by Finance Department Director, Walter C. Rossmann, on impact of the COVID-19 pandemic on the City's budget and services, adopting a Subcommittee mission, purpose and scope, and drafting a work plan to explore recommendations for the City Council regarding small business loans including those that other cities may have, relief assistance, small business survey, tracking of business assistance requests, and other relevant possibilities.

Economic conditions are evolving rapidly, and the Office of Economic Development continues to monitor, research and connect our business partners with vital resources and assistance.