

MEMORANDUM

Office of the City Manager



DATE: April 6, 2020

TO: Mayor and Councilmembers

THROUGH: Steve McHarris, Interim City Manager *Steve McHarris*

FROM: Ashwini Kantak, Assistant City Manager

SUBJECT: CARES Act Stimulus Funds: Preliminary Analysis of Potential Grant Opportunities

Background

The President signed into law on March 27th the \$2 trillion stimulus measure, entitled the Coronavirus Aid, Relief and Economic Security (CARES) Act, to provide widespread relief for the private and public sector, and individual Americans. The legislation designates \$339.8 billion for state and local governments; \$377 billion towards small businesses; \$560 billion for individuals; \$500 billion for corporations; and \$69 billion towards other projects including education and federal safety net programs such as food banks and food stamps.

The Coronavirus Relief Fund provides \$150 billion to States, Territories, and Tribal governments to use for expenditures associated with COVID-19. Distribution is based on state population and \$15.3 billion was allocated to California. It is important to note that only local governments with populations greater than \$500,000 will receive direct allocations from the Fund.

As an appendix to this memorandum, please find selected highlights from CARES Act federal appropriations, which includes small business loan programs issued by the Small Business Administration (SBA), that are especially relevant to the City of Milpitas.

Analysis

It will take several weeks or more of preparation at the federal and state levels of government to develop the mechanisms and processes to make the CARES Act available to local governments as grants, reimbursements, and other types of disbursements. At some agencies, the additional funds will be distributed through existing channels, such as reoccurring grant opportunities or reimbursement programs that were in place before the disaster. In other cases, there will be new one-time grants.

It is important to note that significant portions of CARES Act appropriations listed in the attachment are more accessible to Santa Clara County compared to local municipalities. For example, the U.S. Department of Housing and Urban Development has made \$4 billion in CARES Act funding available for homeless assistance grants. It is anticipated that such funding for Milpitas will support homeless programs administered at the County of Santa Clara. Likewise, U.S. Department of Transportation funding has directly benefited the City of Milpitas through partnerships with local transportation agencies such as Valley Transportation Agency. In short, the City of Milpitas will need to work closely with Santa Clara County and other local government partners to ensure that CARES Act funding has broad benefits for Milpitas residents.

The information below focuses on a preliminary analysis of funding implications for Milpitas initiated by the City and in partnership with other local agencies. This preliminary list of CARES Act related grants and reimbursement programs also includes initial assessment of potential projects as appropriate.

U.S. Dept. of Commerce: Economic Development Agency

The EDA has not yet created a special COVID-19 grant opportunity. However, CARES Act funding will supplement current EDA grant opportunities, including the [FY2020 Public Works and Economic Adjustment Assistance Program](#), which provides funding to address a wide variety of economic needs. Prior to the shelter in-place order, staff had considered the potential for a feasibility study in partnership with other agencies and organizations for projects that advance job creation, investment in private enterprise or public works, and/or workforce training. EDA study grants can support the costs of contracting a consultant(s) to produce a costs/benefit analysis for a specific multi-agency project(s) to alleviate economic distress in defined regions and target underserved communities.

Department of Education: Institute Museum Library Service (IMLS)

Grants from this agency can only be awarded to museums or libraries. Digital inclusion is a central focus of the IMLS and the City could potentially partner with the County Library System for the Milpitas Public Library to deliver digital literacy training, computers, WiFi, and home broadband service to home-bound seniors and other populations that are digitally excluded. IMLS supports planning and implementation grants. An IMLS planning grant might focus on outcomes that include a City-Library digital inclusion policy and action-plan document, specific projects to undertake to close Milpitas' digital divide, and projected costs/revenues for a multi-year rollout of digital inclusion activities.

Dept. of Homeland Security: Federal Emergency Management Agency

FEMA, which is the office leading the federal government's COVID-19 response effort, is the primary agency that the City of Milpitas will turn to for pandemic-related stimulus funding including reimbursement of staff time and goods and services acquired or contracted related to the Pandemic.

FEMA Public Assistance (PA) Grant Program: This is a reimbursement program. This week, in compliance with FEMA regulations, staff submitted a Request for Public Assistance to FEMA. Once the City's request is approved by FEMA, we will begin the process of submitting receipts for reimbursement. Currently eligible expenses include: EOC operations (backfill and overtime costs for first-line responders); emergency supplies; disinfection of eligible public facilities; purchase and distribution of food, water, ice, medicine, and other consumable supplies; personal protective equipment and hazardous material suits; and communications of general health and safety information to the public. Other costs may be eligible and will be determined via further communication with FEMA and the [CA Governor's Office of Emergency Services](#), the State agency that will serve as the go-between for City of Milpitas and FEMA. As this is the first national medical disaster that the nation has experienced, there is already a push on FEMA by states and local governments to broaden the categories of eligible expenses for natural disasters. For example, equipment and IT-related costs for hourly and non-hourly "essential" staff working at home have the potential to become eligible expenses. The City has been carefully tracking a wide variety of COVID-19 related expenses in anticipation that FEMA PA and other reimbursement programs may change their categories of eligible expenses. The PA Grant program reimburses 75% of eligible expenses.

Information has yet to be released about other CARES Act funding through FEMA, including Assistance to Firefighters Grant program for personal protective equipment, supplies, and reimbursements specific to COVID-19, and Emergency Management Performance grants for emergency preparedness.

U.S. Dept of Housing and Urban Development: Community Development Block Grant (CDBG)

The City of Milpitas has received, based on the CDBG formula, an additional \$397,911 in funding above the pre COVID-19 FY2020 allocation of \$676,413. Thus far, the total CDBG FY2020 allocation to Milpitas is \$1,074,324. City of Milpitas Building Safety and Housing staff expect an additional CDBG allocation, to be determined. HUD has discussed program changes to CDBG, which would allow additional flexibility with how funds can be used. As of April 2, HUD has not provided this guidance.

HUD also offers Emergency Solutions Grants (ESG), administered through the CA Dept of Housing and Community Development. The [ESG](#) supports a variety of activities to address homelessness. ESG grants are awarded through a Continuum of Care, which may contain a single jurisdiction, such as a large municipality, but more typically through a regional or county-level agency. The ESG program underscores how homeless-related grant-funded services for Milpitas are generally led by Santa Clara County.

U.S. Dept of the Interior: National Endowment of the Arts (NEA)

NEA is still developing details regarding the timing and focus of its grant-making programs. NEA's flagship grants program, "Our Town," which supports creative place-making activities, may be an intriguing opportunity for Milpitas to consider, given the City's recent foray into creative place-making through the Better Block program and place-making emphasis in the Transit Area Specific Plan update.

U.S. Dept of Justice: Edward Byrne Justice Assistance Grants (JAG)

The JAG program is the leading source of justice funding to state and local governments. This grant may be a potential opportunity for MPD to pursue funding for overtime pay for hourly first-line responders, training, medical equipment and supplies, and other COVID-19 expenses. JAG is a reoccurring grant program.

Bureau of Justice Coronavirus Supplemental Funding Program

This is a one-time formula grant that draws down from Edward Byrne Justice Assistance Grant Program. The City of Milpitas was not allocated any funding, but Santa Clara County was allocated \$70,000. City staff is inquiring whether any of the funds will be available to cities including the City of Milpitas. This could be a small source of funding to offset overtime pay for first responders, equipment, and training associated with the pandemic.

Small Business Administration: Payroll Protection Program, Economic Injury Disaster Loan (EIDL), and Debt Relief Program

The three SBA programs (Payroll Protection Program, EIDL, and Debt Relief Program) above provide the lowest interest rate loans available to Milpitas small business owners and nonprofits. The City will continue to provide mass communications and tailored responses to the small business and nonprofit community, including support for loan-related questions. As discussed at the Economic Development Subcommittee, the City is also directing SBA-related inquiries to [Silicon Valley SCORE](#) and [Silicon Valley Small Business Development Center](#), which are official SBA partners that can assist applicants with loan applications to the SBA.

Next Steps

The City has actively begun the process for pursuing grant funds and reimbursements for COVID-19 expenses. City staff will continue to share information and provide support to small businesses seeking relief through low-interest government-backed loans. As government funding agencies issue more guidance about CARES Act related funding, City staff will provide updates to Council.

Appendix: CARES ACT Appropriations Relevant to Milpitas

The list of federal appropriations below, ordered alphabetically, includes federal departments with COVID-19 related grant or reimbursement programs that can be directly accessed by the City or via local government partners such as the County of Santa Clara. Special provisions of the CARES Act detailing loan programs for small businesses is also included.

Department of Commerce

Economic Development Administration

- \$1.5 billion for EDA programs. EDA assistance can be applied to help impacted industries such as manufacturing or tourism, provide low-interest loans to businesses, support workforce development programs, develop business incubators, and address other local priorities for economic recovery.

Department of Education

Institute for Museums and Library Services

- \$50 million for grants and administration

Department of Health and Human Services

Note: Most, if not all, of the HHS funding below will NOT be accessible to help recover City of Milpitas COVID-19 expenses. These HHS funds are available for health and human service programs in Santa Clara County, which will likely provide services to Milpitas residents. HHS funding is listed for context.

Centers for Disease Control

- \$4.3 billion for CDC-Wide activities and program support

Substance Abuse and Mental Health Services Administration

- \$425 million for health surveillance and program support
 - Up to \$250 million for Certified Community Behavioral Health Clinics
 - Up to \$50 million for suicide prevention programs

Public Health and Social Services Emergency Fund

- \$100 billion for reimbursable expenses to health care providers for expenses incurred due to the coronavirus
 - Eligible entities include public and nonprofit health care providers agencies, as well as Medicare and Medicaid providers that provide testing or care for individuals with potential or actual cases of the coronavirus.
 - According to the International Association of Fire Chiefs, discussions are underway in DC to determine if some of the Public Health and Social Services Emergency Funds can be made available to fire and police at local governments.

Department of Homeland Security

Federal Emergency Management Agency

- \$45 billion for Disaster Relief Funds for use by state and local governments to protect people and to help with their recovery from the coronavirus. Reimbursable activities may include medical response, personal protective equipment (PPE), coordination of logistics, safety measures, community services, and more.
- \$100 million for the Assistance to Firefighters Grant program for PPE, supplies, and reimbursements.
- \$100 million for Emergency Management Performance grants for emergency preparedness.

Other Department of Homeland Security Disaster Relief

- \$178 million for personal protective equipment for front-line employees.

Department of Housing and Urban Development

- Community Development Block (CDBG) program
 - \$1 billion to states and local governments based on a formula that is informed by COVID-19 related needs across states.
 - \$2 billion to states and local governments; distributed based on the existing FY2020 CDBG formula.
 - \$1 billion to states and local governments based on a formula to be developed by HUD in the next month.

Department of the Interior

National Endowment for the Arts

- \$75 million for Grants and Administration

Department of Justice

- \$850 million for Edward Byrne Justice Assistance Grants (JAG).
 - Funds will go directly to state and local governments to assist state and local enforcement, including jails for COVID-19 related expenses. No matching requirement. Will support overtime for state and local officers; personal protective equipment and supplies; and other expenses.

Department of Transportation

- \$25 billion for transit systems. These funds will be distributed through existing formulas such as Urbanized Area Formula Grants, Growing and High-Density States Formula Grants, and other formula grants.

Department of the Treasury

- \$562 billion for disaster loan programs for small businesses and nonprofits.

Important Provisions of Title I of the CARES Act – Keep American Workers Paid and Employed Act

Provides \$377 billion for programs to support sole proprietors, independent contractors, small businesses, nonprofits, and their workers during the COVID-19 emergency. Developed to address only revenue losses attributable to the pandemic.

Paycheck Protection Program

- \$349 billion for low-interest loans to small businesses and non-profits to meet payroll and other costs through June 30, 2020
 - Maximum loan: \$10 million.
 - Loans will be forgiven if the loan is used to cover payroll costs and a limited array of non-staffing costs such as rent and utility payments, so long as employees are kept on payroll through the end of the loan.
 - Loans are initiated through existing SBA-certified lenders, which includes banks in Milpitas.

Emergency Economic Injury Disaster Loan Fund (EIDL)

- \$10 billion in low-interest loans for small businesses and non-profits to cover immediate operating costs
 - Maximum loan: \$2 million
 - Up to \$10,000 in emergency loans with generous loan forgiveness provisions.

Debt Relief Program

- \$17 billion in low-interest loans for debt relief on loan payments for up to six months
 - Debt relief is only for entities with current SBA loans.
 - Covers payments for only existing SBA loans, excluding SBA disaster loans.