

CITY COUNCIL STUDY SESSION MINUTES

August 18, 2020

5:30 p.m.

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in a virtual study session at 5:30 p.m. in the Municipal Building Council Chambers on the 18th day of August, 2020, and notice and agenda of the meeting were posted in the Municipal Building at 201 West Gray 24 hours prior to the beginning of the meeting.

PRESENT: Councilmembers Bierman, Foreman, Hall, Holman, Peacock, Perry, Petrone, Mayor Clark

ABSENT: None

Item 1, being:

CONTINUED DISCUSSION OF DRAFT GUIDELINE POLICY FROM THE ECONOMIC DEVELOPMENT ADVISORY BOARD REGARDING RECOMMENDATIONS FOR THE EXPENDITURE OF \$5,000,000 ECONOMIC DEVELOPMENT AND RECOVERY PROGRAM BOND ISSUE.

Mr. Darrel Pyle, City Manager, said the Economic Development Advisory Board (EDAB) reviewed Council's changes to the guideline policy for the proposed Economic Development and Recovery Program and was supportive of Council's changes. He said EDAB's only concern was Council's desire not to fund lobbying efforts because there are several local non-profit organizations that are in the business of advocacy, which is a form of lobbying. He said EDAB discussed how to identify lobbying versus advocacy efforts to prevent excluding non-profits who may have not been able to qualify for any other funding. He said Norman has a local non-profit that advocates for foster care for children so how can the City define their advocacy versus lobbying? He said EDAB suggested adding language that clarifies the loan/grant money cannot be used for lobbying efforts; however, non-profits that lobby/advocate for funding will not be excluded from applying for the grant/loan money.

Mr. Pyle highlighted proposed program guidelines for eligible entities that include locally owned and locally managed organizations based in the city limits of Norman; any entity not specifically listed as ineligible (under the ineligible category) may apply; 50 or fewer full-time equivalent employees; where applicable, organizations not up-to-date on all required licensing (varies by business type) to legally operate in the City of Norman before funds can be distributed and for those entities not current on City of Norman permit fees or utility payments, the past due amount may be deducted from the total requested funding amount to reinstate those accounts to good standing; organizations engaged in activities deemed legal in the State of Oklahoma; and for existing organizations to be eligible, they must have been in operation prior to March 13, 2020. Organizations that were not in operation on that date will be considered a "start-up" organization and may be eligible for funding as well under specific categories.

Ineligible entities proposed program guidelines include church or religious organizations; public or private schools; government entities or elected official offices; financial institutions primarily

engaged in lending; organizations engaged in political or lobbying activities; and organizations with outstanding business related liens, judgements, tax liens, or pending bankruptcy proceedings prior to March 13, 2020.

Mr. Pyle said the City's ability to create a revolving component with CARES Act money does not really exist because any loan payment made back to the City's program would need to be sent back to the United States (U.S.) Treasury Department. He said businesses in receipt of proceeds from the program are much better off if they do not have to pay those dollars back to keep the money circulating within the community. He said it could be a plus since the City would not be the benefactor of loan repayments so the program literally becomes a grant program, which makes it easier to administer as well.

Mr. Pyle said priority considerations include minority-owned entities; organizations that had restrictions on capacity during the City of Norman Healthier at Home plan or future local ordinance; organizations located in lower income Census Block Groups with less than median household income; organizations that were not eligible or denied other sources of funds; and business with needs or start-up businesses/organizations as a result of COVID-19; highest priority will be given to entities that demonstrate the greatest negative financial impact related to the business resulting from COVID-19.

Mr. Pyle said on the last sentence in priority considerations, there seemed to be consensus from Council for the language to be changed to read, "entities that demonstrate the greatest negative impact related to the business resulting from COVID-19." He said that statement would then have no more weight than any of the other criteria in the scoring matrix, which allows applicants to be weighted equally or some of the items could be weighted more heavily based on Council's wishes.

Mr. Pyle said proposed funding programs include the following:

Revolving Loan for Existing Organizations with 50 or less employees

- Low-interest loan (1% rate, 5 years, with a deferral period)
- Up to \$125,000
- Can only apply for one loan/grant package

Small Business/Non-profit recovery Loan with ten (10) or less employees

- 0% loan
- Up to \$25,000
- Start-up organizations are eligible
- Can only apply for one loan/grant package

"We Love Norman" Recovery Grant

- Organizations with less than five (5) employees
- Non-profits whose usual source of funding was impacted (including hotel/motel tax) or fundraisers and signature events had to be cancelled or postponed due to gathering-size restrictions
- Micro-grant of \$10,000
- Can only apply for one loan/grant package

Proposed funding programs, continued:

Technical Assistance or Training Programs

- Reimbursement for technical assistance or training necessary to adapt/alter business model in response to COVID-19
- Past expenses must have occurred after March 13, 2020
- Future expense must be approved programs or categories
- May apply for this in addition to one loan/grant package

Councilmember Foreman asked when the program would start and end and Mr. Anthony Francisco, Director of Finance, said bond issuance could take place approximately 45 days after voter approval and close in around 60 days so money could be available in about 60 to 75 days.

Councilmember Foreman asked what would happen if applications total \$4 million and the City has \$5 million and Mr. Francisco said if the City closed out the program at the \$4 million as opposed to keeping it open for future applications, then the City could use that remaining \$1 million to pay down bond proceeds.

Mr. Pyle said once Staff has confirmed allocation of CARES Act funding, the timetable for that and the bond will help the community in the most effective way possible. He said the goal would be not to issue the proposed \$5 million, if voter approved, until all the federal money has been fully subscribed.

Ms. Kathryn Walker, City Attorney, said proposition language states, "Proceeds of the Economic and Community Development bonds may be expended with or without participation, by other economic and community development agencies and entities, but to the extent federal funding is awarded to the City for similar economic and community development purposes, such federal funding will offset the authorization set forth therein." Mr. Pyle said offsetting the authorization means if the City collects CARES ACT funding for use in a loan/grant program and Council chose to use bond funds for this same purpose, the City does not have the authority to issue those bonds.

Councilmember Hall said there is some uncertainty regarding CARES Act funding and the figure being tossed about was \$9.6 million. She asked if that is expected to be the entire amount that will come to the City of Norman and Mayor Clark said the City would have to subtract the request for reimbursement the City has already submitted and approved although money has not yet been received. She said it would be hard to calculate all the revenue the City has missed from all of the cancelled events closed businesses. She said reimbursement is based on qualified expenditures incurred by COVID-19 (backed up with receipts), not losses incurred by COVID-19.

Mayor Clark said even with CARES Act funding, there have been businesses that have not been able to receive aid so she believes the first priority consideration should be "organizations that were not eligible or denied other sources of funds" and the second priority consideration should be "organizations that had restrictions on capacity *or closed* during the City of Norman Healthier at Home plan or future local ordinance."

Councilmember Bierman said she would be interested in seeing the weighing of priority considerations because if a wave of minority-owned entities apply for the loan/grant and of those minority-owned entities, the ones with the greatest negative financial impact would be given priority. While she understands where Mayor Clark is coming from, she hesitates to put those particular priority considerations at the top of the list because, generally, minority-owned entities and organizations and lower income Census Block Groups tend to be lower on the priority scale.

Councilmember Bierman said at the last meeting, Councilmember Petrone suggested a phased approach for the program where the first phase would provide for the smallest businesses and the second phase would provide for larger businesses and wondered if EDAB had discussed that. She said she would support a revolving loan amount of up to \$125,000. Mr. Pyle said that last bullet point “highest priority will be given to entities that demonstrate the greatest negative financial impact related to the business resulting from COVID-19” would be the tie breaker if several entities met the same criteria. He said there is support from EDAB for the phased concept, but not knowing what the appetite will be, there is a possibility the program could be fully subscribed. If not fully subscribed, the City can certainly come back with a second phase and perhaps increase the \$125,000 loan amount.

Councilmember Bierman asked if the City is still looking at a similar breakdown in the amount of money for each of the categories that includes \$2 million for revolving loan, \$1.5 million for small business loan package, \$1 million for recovery grant program, and \$1 million for technical assistance and training. Mr. Pyle said the initial thought was \$3 million for the first program, \$1 million for the second program, and \$500,000 for each of the two remaining programs, but that allocation can be any amount Council desires.

Councilmember Bierman said if all applications come in for \$125,000, only 40 businesses could potentially be served under the revolving loan, 60 for the small business loan, and 100 for the \$1 million in recovery grants, which potentially means a total of 200 businesses will have access to the \$5 million economic recovery package. She said a business can qualify for up to \$125,000, but only if the business has revenue of loss of a certain amount, such as \$750,000 a year.

Mr. Chuck Thompson, EDAB Chair, agreed and said a business should not receive more benefit than they suffered. Councilmember Bierman said she would like to see that reflected somewhere in the program.

Chairman Thompson said he would recommend Council consider establishing a support system process with resources to help businesses through the application process because some people may not want to try because they think the application process might be too hard or they might not be eligible so do not even try.

Councilmember Bierman asked if CARES Act funding could be used to establish stable, secure safety features for businesses wanting to provide temporary outdoor dining in parking spaces and Mr. Pyle said Staff will have that conversation with the Governor’s Office.

Councilmember Petrone asked Chairman Thompson which types of organizations were left out of previous federal funding opportunities and Chairman Thompson said the Paycheck Protection Program (PPP) is the one he is most familiar with and that restricted several different kinds of non-profits and corporate structures, i.e., non-profits, several franchises (even though they were locally owned and operated), some start-ups, etc. He said the PPP was less for the business and more for the employees so PPP was not about revenue loss to the business. He said the Small Business Association (SBA) Program was based solely on loss of revenue. He said EDAB tried to make the program eligibility as broad as possible and suggested having a panel of underwriters familiar with these types of applications to review them.

Councilmember Petrone said she is not comfortable with \$125,000 for the revolving loan limit nor the 50 employees or less and suggested a \$25,000 to \$75,000 revolving loan limit and 35 or less employees. In regard to the technical assistance, she would like to see loan/grant payments go directly to the training entity rather than the individual with no cap, but would support \$5,000 if there is a cap. She does not support funding real estate businesses or landlords because they have assets they can borrow against nor does she support funding for lobbying.

Councilmember Holman said he would support \$100,000 instead of \$125,000 revolving loan limit and does not have a problem with 50 employees or less. He understands some franchises can be locally owned and operated, but has some heartburn about giving funds to McDonalds, Sonic, etc. In regards to technical assistance, he supports payment going directly to the training entity and suggested a cap of \$2,000 to \$5,000.

Councilmember Peacock said he supports a \$100,000 revolving loan limit and would like the Small Business Recovery loan to have the largest distribution of funds because 80% of small businesses in Norman have nine (9) employees or less. He said if there are any remaining funds, he would like to use those funds to invest in entrepreneurs who are taking a risk on starting a new business.

Chairman Thompson said it is important to have a definition for the difference between advocacy and lobbying as well as a definition for start-up businesses that qualify.

Councilmember Bierman said she prefers a revolving loan amount of \$75,000 as well as 35 employees or less because, according to the Labor Force Report, 90% of employees are employed in businesses with 20 or fewer employees.

Councilmember Bierman said the City needs to be clear to the public that this is not a first come, first serve program. She said there will be an application period in which everyone submits their application and then an Underwriting Panel will then review each application. She would also like to have some lay representation from marginalized communities on the panel.

Councilmember Bierman said technical assistance should be intended for individuals and not just aimed at businesses. She is okay with a \$3,500 limit. In regard to real estate/landlords she does not support funding these entities because they have assets to borrow against.

Mayor Clark supports a cap on technical assistance and would lean more towards helping individuals who have lost their job due to COVID-19, but the criteria should also include small businesses since many have been forced to change their business model and may need assistance with creating a website, online sales, etc. She would also like technical assistance funding to go directly to the training entity.

Councilmember Hall asked why EDAB is not wanting to exclude entities that might be eliminated for lobbying efforts and Chairman Thompson said other programs that have come forth have had limitations on how the funding is used so it is reasonable to include non-profits that do some type of advocacy to raise funds for the services they provide. He said those non-profits could segregate the funds granted through this program so none of the funds are being used towards paying for advocacy endeavors.

Councilmember Bierman felt it would be hard to create language to exclude the types of organizations the City would like ensure do not have access to the program, such as lobbying, while still supporting the organizations that advocate. Chairman Thompson said organizations, such as United Way, do some type of advocacy for their services provided and he does not believe Council would necessarily want to prohibit those kinds of organizations from seeking help. He said Council could list the types of activities they do not want to use tax dollars to fund.

Items submitted for the record

1. Reboot Norman Small Business Relief Package Proposed Program Guidelines
2. Labor Force Report for Norman, Oklahoma
3. Letter dated August 18, 2020, from Chuck Thompson, Chairperson, Economic Development Advisory Board, to Honorable Mayor and Councilmembers

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ADJOURNMENT

The meeting was adjourned at 7:00 p.m.

ATTEST:

City Clerk

Mayor