



STAFF REPORT

To the Honorable Mayor and City Council From the City Manager

DATE: April 6, 2020

SUBJECT

Preliminary assessment of financial impacts associated with COVID-19 on City of Redwood City operating and capital budgets, revised approach for developing Fiscal Year 2020-21 Operating Budget, update on actions to support redwood city residents and businesses impacted by COVID-19 and consideration of multiple actions including \$393,000 appropriation to the Emergency Rental Assistance Fund and \$300,000 appropriation to the San Mateo County Strong Fund to support small business relief efforts

RECOMMENDATION

1. Receive preliminary assessment of financial impacts associated with COVID-19 on City of Redwood City operating and capital budgets;
2. Approve revised approach for Fiscal Year 2020-21 Operating Budget development;
3. Receive update on actions to support Redwood City residents and businesses impacted by COVID-19;
4. Direct staff to develop a resolution to waive late payment penalties for solid waste, water and sewer utilities for the period of March 2020 through August 2020 for residential and commercial customers;
5. Direct staff to advertise the rate assistance program for low-income water and sewer utility customers;
6. Direct staff to return to the City Council in September 2020 with an update on the status of late utility payments and rate assistance usage to determine whether to continue to waive the late payment penalty;
7. Direct staff to provide recommendations at a future City Council meeting on use of the \$448,000 new allocation of Community Development Block Grant funding, once further federal guidance has been received;
8. Direct staff to develop a resolution to appropriate \$393,000 to the Emergency Rental Assistance Fund;
9. Direct staff to develop a resolution to appropriate \$300,000 to San Mateo County Strong to support Redwood City small business relief efforts;
10. Direct staff to provide an update to the City Council in October 2020 regarding the local minimum wage to be effective in January 2021 so that the City Council might consider postponing the increase to help relieve Redwood City businesses; and
11. Direct staff to continue to develop short-term, low-cost adjustments to parking and right of way usage to support restaurant transition to take-out and delivery services while the Shelter in Place order is in effect.

STRATEGIC PLAN GUIDING PRINCIPLE

Healthy Community for All

BACKGROUND

Actions to reduce the spread of the novel coronavirus (COVID-19) have dramatically shifted City of Redwood City operations and focus in the last six weeks. In addition to measures to address health impacts in the community and protect vulnerable residents, the City has taken numerous steps to address community economic impacts. Given the scale of the pandemic, federal and state support is necessary and has evolved in recent weeks. Additionally, community donations and volunteerism have burgeoned and can help Redwood City address the pandemic. Because most City activity since early March has been dedicated to helping the community prepare for and address COVID-19 related impacts, routine City activities such as annual operating and capital budget development have been delayed. Further, given the profound nature of the pandemic, policy priorities for next fiscal year may shift as the City strives to ensure essential services in an unprecedented crisis and to support community members and staff.

While the current Bay Area shelter in place orders are in effect through May 3, 2020, State of California shelter in place orders are in place indefinitely. As a result, economic activity will be disrupted for some time. The pandemic and the disruption in economic activity affects community members, businesses, educational institutions, non-profit organizations, and resources for City operations. While the full extent of impacts on the City's financial outlook will not be known for some time, most economists agree that a recession is imminent.

For context, the 2008 recession resulted in varying degrees of reduction in City revenues, and significantly impacted City staffing and service provision for several years. While building permit revenues experienced the highest decrease, 46 percent, property taxes, the City's largest revenue source, decreased by 2 percent. The City's second largest operating revenue source, sales tax, decreased by 17 percent. Other major operating revenues, such as utility users' tax and franchise fees, decreased by 3 percent and 4 percent, respectively. While it is prudent to analyze historical data when developing the current forecast, the upcoming recession will most likely have a different effect on the City's major operating revenues. However, due to the unprecedented times, it is impossible to predict the length and severity of the upcoming recession. City operating and capital revenues are significantly impacted by the health of the local economy, and almost certainly will not reach the projections in the forecast staff presented February 24, 2020. Staff are developing an updated forecast now and anticipate presenting it to the City Council on April 13, 2020.

At the same time, maintaining essential community services is vital. Over 70% of the City's operating expenses derive from the City employees who provide those services. To preserve the City's ability to continue to provide services in the face of anticipated revenue declines, staff are taking steps now to reduce expenditures.

Because of the significant economic uncertainty and because management staff have focused nearly exclusively on COVID-19 response in recent weeks – a time that normally would have been dedicated to budget development – staff recommend a streamlined approach to developing the FY 2020-21 operating budget. The capital budget has already been substantially developed and is tentatively scheduled for City Council consideration on April 27, 2020. Staff are currently assessing planned capital recommendations in

light of evolving community needs and the potential for future state or federal infrastructure stimulus programs. In accordance with the City's Charter and state law, operating and capital budgets for FY 2020-21 need to be adopted before July 1, 2020. This report provides a preliminary assessment of financial impacts associated with COVID-19 on City of Redwood City operating and capital budgets, and recommends a revised approach to developing the Fiscal Year 2020-21 operating budget.

At the March 23, 2020 City Council meeting, the City Council received an update on COVID-19 related actions and directed staff to take two immediate actions to support residents: the City Council allocated \$150,000 to augment the Emergency Rent Assistance Fund in order to support residents experiencing financial impacts related to COVID-19, and the City Council directed staff to study the feasibility of deferring or eliminating late payment penalties for non-payment of City utilities. City Councilmembers also expressed interest in providing greater community assistance to help individuals, families and businesses weather this crisis.

This report details recently-implemented local, state and federal measures which can help community members, and also provides recommendations for City Council action to support the Redwood City community in light of the pandemic and related economic disruption. Recognizing that the City's financial status is in flux at this time and that no outside resources are imminent to provide for City essential services, while also recognizing that community needs are acute, staff recommends that \$693,000 in one-time funds previously allocated be re-purposed to community COVID-19 needs at this time, with \$363,000 dedicated to emergency rental assistance and \$300,000 dedicated to Redwood City small business assistance. Additional recommendations for near term and future staff action are also detailed in this report.

ANALYSIS

The analysis section is organized into three categories:

1. Preliminary Assessment of Financial Impacts Associated with Covid-19 on City of Redwood City Operating and Capital Budgets, and Recommended Approach to Developing the Fiscal Year 2020-21 Operating Budget
2. Recently-Implemented Governmental, Public-Private Partnership, and Non-Governmental Efforts to Help Community Members and Businesses
3. Recommendations for City Council Action to Support the Redwood City Community in Light of the Pandemic and Related Economic Disruption

1. PRELIMINARY ASSESSMENT OF FINANCIAL IMPACTS ASSOCIATED WITH COVID-19 ON CITY OF REDWOOD CITY OPERATING AND CAPITAL BUDGETS, AND RECOMMENDED APPROACH TO DEVELOPING THE FISCAL YEAR 2020-21 OPERATING BUDGET

Operating Revenues

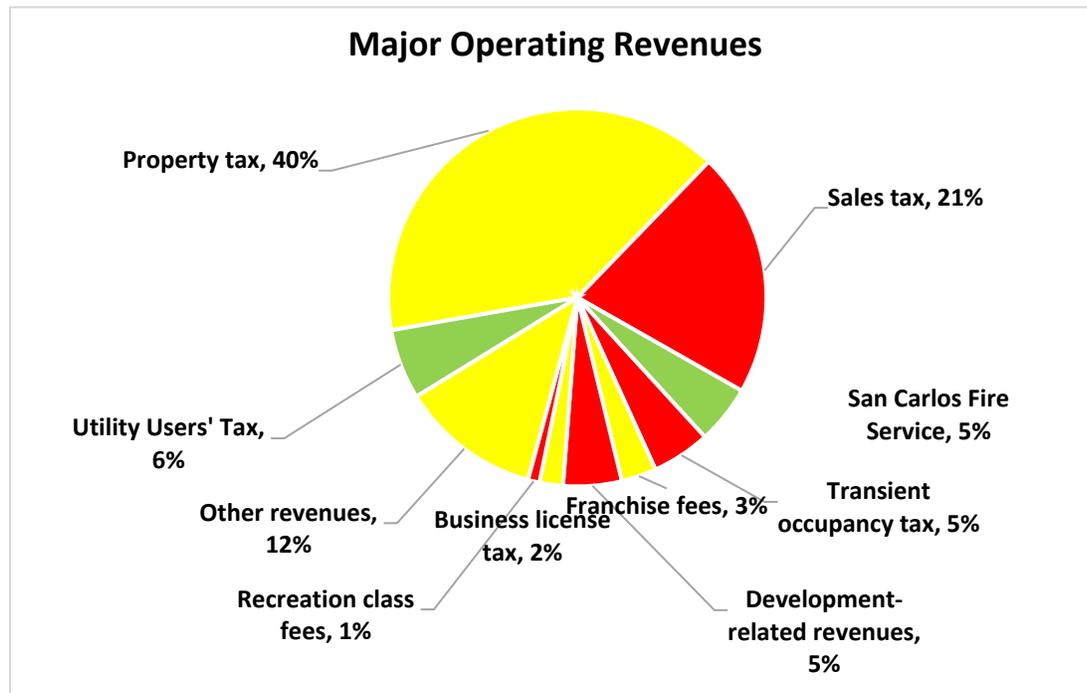
The General Fund is the fund of the City that is most affected by positive and negative economic conditions. In the current economic climate it is difficult to confidently predict actual revenue amounts for FY 2019-20 and beyond, but it is important to be informed about the main General Fund revenues and which ones could be impacted by the COVID-19 pandemic. While the particular impact of a recessionary period is unique, when economic declines occur, it is typical for private business activity and revenue to decline first, with public revenue impacts declining later. We can expect that for some City revenue sources the economic impact of the impending recession may trail the experience of the private sector by months or more. The City’s experience in the Great Recession illustrates this dynamic. While the 2008 financial crisis began in October 2008, and revenue declines began during Fiscal Year (FY) 2008-09, it was the following year, FY 2009-10, when most major revenue categories were down for the City of Redwood City. As previously stated, sales tax was the most affected revenue at that time, with modest impacts to property tax in 2011. Property tax revenue declines were impacted by the large decrease in building permit activity in 2009 and property value re-assessments.

An initial risk assessment for City revenues is summarized in Table 1 and Chart 1, and discussed in following analysis. Staff will provide further analysis with the updated forecast on April 13, 2020.

Table 1: Summary of Major Operating Revenue Sources and Potential Impacts from COVID-19 Recession

Revenue Source	Contribution to Total Revenue	Initial Risk Assessment
Property tax	40% of operating revenue	At risk
Sales tax	21% of operating revenue	Significantly at risk
Transient occupancy tax	5% of operating revenue	Significantly at risk
Development-related revenues	5% of operating revenue	Significantly at risk
Revenue for San Carlos Fire Service	5% of operating revenue	Not at risk at this time
Franchise fees from utility providers	3% of operating revenue	At risk
Business license tax	2% of operating revenue	At risk
Recreation class fees	1% of operating revenue	Significantly at risk
Utility User Tax	6% of operating revenue (capital program administration) with remainder dedicated by policy to capital expenditures	Not at risk at this time

Chart 1: Summary of Major Operating Revenue Sources and Potential Impacts from COVID-19 Recession



Property tax is the largest contributor to the City’s revenue stream, representing 40 percent of operating revenues. At this time, there is no anticipated impact on property taxes for FY 2019-20 and the County of San Mateo has not announced any delay in payments. There is a possibility of State action to defer payments, as this topic was briefly addressed in Governor Newsom’s April 2, 2020 press briefing, which would present major concerns for the City unless the State backfilled the loss. Because a majority of property taxes are paid twice a year, with the bulk of annual revenue received by the City in May, a delay in property tax payments would negatively and immediately impact cash flow for the City. Two revenue sources that are included in the property tax revenue category and are highly susceptible to fluctuations are excess Educational Revenue Augmentation Funds (ERAF) and property tax in lieu of vehicle license fees. The City received \$11.0 million of excess ERAF in FY 2018-19 and originally forecasted \$7.1 million for FY 2019-20. Property tax in lieu of vehicle license fees was \$9.2 million in FY 2018-19 and is projected to be \$7.8 million in FY 2019-20. Since these revenue sources fluctuate annually and are not guaranteed, the City should not rely on these as ongoing resources and the mid-year budget update and forecast presented February 24, 2020. These revenue sources are remitted to the City from the County of San Mateo. Staff is expecting an update from the County of San Mateo on these revenue sources by April 15, 2020, which will be shared with the City Council.

Sales tax is the second largest contributor to the City’s revenue stream, representing 21 percent of operating revenues. As part of the Bradley-Burns Uniform Local Sales and Use Tax, the City receives an additional 1 percent tax on all sales originating within the City limits. This tax is collected by the business, along with the County and State sales tax. Due to the Shelter in Place Order, it is anticipated that sales tax revenue could be the most negatively affected by the COVID-19 pandemic. For example, auto sales are among the top 10 sources of sales tax paid to the City and dealerships currently are permitted to repair cars, sell auto supplies, and only sell vehicles online or by phone. Restaurant activity also contributes significantly to the City’s sales tax base, and restaurant sales are expected to plummet due to requirements to provide food only for take-out or delivery.

Additionally, on April 2, 2020, Governor Newsom announced the State will allow small businesses (less than \$5 million in taxable annual sales) to defer payment of sales and use taxes of up to \$50,000, for up to 12 months. Staff will be analyzing the negative impact this is likely to have on City revenue and will provide an update with the April 13, 2020 forecast update.

Transient occupancy taxes (TOT) represent 5 percent of operating revenues and are collected by each motel/hotel/inn operator in the City and are remitted monthly. The current TOT rate is 12 percent of the rent charged to each guest. During to the Shelter in Place Order, it is anticipated that TOT revenue will also be negatively affected by the COVID-19 pandemic. Current estimates indicate occupancy rates of less than 20 percent in Redwood City, while pre-pandemic occupancy levels and room rates were very strong.

Development-related revenue, including building permits, represent 5 percent of operating revenues. This revenue source, which has experienced year over year increases, will most likely be negatively impacted by the extension and modification of the Shelter in Place Order.

Revenues related to fire services provided to the City of San Carlos represent 5 percent of operating revenues, but is not expected to be impacted for FY 2019-20.

Franchise fees from utility providers, including solid waste/garbage franchise fees, represent 3 percent of operating revenues. It is anticipated that these revenues could be negatively impacted as economic activity decreases under the Shelter in Place Order and customers cancel or decrease their service.

Business license taxes are levied on businesses operating in the City and represent 2 percent of operating revenues. It is anticipated that current fiscal year revenues will not be negatively affected by the Shelter in Place Order, but future revenues definitely could be if businesses don't re-open in the future.

Recreation class fees and special event revenue represents 1 percent of operating revenue, but is primarily generated by Redwood City residents. With the latest extension and modification of the Shelter in Place Order, and the ceasing of recreation classes and special events, it is anticipated that this revenue source will be negatively impacted.

Parking revenue, which is recorded in the Parking Enterprise Fund and is intended to offset costs associated with managing parking rather than serving as a general operating revenue for the City, generates approximately \$2.7 million per year. As the need for parking by customers and business employees is drastically reduced during the Shelter in Place Order, it is anticipated that this revenue source will be negatively impacted.

Utility Users' Tax, which is a tax of 5 percent that was imposed by the City in 1983 to be collected on telecommunications charges, gas and electric charges, and cable TV charges, represents 6 percent of operating revenue as a portion of tax revenues are used to administer the capital improvement program. Even though UUT is a general tax and can be used for any governmental purpose, it is the policy of the City to use the revenues generated from this source for capital improvements. This revenue source is not expected to be impacted for FY 2019-20.

Staff is currently researching impacts on capital related funding sources, such as capital grants, and will provide an update to the City Council if there are any impacts to report.

Expenditures

The City has incurred \$83,196 in expenditures related to the COVID-19 response. Most of the expenditures are comprised of salary and benefit costs. Staff will provide an update on expenditures once payroll and accounts payable transactions post to the City's general ledger in the coming weeks.

Additional employee costs, such as overtime, may be eligible for reimbursement from the Federal Emergency Management Agency (FEMA). The City's Emergency Operations Center (EOC) has distributed FEMA approved forms for employees to track time and specific tasks related to the COVID-19 response. It is anticipated that any overtime incurred by City employees will be requested for reimbursement from FEMA; up to 75 percent reimbursement is normally allowed. Service and supply costs may also be eligible for reimbursement from FEMA. FEMA approved forms to track these types of purchases have been distributed by the EOC and will be used to request reimbursement.

Due to the nature of the pandemic, including its widespread effect, it is impossible to determine how many resources, if any, will be available to the City for reimbursement of COVID-19 related costs. Additionally, recently-enacted Federal relief funds do not appear to be likely to flow to the City, however, staff will continue to monitor whether those funds or future legislation will fund current activities or provide funding for infrastructure or services.

Continuing to provide public services is a top priority. In order to preserve the City's high quality workforce to the greatest extent possible, during the current Shelter in Place Order, City management is striving to enable all employees (regular and temporary) to continue to work in some capacity. Human Resources staff is working with all City departments to identify positions which do not directly support pandemic response and are assessing if employees in these positions are able to safely perform their regularly assigned duties remotely, participate in approved professional development opportunities (i.e. on-line training), work on assigned projects, or to work as a disaster service worker. Working as a disaster service worker could mean that an employee is asked to take on tasks outside their normal responsibilities to work in support of emergency operations, assist with support functions at a disaster site, coordinate information about the disaster or available public services, and other activities needed to effectively respond to the COVID-19 public health emergency. For example, given that public libraries are not open at this time, some Library staff are providing bilingual call center support to inform community members of social services, and other are helping to call Redwood City businesses to inform them of resources available to the business community. Library and Parks, Recreation and Community Services staff are supporting the City Manager's Office Communications Team with the significantly increased demands for public communications.

Human Resources staff are also informing employees of enhanced paid sick leave and expanded family and medical leave for specified reasons related to COVID-19 provided under new Federal programs which became effective April 1, 2020. Additionally, the City Manager authorized paid administrative leave for employees unable to work as the initial State Shelter in Place Order was established. The cost for providing this leave to temporary employees is approximately \$200,000 per pay period. As the initial Shelter in Place order has been extended indefinitely, such leave is being granted on a more limited basis and management is striving to find opportunities for work and professional development whenever appropriate, and use of leave time when necessary.

In light of anticipated financial impacts described above, staff are seeking to contain expenditures. At this time, the City Manager has implemented a soft hiring freeze, limiting recruitment activities to essential

positions, which primarily includes police and fire positions. Staff continues to assess the needs of the organization during this time to determine which positions are critical to fill to support essential needs. Additional steps to manage expenditures will be taken as the financial impacts are further assessed.

Updated Preliminary General Fund Ten-Year Forecast to be Presented April 13, 2020

Staff is currently preparing an updated Preliminary General Fund Ten-Year Forecast to be presented at the April 13, 2020 City Council meeting. Due to the unprecedented and ever changing economic climate, it is important to collect as much data as possible, including updated actual expenditure data, prior to developing an updated Preliminary General Fund Ten-Year Forecast. The Forecast will also provide an update on potential impacts to the City associated with investment losses now being experienced by the California Public Employees Retirement System (CALPERS). Investment income funds approximately 58 percent of pension costs, with employer and employee contributions making up the difference. As has been discussed extensively in the past, when investment revenues have fallen short, employers have been called upon to increase contributions as employee contribution levels are largely fixed. Any increases in City payment obligations will compound the already daunting task of paying down existing pension and retiree health obligations.

FY 2020-21 Operating Budget Process, Guiding Principles for Budget Development, and General Fund Reserve

At this time, staff is recommending to roll over the FY 2019-20 operating budget as a base budget for FY 2020-21, followed by a mid-year budget adjustment by the end of the 2020 calendar year once staff has a better idea of revenue impacts associated with the pandemic. The FY 2020-21 Recommended Budget will include updated salary and benefit costs, including cost of living adjustments already agreed to in bargaining agreements and health insurance costs. The Recommended Budget will reflect prior City Council policy direction to ensure financial sustainability for the City, including paying down liabilities, and using one time funds for one time needs. With the Recommended Budget, staff will also seek confirmation of the Council's top strategic priorities in light of the pandemic, and recommend schedules for advancing policy work. Prior timelines for many activities will be delayed as staff strive to support essential service delivery and reshape services to protect public and employee health.

If necessary, as part of the Recommended Budget or at some point in the future, the City Council may be asked to consider using reserves to address short term (versus structural) imbalances. The City's General Fund reserve is intended to support City operations. The City's current General Fund reserve balance is \$23.6 million and is compliant with the City's reserve policy of 15 percent of the next fiscal year's revenues. If utilization of reserves is necessary, City Council approval will be required.

Staff will provide to the City Council and the public a Recommended Budget before June 1, 2020, in accordance with the City Charter. The FY 2020-21 operating budget hearing dates of June 8, 2020 and June 22, 2020 will remain unchanged.

FY 2020-21 Capital Improvement Program (CIP) Budget

The FY 2020-21 CIP Budget timeline, including the City Council study session on April 27, 2020 will remain unchanged. The dates of June 8, 2020 and June 22, 2020 also remain as recommended budget hearing

and adopted budget dates. Staff is anticipating that a five-year CIP budget will be presented, which is consistent with prior year CIP budgets. At the April 27, 2020 study session staff will be proposing a new approach to the City Council for prioritizing capital projects for FY 2020-21. This new approach includes different options and the possibility to mix and match CIP projects to receive funding for FY 2020-21.

2. RECENTLY-IMPLEMENTED GOVERNMENTAL, PUBLIC-PRIVATE PARTNERSHIP, AND NON-GOVERNMENTAL EFFORTS TO HELP COMMUNITY MEMBERS AND BUSINESSES

Since the March 23, 2020 update to the City Council, many measures have been adopted by the City, County, State and Federal government to address COVID-19 impacts. Philanthropic efforts have ramped up as well. Additional measures are anticipated and may help individuals, the business community, and public agencies address immediate and long term health and economic impacts. This section of the report addresses actions taken to support individuals, families, and businesses as of April 2, 2020, and may be updated at the April 6, 2020 City Council meeting as new initiatives are announced. This information is intended to provide context as the City Council considers additional steps to support the Redwood City community in this very challenging time.

The City Council has directed staff to consider vulnerable populations as the City joins others in striving to meet community needs. Among the most vulnerable community members are those who are low-income, who are unsheltered, and who are undocumented. Within these broad categories of economic and social status, children, youth, and seniors have additional challenges.

Many of the initiatives identified below specifically relate to COVID-19 related economic stress on low-income individuals. Additionally, there is concerted effort to provide shelter to anyone who currently is unsheltered; these efforts are described further below. Staff has previously reported on ongoing and enhanced efforts to aid children, youth and seniors.

As the City Council considers the extent to which community needs are being met or may be met by governmental and philanthropic efforts beyond the City's actions, the City Council may wish to know whether these efforts will aid undocumented individuals in Redwood City. Table 2 provides a summary of actions taken or initiatives underway to support community members, and whether undocumented individuals could access these programs or initiatives. Table 2 is followed by information to support homeless individuals in the community and a detailed discussion of each program or initiative. *Please note that each program or policy has qualifying criteria, so the table does not indicate all criteria that must be met. Additionally, there are a wide range of safety net programs which are not listed here; this table only refers to initiatives specific to COVID-19 related impacts.*

Table 2: Summary of Programs or Initiatives to Aid Vulnerable Community Members

Program or Policy	Limited by Income?	Limited by Documentation Status?
Countywide Eviction Moratorium	NO	NO
Statewide Eviction Moratorium	NO	NO
Recovery Rebates for Individuals	YES	YES
CDBG-funded Assistance	YES	YES
Unemployment Insurance Expansion	NO	YES
Families First Leave Act	NO	NO
Mortgage Relief	NO	NO
City Utility Relief	NO	NO
PG & E Utility Relief	NO	NO
PCE Utility Relief	YES	NO
SMC Strong - COVID-19 Emergency Financial Assistance Program	YES	NO
Redwood City - COVID-19 Emergency Rental Assistance Fund	YES	NO

San Mateo County COVID-19 Homeless Response

In response to COVID-19, the County of San Mateo is increasing homeless shelter capacity within existing shelters and is expediting the creation of a new temporary homeless shelter. Additionally, the County has established social distancing protocols in all shelters. On March 18, 2020, the Governor issued an

Executive Order that allocated a \$100 million to counties, large cities, and Continuum of Cares (CoC) for shelter support and emergency housing to address COVID-19 among the homeless population. San Mateo County and the San Mateo CoC are expected to receive some of this funding. Additionally, the County is expected to receive additional Emergency Solutions Grants (ESG) funding through the CARES Act allocation; this funding is intended to provide homeless assistance. Although the City is not eligible to use these new State or Federal funding for services to homeless individuals, the City may be able to use some or all of the new CDBG allocation to support homeless individuals, and staff will return with recommendations on use of new CDBG funds at a future City Council meeting.

City staff have been working closely with County officials to allow temporary shelter on City-owned property at 1402 Maple Street. This property currently is being used by the County to accommodate their Property Development Unit. If desired by the County, under an anticipated one-year, temporary and revocable licensing agreement, up to 50 individuals may be accommodated at this site on a temporary basis. The agreement would also allow for the property to be used by the City in the future if a safe parking program is approved for this site.

City Assistance and Guidance for Businesses and Workers Impacted by COVID-19

The City’s economic vitality is of critical importance. During this crisis, City staff is striving to support the local business community to work to retain the City’s diverse mix of businesses that meet our community’s needs. The success of small businesses is important to the economy and contributes to the economic vitality of the Redwood City community. Small businesses create jobs, foster innovation and provide revenue to fund City services, provide entrepreneurial opportunities for people including women and minorities, and provide essential goods and services. The March 17, 2020 County of San Mateo order to

shelter in place greatly reduced businesses' ability to maintain regular operations, thus impacting their revenue and employees. Businesses have had to close or have stayed open with reduced staff and customer access. The cumulative effect of the loss of business revenue and staff has yet to be quantified because of the need for Redwood City businesses to make changes quickly and without planning.

City staff have been working to develop solutions to support Redwood City's small businesses. The goal is to provide immediate, practical support to small businesses, create funding opportunities, and leverage partnerships with local business organizations. The federal government, state, county, city, and larger Redwood City community all play an important role in assisting small businesses with the short and long-term consequences of the COVID 19 crisis.

The City's Economic Development team has been coordinating, collaborating and consulting with the San Mateo County Economic Development Association (SAMCEDA), the Redwood City Chamber of Commerce, the Downtown Business Group and various state and regional partners.

Over the last few weeks, City staff has consulted with over 200 Redwood City businesses seeking guidance and/or assistance in response to the COVID-19 pandemic. Small businesses asked for support, resources and programs for small business assistance, rental assistance, utilities payment assistance and requested a commercial eviction moratorium for small businesses.

The City currently has approximately 6,100 businesses. Over the last week, the City has redeployed City staff (librarians) to assist the City's economic development team to stand up a City business resources call center, which will proactively engage, communicate and call every Redwood City business over the next few weeks. City staff will provide the latest list of business resources and support programs. City staff is also evaluating having our librarians assist our business community with submitting and applying for different small business economic resource programs, such as Small Business Association (SBA) economic injury applications.

In addition to fielding business calls, staff developed a letter sent on behalf of the Mayor, providing business support resources to all businesses with City business licenses that have emails on file. The economic development team created a dedicated business resource page on the City's website; sent electronic newsletter updates to the business community; and has contacted all childcare operators in the city to provide the latest updates on essential childcare services per the Public Health Officer's Order and the Governor's Order.

Over the past two weeks, City staff has received feedback from the small business community asking for the commercial eviction protections for small businesses. During these calls, each business shared their personal story on how COVID-19 is impacting their business and employees. Many are sharing that their revenues began to decline in mid-February, well before the Shelter-in-Place order. As a result, many small businesses are unable to cover expenses that were due on April 1, 2020. They also shared the unwillingness of their landlords to extend additional time to come up with the rent or provide rental reductions for the duration of the order. On March 16, 2020, California's Governor issued an [Executive Order \(N-28-20\)](#), which removed state law restrictions (e.g., Civil Code Sec. 1940 et. seq or 1954 et. seq.) on local government's ability to impose limitations on evictions when the grounds for eviction is non-payment of rent due to a documented substantial decrease in income or increase in expenditures due to COVID-19, or government emergency orders related to COVID-19. This was significant since this Order allowed local governments throughout the State to effectively implement rules barring commercial and residential evictions that would otherwise be prohibited and preempted by California law.

The State of California and County of San Mateo have issued moratoriums on residential evictions in order to provide protection to tenants during the COVID-19 public health crisis. These emergency eviction protections apply to all incorporated and unincorporated areas in San Mateo County, thereby protecting Redwood City residents. However, these actions do not provide commercial eviction protections for small businesses.

Locally, to date, the City/County of San Francisco, Santa Clara County and the City of San Mateo have enacted commercial eviction moratoriums. On April 7, 2020 the County of San Mateo is expected to consider a commercial eviction moratorium applicable to very small businesses in County unincorporated areas. The City of South San Francisco will consider a commercial eviction moratorium on April 8, 2020.

GOVERNMENTAL POLICIES AND PROGRAMS TO SUPPORT INDIVIDUALS, FAMILIES AND BUSINESSES

Eviction Protections

- **Countywide Eviction Moratorium** - On March 24, 2020, the San Mateo County Board of Supervisors approved an emergency regulation that established a countywide eviction moratorium that covers all incorporated and unincorporated areas of San Mateo County. The emergency regulation prevents landlords from evicting tenants for non-payment of rent due to COVID-19 impacts as well as no-fault terminations. The emergency regulation is applicable to residential tenants, including mobile homeowners, and is in effect through May 31, 2020.

The emergency regulation requires that landlords notify their tenants of the emergency regulation before taking any action to evict a tenant for non-payment of rent or no-fault terminations. If a tenant cannot pay rent due to COVID-19 impacts, they must notify their landlord within 14 days of receiving the emergency regulation notice. While this emergency regulation does prevent evictions during the declared emergency, it does not relieve a tenant from their obligation to pay rent. Tenants are required to pay their landlords the late rent within 90 days following termination of the emergency. Tenants may request up to three 30-day extensions however they must notify their landlord and provide documentation supporting their request. Landlords may not charge or collect a late fee for a delayed rent payment.

- **Statewide Eviction Moratorium** – On March 27, 2020, the Governor issued an Executive Order establishing a statewide eviction moratorium for residential tenants that is in effect through May 31, 2020. The Executive Order extends the time the tenant has to respond to an eviction notice from five days to 65 days, provided the tenant has 1) previously paid rent to the landlord under an agreement, 2) the tenant notifies the landlord, up to 7 days after the rent is due, that they are unable to pay rent due to COVID-19 impacts, and 3) the tenant has documentation demonstrating the COVID-19 impact. If these requirements are met than an eviction notice cannot be enforced while the Executive Order is in effect.

Note: the statewide residential eviction moratorium does not supersede the countywide residential eviction moratorium.

Federal Stimulus Package

On March 27, 2020, President Trump signed the \$2 trillion Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which includes several funding provisions that could benefit Redwood City residents.

- **Recovery Rebates for Individuals** – Adults residents who have an adjusted gross income of \$75,000 or less will receive a \$1,200 one-time refundable tax credit. For each child age 16 or under, the credit will be an additional \$500. Married couples with no children earning \$150,000 or less will receive a total of \$2,400. The credit decreases until it phases out altogether for individuals earning \$99,000 or married people who have no children and earn \$198,000. This tax credit is not available to residents who are undocumented.

- **Community Development Block Grant (CDBG)**
The CARES Act includes a \$5 billion allocation to the Community Development Block Grant (CDBG) program to prevent, prepare for, and respond to coronavirus.
 - \$2 billion will be allocated to entitlement jurisdictions based on the existing CDBG allocation formula. *The City will receive approximately \$448,000, in addition to the \$761,626 the City is receiving for its FY 2020-2021 allocation.*
 - \$1 billion will be allocated to states and insular areas
 - \$2 billion will be allocated to states and local jurisdictions based on an allocation formula to be developed by the U.S. Department of Housing and Urban Development (HUD). The allocation formula will take into consideration COVID-19 related factors such as risk of transmission, number of cases compared to the national average, and economic and housing market disruptions resulting from coronavirus. *The City may receive additional funding under this formula however the amount is unknown at this time.*

The CARES Act also suspends or reduces some of the CDBG regulations to allow for greater flexibility and expedited use of funds.

- The Action Plan submission deadline has been extended from May 15 to August 16, 2020. In order to utilize this new funding, the City will likely either need to amend its FY 2019-20 Action Plan or incorporate the funding into its upcoming FY 2020-21 Action Plan.
- HUD is allowing reduced citizen participation requirements including a five-day public comment period for the Action Plan instead of a 30-day comment period and a waiver of the in-person public hearing requirements. Virtual public hearings will be allowed. The City will need to submit a waiver to HUD to receive these reduced citizen participation requirements.
- The CDBG regulations limit the City to only spending 15% of its annual allocation on public service activities (e.g. safety net services, homeless services, legal services, emergency rental assistance, etc.). However, the CARES Act suspends the public service spending cap for the new CDBG funding as well as the City's fiscal year 2019 and 2020 CDBG allocations.

Staff is awaiting further guidance from HUD and is exploring how the City can use CDBG funding to expand emergency rental assistance funding for low-income residents impacted by COVID-19.

Unemployment Insurance Expansion

The State Employment Development Department (EDD) has reviewed the federal CARES Act and is currently awaiting further guidance from the U.S. Department of Labor in order to implement the various provisions of the newly created "Pandemic Unemployment Assistance Program". The focus of this new program is to fill the gap between the average paycheck and state unemployment benefits. It will provide eligible employees an extra \$600 per week in unemployment benefits in addition to what they are eligible

for under existing state programs. This boosted payment will last for approximately four months until its current expiration date of July 31, 2020. The program also provides for an additional 13 weeks of continued \$600 weekly payments for individuals who remain unemployed after exhausting their state unemployment benefits. This means eligible workers will be able to receive unemployment benefits for up to 39 weeks rather than the 26-week cap under the state programs. This new program also expands unemployment eligibility to individuals who are able and available to work within the meaning of applicable state law but are unemployed, partially unemployed or unable or unavailable to work.

It is important to note that undocumented workers are not eligible for this program and it is estimated that it will take at least three weeks to process a claim for unemployment benefits and issue payment to most eligible workers.

Families First Leave Act

The Families First Coronavirus Response Act (FFCRA or Act) was passed on March 18, 2020 in response to the COVID-19 pandemic and requires certain employers to provide their employees with paid sick leave and expanded family and medical leave for specified reasons related to COVID-19. These provisions will apply from April 1, 2020 through December 31, 2020. In general, employees of private sector employers with fewer than 500 employees, and certain public sector employers, are eligible. The new leaves include two weeks of paid sick leave (up to 80 hours) and an expansion of eligibility under the Family Medical Leave Act (FMLA). Both are subject to reduced pay formulas, pay caps, and tracking. To illustrate how the FMLA leave is applied, an employee unable to work for child care reasons related to COVID-19, is eligible to receive 2/3 of their regular pay, capped at \$200 per day. Under FFCRA, FMLA pay is capped at \$12,000 for the 12-week period or cap of \$25/hour for the 12 week period. These leaves may be supplemented with other leave accruals.

Mortgage Relief

Although the City does not have control over mortgage and lending regulations, several actions are being taken by the Federal Government, State Government and private lenders to provide mortgage relief for borrowers impacted by COVID-19. These actions include suspending foreclosures, offering mortgage forbearance, and waiving late fees. It is important to note that these efforts are intended to provide temporary relief and are not debt forgiveness.

- **Fannie Mae & Freddie Mac** - The Federal Housing Finance Agency (FHFA) suspended foreclosures and evictions for borrowers with mortgages backed by Fannie Mae or Freddie Mac. Borrowers also have the ability to request mortgage forbearance for up to 12 months if they have income loss due to the COVID-19 pandemic. Any late payments would not be reported to credit agencies and late fees will not be imposed.
- **Federal Housing Administration (FHA) Insured Mortgages** – The FHA has issued a 60-day moratorium on foreclosures and evictions for holders of FHA-insured mortgages on single-family homes.
- **Private Lenders** - Wells Fargo, U.S. Bank, Citi and J.P. Morgan Chase have agreed to a 90-day waiver of payments for those who have been impacted by COVID-19 and Bank of America is deferring mortgage payments on a monthly basis until the crisis is over. Additionally, nearly 200 state-chartered banks, credit unions, and servicers are offering mortgage relief options, including San Mateo Credit Union which is offering first mortgage forbearance of up to six months.

Federal and State Economic Relief Programs for Small Businesses

- **SBA Economic Injury Disaster Loan Advance Program-** Small business owners may apply for an Economic Injury Disaster Loan advance of up to \$10,000. Funds will be made available within three days of a successful application, and this loan advance will not have to be repaid.
- **SBA Economic Injury Disaster Loan-** The SBA's Economic Injury Disaster Loan program provides small businesses with working capital loans of up to \$2 million. Funds will be made available within 30 days of a successful application and repayment will begin six months after funds were made available.
- **SBA Paycheck Protection Program-** Eligible recipients may qualify for a loan up to \$10 million determined by 8 weeks of prior average payroll plus an additional 25% of that amount. Loan payments will be deferred for six months. If the workforce is maintained, SBA will forgive the portion of the loan proceeds that are used to cover the first 8 weeks of payroll and certain other expenses.
- **SBA Express Bridge Loans-** Express Bridge Loan Pilot Program allows small businesses who currently have a business relationship with an SBA Express Lender to access up to \$25,000 with less paperwork. These loans can be used to bridge the gap while applying for a direct SBA Economic Injury Disaster loan. If a small business has an urgent need for cash while waiting for decision and disbursement on Economic Injury Disaster Loan, they may qualify for an SBA Express Disaster Bridge Loan.
- **SBA Debt Relief-** Under this program the SBA will pay the principal and interest of new 7(a) loans issued prior to September 27, 2020. The SBA will also pay the principal and interest of current 7(a) loans for a period of six months. The 7(a) loan is the tradition SBA loan that is not part of the Disaster Assistance Loan Programs or loans created by the Federal CARES Act.
- **California Capital Access Program (CalCAP)-**This is a loan loss reserve program which may provide up to 100% coverage on losses as a result of certain loan defaults. Individual borrowers are limited to a maximum of \$2.5 million enrolled over a 3-year period.
- **Business Taxes-** The California Department of Tax and Fee Administration (CDTFA) will be offering a 90-day extension for tax returns and tax payments for all businesses filing a return for less than \$1 million in taxes. That means small businesses will have until the end of July 2020 to file their first-quarter returns. The state also extended the statute of limitations to file a claim for refund
- **Disaster Relief Loan Guarantee Program-**This disaster program provides loan guarantees of up to \$1 million for small business borrowers in declared disaster areas.
- **Jump Start Loan Program-**This program offers loans from \$500 to \$10,000 to low-wealth entrepreneurs in declared disaster and emergency areas.

Utilities Relief

PG&E has suspended service disconnections for non-payment for all residential and small business customers. PG&E is also offering flexible payment plans for customers facing severe economic challenges due to COVID-19.

Peninsula Clean Energy (PCE) is offering a one-time bill credit of \$100 to customers who are enrolled in either the California Alternate Rates for Energy (CARE) or Family Electric Rate Assistance (FERA) programs as of March 20, 2020. This credit will be applied directly to the balance due on April and/or May bills. Additionally, PCE does not disconnect customers as PG&E is in charge of distribution and, as noted above PG&E, will not be disconnecting customers for non-payment. Additionally, PCE has indicated they will not be dropping customers due to non-payment.

Most Redwood City residents receive water, sanitary sewer, and solid waste (trash and recycling services) from the City in concert with Silicon Valley Clean Water and Recology. To preserve public health, these services will not be shut off for any residential customer while shelter in place orders are in effect. Additional recommended City actions to provide utilities relief are described further below.

PUBLIC/PRIVATE PARTNERSHIPS TO SUPPORT INDIVIDUALS, FAMILIES AND BUSINESSES

San Mateo County Strong Fund

On March 24, 2020, the San Mateo County Board of Supervisors approved \$3 million in emergency funding (Measure K) to the San Mateo County Strong (SMC Strong) Fund. The SMC Strong Fund is a partnership with Silicon Valley Community Foundation to support those most impacted by COVID-19 in San Mateo County. All money donated to SMC Strong will stay inside San Mateo County, so residents can have confidence that their donations are helping their neighbors. The funds will benefit San Mateo County families and individuals, non-profit organizations, and small businesses adversely impacted by COVID-19.

On March 31, 2020, the San Mateo County Board of Supervisors approved the following allocations of the \$3 million for the SMC Strong fund.

- *\$1 million for COVID-19 Emergency Financial Assistance Program for families/individuals* – funds will be administered by Samaritan House and disbursed through the County’s core agency network, of which the Fair Oaks Community Center is a core agency. Staff estimates that approximately \$150,000 will be allocated to the Fair Oaks Community Center which serves Atherton, North Fair Oaks, Portola Valley, Redwood City, and Woodside. Funds can be used to provide housing assistance, utility payments, transportation, or other essential needs for residents impacted by COVID-19. Families and individuals who are undocumented will be eligible for this assistance however the funds are restricted to households earning 60% of area median income or less.

- *\$1 million for Regional Non-Profit Emergency Fund*
 - \$150,000 for Samaritan House for the administration and management of the \$1 million for the COVID-19 Emergency Financial Assistance Program.
 - \$425,000 for the eight core services agencies to cover increased costs associated with the COVID-19 Emergency Assistance Program and other increased operating costs due to COVID-19. The Fair Oaks Community Center will receive \$53,125 to support its COVID-19 operational needs.
 - \$425,000 for the homeless shelter providers allocated based on households served last year to cover increased costs due to COVID-19.

- *\$1 million for small businesses support* - The San Mateo County Economic Development Association (SAMCEDA) and the County are currently developing an application and distribution plan for the small business assistance program by surveying members about their current needs and reviewing the federal business and individual assistance programs just approved by Congress. The distribution plan for the small business program is expected to be presented to the San Mateo County Board of Supervisors at their April 7, 2020 meeting.

NON-GOVERNMENTAL EFFORTS TO SUPPORT INDIVIDUALS, FAMILIES AND BUSINESSES

Atkinson Foundation

The Fair Oaks Community Center has received a \$10,000 grant from the Atkinson Foundation to support COVID-19 efforts. Staff is currently exploring the best use of this funding and will make a recommendation to the City Council at a future meeting.

Redwood City Education Foundation

The Redwood City Education Foundation (RCEF) has allocated \$150,000 to provide emergency rental assistance for families with children attending Redwood City School District schools affected by COVID-19. All funds are estimated to be expended by the end of April.

San Mateo County Economic Development Association (SAMCEDA)

The San Mateo County Economic Development Association (SAMCEDA) has taken the lead on acting as the business liaison to the San Mateo County Emergency Operation Center. SAMCEDA has been providing a wealth of business support and leadership to San Mateo County businesses by way of sharing Federal and State relief programs, conducting local business surveys, and coordinating business relief philanthropic funding. SAMCEDA in collaboration with the Redwood City-San Mateo County Chamber of Commerce have developed the most comprehensive listing of relief programs and business resources for all cities and businesses in Redwood City and San Mateo County.

Silicon Valley Community Foundation COVID-19 Regional Response Fund

In addition to partnering with the County to establish the SMC Strong Fund, the Silicon Valley Community Foundation (SVCF) has established a COVID-19 Regional Response Fund. *This fund is separate from SMC Strong.* It is intended to serve the entire Bay Area region and provide flexible resources that focus on basic needs: housing/shelter, food, clothing, and financial assistance. Some of these funds will be allocated to the San Mateo County core agency network via Samaritan House, the financial administrator for the core agency network. It is anticipated the Fair Oaks Community Center will receive some of this funding however, the amount is unknown at this time.

3. RECOMMENDATIONS FOR CITY COUNCIL ACTION TO SUPPORT THE REDWOOD CITY COMMUNITY IN LIGHT OF THE PANDEMIC AND RELATED ECONOMIC DISRUPTION

COVID-19 Emergency Rental Assistance Fund – New \$393,000 Appropriation

On March 23, 2020, the City Council allocated \$150,000 of Transient Occupancy Tax (TOT) from short-term rentals to establish a COVID-19 Emergency Rental Assistance Fund to be administered by the Fair Oaks Community Center. This allocation is in addition to several other rental assistance funding sources (e.g. RCEF funds) that are administered by the Fair Oaks Community Center. The Fair Oaks Community Center has set up a call center to field inquiries and launched an online application. The City has also established a COVID-19 housing resources webpage. As of April 1, 2020, the Fair Oaks Community Center has received over 400 inquiries for rental assistance, 250 online applications have been submitted, and staff is currently working with an additional 65 people to complete applications. Families and individuals who are undocumented are eligible for this assistance however, some of the funding sources have income restrictions. As of April 1, 2020, the City has processed six rental assistance payments and the average payment is \$2,000.

As noted above, the Fair Oaks Community Center is expecting to receive approximately \$150,000 in SMC Strong Funds as well as funding from the SVCF COVID-19 Regional Response Fund. This brings the total estimated funding available for rental assistance to \$550,000. Additionally, staff is also exploring using the new CDBG funding allocation plus the City's existing CDBG funding for expanding rental assistance or other important community needs. Staff is awaiting further guidance from HUD including when the funds will be available and whether paying back rent is an eligible expense under the CARES Act.

Given the strong need for rental assistance, the likelihood that such need will persist, and the fact that supporting continued housing economically benefits both residents and property owners and avoiding homelessness helps to protect public health, staff recommends that the City Council appropriate \$393,000 to the Emergency Rental Assistance Fund.

Utility Relief – Elimination of Late Payment Penalties on Utilities for March – August 2020

At the March 23, 2020 City Council meeting, the City Council directed staff to research opportunities to defer or eliminate late payment penalties for utility payments and to present recommendations to the City Council. The City receives approximately \$3,000 per month in late payment penalties and interest for solid waste services. These funds are general revenue to the City and are used for general City operations. The City also receives approximately \$13,000 per month in late payment penalties and interest for water and sewer utilities. The funds are used to pay for the rate assistance program for low-income customers. The program is available to all customers regardless of immigration status. The cost of the rate assistance program is currently about \$1,160/month but this could increase with the current economic situation. There is currently a fund balance of approximately \$100,000 available for the rate assistance program.

Staff recommends that the City Council consider the following actions:

- 1. Direct staff to develop a resolution to waive late payment penalties for solid waste, water and sewer utilities for the period of March 2020 through August 2020 for residential and commercial customers;**
- 2. Direct staff to advertise the rate assistance program for low-income water and sewer utility customers; and**
- 3. Direct staff to return to the City Council in September 2020 with an update on the status of late payments and rate assistance usage to determine whether to continue to waive the late payment penalty.**

Small Business Relief Fund for Redwood City Small Businesses – Appropriate \$300,000

Staff has been communicating with SAMCEDA and the Silicon Valley Community Foundation (SVCF) via the SMC Strong initiative to administer a potential Small Business Relief Fund for Redwood City small businesses. Staff, SAMCEDA and SVCF are currently discussing guidelines to provide Redwood City small businesses with grants and/or loans (whichever is most feasible). The purpose of the assistance is to help Redwood City's small businesses temporarily mitigate the financial impacts from the COVID-19 pandemic until State and Federal resources are available and to stem the potential community deterioration that could result from the financial impacts of the pandemic.

To date, \$1,000,000 in San Mateo County Measure K funds have been pledged to the SMC Strong to fund San Mateo County small businesses. Using these funds, a maximum grant/loan amount could be set at \$5,000, and a minimum of 60 Redwood City small businesses would receive assistance. Additional donations to the SMC Strong fund dedicated to Redwood City small business support would increase the funding available and the number of businesses that could receive assistance. The City is also looking into

micro-lenders who could potentially lend either zero interest or low interest loans to support small businesses.

Staff recommends that the City Council appropriate \$300,000 to San Mateo County Strong to support Redwood City small business relief efforts.

Evaluate Postponement of 2021 Redwood City Minimum Wage Increase to Relieve Businesses

In order to support the City's lowest wage workers, the City implemented a local minimum wage ordinance in 2019. The City's minimum wage is currently \$15.38 an hour. The City's minimum wage increase is based on the year over year August-to-August Consumer Price Index (CPI). If the year over year CPI is negative, then the minimum wage rate remains that of the previous year.

Should there be CPI increase this August, staff recommends that the City Council consider postponing the increase to help relieve Redwood City businesses. As CPI data typically is available one to two months after the fact, staff would return in October 2020 with an update to Council.

Staff recommends that the City Council direct staff to provide an update to the City Council in October 2020 regarding the local minimum wage to be effective in January 2021 so that they City Council might consider postponing the increase to help relieve Redwood City businesses.

Future Allocation of New Community Development Block Grant Funding

As noted above, the City is eligible to receive a new allocation of \$448,000 in Community Development Block Grant Funding.

Staff recommends that the City Council direct staff to provide recommendations at a future City Council meeting on use of the \$448,000 new allocation of Community Development Block Grant funding, once further federal guidance has been received.

Temporary Downtown Parking for Restaurant Take-out

City staff is working on providing temporary short-term downtown parking for restaurant businesses to help facilitate the transition to take-out services. This would require installation of short term parking zones adjacent to restaurant storefronts. City staff has reached out to the Chamber of Commerce and the Downtown Business Group who expressed interest for the program. Based on recent business interest, staff allowed a temporary opening of Theater Way to vehicle traffic for efficient restaurant takeout services.

Staff recommends that the City Council direct staff to continue to develop short-term, low-cost adjustments to parking and right of way usage to support restaurant transition to take-out and delivery services while the Shelter in Place order is in effect.

FISCAL IMPACT

As described above, the City can expect significant, negative impacts on City revenue related to the impending recession. This will be further discussed when staff brings an updated General Fund forecast to the City Council on April 13, 2020.

On December 19, 2019, the City Council directed appropriation of FY 2018-19 operating balance, and on February 20, 2020, the City Council approved appropriations for the projected FY 2019-20 operating balance.

Recognizing that the City’s financial status is in flux at this time and that no outside resources are imminent to provide for City essential services, while also recognizing that community needs are acute, staff recommends that \$693,000 in one-time funds previously allocated be re-purposed to community COVID-19 needs at this time:

One Time Funds Recommended for COVID-19 Relief Activities	
Reduction in \$550,000 allocated for operating department innovation initiatives to increase staff capacity	(\$350,000)
Funding originally earmarked for the Downtown Streets pilot program which was replaced by funding from former Redevelopment Housing Funds	(\$250,000)
Emerging City Council priorities (one-time funds which had not been allocated to a specific use)	(\$93,000)
Total	(\$693,000)
Recommended Uses of One Time Funds for COVID-19 Relief Activities	
Additional funding for Emergency Rental Assistance Fund	\$393,000
Contribution to San Mateo County Strong to support Redwood City small business relief efforts	\$300,000
Total	\$693,000

ENVIRONMENTAL REVIEW

This activity is not a project under California Environmental Quality Act (CEQA) as defined in CEQA Guidelines, section 15378, because it has no potential for resulting in either a direct or reasonably foreseeable indirect physical change in the environment.

PUBLIC NOTICE

Public notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

ALTERNATIVES

The City Council may choose not to support some or all of the recommended actions. The City Council may direct staff to develop new recommendations related to budget development and/or COVID-19-related community support.

ATTACHMENTS

None

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