



MEMORANDUM

To: Members of the City of Bloomington Common Council
From: Jane Kupersmith, Department of Economic & Sustainable Development
Cc: Mick Renneisen, Deputy Mayor
Alex Crowley, Economic & Sustainable Development
Members of the Economic Stabilization & Recovery Working Group
Date: November 4, 2020
Re: **Status update on the Rapid Response Loan Fund**

Thank you for the opportunity to update the Common Council and our Community on the Rapid Response Fund loan program, which the City launched in partnership with the Bloomington Urban Enterprise Association on April 9 of this year.

The Department of Local Government Finance has allowed the use of Food and beverage tax funds by municipalities as part of the governor's executive orders related to COVID. Executive Order 20-47 extends again our official public health emergency to December 1, and along with it, our ability to continue operating the RRF Loan Program. This is of critical importance, as many local businesses that stabilized over the summer are experiencing or anticipating decreased revenue during winter months.

Background

The program is an outgrowth of the mayor's COVID Economic Stabilization and Recovery working group. Councilmember Sgambelluri and County Councilmember Geoff McKim, serve on the ES&R working group along with representatives of the Chamber, the BEDC, CDFI Friendly Bloomington, and city staffers from Economic & Sustainable Development. Additionally, eighteen generous community partners spent many weekend and evening hours reviewing and scoring applications. Lon Stevens has been especially gracious with his time and flexibility in evaluating appeals applications. The City, ES&R, and borrowers express their continued thanks.

Bloomington City Council allocated \$2 million of Food and Beverage Tax revenue for the loan fund, and the Bloomington Urban Enterprise Association contributed \$350,000. Each pot of money has its own set of restrictions: the F&B funds are lendable only to tourism-related businesses, while the BUEA funds are restricted to businesses within the Enterprise Zone. This slide shows the enterprise zone map, which runs roughly from 17th St. on the north, to Country Club on the South, and primarily from Walnut to Rogers and farther west in some places. Four applicants did not receive offers because of these restrictions.

Current Status

The current status snapshot looks fairly similar to when we last presented an update. You can see that the abandon rate is high at 144 of 215 applications or 64%.

- Anecdotal feedback is that businesses were uncomfortable sharing the amount of detail in the loan application, whether with the City directly or the reviewer committee, which is comprised of community members.
- Some borrowers ended up getting PPP and didn't need RRF. The PPP was cheaper to borrower or grant money, and the Economic Injury Disaster Loan (EIDL) has much lengthier repayment schedules.
- Some applicants didn't want to pay any interest, and others believed the City should have been offering small business support in the form of grants rather than loans.

The City has funded two new loans in the last month and processed two loans for additional amounts. We also know that two additional borrowers will be requesting increases this month.

To date the City has loaned via the RRF \$1,760,770 to 62 borrowers, \$1,466,600 of which is from the F&B tax fund, and of which \$50,000 was repaid. \$294,170 of the total loaned amount is from BUEA, of which \$50,000 was repaid. This leaves a total of \$583,400 in the F&B category of funds and \$105,830 in the BUEA category.

Borrower Demographics

The Council and city staff are focused on borrower demographics to support monitor our distribution of these funds. Of 62 loans issued,

6 or 9.7% were for Black-owned businesses;
5 or 8.1% were for Asian-owned businesses;
2 or 3.2 % were for other folks who were not represented by the listed options;
3 or 4.8% of recipients preferred not to report a racial identity;
46 or 74.2% were White-owned businesses.

91.9% of borrowers identify as Non-Hispanic or Latin-X and 8.1% of borrowers identify as Hispanic or Latin-X.

In terms of gender, borrowers represent
30 woman-led businesses
2 non-binary or genderqueer-led businesses
2 business owners prefer not to say
1 answered both, which I believe means it is a partnership
2 borrowers preferred not to answer

1 business owner identified as disabled
1 business owner identified as an immigrant
1 business owner identified as a veteran

Borrower Feedback

Finally, I wanted to take the time to pass along feedback from borrowers. Business somewhat stabilized over the summer as consumer confidence increased alongside a mask mandate, increased availability of testing, and better information about COVID-19 transmission and prevention. Additionally, businesses offered alternatives, with the support of the City, to traditional models with outdoor dining via street closures and parklets. However going into the winter, businesses are very concerned about decreased revenue and the potential of new

shutdowns. Entertainment venues report a unique challenge given that their business model relies on large gatherings and booking (and paying for) artists in advance. Restaurants also face a particular challenge in that diners have not yet returned indoors while weather grows colder.

Generally speaking, borrowers are grateful for the support of the RRF Loan program. Some have even been able to use the funds to foster growth rather than just stabilization. The following are unedited testimonials from businesses who were willing to share feedback.

Business testimonials:

By Hand Gallery, Suzanne Halvorson: Please share with the Common Council on Wednesday that I can honestly say on behalf of By Hand Gallery if we had not received a PPP Grant and the City of Bloomington's Emergency Relief Loan, we would not have been able to survive the Pandemic shut down and subsequent slow down in customer traffic. After being in business in downtown Bloomington for 41 years, it would be tragic to have to close our doors because of this public health threat. We are doing everything we possibly can such as raising our monthly membership dues to keep going. By Hand Gallery is hoping for more government support, as we will not know until after the holidays if our business is sustainable. We will have increased expenses for payroll, as all but one of our members is over 65 and not able to volunteer during the holidays as we usually do. We have added an e-commerce site, but it is hard to find the funds to promote it.

That's the Rub, Jim Klepinger: That's the Rub has been open at about 35%-40% capacity since June. It's been tough, but we are continuing operations and scraping by. Our hope is that repayment will be delayed until all of this is behind us as with winter coming up we are expecting another shutdown (we're service-based, so we can't sell massage online). That said, we remain optimistic and are expecting reasonable progression until people are more willing to venture out and be touched again."

In Bloom, JR Ricker: To provide some context for how inBloom is using our RRF assistance: as a small business owner, last year I decided to pay myself very little money and pour the earnings from the business back into the juice bar and open up our own shop. That worked great, until COVID hit and we were not able to secure as much \$\$ from a PPP loan as we'd like (our payroll was lower since it included a small salary for me, the owner, and our part time labor). If I would have paid myself a full salary, our PPP loan amount would have likely been higher.

With that said, the original RRF loan helped get us through slower months when students were gone to continue paying our employees. We're in a healthy place financially to continue paying our employees through what will inevitably be a slower winter AND we're still progressing forward with the future of inBloom. Rather than staying content with where we are, we are planning on making some big changes this winter to purchase new equipment and start a new menu that includes a fully online experience for customers. This is where we hope to direct the additional loan amount from the RRF.

Razor's Image Kristi and Aaron Brown: This loan has literally saved our business during the stay-at-home orders and through the reopening phase. There would have been no way we could have survived without this support. As winter approaches and the numbers are rising again, we are fearful of another shutdown. We prioritize health and safety over money, however, that doesn't make it easier to sleep when you worry about bills piling up and providing for your family's basic needs.

Looking ahead, we are able to budget for repayment of the loan but are nervous regarding the general operating cost of business through the pandemic. The expense of cleaning supplies is nearly quadruple 2019 expenses. This is our new normal. We lose income on time in that we must

space out appointments to allow adequate time to sanitize everything between clients. Keeping proper social distance means that we must space out our staff to every-other-station, so we are unable to bring on any more staff. We have the capacity to hire 4 more barbers/stylists but due to distancing we cannot at this time. That is commission lost on 4 additional workers that we could have. This pandemic is halting the growth of our business.

We are committed to the health and safety of our staff and clients, and remaining open as long as it is deemed safe enough to do so. The loan we were given carried us through the first shutdown and recovery. We are most grateful for the city's support of the livelihood of small businesses.

B-Town Diner, Meranda Shipley-Bush:

To Whom It May Concern At The City Of Bloomington,

My name is Meranda Shipley-Bush. I own B-Town Diner here in town. This place is my pride and joy. You see, the previous owner and I worked for months to get this place open. He dealt with the paperwork side of things, whereas I spent day in and day out in the building prepping it to greet guests (it needed alot!) The preopen took about 3 months of hard labor, sometimes being here 60 hours a week. Putting so much work into something and then watching come together and even flourish, is a sense of deep pride.

March 4th, 2014 we opened the doors and hope to never close them(Again;). I've been in every role over the years, and have mastered the art of cooking, cleaning, painting, serving, some plumbing, and even laying tile!

In the summer of 2018 I took a break from the diner to open a small CBD Dispensary in Ellettsville, three months later Chris asked me if I wanted to buy the place. I thought about it for a while and talked it over with my husband and after much thought I decided to take it on. Included in many other "pros", after paying the diner off, our family would be in a much better place financially.

On January 1st 2019 after all my years of dedication I came back, not as the GM, but as the Owner. Over the first year I struggled with learning the logistics of things like taxes and licensing and paying down the purchase agreement week by week. At the home stretch of closing our first year and the end to the weekly purchase payments, things were looking bright for our future. This was going to be our year, I'm in the swing of running the business completely, the diners paid for, and I hoped to find a new GM to share in my many tasks.

In November I started to see the situation happening overseas. My husband and I acknowledged we, in the United States, were going to have some problems. I have to say, I never foresaw just how catastrophic that this would turn out to be for the world or personally.

Early March came and by then I was resigned that we would be closed. I was already prepping staff and thinking about how we'd make this work for everyone. Owning a small business like this and also having just paid it off is/was like living paycheck to paycheck so when our means of living was taken away I was frantically searching out help for people/businesses like myself. I checked the SBA website every day to see if we had finally been declared a disaster zone so I could fill out the COVID Loan Relief application.

When it finally opened up for us I quickly went through it and got it sent in with all the documentation. While the long wait time began, I was concerned about a particular question on the application. It questioned along the lines of "have you ever or are you currently involved in the criminal justice system for a felony crime"

I found this question to be unfair to myself and many business owners across the country. And worried about it every single day. Why? Because I have been incarcerated for a felony! I have made my rounds in courtrooms over the years. But I changed my life over five years ago. I worked hard to overcome negative behaviors learned from my childhood, the poor decision making I had all through my 20's and the addiction I suffered with for too many years of my life.

I am a concerned and valid community member like anyone else. I've volunteered with Stepping Stones, halfway houses, and mentor struggling addicts. I've advocated for grant funding for programs geared toward helping newly released inmates gain independence, I hire recovering people who need work, sit on the parent council at Head Start, and I remain vigilant in helping youth who've went through similar trauma that I have.

I find it absolutely disturbing that people with a criminal PAST would be lumped with ALL (violent, sexual, or current) aspects of denying this demographic.

I had a feeling that that question would be the reason we closed for good. And if it were not for my city, Bloomington, we would of. With literally just 2 days left on the Food and Beverage Tax Loan applications being accepted, my daughter's teacher sent me a link to the article about it. I moved quickly to get ours in and Jane was wonderfully swift in helping.

When I say "we wouldn't be here today without the city", that is unequivocally true. The whole diner family gives thanks and appreciation for you moving quick to help the small businesses here in our home. With your help we were able to give the staff at least some hours, to do other jobs besides cooking and serving. We banded together to refresh the front of house, caught up taxes and bills, and try to get take-out and delivery started.

Being months away from that time, we still have hope for a turn around. To be honest we are still suffering pretty bad. We have been very smart with the loan money and while we have revenue, it is still not enough to sustain the business, i.e. utilities, payroll, rent, purchases. The money left in the bank is helping us get through this time by supplementing monies coming in for bills. I know this won't work forever, but right now its all we have. I am cautiously hopeful that we will be back to normal, while understanding the reality of the times. If we do survive this terrible blow, please understand and is ONLY because we were supported by Bloomington. Thank from the bottom of my heart.
