



TO: Members of the City Council
FROM: Mayor Jesse Arreguín, Councilmember Rigel Robinson,
Councilmember Sophie Hahn, and Councilmember Kate Harrison
SUBJECT: Budget Referral: Small Business Rental and Legal Support

RECOMMENDATION

Refer to the Fiscal Year 2023 Budget Process and the City Manager, \$1,000,000 from American Rescue Plan Act (ARPA) funding to launch a needs-based grant program for Berkeley-based small businesses (under 50 employees) to provide supplemental assistance to cover outstanding commercial rent debt and to fund legal assistance to small businesses.

Specifically the funding should be used to create a program to:

- Provide needs-based grants for small businesses that can demonstrate their inability to pay their commercial rental debt accumulated during the COVID-19 pandemic due to business shutdowns and declining revenues. Determine criteria to provide minimum and maximum grants to eligible businesses, including the potential for greater grant amount based on significant hardship or across the board grants of specific amounts;
- Add capacity to existing services that provide pro-bono legal assistance to business owners;
- Add capacity to existing mediation programs to support both small business tenants and property owners;
- Engage in a public education campaign regarding regulations and resources available.

The City Manager shall create the criteria and formula to distribute the funds as described above.

BACKGROUND

Several small businesses have contacted the Mayor's Office raising concerns about their ability to pay significant commercial rental debt. Due to mandated COVID-19 shelter-in-place orders and the economic impacts of the pandemic, many small businesses have struggled to keep their doors open and have been unable to pay back rent accumulated. This has also impacted commercial property owners who have taken losses due to economic hardship faced by their tenants.

The COVID-19 Emergency Response Ordinance, BMC Chapter 13.110, prohibits the eviction of commercial tenants due to back rent and treats the rent owed as a commercial debt. The eviction moratorium has helped prevent commercial evictions, but now that we are transitioning to the next phase of the pandemic, it is critical we think about what resources are in place to help small businesses pay back rent, including legal and financial assistance.

While there are several resources available to provide legal advice and technical assistance to businesses on commercial lease issues, including the applicability of the eviction moratorium, there is a need to bolster existing programs that provide pro-bono legal assistance and also provide funding to help further the ability of small businesses to pay their commercial rental debt.

Both small business tenants and the property owners from which they rent have suffered tremendous financial hardship caused by the pandemic. This item further seeks to strengthen existing mediation programs designed to bring property owners and their small business tenants together to seek innovative repayment plans that maintain the ability of these small businesses to keep their doors open.

After years of economic growth in our commercial corridors, the COVID-19 pandemic forced many businesses to close in March 2020, significantly impacting many sectors of our economy, notably our food & beverage, hospitality, and arts & entertainment businesses. While most restrictions are now lifted, we are all acutely aware of the toll this took, which required our government to take action to support impacted businesses.

Today, unemployment levels are on path to reach pre-pandemic levels soon and most businesses have resumed pre-pandemic operations, yet we know there is still work to be done as we continue our economic recovery. We will continue to deploy all the tools in our toolkit to support our local businesses as we transition from a pandemic to an endemic, and beyond.

FINANCIAL IMPLICATIONS

\$1,000,000 from American Rescue Plan Act (ARPA) funding

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