

May 7, 2025

To: Mayor and Members of City Council

From: Sheryl M.M. Long, City Manager

Subject: **Funding Sources for Businesses Impacted by City Construction Projects**

Reference Document # 202402527

At its session on December 18, 2024, City Council adopted and referred the following item for review and report:

MOTION, submitted by Councilmember Walsh and Vice-Mayor Kearney, to provide a report on available funding to small businesses impacted by road closures, **WE MOVE** that the Administration provide a report within 60 days on potential grants, loan funding programs, and possible funding sources for businesses impacted by City construction projects.

INTRODUCTION

This report has been prepared in response to concerns about the potential impact of City-initiated road closures, particularly emergency road repairs on small businesses located in neighborhood business districts. The goal of this report is to present City Council with a range of potential options to support businesses that may be affected during periods of disruption.

Specifically, this report outlines short-term grant or loan structures that could be implemented to assist impacted businesses and explores the feasibility of developing broader support programs. It also reviews similar initiatives in other cities, including Salt Lake City's Small Business Construction Mitigation Grant and San Antonio's Small Business Construction Support Grant Program, to inform recommendations that are responsive to Cincinnati's local market.

ANALYSIS

At present, the City does not have any dedicated grant or loan programs designed to address business disruption caused by City-initiated construction projects. The Administration is also unaware of any such programs offered through its existing small business ecosystem partners. Additionally, a local microlender has indicated that it has not received short-term loan requests from small businesses specifically for this purpose.

SALT LAKE CITY SMALL BUSINESS CONSTRUCTION MITIGATION GRANT

Salt Lake City launched its Small Business Construction Mitigation Grant program in 2021 to help businesses survive disruptions caused by major public infrastructure projects, including work along 200 South, 300 West, and 900 South. Funds through the program are intended to support and reimburse costs associated with increasing awareness of the businesses affected by ongoing improvements (including but not limited to enhanced marketing, advertising, and incentives for customers) or can be used to offset rent/mortgage expenses.

The program is administered by city staff, given the relatively simple qualification requirements. Initially, the maximum grant amount was \$2,000 per business, but in response to feedback from the business community, it was increased to \$3,000 in 2024. That year, the City received 271 applications, approving 233 for a total of \$699,000 in awarded funds. In 2023, the City awarded \$201,000.

While the exact source of funds is unclear, the program is viewed as an effective tool for supporting business continuity during construction, contributing to job retention and minimizing closures. However, program administrators have flagged potential fraud risks, including the use of improper business addresses or questionable financial documentation.

CITY OF SAN ANTONIO'S SMALL BUSINESS CONSTRUCTION SUPPORT GRANT

San Antonio's Small Business Construction Support Grant has been administered over three funding rounds, with each round allocating between \$1 million and \$1.5 million in grants. Grants of up to \$35,000 are awarded to small businesses impacted by city-led construction projects within eight specific construction zones (as identified by the City) where work commenced between June 2020 and February 2023. The grant funds can be used for working capital, M&E, payroll/healthcare benefits, contract labor, supplier payments, rent/lease/mortgage payments tied to the business property, utility payments tied to the business property, and costs incurred due to "critical business operations". These grant funds cannot be used to make distributions to owners/investors or acquire new assets. The program is managed externally by LiftFund, a nonprofit economic development organization and community development corporation.

The initiative began with funding from the American Rescue Plan Act (ARPA), though current funding sources are less clear. San Antonio's program is widely seen as a local success, with follow-up surveys showing that 95% of businesses receiving support remained open. City officials credit the program with supporting job retention and business survival during periods of high disruption. Like Salt Lake City, San Antonio emphasizes the importance of safeguarding against fraud, particularly around verifying business location and financial need.

CONSIDERATIONS FOR A CINCINNATI PROGRAM

Should City Council wish to pursue a support program, a dedicated grant fund would need to be established. The purpose of this fund would be to help offset potential revenue losses experienced by small businesses during City-initiated Road closures, particularly in neighborhood business districts.

The parameters of such a program could include the following:

- Working with our Department of Transportation and Engineering (DOTE) to define boundaries designated as areas impacted by road closures. This may include construction in close proximity to:
 - o Businesses located within the designated boundaries that have limited alternative access routes for customers;
 - o Businesses are service or retail-oriented in nature (i.e. foodservice operators and consumer goods retailers, etc.) and can demonstrate the need for substantial foot traffic to sustain their business operations.

Similar to the programs in Salt Lake City and San Antonio, a maximum annual grant amount for any one eligible small business should be established. Eligible businesses could use grant funds for business-related operating expenses to facilitate the continued operation of the business for the duration of the road closure. Eligible uses may include, but not be limited to, the following:

- Rent or mortgage payments
- Utilities
- Marketing Materials & Signage
- Employee Salaries & Fringe Benefits

Property improvements (buildouts, façade work, roof repair, etc.) would not be considered eligible expenses.

Similar to the program in San Antonio, the City could require that qualifying businesses demonstrate experienced revenue losses during the timeframe of the road closures. One way that this can be done is to compare month and year gross revenues from the previous year to month and year gross revenues of the current, road closure-impacted period. A list of required documents to include with an application might include the following:

- Proof of business registration with the Ohio Secretary of State
- Proof of business address
- Filed tax returns from the previous year
- Recent business bank statement
- Previous year and current year profit and loss statement

A program administrator would need to be established with an aim to administer the program efficiently, with a focus on quickly disbursing funds to eligible businesses. Smaller grant awards could be processed more swiftly through streamlined administrative procedures, while larger awards may require additional steps to ensure appropriate oversight.

Lastly, in administering eligibility for the grant program, the program administrator cannot forecast the total amount of actual lost revenue attributable to a road closure. Actual lost revenue depends on the specific business, the location of said business, the scope of the City-initiated construction project, the timing of the road closure and pre-closure business revenues, and how the road closure impacts traffic flow. The intent of the grant program would not be to replace lost revenues but instead help offset potential losses in order for businesses to continue operating during and after construction has been completed.

NEXT STEPS

If City Council directs the establishment of the program described above, DOTE could identify a list of infrastructure projects that are planned for the next fiscal year, and DCED would collaborate with DOTE on defining boundaries to designate as “impacted areas” for this program. This process could help lead to a determination of an estimated maximum amount of grant funds needed for the program based upon a count of businesses anticipated to be impacted by upcoming construction.

cc: Markiea L. Carter, Director, Department of Community & Economic Development