

## BIF Program Modifications Proposal

Metro Staff recommend the following amendments to the Business Interruption Fund (BIF) administrative guidelines to allow for increased support for impacted small “mom and pop” businesses impacted by the construction of Metro’s Transit Rail Projects.

The program modifications include increasing the maximum annual BIF Grant Award threshold from \$50,000 to \$60,000. Staff also propose the addition of a Presumptive Eligibility Award for an annual amount of \$1,500, which would allow small businesses that are experiencing direct impacts as a result of construction an option to self-certify their revenue losses.

The proposed modifications below would be implemented prospectively program wide.

### 1. Increase Maximum BIF Grant Award from \$50,000 to \$60,000

Approximately 25% of grants awarded had revenue losses that exceeded the current annual maximum of \$50,000. Furthermore, approximately half of the aforementioned grants awarded had revenue losses that would have been fully covered by a grant with an annual maximum of \$60,000.

As stated in Motion 57, Metro’s Board of Directors allocated \$10 million of Metro funds on an annual basis to be used for the BIF’s implementation on the current Board approved transit rail projects. With the current budgetary allocations and financial forecasting of the BIF’s implementation along the current projects and ESFV LRT, staff believe that increasing the annual maximum of the BIF grant threshold from \$50,000 to \$60,000 will be viable and not require any changes to the current fund allocation.

The current BIF Administrative Guidelines also state that “each business should be eligible for a maximum of \$50,000 annually, not to exceed 60 percent of their annual business revenue loss.” In the eight years of BIF program implementation, BIF Fund Administrator staff indicate that the financial analysis ensures that no business has received a grant in excess of 60% of their business revenue further stating that no business has received a grant in excess of their revenues nor has any business received a grant that completely replaced their revenues. Businesses only receive a grant award reflecting their revenue loss or up to \$50,000.

The proposed BIF modification would increase the maximum grant award from \$50,000 to \$60,000 allowing businesses to receive a grant reflecting their revenue loss or up to \$60,000,

### 2. Presumptive Eligibility Grant Application and Award for \$1,500 Annually.

The BIF eligibility criteria states that a business must be able to produce relevant financial documentation related to the period of Metro construction activity that occurred in front of their business (or on the block in which the business is situated). Financial

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documentation includes the current year's tax returns and any other records that demonstrate business revenue including, for example, business bank statements, profit and loss statements, sales reports, etc. These documents are used in the financial analysis performed to determine the BIF grant award.

Throughout the BIF's implementation, there have been a number of small "mom and pop" businesses who have faced difficulty in collecting and producing the necessary financial documentation needed to apply to the BIF. While hands-on support is provided, staff recognize that the process of collecting and producing financial documentation remains a burden and potential barrier for some small "mom and pop" business owners. Anecdotally from PCR staff and the C/LAX BSC team, even with hands-on support, many small business owners have often taken several months - and in rare instances years - to collect and provide the required financial documentation.

Staff propose implementing a new "Presumptive Eligibility" grant application and award with less restrictive eligibility requirements for grants not to exceed \$1,500, as detailed below.

The presumptive eligibility grant application and award would be implemented via an application that allows small "mom and pop" businesses to self-certify their financial documentation and revenue loss as a result of Metro construction disruption. By allowing small businesses to self-certify their financial loss, Metro would reasonably presume that any business adjacent to Metro's transit rail construction experiences revenue loss as a direct result of construction activity.

The BIF Fund Administrator PCR reports that 23 businesses (18% of total ineligible businesses) have been deemed ineligible for the BIF due to insufficient financial documentation. Additionally, PCR has made a qualitative observation that businesses who do not have sufficient resources to gather necessary documentation or are reluctant to provide their tax returns or other financial records, typically do not even initiate the application process and thus are not counted in program data. Metro staff concur with PCR's qualitative observation, as staff have also addressed concerns and inquiries from small business owners related to program eligibility.

Staff are proposing that the BIF Administrative Guidelines be amended to include Presumptive Eligibility allowing small businesses to apply for a BIF grant by self-certifying their revenue loss due to Metro construction disruption and thereby not provide any financial documentation. Small businesses who apply using Presumptive Eligibility would need to meet all BIF Program Eligibility requirements including but not limited to:

- having 25 or fewer full-time employees
- being located within the eligible geographic area, which means immediately adjacent to a transit rail corridor or project construction storage yard
- being in operation for two continuous years

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Presumptive Eligibility grants would have an annual maximum award of up to \$1,500 (2.5% of the proposed annual maximum BIF grant award of \$60,000). This amount has been deemed reasonable and fiscally prudent, and approximately replicates the City of Santa Ana's Business Interruption Fund grant amount for Independent Contractors. To date, about 2.6% of Metro BIF grants have been awarded for a total up to or less than \$1,500. Lastly, a business that receives a Presumptive Eligibility grant award will not be dissuaded from applying for revenue losses sustained as a result of subsequent months of construction activity. In this case, a business will be able to apply for a full BIF grant provided that they produce all necessary financial documentation. Businesses would be eligible for the annual maximum grant award less the Presumptive Eligibility amount received.