

MEMORANDUM

Date: July 28, 2020

To: Councilmembers Christy Carr, Kirsten Hytopoulos, Rasham Nassar, Michael Pollock, and City Manager Morgan Smith

From: Deputy Mayor Joe Deets, Mayor Leslie Schneider, Councilmember Kol Medina

Subject: COVID-19 Economic Recovery Plan for Bainbridge Island - Discussion and Recommendations

I. Introduction

In recognition of the extreme hardship incurred on local businesses due to the COVID-19 pandemic, the City Council unanimously approved on June 9th the creation of a Council Ad Hoc Committee to develop a COVID-19 economic recovery plan. The Ad Hoc Committee, comprised of Deputy Mayor Deets, Mayor Schneider and Councilmember Medina set out and analyzed a set of actions that the City can take to assist local businesses. This memorandum lists and describes thirteen separate actions that have a combined estimated cost that is within the available CARES funding. The Committee recommends the implementation of at least ten of those actions, two of which have already been completed (see Part VI, page 7 for the list). Taken together, these suites of actions will help to stem the immediate crisis and build long-term resilience into the local economy.

To carry out its work, Ad Hoc Committee members undertook research that included attending webinars and holding multiple meetings with members of the business community. The Bainbridge Island Chamber of Commerce, the Bainbridge Island Downtown Association and individual business owners were closely engaged. It also met with the Kitsap Economic Development Alliance and with Mayor Becky Erickson to learn of the experiences that the City of Poulsbo is having in respect to their economic recovery (the City of Poulsbo's COVID-19 Recovery Plan and link to their recovery website is attached for reference). The proposed actions contained in this memorandum reflect the thoughtful comments of many people and the Ad Hoc Committee is thankful to everyone who gave their time.

Notably, there is limited funding available to carry out this work (see Part III, page 2 for details). Council is advised that every dollar spent to assist businesses needs to go as far as possible. With that in mind, the Ad Hoc Committee recommends that Council adopt the following three guiding principles when deciding on a particular action:

- 1) The action should deliver benefits to as many Island businesses as possible.
- 2) The action should serve to help businesses not just survive temporarily but thrive in the possibly permanently altered economy created by the COVID-19 crisis.
- 3) The actions should incorporate a race and equity lens. For example, should Council decide to have a small business grant program, or help businesses to develop eCommerce capabilities, the decision criteria should give a heavier weight towards businesses owned by historically marginalized classes of people.

II. Economic Impact of COVID-19 Pandemic

The economic impact from the COVID-19 pandemic has been sudden and severe. The unemployment rate in Kitsap County jumped dramatically from 4.2% in March 2020 to 14.1% in April (then dropping slightly in May to 13.3%). Most of the affected businesses are small, fewer than ten employees.

On Bainbridge Island, many businesses have closed (at least seven downtown stores as of July 9th), never to return. The crisis has an indeterminable time horizon and it is highly probable that many more businesses will close, laying off staff and reducing services to Island residents. The impact has been traumatic for many people and the Ad Hoc Committee emphasizes that time is of the essence for the City to act.

III. CARES Financing

The City of Bainbridge Island has been awarded \$735,600 in Coronavirus Aid, Relief and Economic Security (CARES) funding. The monies are to be used for COVID-19 related expenses incurred from March 1st to October 31st of this year. Among the allowed uses are *“expenses associated with the provision of economic support in connection with the emergency”*.

At its June 30th Business Meeting, Council approved allocating \$200,000 of the \$735,600 CARES funding between community partners such as the Parks District and support for local businesses. It is worth mentioning that at the time of this writing there exists the potential for additional funding in the future.

IV. Actions Recommended for Quick Implementation (CARES Funding Potential)

a) Free Face Masks for Businesses & Community

This has already been accomplished, with Council voting unanimously on June 23rd to provide up to \$10,000 for the purchase of disposable and reusable face masks for distribution to local businesses. The Bainbridge Island Chamber of Commerce, Bainbridge Island Downtown Association and Bainbridge Prepares are working together on logistics and distribution.

Expenditure: \$10,000

b) Business Community Liaison

This has already been accomplished. At its July 7th Study Session Council voted unanimously to appoint Deputy Mayor Deets as the Council Liaison to the business community.

Expenditure: \$00.00

c) “Save Our Stores” (SOS) Campaign

The Chamber of Commerce and Downtown Association recommend the immediate implementation of a “Save Our Stores” (SOS) campaign to inform Islanders of the precarious situation that has befallen local businesses. The campaign would urge Islanders to shop locally and feature banners, posters, and advertising.

In addition to messaging the community that local businesses are in crisis, it has been suggested that the SOS campaign include a mutual aid element to encourage Islanders to spend (or donate for the benefit to those in need) \$100 a month on non-grocery purchases at local stores. Communications would direct respondents to a website where information and stories about the status and challenges faced by participating stores can be found. The site would also feature store specific Patreon accounts where residents can make recurring donations as a “patron” of the business until normal buying patterns are able to return to normal.

Expenditure: To be determined, but no more than \$20,000.

d) Business Needs Survey

Among the hard lessons learned thus far with the COVID-19 pandemic is the need for timely, high quality data for making decisions. COVID-related surveys have been done across the country that have dealt with medical, behavior and economic topics. For example, an informative study on both employee and customer behavior was presented in a June 25th webinar by the Washington International Trade Association (WITA). Among the areas that the webinar addressed was the degree to which employees and customers “feel” safe physically going into a business, and the chances that they would consider legal action against a business should they become infected with the virus. A link to the one-hour webinar is provided.

The Ad Hoc Committee believes that the need for good data is no less important for making decisions that affect the economic recovery of Bainbridge Island. While it has been in close communication with the Chamber of Commerce, Downtown Association and some individual businesses, it recommends that a “wider net” be cast so as to ensure that the voices of as many people as possible be heard. A professionally done survey that includes a meaningful (i.e. not trivial) financial “prize” for participating is recommended (for example, one randomly chosen survey taker is awarded \$500).

Expenditure: To be determined, but no more than \$15,000.

e) Regulatory Relief

The Ad Hoc Committee believes that among the best options to be considered for helping businesses is for the City to temporarily suspend regulations that impact their ability to adapt to the COVID-19 economy. Specific ideas can come from the above-mentioned Business Needs Survey.

A couple of examples of regulatory relief can be found by looking at what is being done in the cities of Seattle and Poulsbo. In Seattle, the City is waiving sidewalk permit fees and cutting red tape to make it easier for restaurants to offer outdoor seating during the pandemic. Similarly, the City of Poulsbo has initiated a “Summer Fair” program, allowing businesses to expand, at no cost, their commercial space into the public right of way. Information on the Summer Fair program is attached.

Expenditure: To be determined.

f) Targeted Services – Customized COVID-19 Management Program

To survive in the era of COVID-19, businesses must undertake substantial efforts to achieve a safe and healthy environment for their staff, customers, and community. Presently, businesses on Bainbridge rely on sources such as the Governor’s COVID-19 Reopening Guidance for Businesses and Workers, which may or may not be adequate.

The benefits of businesses having a well-designed customized COVID-19 Management Program are substantial, for it can achieve the following:

- Keeping employees safe and healthy
- Keeping the community safe and healthy
- Keeping employees working
- Increased public confidence in local businesses
- Reduction in the businesses’ exposure to COVID-19 related lawsuits

Support by the City to make this happen can take the form of subsidizing the consultation by a company that specializes in COVID-19 mitigation and adaptation practices on a sliding scale, with a heavier weight given to those of lower income, with special emphasis provided to businesses owned by historically marginalized classes of people.

Expenditure: To be determined, but no more than \$50,000.

g) Targeted Services – Customized Digitalization & eCommerce Support

The trend towards digitalization and eCommerce was established long before the pandemic. COVID-19 accelerated the trend, leading to an explosion of online transactions, creating what is likely to be a permanent change in people’s behavior. More innovative technologies are certain to come (e.g. live streaming as a sales channel), further shaping our lives. According to the Bainbridge Island Downtown Association, businesses that invested in digital marketing and eCommerce are faring better in the pandemic than businesses that did not.

The Ad Hoc Committee believes that the City can help small local businesses survive and even thrive by supporting the creation of an eCommerce Hub to strengthen businesses’ digital ecosystem. The goal would be to enable every small business on the Island to have the capacity to promote their brand, continue to engage with their customers and potential buyers, and sell their products - online.

The proposed eCommerce hub would provide training, consultation, and digital footprint analysis. These services can be partly paid for by CARES funds on a sliding scale, with a heavier weight provided to those of lower income, with special emphasis given to businesses owned by historically marginalized classes of people.

The City can also use CARES funds to set up a business service providers' platform, consisting of the numerous consultants in the area that specialize in digitalization and eCommerce services.

How this can work in practice would involve the following steps:

- i) Council sets a budget and City hires an organization to lead the effort.
- ii) The organization researches and selects qualified companies.
- iii) The organization creates an on-line business services providers platform, listing the companies, their qualifications, and services.
- iv) The companies provide free informative webinars to all interested Island businesses. A customized consultation is offered.
- v) Should a business decide to receive a customized consultation, the business would receive a subsidy from the City based on a tiered structure that includes a race and equity lens.
- vi) Should the business decide to implement the recommended measures coming from the consultation and requires financing, that it can be made available through a local bank.
- vii) The business implements the recommended measures with increased revenues resulting.

Expenditure: To be determined, but no more than \$80,000.

h) Small Business Grants

Among the most publicized actions taken by State and Local Governments to address the economic impact of COVID-19 is the providing of limited grants to small businesses. For instance, more than 26,000 businesses applied to the Governor's Working Washington Small Business Emergency Grants, with \$10 million eventually going to 1,400 recipients across the State (36 businesses in Kitsap County benefited, sharing the County's allocation of \$317,415). Nearby, the City of Poulsbo is using \$80,000 of their CARES funding to provide grants of between \$2,000 to \$3,000 each to business that have a lot of face to face contact with customers. And on July 13th the Kitsap Economic Development Alliance announced that they are partnering with Kitsap County in administering Kitsap CARES Small Business Rental Relief Grants totaling \$880,000 to be distributed to approximately 200 businesses.

The Ad Hoc Committee recognizes that a grant program delivers clear benefits for the businesses that receive the money while providing nothing for those businesses that do not. Nonrecipients outnumber recipients by a substantial margin. Such was the case with above-mentioned Governor's Working Washington Small Business Emergency Grants program, with a margin of 18 to 1. The Committee recommends that should a Bainbridge Island Small Grant Program be decided upon by Council that the City ensure the implementation of a judicious scoring process. Specifically, that it includes an equity element, by being heavily weighted in favor of those of lower income, with special emphasis given to businesses owned by historically marginalized classes of people.

Expenditure: To be determined, but no more than \$50,000.

i) Small Business Loans

The Ad Hoc Committee has heard little enthusiasm for a dedicated lending program. Specifically, many businesses have said that they did not take partake in the U.S. Small Business Administration's Economic Injury Disaster Loan (EIDL) program because they did not wish to take on more debt. Further, it is worth mentioning that while some Island businesses did receive a Paycheck Protection Program (PPP) grant, it was considered by some of them to be inadequate since it covered only eight weeks salary.

The above being said, a small business lending program comprising of the active involvement of a local bank could be beneficial for those businesses that need the capital in order to take advantage of the above mentioned targeted services (part g, Digitalization and eCommerce).

Expenditure: To be determined.

j) Reimbursement to BI Downtown Association for COVID-19 Related Expenses

The Bainbridge Island Chamber of Commerce and the Bainbridge Island Downtown Association have together incurred approximately \$5,000 in COVID-19 related expenses since the onset of the pandemic in March. These expenses were not budgeted by either organization and include hard costs (no labor) for advertising, collateral materials (posters & flyers), a "Shop Local" banner, and print and social media, all of which were aimed at assisting and supporting local businesses during the crisis. Due to a temporary leadership vacuum at the Chamber (a medical leave required of its President and CEO), the Chamber appointed the Downtown Association as the fiscal agent to oversee and absorb these hard cost expenditures. The Chamber was able to place advertising in support of businesses in local and regional media through an in-kind relationship.

Expenditure: Up to \$5,000.

k) Promotion Funding Request from BI Lodging Association

The lodging industry has been hit particularly hard by COVID-19, with occupancy rates well below what is required for profitability. In response, the Bainbridge Island Lodging Association (BILA) has a proposal for creating a multi-channel brand campaign. A consultant would be hired to develop a brand, engage with tourism organizations, and target specific local markets. For funding, BILA suggests that some monies at least can come from existing LTAC funds. Their proposal is attached.

Expenditure: \$15,000 to \$20,000 for 2020. \$50,000 annually.

V. Longer Term Actions

l) Improved Internet Access

This action is related to digitalization but deserves its own separate identity. With so many people working from home and students taking courses on-line, the need for improved internet access is justifiably not far behind the need for electricity. Unfortunately, internet access on parts of the Island has been a perennial problem (notably on the south end). The time for solving this problem is now, and the Ad Hoc Committee recommends making quality internet connections Island-wide a priority in its work plan. It adds that a likely ally in this effort will be found with the Bainbridge Island School District.

Expenditure: To be determined.

m) Parking Measures

Should Council decide upon an action that impacts parking in the downtown district, the Ad Hoc Committee recommends that a concerted effort be made to find additional parking spaces. In that circumstance, it is recommended that Council re-visit the Bainbridge Island Downtown Parking Strategy “Strategic Report 2018”. Among the findings of the report was that additional parking can be found via better utilization of off-street parking facilities, specifically by creating a shared parking program.

Expenditure: To be determined.

VI. Discussion & Recommendations

The Ad Hoc Committee welcomes an informed discussion with colleagues as to which actions to prioritize for implementation. To help kick-start the discussion it is pleased to provide the following recommendations:

COVID-19 Economic Recovery Recommendations:

- 1) “Save Our Stores” campaign
- 2) Regulatory Relief
- 3) Business Needs Survey
- 4) Targeted Services – Customized COVID-19 Management Program
- 5) Targeted Services – Customized Digitalization & eCommerce Support
- 6) Improved Internet Access
- 7) Parking Measures
- 8) Reimbursement to BI Downtown Association for COVID-19 Related Expenses
- 9) Free Face Masks for Businesses & Community (completed)
- 10) Business Community Liaison (completed)

Attachment and Links

- a. Bainbridge Island Downtown Association Assistance Request
- b. Bainbridge Island Lodging Association & Island Tourism Bureau Assistance Request
- c. June 25, 2020 Washington International Trade Association (WITA) “Public Opinion Insights” webinar link: <https://www.wita.org/event-videos/wita-webinar-back-to-normal-barometer/>
- d. City of Poulsbo COVID-19 Recovery Plan
- e. City of Poulsbo Summer Fair Program
- f. City of Poulsbo Business Recovery website link: <https://poulsbobusinessrecovery.com/>