

March 25, 2020

State Senators Dodd and McGuire
State Assemblymembers Aguilar-Curry, Levine, and Wood

Sonoma County Board of Supervisors
Marin County Board of Supervisors

City Councilmembers of Petaluma, Cotati, Rohnert Park, Santa Rosa, Windsor,
Healdsburg, Cloverdale, Sonoma, Sebastopol and Novato

Honorable representatives,

Covid-19 presents a terrible threat to our communities. As we have seen in prior pandemics, and the early path of this one, this virus is not something that we can afford to take lightly.

Unfortunately, misinformation and a lack of preparedness gave this pandemic a dangerous head start impacting our communities. Thankfully, we have recently become far more educated and forthright leadership from our elected leaders has made great strides in preventing the spread of Covid-19. Although the health order currently in place presents disruption in all of our lives, we all agree that we have a shared responsibility of protecting the public's health and safety. We thank you for your leadership in responding as you have to protect public health and safety.

It is critical that we are as forthright with you on the impacts that these actions are having on our economy, small business, and ultimately the same individuals who are being protected from Covid-19. In short, without similar swift and significant action to insulate businesses from financial ruin caused by the Shelter in Place order, we will soon experience a host of catastrophic impacts due to an economic collapse.

Although they might take longer to materialize, the economic impacts have the potential to disrupt the health, safety and security of our society as much as the virus we are working so hard to contain. It cannot be emphasized enough, that the impending economic disaster will shatter our already fragile workforce, create additional public health crises through increased poverty, increased housing and food insecurity, and increased domestic violence and suicide that rise during times of economic hardship.

The government's necessary action to enact shelter in place orders is at the same time a governmental prohibition for business to operate. Without the ability to earn revenue, businesses are already failing. Today, hotels, wineries, attractions and the

entire hospitality community stand near empty, restaurants are closing, professional services firms are laying off employees, financial institutions are cancelling loans. Starting recovery efforts after this emergency will be absurdly too late, as there will be no business infrastructure remaining.

A return to business as usual cannot happen, yet we must find solutions to ensure there is a viable economy once we have beaten this virus together. The Chambers of Commerce and related business associations serving business small and large throughout the north bay propose action in the areas attached to this letter, and we stand anxious and ready to support the legislative proposals needed.

Respectfully,

Santa Rosa Metro Chamber
Sonoma Valley Chamber of Commerce
Rohnert Park Chamber of Commerce
Cotati Chamber of Commerce
Cloverdale Chamber of Commerce
Mark West Area Chamber of Commerce
Sonoma County Alliance
Windsor Chamber of Commerce
North Bay Black Chamber of Commerce
Bodega Bay Chamber of Commerce
Sonoma County Vintners
Petaluma Chamber of Commerce
Sonoma County Farm Bureau
Sebastopol Chamber of Commerce
Geyserville Chamber of Commerce
Hispanic Chamber of Commerce of Sonoma County
Novato Chamber of Commerce
North Coast Builders Exchange
Sonoma County Hospitality Association
Healdsburg Chamber of Commerce

Attachment

Access to capital is central to all of our recommendations through direct availability of cash, allowing continued business operations in a manner respecting health orders, and deferral of operational expenses. We encourage our governments to implement these recommendations as swiftly as possible, knowing that immediate action is much more important than perfect implementation.

Availability of Cash

Small Business Loans: North Bay Counties can leverage their treasuries to provide emergency loans at 0-1% with payback periods of 10-15 years. Loan amounts can be capped, and available to businesses that demonstrate a loss of 50% in revenue from the date of enacting a Shelter in Place order. Loan programs to continue payroll expenses when a business has no revenue will generally harm the ability to operate in the long run and duplicate existing federal disaster loan programs. This program could focus instead on capital improvements, inventory, production, and revenue capacity building that create greater value for businesses able to resume operations after the emergency.

State Employment Emergency Grants: The US Senate has proposed an emergency grant program to be run through the Small Business Administration. Even if this program is adopted it is unclear how much capital will be allocated, or whether it will be enough. A similar State program could be adopted to provide businesses that are unable to operate due to State emergency order or natural disaster with a modest but meaningful grant of approximately \$25,000.

Non-profit Payments: Contract agreements with non-profit organizations must be honored in full without penalty for the non-profit's inability to deliver service during the period of business interruption. Continued payments ensure system capacity that will be critical to support people suffering economic and health crisis as a result of the virus and extended Shelter in Place orders.

Government Contracting: Local governments must use local business to fulfill logistical, material, food, medical and other needs not available within the local governments' normal functions. Small businesses within the food service, hotel, building material, construction, and other sectors could provide direct service to governments during the time private sector business is forbidden or impossible. Related, many municipalities and JPAs have remaining budgets in the current fiscal year unspent. We recommend encouraging all departments and divisions to focus on staying the course and

infusing these pre-approved budgets into the local economy.

Expedited RFP Process: Under emergency declaration, many RFP requirements can be waived. As Shelter in Place orders are lifted, Government needs to significantly expedite “normal” contracting requirements that focus on less labor-intensive responses, higher local-priority, and faster award timelines. Speeding the impact of government resources into the local economy.

Short-term Revenue Base-lining: Certain industries are foundational to local economies. While the impact of the pandemic has touched every industry, it is estimated 75 – 80% of the 23,000 individuals who make up the tourism and hospitality workforce will be furloughed or laid-off. Hotels, generally at 80% occupancy or more in Sonoma County, are in some cases 2-5% occupancy today. Small business, and tourism/hospitality in particular face a revenue cliff due to the government’s orders to Shelter in Place. Today restaurants are and will continue to be shuttered, winery tasting rooms are closed and hotels, even if they are deemed essential businesses, stand vacant. State and Local government could help smooth this decline in revenue as it is a direct result of State and Local government requirements.

Unemployment Supplement: For many businesses, riding out a long-term or uncertain season of significant revenue loss isn’t a wise decision, and could cause permanent failures in our local economy. The best path could be to create a partnership of local, regional, and state unemployment programs, alongside employer investment to make down-staffing nearly painless for employees and allow businesses to adjust staffing to real-time revenue.

Small Business Loan Guarantees: Commercial banks are sensitive to market risk and uncertainty, in some cases charging significant costs to existing clients with strong performance for working capital. Providing some form of risk mitigation through loan guarantees for high performing businesses can help make capital more available until normal operations resume.

Continued Business Operations

Allowing businesses to reopen, even if in partial capacity is the single greatest move we can make to ensure continuity and employment. Together we can be creative to think of ways to allow commerce to continue while preserving public health, think beyond the binary logic of open or closed, essential or non-essential and create a long-term plan.

Committee for Innovation: A formal committee of government, health, and industry leaders to create guidelines and tools for highly impacted sectors such as hospitality and retail could help establish guidelines that meet the dual purpose of immediate public health and long-term economic health.

This should include leveraging public resources to bridge gaps and fill voids that allow for socially-distanced commerce.

Modified Operational Standards: With capital provided by government, business must be able to earn revenue to exist. Businesses, such as book stores and other retail, could restrict customer contact by scheduling times for small groups of customers and cleaning between each scheduled group.

Limited Contact Businesses & Resumption Certainty: During this health emergency, different categories of businesses have different degrees of public health risk. The likelihood of exposure and community spread due to a consulting firm is not equivalent to that of a large event venue. Some businesses that present a low risk and can maintain health recommendations among employees should be allowed to operate regardless of an “essential” designation. Existing health orders treat all business in the “non-essential” category as equivalent, incorrectly.

Creatively Reopen Schools: Employees can’t work and home-school at the same time. Instantly switching to remote education is putting a huge burden on teachers, families, and students. Following the direction of health leaders to emphasize the public’s health, state resources are needed to help local districts establish virtual classrooms, limited classroom opening with restricted attendance, or other measures should be explored as well.

Deferral of Operational Expenses

Even with short-term emergency assistance and limited operations, business still face expenses without revenue to pay those expenses. Without addressing this imbalance, business will be forced to make a choice between failure or default, leading in some cases to dire financial results for individual business owners. Deferral of expenses is a required factor in the needed response.

Lease, Mortgage, Rent Deferral: Business owners who are unable to operate have the same financial pressure as do individuals who no longer have a job, and often times business owners face the additive pressure of paying a business lease and personal rent or mortgage. A deferral for commercial and residential tenants must be provided on a statewide basis, balanced with need of property owners to maintain their revenue as well. It is critical to avoid downstream consequences in this area as payment deferred in one case is revenue deferred in another, and could potentially have extreme financial negative impacts for property owners.

Property and other Tax Deferral: Commercial and residential property tax must be deferred until two months post resumption of normal business operations. Similar deferrals should be provided for similar tax and assessment payments. Hotels with BIA, and businesses with other tax

payments due that do not have revenue to support the payments, will be driven to failure or default if this is not addressed.

Development/Construction Fees: To jump-start the construction industry when the emergency is over, all local development impact and other construction related fees must be waived for a meaningful period of time.

Reopen Planning Departments: The closing of planning and entitlement functions can grind our vital trades to a complete halt. Jeopardizing the labor-force needed to address our housing needs, and putting hard fought affordable housing and development projects at risk.

Workforce Development Funding: One way to maintain staffing in a time of closure or lost revenue would be to supplement on-line and/or socially distanced professional development. This could amplify local programs in place already and provide skill advancement, remote work skills, cross training, and other areas to create a stronger workforce when normal business operations can resume.