

## *Memorandum*

To: Joseph A. Curatone, Mayor

From: Nick Schonberger, Economic Development Assistant

CC: Jen Atwood, Executive Director of East Somerville Main Streets,  
Alan Bingham, Somerville Historic Preservation Committee  
Martin Cawsey, Treasurer of The Welcome Project  
Michael Katz, Clerk, Union Square Main Streets  
JT Scott, City Councilor Ward 2  
Nalani Brown, Compliance Officer of OSPCD  
Sunayana Thomas, Senior Planner of Economic Development  
Thomas F. Galligani, Jr., Director of Economic Development  
George Proakis, Executive Director of OSPCD

**RE SMALL BUSINESS COVID-19 RELIEF FUND RECOMMENDATIONS**

Date: June 11th, 2020

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Please find the attached list of 122 businesses recommended for funding by the Review Committee and the Economic Development Team through the Small Business COVID-19 Relief Fund. Of the recommended awardees:

- 46% are minority owned businesses
- 56% are women-owned businesses
- 43% are Union Square businesses, while 13% are located in East Somerville
- Collectively, these businesses employ over 600 people

The Review Committee and the Economic Development team recommend awarding funding according to the amount requested by each business or \$7,500 for each business that did not request a specific award. This approach increases the number of Somerville businesses receiving awards. These awards will make a big difference to our awardees, many of whom are minority-owned businesses that provide valuable contributions to our commercial districts and community as a whole.

### Background

On April 18th, you announced the establishment of the \$1,000,000 Small Business COVID-19 Relief Fund. The Fund was designed to provide forgivable loans for businesses impacted by the COVID-19 pandemic. Applications and program guidelines were made available online and in multiple languages on April 24th and applications were accepted until May 11th. Substantial

outreach took place and included coordination with the Office of Immigrant Affairs and the Communications Team, outreach through the Economic Development e-newsletter, networking through our economic development partners and targeted outreach to our small businesses utilizing other business assistance programs. Applications were reviewed by staff to ensure they met basic program eligibility guidelines. Next, an 8-person Review Committee was established and consists of three OSPCD staff, Ward 2 City Councilor J.T. Scott, and four community representatives appointed by Somerville business organizations: East Somerville Main Streets, Union Square Main Streets, Somerville Chamber of Commerce, and The Welcome Project.

Applications were then graded by a combination of City staff and the Review Committee, using the scoring rubric included as part of the application (see attached). City staff graded the Physical Location, COVID-19 Impact, Pre-Covid-19 Construction Impact, and Disadvantaged business criteria, as these answers were more discrete and objectively scored. The Review Committee scored the Community Character and Use of Funds criteria, both of which required significant judgment from the Review Committee members.

Application scores were tallied and the list of candidates was reviewed by the Committee. Applications with recorded reviewer comments, that had a high degree of variability amongst reviewers (7 or 10 points difference in either Use of City Funds or Somerville Character Categories ), and situations where applications were submitted by the same owner for multiple businesses were reviewed a second time by the Review Committee. Twenty-two businesses received a score of 36, and there was insufficient funding to award them all. As a result, a tiebreaking process was developed by the Review Committee which assigned high priority, neutral, and low priority designations. As a result, 14 are recommended for full or partial funding while 8 businesses were put on the waitlist.

It is important to note that the review process was set up to avoid conflicts of interests. Committee members disclosed any potential conflicts of interest to City staff prior to reviewing applications and were provided applications to score that avoided these conflicts. For example, reviewers with ties to Union Square Businesses did not review applications from businesses in Union Square. Each application was reviewed and scored by three Review Committee Members in the Somerville Character and Use of City Fund category (one OSPCD staff member, two community members). The sum of those scores were averaged together and rounded to the nearest point. Economic Development Staff assigned scores in four of the six grading categories;

## Considerations for Additional Funding

All involved in the selection process recognize that this was an incredibly difficult decision to make. The vast majority of businesses in the application pool are worthy of receiving financial assistance. Although this funding will help deserving, struggling businesses who collectively employ over 600 employees, there is certainly a greater demand for assistance.

Many felt concerned that a funding decision might be the difference between business sustainability through COVID-19 and failure. Of all eligible applicants only 41% of eligible applicants are recommended for funding. With another \$1.3M funds, the City could provide \$7,500 awards to all of the remaining eligible applicants. All appear to be deserving. However, this doesn't account for those that were not able to apply and in many cases, a \$7,500 award amount may not be enough to ensure business survival.

If an opportunity for additional funding arises, the Evaluation Committee recommends prioritizing assistance in the following manner:

- **Wait-listed applicants:** The remaining eight applicants, who lost the “tiebreaker” should be considered for funding
- **Daycare providers:** The daycare industry is critical in our ability to restart our local economy. Eight day care businesses applied to the program and three received funding. These businesses face a long term challenge associated with complying with Commonwealth-mandated social distancing requirements.
- **Creative-industry non-profit organizations:** Some members of Review Committee recommend additional consideration for creative industry not-for-profit organizations. We received interest in this program from nonprofits that proved difficult to fund using CDBG funds. They also face additional challenges due to Somerville's moratorium on public events through the calendar year.
- **Businesses Owned by Black or Indigenous People of Color (BIPOC):** Some members of the Review Committee recommend a business relief program explicitly for businesses owned by Black entrepreneurs or Indigenous People of Color. While the COVID-19 Program prioritized minority-owned businesses, only 3 of the applicants identified as Black/African-American. This low number surprised many. The [challenges faced by these entrepreneurs is well documented](#), and thoughtful consideration for additional

support for these businesses is warranted, perhaps in collaboration with regional partners.

## Process Improvement Recommendations and Other Comments

The Review Committee shared several recommendations to improve the review and selection process with City staff. These comments provide valuable constructive criticism for staff and the City as it considers program design to support Somerville's small business community in the future. Comments include:

- **Involve the Review Committee with the creation of the scoring rubric.** Due to a quick timeline to get funds in the hands of businesses, Economic Development staff developed the scoring rubric and application before the Review Committee was assembled. Ideally, future awarding processes would enable the Review Committee to weigh in and contribute to the creation of the program guidelines and scoring rubric.
- **Disproportionate awarded businesses in Union Square.** The Committee felt uncomfortable with 43% of awards recommended for businesses located in Union Square, which appears to be a disproportionately large share. The Committee took a few extra days to consider the data and assess if personal bias and familiarity played a role in Union Square's success as a district and to explore changes to the guidelines. Ultimately, after much reflection, the Committee felt comfortable moving forward with the recommended roster, but wanted to flag this issue for consideration in the future.
- **Concern about disadvantaged entrepreneurs.** The Committee is aware that its work occurs in the context of broader systemic issues. The Review Committee wondered if there were businesses who did not even apply, due to lack of language skills, awareness of the program, knowledge, technology, or were deterred from the application process. Others speculated that some businesses scored poorly because the Review Committee lacked cultural knowledge or geographical familiarity with them. The City must continue to work towards addressing larger problems of equity and inclusion and address ways to remove barriers to access information.
- **Frustration with a scoring emphasis on pre-COVID construction impact.** The scoring rubric prioritized businesses impacted by public construction over the past year. Some members, but not all, believed that considerations for businesses negatively impacted by construction prior to COVID-19 was not aligned with the stated objective of the Fund of providing COVID-specific relief.

- **Businesses need this money right away.** As each day passes, business owners are faced with difficult decisions on if they will remain open or need to close. This was a deciding factor in moving forward with the attached recommendations so as not to further delay getting money into the pockets of these needy Somerville businesses.