

Analysis

Item 7: Oregon Business Development Department

Commercial Rent Relief

Analyst: Matt Stayner

Request: Allocate \$93.8 million General Fund from the special purpose appropriation made to the Emergency Board during the 3rd special session of 2020 for the state's response to the COVID-19 pandemic public health emergency to the Oregon Business Development Department to establish a General Fund appropriation to fund a commercial rent relief program; authorize the redirection of \$16.2 million of funding and Other Funds expenditure authority from Coronavirus Relief Fund resources for the commercial rent relief program; and extend the time of service of four limited-duration positions authorized for establishment by the Emergency Board in July for administration of agency programs financed by the Coronavirus Relief Fund by six months each (1.00 FTE).

Analysis: The request primarily deals with the establishment of a program to provide commercial rent relief to commercial tenants facing financial hardship due to the COVID-19 pandemic and the Governor's COVID-19 related Executive Orders issued since March 2020. The program intends to use \$93.8 million General Fund and \$16.2 million from the Coronavirus Relief Fund (CRF) for a total of \$110 million in funding. Of this amount, OBDD is requesting that \$3.0 million be allocated to the administrative costs of the program, including the extension of four limited-duration positions that were authorized to provide administrative capacity to the agency for the programs funded by the CRF through the Department of Administrative Services (DAS). Each position would be extended by six months (0.25 FTE each).

Due to the complexity of the proposed program, the operational details have not been fully established. However, the agency has provided some preliminary parameters that are being discussed. Companies with more than 100 FTE and publicly traded companies would not be eligible for benefits; eligible companies must be headquartered in Oregon and currently registered with the Secretary of State. The maximum award would be the lesser of five months lease costs or \$100,000 per location. The award would only be applicable to past due lease payments since March 2020 and an attestation or self-certification of inability to pay due to the Governor's COVID-19 related Executive Orders would be required. The award, combined with either additional funds from the lessee or amounts due forgiven by the landlord, must bring tenants current on their rent obligations, and landlords must forgive penalties and late fees. Neither the tenant nor the landlord can be delinquent on local, State, or Federal taxes.

The Legislative Fiscal Office notes that not all financially distressed businesses that would otherwise be eligible for this assistance would be able to take advantage of the program due to the ownership of their building, not being in arrears on their lease obligation due to reprioritizing other expenditures, or for various other reasons. It may be reasonable to provide alternative access to a similar benefit to these companies, provided they can establish that they would otherwise be eligible for the rent relief award, particularly in those areas of the state and in those business sectors most impacted by the reduction in economic activity.

The agency has requested the use of a total of \$16.2 million from the Coronavirus Relief Fund

resources previously transferred to OBDD by DAS. These funds and the associated Other Funds expenditure authority were authorized by the Emergency Board for a grant program to stabilize rural Type A and Type B hospitals. That program was undersubscribed and OBDD and DAS represent that \$16.2 million of this original \$50 million is available for other purposes. The agency is therefore requesting that the Emergency Board provide acknowledgement that these funds can be redirected within OBDD to other programs - \$9.2 million for the commercial rent relief program, \$2.0 million for technical assistance to under-represented businesses, and \$5.0 million for business personal protective equipment.

Recommendation: The Co-Chairs of the Emergency Board recommend that the Emergency Board allocate \$93.8 million General Fund from the special purpose appropriation made to the Emergency Board during the 3rd special session of 2020 for the state's response to the COVID-19 pandemic public health emergency to the Oregon Business Development Department to establish a General Fund appropriation to fund a commercial rent relief program; authorize the redirection of \$16.2 million of funding and Other Funds expenditure authority from Coronavirus Relief Fund resources for the commercial rent relief program and other business support; and authorize the extension of four limited-duration positions authorized for establishment by the Emergency Board in July for administration of agency programs financed by the Coronavirus Relief Fund by six months each (1.00 FTE); with the understanding that the Oregon Business Development Department will provide access to an alternative, similar operational cost benefit with a portion of the funding being provided for the commercial rent relief program to those companies that would otherwise be eligible for the rent relief program, but who are not in arrears.

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Oregon Business Development Department
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Request: Allocate \$93.8 million from the State Emergency Fund and extend one limited duration position for the Commercial Rent Relief Program.

Recommendation: Approve the request with the following modification: Allocate \$93.8 million from the special purpose appropriation made to the Emergency Fund for the state's response to the COVID-19 pandemic public health emergency and extend one limited duration position to support the Commercial Rent Relief Program.

Discussion: Oregon Business Development Department (OBDD) is requesting \$93.8 million and for the extension of one limited duration position for the Commercial Rent Relief Program. The purpose of the Commercial Rent Relief Program is to provide relief funding to Oregon commercial tenants who have experienced financial hardship as a result of COVID-19. Businesses with less than 100 FTE and who are in lease payment arrears due to COVID-19 are the target of the program. Property owners will be required to participate and include additional protections for tenants.

In addition to the \$93.8 million, OBDD requests reallocation of \$16.2 million of unspent Coronavirus Relief Fund (CRF), originally dedicated to stabilizing rural Type A and Type B Hospital operations, to provide additional funding for the Commercial Rent Relief Program. The demand for the hospital program was less than expected and federal requirements made it difficult for hospitals to utilize.

The \$16.2 million is broken out in the following categories; \$9.2 million to the overall rent relief program, \$2.0 million for Technical Assistance for Underrepresented Businesses, and \$5.0 million for Business Personal Protective Equipment.

Of the total funds, \$3.0 million will be used for administration expenses to administer the program and OBDD plans to use existing staff, limited duration staff, and third party partners to deploy the funds.

Legal Reference: Allocation of \$93,800,000 from the State Emergency Fund, set aside by the Special Purpose Appropriation under section 2, chapter _____, Oregon Laws 2020 (third special session) (Enrolled Senate Bill SB 5731) to supplement the appropriation made by chapter 522, section 1(2), Oregon Laws 2019, for the Oregon Business Development Department emergency student aid for the 2019-21 biennium.



January 4, 2021

The Honorable Senator Peter Courtney, Co-Chair
The Honorable Representative Tina Kotek, Co-Chair
State Emergency Board
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairpersons:

Nature of the Request

The Oregon Business Development Department (Department) respectfully requests an increase in General Fund appropriation in the amount of \$93.8M for Business, Innovation, and Trade, for the Commercial Rent Relief Program, and the extension of 1.0 limited duration FTE previously authorized to implement the Commercial Rent Relief Program.

The Department respectfully requests the reallocation of \$16.2M of unspent Coronavirus Relief Funds (CRF) originally dedicated to stabilizing rural Type A and Type B Hospital operations to provide additional funding for a Commercial Rent Relief Program (\$9.2M), Technical Assistance for Underrepresented Businesses (\$2M) and Business Personal Protective Equipment (\$5M). The demand for CRF funds for the hospital program was less than originally estimated and some of the federal requirements made that program challenging some Oregon hospitals to utilize – additional time will not allow the remaining funds to be deployed for their original purpose.

Agency Action

Background

COVID-19 has negatively impacted Oregon businesses' ability to maintain adequate operational and income levels. Many businesses have sustained income losses greater than 25% (much higher in certain sectors) year-over-year due to business closures and/or social distancing requirements. As a result, businesses have been unable to meet basic financial obligations such as paying staff, utilities, and rent. While the federal government and the State of Oregon have made funds available to small businesses, they are not sufficient to assist businesses and property owners maintain operations due to the size, scope, and length of the impacts.

Programs

- **Commercial Rent Relief Program \$103 Million (\$93.8M GF, \$9.2M OF)**

The purpose of the Commercial Rent Relief Program (Program) is to provide relief funding to Oregon commercial tenants who have experienced financial hardship as a result of the COVID-19 pandemic. The program will target businesses with less than 100 FTE who are in lease payment arrears due to COVID-19. The program will require property owner participation and include additional protections for tenants, such as waiver of penalties and interest, non-eviction clauses, and currency guarantees. The Department will utilize existing staff, limited duration staff, and third party partners to deploy funds. Two similar

programs, with variations in the use of funds, may need to be created, due to the use of both General Funds and CRF for this program.

Designing and implementing this new Program will require significant resources in the areas of communication, program, and contract management. The Department respectfully requests \$3M of General Fund be set aside for administrative costs necessary to properly administer this program. This includes the extension of 1.0 of the 1.05 limited duration FTE previously authorized by the Legislature through June 30, 2021 (four positions, for a period of six months).

Demographic and geographic equity parameters will be established to ensure the most vulnerable businesses have fair and equitable access.

Review and Award Process

Staff will review submitted applications for eligibility, completeness and accuracy. An open application period of at least 24 hours will occur. Applications received during the open period will be selected for award based on a lottery system. Applications, support materials, and translation services will be available in multiple languages. A geographic distribution model will ensure that applicants from across Oregon are supported.

- **Technical Assistance for Underrepresented Businesses \$2 Million**

This program provides technical assistance to underrepresented businesses by funding culturally-specific organizations to increase their technical assistance capacity. The Department requests an additional \$2M in CRF to continue this program. The Department awarded funds to 23 organizations across the state to provide such technical assistance. Although small business support programs exist, including the state funded Oregon Small Business Development Center Network (OSBDCN), few are delivered by staff with similar cultural, language, and lived experiences. This request seeks to continue to fill that void and ensure that all businesses in Oregon have access to the TA to support their equitable participation in the economy. In supporting women, BIPOC, and other underserved businesses, this program takes a small but important step toward addressing historic inequities and improving economic security for women and people of color.

Business Oregon will utilize the existing 23 service providers to continue this work through June 2021. Organizations will be required to submit updated scopes with the same technical standards as currently exist.

- **Business Personal Protective Equipment (PPE) \$5 Million**

During 2020, the E-Board of the Oregon Legislature awarded \$10M to Business Oregon to distribute PPE to Oregon business. Business Oregon has worked with Department of Administrative Services (DAS) to purchase PPE in bulk and distribute around the state. Utilizing a central website and depots around the state, the department has successfully distributed approximately \$9M in equipment. With the CAREs Act extension and continuing pandemic impacts, the Department is confident it can successfully distribute an additional \$5M worth of PPE by June 2021.

Action Requested

The Department respectfully requests the Emergency Board approve the increase in General Fund appropriation in the amount of \$93.8M for Business, Innovation, and Trade for the Commercial Rent Relief Program.

The Department respectfully requests the reallocation of \$16.2M of unspent Coronavirus Relief Funds (CRF) originally dedicated to stabilizing rural Type A and Type B Hospital operations to provide additional funding for a Commercial Rent Relief Program (\$9.2M), Technical Assistance for Underrepresented Businesses (\$2M) and Business Personal Protective Equipment (\$5M), and authorize expenditure of CRF funds through June 30, 2021.

Total request is \$93,800,000 General Fund and reallocation of \$16,200,000 CRF.

Legislation Affected

Increase the General Fund appropriation established by chapter 522, Section 1(2), Oregon Laws 2019 for the Oregon Business Development Department for Business, Innovation and Trade by \$93,800,000.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Cummings", with a stylized flourish at the end.

Chris Cummings
Interim Director