



CITY OF SACRAMENTO
CALIFORNIA

May 7, 2020

Dear City Council Colleagues,

In this most challenging time for the people of our city, we have much to be grateful for and much to be proud of. We are grateful for the spirit of Sacramentans who have stepped up to help others in humble and extraordinary ways. We are proud because our city and its leaders are prepared for the great challenges ahead.

Many cities throughout the country are going to suffer from massive budget shortfalls because the economic shutdown has collapsed the revenue sources used to fund essential public services. While we still will face some challenges, our 2018 Measure U sales tax measure gives us a better chance to get through this period without massive cuts or layoffs. Given the magnitude of COVID-19's impact on the economic health of our state and country, this is both a relief and an achievement.

There are many ways to validate the importance of our city's growth trajectory over the past several years. Sustainable growth creates new industries and jobs, more energy and vitality, and pride in who we are and what we are becoming.

There is one other very tangible way to validate our direction. Two weeks ago, our city received an \$89 million federal stimulus check because our population grew from approximately 466,000 in 2010 to more than 508,000 in 2018. Only cities with more than 500,000 residents received direct federal stimulus. Our 'small' population difference over eight years means the world of difference for our city and its economic recovery.

I am writing to propose a necessary funding strategy for our federal stimulus dollars. This strategy will address the significant impacts on virtually every part of our community due to the public health crisis created by COVID-19.

We must strike a balance between responding to the immediate economic pain of small businesses, community-based organizations and individuals, and crafting economic strategies needed to recover long-term from the economic disruption the virus and ensuing shutdown have caused.

I believe we have an obligation to do both.

The one-time nature of the stimulus, its tight timeline for expenditure, and the urgent community need require us to consider how to maximize our partnerships with both our county and community-based organizations. Our community partners can be trusted intermediaries between the city and the ultimate recipients of the stimulus, connect us with our communities, get the help out to those parts of our city that need it most, and assure that we can sustain the recovery efforts that we start together.

Along these lines, we should also consider funding as many competitive grant programs as possible. We can seed the most promising and innovative recovery ideas and build upon those that produce the best results. We can be both responsible and entrepreneurial at the same time.

I recommend the following four-part strategy to strike the balance between short-term and long-term needs created by the coronavirus pandemic and to achieve the greatest impact for our city residents, organizations and businesses.

These recommendations are intended to start a discussion among those of us on the Council and with our larger community.

As you are all painfully aware, the need is great and our timeframe to make decisions is short. Since the resources must be spent by December 30, 2020, we must act quickly to make investments that have both immediate and long-lasting impacts and aid in the city's recovery by strengthening ALL of our neighborhoods, people and businesses, and by providing opportunity for all. Once we recover from the economic harm caused by the pandemic, we can continue the commitment we have made to growing a vibrant and dynamic city.

I propose the following four key focus areas as necessary expenditures to address the effects of the public health crisis:

1) Small Business Recovery and Assistance (\$20M)

I would like to thank my City Council colleagues and the City Manager's Office for quickly deploying \$1 million of zero-interest loans for our local small businesses back when this health crisis began. The overwhelming demand for that money made it clear that the need is great, and not only do we need to do more, but that we must continue to do so in an equitable and inclusive manner.

Additionally, priority should be given to businesses and industries that the county Public Health Order will force to stay closed for longer periods of time.

To assist our small business community, I would like to propose the following:

- A new small business grant program targeted specifically for our underserved neighborhoods and commercial corridors, as well as our minority-owned businesses. The grant program could include both direct assistance to businesses and broader corridor-wide investments. These businesses have proven to be one of the hardest hit by this crisis and have had much less access to critical relief funds
- Establish a new grant program for targeted industries of small businesses that were hardest hit by the COVID-19 crisis
- Strategic investments that leverage external funding programs for small businesses such as the State I-Bank's Small Business Disaster Relief Loan Guarantee Program or other programs that support innovation and entrepreneurship

- Funding for the purchase of personal protective equipment (PPE) and sanitation supplies to help assist our businesses moving forward in a safe and healthy environment. This could include the establishment of a bulk purchasing pool that can help provide access to such equipment, which will be significant in our collective efforts to comply with our Governor's re-opening orders over the weeks to come
- Support for local organizations and Chambers of Commerce who have programs that help assist small businesses access other critical federal, state, or local funding sources and broader technical assistance for COVID-19 recovery efforts

2) Youth and Workforce Training Programs (\$20M)

As we are all painfully aware, tens of thousands of people in our local workforce have either lost their jobs, had their hours significantly reduced or have been furloughed. Many do not know if or when they will be able to return to work. In some industries, such as hospitality, many workers don't know if they'll have jobs to return to. These sectors have traditionally employed many of our young people just starting out. Accordingly, it is imperative that we address the significant need to support re-employment efforts. Workforce training will be more essential than ever to get members of our community back to work and help our young people get a foothold in the labor market.

I recommend we invest \$20 million in six specific youth and workforce training efforts. These strategies are critical to our recovery, address an urgent need in our community, and align with our city's inclusive economic development strategy and best practices from around the nation. All must be done in an equitable and inclusive way.

All of our workforce training efforts should be aligned around support for displaced workers and people of all ages who will not have future job opportunities in industries affected by COVID-19. Our recovery strategies should include the following:

- Establish a Sacramento Health Corps to train hundreds of unemployed people to perform the contact tracing work necessary to get through the crisis. Ensure the training and certification also enables the workers to become employed in other related allied health fields
- Many entry-level opportunities for high school, community college, and college graduates have decreased dramatically in a variety of Sacramento industries because of COVID-19. It is vital that we expand high school and young adult career technical education (CTE), including robust industry-aligned internship programs, focused investments on specific high-need sectors of construction, healthcare and industry related information technology, cybersecurity, the creative economy, agriculture, and public service. Consider utilizing Aggie Square and the California Mobility Center as key new projects to create a more integrated pathway and workforce development approach in our city
- Ensure adult retraining and upskilling programs in high-need sectors, including potential complementary work to the California Mobility Center, Aggie Square, and regional construction projects

In addition, I would like to propose the following recommendations:

- End the digital divide by investing in infrastructure and services to ensure digital inclusion in our City's most underserved communities in light of the lack of access that became strikingly apparent during this COVID-19 crisis, which included the school interruption many of our city's youth recently faced
- Implement a robust expansion of child-care services so working parents in essential services particularly can go back to work as the state phases in opening of additional work sites
- Direct funding of after-school and youth enrichment programs impacted by the COVID-19 health crisis

3) City's Homeless and Rapid Re-Housing Plan (\$20M)

Though our immediate plan for creating a housing bond must be temporarily delayed, the affordable housing and homeless crisis has not gone away and in fact has been exacerbated as a result of this crisis. How to house people, especially the homeless, has changed because of COVID-19. Housing in congregant settings may not be as viable at high numbers due to current and future CDC guidelines.

An allocation of \$20 million would allow us to make a down payment on our broader affordable housing strategy. We could use the significant stimulus to both address the plight of residential tenants who will continue to struggle to pay rent and invest in less expensive housing types to rapidly increase supply to help mitigate the impacts of this crisis.

These funds will enable us to fill an urgent need to move forward more rapidly to re-house a thousand or more homeless people, protecting this vulnerable community in compliance with all CDC public safety requirements.

In response to the COVID-19 crisis, the state and federal government have provided unprecedented resources to move people off the street and into safe hotels and motels to manage the public health crisis. Since the state of emergency was declared, the City and County of Sacramento have jointly implemented a \$15.7-million plan to place more than 1,000 vulnerable people into newly acquired hotel rooms in 90 days.

To that end, I recommend that we use a portion of the \$20 million to re-house individuals brought into the hotels/motels during the COVID-19 crisis.

These are the key strategies for rapidly re-housing those temporarily sheltered in motels and shelters:

- Expanding the Flexible Housing Program that provides housing coordination, rental assistance and wrap-around services to get people housed and support them in maintaining housing

- Develop affordable permanent housing options with efficiency housing units that can be built faster and in a more cost-effective manner than traditional affordable housing. These could include manufactured, modular, shipping containers or other innovative housing types
- Acquire hotels or motels that can be operated as transitional and single-room occupancy housing until financed and ultimately developed into permanent housing

4) Arts, The Creative Economy, and Tourism (\$20M)

Sacramento's creative economy, the arts, and the overall travel and tourism sector have been among the hardest hit by the COVID-19 shutdown. These industries make up a significant part of the city's cultural and economic fabric and have been simply decimated by virtue of immediate and faithful compliance with public health orders issued by the county, state and federal governments. Their economic recovery will likely be the most complex because the initial funding sources have gone to address health and safety and medical needs. But these industries and organizations are critical to the overall successful recovery efforts of the city. It is therefore essential to ensure the recovery, stability, and sustainability of the city's cultural assets, so they are poised to contribute to the re-emergence of the creative economy.

Accordingly, I recommend a \$20 million investment in the following four areas:

- Establish a grant program for selected arts and cultural institutions that were the biggest contributors to the city's economic vitality before the pandemic to ensure they can emerge from the shutdowns to contribute to the rebuilding of the city's creative economy. Such institutions may include the Community Center Theatre and its tenant non-profits, Broadway and the Music Circus, the Ballet, the Philharmonic and the Choral Society and Orchestra. Using eligibility criteria such as annual visitors, impact on transient occupancy tax (TOT), size of budget, and number of employees, others such as the Crocker Art Museum, the Sacramento Zoo, Fairytale Town, the PowerScience Center, CLARA, and the Sacramento History Museum may also be included
- Create a grant program administered by the City's Division of Arts and Culture for creatives and arts and culture related non-profits focused on equity and underserved populations and neighborhoods. These individuals and non-profits have been economically devastated by the COVID-19 crisis and have had little to no access to relief funds. These grants should be used to boost the recovery and impact of artists and nonprofits serving the cultural diversity and equity objectives and creative vitality of the city
- Substantial support for our partner Visit Sacramento as it continues to work hard on re-opening strategies that require re-inventing how to go about bringing conventions, festivals and similar major events back to our city in a post-COVID-19 world. There exists a significant need to plan through and implement a strategic re-opening plan to best position them to play a significant role in Sacramento's recovery efforts. Sacramento's tourism industry is an indispensable part of our city's economy

and will be vital to re-invigorating businesses whose livelihoods have been disrupted by the pandemic. This sector as a whole has been one of the hardest hit by the health crisis and will likely be one of the last to fully re-open. These efforts should also include funding to address the economic losses experienced by Old Sacramento Waterfront businesses due to the interruption they have experienced as a result of the public health crisis, as well as strategic resources to improve the economic viability and recovery of the area as a whole

- Deploy critically needed support to the City-County Department of Education partnership in the Arts Education Consortium that facilitated the restoration of skill-based instruction and arts related enrichment and exposure until the COVID-19 related school closures. Funds are desperately needed to move such instruction and exposure online until schools re-open and then to move artists in residence back into schools and students back into the city's arts and cultural facilities

The \$20 million total for each of the four broad categories described above are flexible and can be increased or decreased based on our eventual need. This would leave over \$9 million for a variety of other reimbursable expenses related to the city's response to the health crisis, including funding for food delivery services as well as potential resources for increasing our testing capabilities with our State and County partners.

For each of these funding categories, I recommend that the City Manager's Office work closely with the City's Inclusive Economic and Community Development Investment Committee and our local community stakeholders to identify specific criteria/metrics, aligned initiatives, and projects consistent with the approach described above. I request the City Manager to bring back specific projects and initiatives to the Budget and Audit Committee and then the full City Council for approval and funding over the next 30 to 90 days.

Following this overall framework and approach, I firmly believe we can make a huge difference in stimulating our economy and getting our residents back to work. This is a challenging time for many of us, but I know the indomitable spirit of our city will lead us to rebuilding and coming back even stronger as we have always done in the past. I would like to sincerely thank all of you and our City Manager and his team for your outstanding leadership. Once again, Sacramento stands tall.

Thank you for your time and your consideration.

Sincerely,

A handwritten signature in black ink, reading "Darrell Steinberg". The signature is fluid and cursive, with the first name "Darrell" and last name "Steinberg" clearly legible.

Darrell Steinberg
Mayor, City of Sacramento