Small Business Rescue Funds: The Albuquerque Model

Mayor Tim Keller of Albuquerque, NM, in evaluating the best way his local government can help small business owners and their employees in the time of the novel Coronavirus, came to one animating conclusion: “people just want money”. There are a number of initiatives offering loans to small businesses (most prominently as a part of the CARES Act from the federal government), and he did not want to add to the liabilities of already vulnerable enterprises. As such, he used his emergency powers and collaborated with his staff to set up two types of relief funds:

Small Business Rescue Funds
Funded by tapping into a job-training program for maturing businesses of the same size, the small business rescue funds total $700,000. To qualify, a business must:

1. Have 5 or more total employees
2. Have been in business for 6 months
3. Not be a service provider (lawyers, consultants, etc)– looking to support businesses making/selling a product
4. Not be a franchise

Businesses are eligible for $5,000 each, which, given cost of living and rent in Albuquerque, is meant to cover approximately two months of at least some rent and payroll (notably, maintenance of payroll is not a requirement for the grant, but is a part of the core messaging). Mayor Keller observed that most businesses are just looking to be able to pay rent through the shutdown so they don’t have to close. It’s stipulated that awards may be granted by social demographic, with a focus on women and minority owned businesses.

The grant was 12x over subscribed; 1,200 businesses applied in the first five days. Only ⅓ of recipients have been restaurants; others have been repair-type shops, upholsters, framing shops, and other types of community serving businesses.

“Through the Micro-Business Relief Program, we’re supporting small businesses across Albuquerque that are hurting because of COVID-19. We reached out to business leaders and organizations to develop this program and fill a gap for small companies so they can stay afloat,” said Mayor Tim Keller. “Albuquerque small businesses are vital not only to our economy, but to the vibrant fabric of our community. The next few months will be tough, and we’re committed to supporting our local economy through this unprecedented and uncertain time.”

Creative Economy Relief Fund/Engagement Media Funds
Mayor Keller and his staff established a Creative Economy Relief Fund of $300,000 and Adult and Youth Engagement Media Funds of $100,000 and $30,000 respectively, capitalized by shifting budget line items
using emergency powers. Each fund is meant to compensate artists for continuing to produce and engage with their community.

All of the aforementioned funds are governed by a 3-5 person selection committee and disburse money through the city payroll system, minimizing the friction caused by new systems and processes. These awards are accounted for in Accounts Payable in the city budget.

Mayor Keller: “Albuquerque is a city driven by its creative roots and history. Our artists are also central to our economy—and like so many of our small businesses, they have been devastated by the coronavirus pandemic. Along with our $500,000 investment in general small businesses and $1,000,000 in relief for local non-profits moving through Council now, that’s $2 million in emergency funding in the community to help Albuquerque recover.”

Finally, the city also established a rental assistance fund for individuals, capitalized with $40,000 from existing line items. $30,000 of that has already been allocated in the first month.

Conclusion
In quickly and effectively establishing these support structures, Mayor Keller identified two items he would have handled differently in hindsight:

1. In his public notice, he announced that the applications were open as soon as he finished his address. This set off a rush to the application portal that prioritized citizens who had seen his address. If given the chance to do it again, he would have announced an opening time a few days later, allowing small business owners and residents time to prepare.
2. Relatedly, the communication of “first come, first serve” as a tiebreaker was unclear; the stipulation was the last tiebreaker, not the first, fostering even more of a rush to the application portal. He would have been more clear if given a re-do.