

## **“City of Chicago Small Business Survival Grants” Using the Massive TIF Surplus (3/27/20)**

Thousands of Chicago small businesses and their employees need “City of Chicago Small Business Survival Grants” over the next 120 days. Businesses are on the brink: Decide whether to pay health insurance, salaries and operating costs OR shut down and put people on the unemployment line.

We can't let this happen. We can – and we must -- integrate City Hall government, small businesses, employees, voters and banks to get through this crisis.

Mayor Lightfoot and the 50 Aldermen should open up Chicago’s Tax Increment Finance Districts Surplus Fund. They should issue working capital cash grants at \$1K minimum to \$100K maximum that would be matched by \$1K to \$100K equity contributions from participating small businesses.

Chicago has 138 TIFs which are economic development zones collecting massive property taxes. In 2018, the TIFs collected \$841M. In 2019, the mayor declared a \$300M surplus and settled the teachers contract. This was done in 2016 too. In today’s UNPRECEDENTED CRISIS, City Hall must use the TIF Surplus to rescue thousands of small businesses and employees.

### **Proposed Eligible Small Businesses**

Small commercial businesses (retail, service, hospitality) must have average annual gross sales not exceeding \$20 million over the past 3 years. Small industrial businesses (manufacturer, distributor, wholesaler) must have 200 employees or less.

The U.S. SBA defines “small commercial businesses” as earning between \$7.5M to \$30M annual sales. SBA defines small manufacturers at 500 employees max and small wholesalers at 250 employees max.

### **Proposed City Hall Process**

City Hall would issue working capital grants from the TIF Surplus to eligible businesses for use over the next 120 days. Grants are non-repayable and must cover ELIGIBLE expenses noted below, with severe penalties for infractions. Grants would range from \$1K minimum to \$100K maximum.

To get a grant, a business must invest a 50% match, between \$1K and \$100K equal to the city’s grant. This 50% equity could be cash, line of credit or loan. (SBA is lending at 3.75% interest/30-year term. For very small businesses with \$3M max annual sales and 50 max employees, City Hall is lending at low interest/5-year repay/\$50K max. This does not cover the vast majority of small businesses.)

Our proposal is modeled on the city’s already successful “Tax Increment Finance District Small Business Investment Fund (SBIF)” program and “Neighborhood Opportunity Fund (NOF)” program. SBIF and NOF issue 50% matching grants to small businesses alongside 50% equity contributions to gain property renovations. Instead, our “Survival Grants” pivot on what the city is doing well, in order to address the working capital crisis facing businesses now. To gain a city grant, the business must:

- 1 Meet the criteria above for either a small commercial business or a small industrial business
- 2 Have no outstanding tickets, fines or fees with the city
- 3 Have a checking account at a Chicago-based bank
- 4 Agree to retain a significant portion of its existing workforce for the next 120 days
- 5 Prove with tax returns (commercial businesses) or employee-count affidavit (industrial businesses) that the business meets either of the criteria above
- 6 Verify that it has 50% equity (cash/loan/line of credit) equal to the city's 50% matching grant
- 7 Agree to spend on eligible expenses only with two severe penalties for ineligible expenses:  
a) the city's business license is revoked; b) the business repays the grant with 25% interest.

### **Proposed Eligible & Ineligible Expenses**

Eligible expenses: Employee health benefits, employee salaries, rent, third party debt repayments, inventory, utilities, telecommunications, computers, vehicle-rentals.

Ineligible: Business owner's salary, property renovations/purchases/environmental remediation.

### **Proposed Role of Banks**

Under the SBIF and NOF programs, a third-party agency is the city's administrative assistant. For our proposed "Small Business Survival Grants," banks would assist City Hall with basic oversight because banks have the financial expertise to assist small businesses. Banks are asked to:

- 1 Verify an existing bank account or help a business open an account
- 2 Review the business' tax returns for past 3 years (for commercial businesses) or review the employee-count (for industrial businesses) to ensure compliance with the criteria above
- 3 Verify that the business has 50% equity available to match the city's 50% grant
- 4 Gain the business owner's declaration under oath agreeing to the requirements and penalties above
- 5 Receive the city's deposit and assist the business owner.

### **Everyone's support is needed to convince City Hall. Sign our petition now!**

Support this emergency solution to help Chicago small businesses and employees. Visit [www.fultonmarketchicago.org](http://www.fultonmarketchicago.org) and sign our petition form. Contact me with questions.

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