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COVID-19 SMALL BUSINESS AND RENTAL ASSISTANCE PROGRAM REPORT

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In response to the COVID-19 pandemic, the City of Malden and the Malden Redevelopment Authority (MRA) launched a small business assistance program and a rental assistance program with support of the City Council to help stabilize the community. This memo reports on the first phase of each program and discusses possible next steps for future phases of assistance.

Small Business Program

The small business program was funded with \$300,000 in Community Development Block Grant (CDBG) funds secured through the federal CARES Act (CDBG-CV). With so much uncertainty in the economic and public health landscape this spring, the City and MRA elected to spend the first \$100,000 on a microenterprise program, and to hold the remaining \$200,000 for future phases.

The U.S. Department of Housing and Urban Development (HUD), which administers CDBG and CDBG-CV funds, defines microenterprises as small businesses with five or fewer full-time employees, including the owner, who must be low- or moderate-income (LMI), earning 80% or less of the Area Median Income (AMI).

The microenterprise program began accepting applications May 27, 2020. During this time, federal government programs through the U.S. Small Business Administration (SBA) were releasing hundreds of millions of dollars of assistance, but many businesses – particularly businesses that were smaller and minority-owned businesses – were unable to get through SBA bottlenecks. For this reason, the City and MRA chose to limit its phase one assistance to microenterprises that had not received SBA assistance since the onset of the pandemic.

Assistance would be provided in grants of up to \$10,000 to eligible microenterprises with brick-and-mortar locations that could demonstrate income loss of 50% or greater since COVID-19. Other restrictions, such as a prohibition on serving national chains, pawn shops, or liquor stores, also applied. Businesses could use the grants for rent, inventory, payroll, COVID-19 safety upgrades, and other uses, approved in advance by the MRA.

Business owners submitted applications online through June 10, 2020, after which a lottery was conducted. Of the 50 applications received, six business owners reported being over-income, one business had annual revenue exceeding the program's \$1.5 million limit, two businesses had been open for less than the requisite one year, one business had not experienced a loss of 50% or more of income since COVID-19, one business was not in Malden, and eleven had already received SBA assistance. The remaining 28 businesses were entered into the lottery and given an ordered rank at random. Businesses owned by veterans, women, people of color, and LGBTQ people were given an added weight in the lottery.

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Following the lottery, MRA staff contacted businesses that had been selected to collect requisite paperwork. As other communities across the Commonwealth and country were realizing, many of these small businesses needed significant guidance in gathering the documents required. MRA staff provided that guidance and, working with the City Clerk's office, ensured that all businesses served met eligibility requirements. Several businesses that the MRA attempted to serve did not ultimately participate in the program, either due to over-income business owners, lack of a brick-and-mortar location, receipt of SBA assistance, the business having closed, an unwillingness to secure proper documentation, or non-responsiveness. These challenges did not impede the ability of the program to expend its funds, though it did lengthen and complicate that process. Other communities administering similar programs reported identical challenges.

The City and MRA anticipated serving ten businesses with an average grant amount of \$8,500 and the remaining \$15,000 set aside for administrative costs. The program ultimately served eight businesses with an average grant amount of \$10,000, with approximately \$8,000 in administrative costs, though monitoring costs have not yet been incurred.

The eight microenterprises served included personal services businesses, such as salons and barber shops, as well as a convenience store, a small grocery store, and an artist/creative business. These businesses will be subject to substantial monitoring by the MRA to ensure compliance with program grant agreements.

Anticipating Future Small Business Needs

In sum, the first phase of the small business program was a success, with some lessons learned for future rounds. The program successfully targeted many of Malden's most vulnerable businesses, and was able to provide flexible assistance to help them stay afloat. Translating program materials, using live interpretation services, and giving weight to certain types of businesses all contributed to the diversity of microenterprises assisted, most of which are owned by people of color. Going forward, the City and MRA will anticipate each business receiving the maximum level of assistance of \$10,000, and anticipate that businesses will need more time and guidance in compiling the requisite paperwork. Future rounds of assistance will also no longer exclude businesses that have received SBA assistance, as SBA assistance provided is no longer sufficient to meet the extraordinary needs of those businesses.

The City and MRA are discussing program design for future small business assistance programs with various stakeholders, including the Malden Chamber of Commerce, HUD, the Black Economic Council of Massachusetts, and other cities. These first phase experiences and ongoing consultations will inform future phases of small business assistance, which could include more microenterprise assistance, a program targeted toward restaurants, or other program designs. The City and MRA continue to receive calls for help from small businesses, a trend that will likely continue – and potentially worsen – as the pandemic continues through the winter.

Rental Assistance Program

The rental assistance program was funded with \$250,000 in Community Preservation Act (CPA) funds and \$500,000 in CDBG-CV funds. The program covered the cost of one month's rent for low-income Malden renter households earning 50% or less of the Area Median Income (AMI). To assist in intake and processing of rental applications, the MRA contracted with two housing providers, Just-A-Start Corporation (JAS) and Action for Boston Community Development (ABCD), following a competitive procurement process.

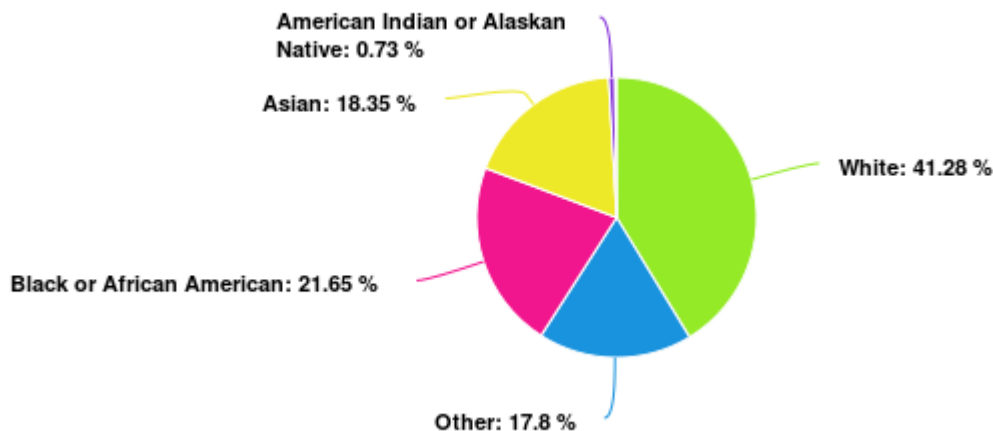
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Households could submit pre-applications for the rental assistance program from May 18, 2020 through May 28, 2020. Materials, including a copy of the application and a comprehensive Frequently Asked Questions (FAQs) document, were made available in English, simplified Chinese, Portuguese, Spanish, Haitian Creole, Vietnamese, and Arabic.

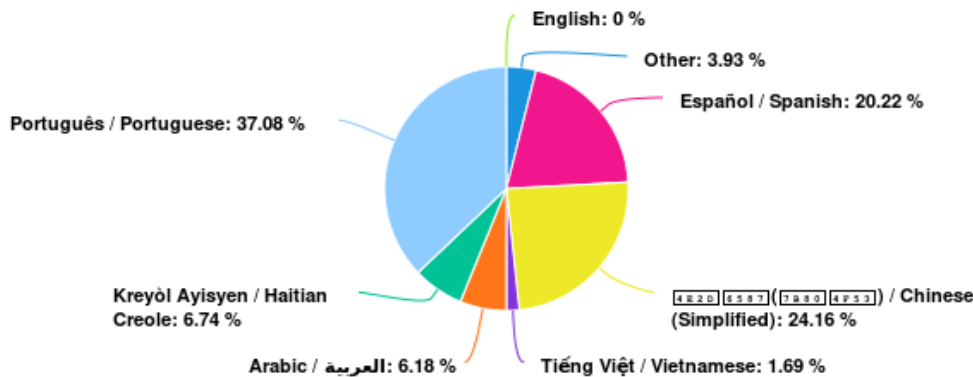
Diverse Applicant Pool

The program received 523 submissions. The average submission was from a 5-person household earning \$33,000 annually and renting a 2-bedroom apartment at \$1,550 per month. Please note that these are averages drawn from the pre-applications, not the households ultimately served. A breakdown of these households by race is shown below:



Although ethnicity is not shown on the above chart, 28% of households were Hispanic or Latinx. This race and ethnicity data shows that this program serves one of the most diverse programs run by the City, with the noted exception of the Malden Public Schools. While there is still more to do to ensure access to resources for all members of our community, the rental assistance program represents a significant step forward.

Part of that success was due to the program’s inclusive language support from start to finish. In addition to translated materials, the MRA used a live interpreter call service to communicate with program clients in their preferred language. The MRA also required JAS and ABCD to provide translation services during their intake process. The following chart shows the breakdown of preferred languages among clients who did not choose English:



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Note that Portuguese was the most common language among non-English speakers, followed by simplified Chinese (which could include Cantonese or Mandarin speakers) and Spanish. The City and MRA prioritized outreach to diverse community groups, which could contribute to the diversity of the program applicants. Future opportunities for success in language access include more significant multilingual outreach and advertising.

Application Processing

Once pre-applications were submitted, MRA staff screened for eligibility and duplicate entries. Of the 523 applications, 25 submissions were duplicates and 74 were ineligible due to income limits, living outside of Malden, or no reported difficulty in paying rent due to COVID-19. The remaining 424 applications were referred to JAS and ABCD for intake, collection of documentation, landlord outreach, and other steps necessary for processing.

Both providers reported larger than expected numbers of households that were non-responsive, and both reported spending more time per application with those that participated. The City and MRA soon learned that these challenges were not restricted to Malden. One community reported as many as 87% of applications being incomplete or ineligible for various reasons, and the state Department of Housing and Community Development (DHCD) reported that its rental assistance programs were spending more time with each client, with an average of seven touches needed per applicant. One city said that they will have 70% of their original funds available after their first round, which they attributed to the extension of the eviction moratorium and temporary boosts in unemployment assistance.

On a recent call hosted by the Citizens' Housing and Planning Association (CHAPA) and the Massachusetts Housing Partnership (MHP), more than 350 housing professionals gathered to learn and share the new challenges that COVID-19 has brought to rental assistance. Among these were unprecedented numbers of applicants, an inability to meet with clients in person, challenges sharing documents online, and fear over immigration law enforcement accessing rental assistance program information.

In Malden, the rental assistance program served approximately 220 households, with a small number of applications still outstanding pending corrected documentation from the landlord and/ or tenant. Due in large part to the challenges discussed above, 204 (48%) of clients who applied for rental assistance did not provide complete applications. Many were non-responsive to service provider outreach, or responded once or twice before disappearing. Others were unable to provide the documentation required for participation in a federal program, which included tax returns, leases, a COVID-19 impact statement, and more. Some applicants were no longer eligible for rental assistance due to a change in their housing circumstances, including households that had since left Malden, and at least two that became homeless. (In those cases, we connected households with the appropriate homeless prevention and rapid rehousing services.) Other clients had landlords that did not wish to participate in the program, or did not want to provide the W-9 form that is required for payment.

One of the cities with the greatest success in their rental assistance program, Chelsea, chose to use no federal money in its program. Using a combination of local CPA funds and private sources, Chelsea developed a program that explicitly welcomed undocumented immigrants. Although Malden's program does not collect or report information on citizenship or immigration status, Chelsea's model went further by proactively reaching out to these communities and advertising that assistance would not be federally funded.

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Malden's program left no household on the waitlist, due to the City and MRA's decision to provide only one month's rent of assistance, and due to the high number of non-responsive applicants as described above. Though the program is still in closeout, the City and MRA anticipates that substantial CDBG-CV funds will be available to be reprogrammed into future rounds of assistance.

In considering future rounds of rental assistance, the City and MRA are focused on making the following changes:

Lottery vs. First Come, First Serve

The decision to hold a lottery, rather than a first come, first serve program, was rooted in the City and MRA's commitment to equity and inclusion. First come, first serve programs tend to see a lower proportion of funding available to non-English speakers, as interpretation and translation tends to slow the process. In fact, the program's reach to a diverse and representative population speaks to the lottery's success.

On the other hand, the lottery and contracts with housing service providers did not allow for households to seek assistance following the lottery deadline. A future rental assistance program would include a hybrid model, which would begin with a lottery to ensure equity and inclusion, but also allow for households to apply after the lottery is conducted. This change may be especially useful when the eviction moratorium is lifted, as a large number of households could begin seeking assistance after a lottery is conducted.

Levels of Assistance

The second major change the City and MRA are weighing is the level of assistance to provide to each household. The City and MRA sought to serve as many households as possible, and so determined that the first round of assistance would provide one month's rent, capped at Fair Market Rents (FMRs). This effort was successful in that no household was left on the waiting list. However, as needs continue to grow and as the amount of time spent on each application has increased, the City and MRA are considering increasing the max level of assistance to up to three months' rent; some cities have increased theirs to six.

Anticipating Future Need

Housing experts warn of the deluge of evictions to come when the state's eviction moratorium expires, currently set for October. Residents have been contacting the City and MRA in need of rental assistance beyond what the phase one program was designed to offer. It's clear that there continues to be a need for rental assistance, and the City and MRA are committed to meeting that need through dynamic program design that adapts to the changing housing landscape in the COVID-19 world.

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