



Monterey County

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

Legistar File Number: 20-327

April 28, 2020

Introduced: 4/23/2020

Current Status: General Government -
Consent

Version: 1

Matter Type: General Agenda Item

- a. Approve a resolution authorizing the County to contribute \$25,000 as a loan loss reserve for the Fondo Empresarial Emergency Loan Program through El Pajaro Community Development Corporation (CDC) to be used to close a \$50,000 loan guarantee gap for small business loans in Monterey County.
- b. Approve an increase in appropriations of \$25,000 for the 001-1050-CAO038-8514 FY 2019-20 Adopted Budget; financed by a release of \$25,000 from the Cannabis Assignment Fund balance BSA 001-3132 (4/5ths vote required); and
- c. Authorize the Auditor-Controller to amend the FY 2019-20 Adopted Budgets by increasing appropriations \$25,000 in Unit 001-1050-CAO038-8514 FY 2019-20, financed by a release of \$25,000 from the Cannabis Assignment Fund balance BSA 001-3132 (4/5ths vote required).
(ADDED VIA ADDENDA)

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve a resolution authorizing the County to contribute \$25,000 as a loan loss reserve for the Fondo Empresarial Emergency Loan Program through El Pajaro Community Development Corporation (CDC) to be used to close a \$50,000 loan guarantee gap for small business loans in Monterey County.
- b. Approve an increase in appropriations of \$25,000 for the 001-1050-CAO038-8514 FY 2019-20 Adopted Budget; financed by a release of \$25,000 from the Cannabis Assignment Fund balance BSA 001-3132 (4/5ths vote required); and
- c. Authorize the Auditor-Controller to amend the FY 2019-20 Adopted Budgets by increasing appropriations \$25,000 in Unit 001-1050-CAO038-8514 FY 2019-20, financed by a release of \$25,000 from the Cannabis Assignment Fund balance BSA 001-3132 (4/5ths vote required).

SUMMARY:

Fondo Adelante, the Community Development Financial Institution (CDFI) arm of the Mission Economic Development Agency (MEDA) in San Francisco is partnering with El Pájaro Community Development Corporation (El Pájaro CDC) to establish an emergency loan program through the state's Small Business Disaster Relief Loan Guarantee Program. This loan guarantee program provides up to a 95% loan guarantee to approved lenders, reducing their risk to provide microloans in amounts up to \$50,000 to small businesses that are unable to access federal disaster loan assistance.

DISCUSSION:

In response to the economic crisis unleashed by Covid-19, the California I-Bank has rolled out a \$50 million 95% state loan guarantee program to help mission-driven lenders provide loans to small

businesses that are not able to access federal financial assistance. The \$50 million fund is being leveraged 2:1, meaning that \$100 million in loans will be able to be approved under the program.

With a \$1 million investment from the Community Foundation for Monterey County, Fondo Adelante will deploy low-interest loans of up to \$50,000 to cover payroll and overhead expenses for underserved small businesses within Monterey County. The California I-Bank State Loan Guarantee Program has approved Fondo Adelante as a lender and will provide a 95% loan guarantee on all loans approved under the Fondo Empresarial Emergency Loan Program. El Pájaro CDC will partner with Fondo Adelante to identify potential borrowers and support the application process with priority being given to their clients, many of which are Salinas Valley Monterey County businesses and City of Salinas businesses. As the state only guarantees 95% of the loan amount, Fondo Adelante and El Pájaro CDC have approached both the County of Monterey and the City of Salinas to fund the 5% loan loss reserve gap which is required be in place prior to lending.

The following loan program terms comply with and have been approved by I-Bank.

- *Loan Terms* -
 - Low-interest rate (prime +1)
 - Terms of up to 6 years (based on loan size)
 - Repayment deferred until January 2021
 - No collateral
 - No personal guarantee
 - Streamlined application and flexible underwriting criteria
- *Targeted Businesses* - The Fondo Empresarial Emergency Loan Program will focus on providing access to loans to businesses that have been excluded from or have not qualified for the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act programs. Monterey County's Inland corridor (Pájaro to King City) including Salinas will be the priority area of focus for this program. Over the past 10 years El Pájaro CDC has built strong ties to all these communities and has supported the start-up and expansion of hundreds of business in this region.

Program Establishment

- *Loan Capital* - \$1 million. A Mission-Related Investment from the Community Foundation for Monterey County is currently under consideration. A final decision is expected by May 1st.
- *Loan Loss Reserve* - \$50,000. This is the amount Fondo Adelante is requesting from Monterey County and the City of Salinas. Funding of the loan loss reserve will cover the 5% unguaranteed portion of loan deployment. City and County staff have proposed contributing \$25,000 each to close the gap. The Salinas City Council will be considering the County's contribution on April 28th.
- *Use of Loan Loss Reserve* - As the loan fund balance is reduced over time, the amount of the required loan loss reserve decreases. It is proposed that the portion of the County and City's loan loss contribution that is no longer needed be transferred to El Pájaro CDC to support its

certification as a Community Development Financial Institution (CDFI) and the establishment of its own microloan program.

- *State Loan Guarantee Program Fees - \$35,000-\$50,000.* These are funds needed to cover the fees charged under the State Loan Guarantee Program. This includes a 2.5% on the guaranteed loan amount plus a \$250 documentation fee per loan. The total fees depend on the number of loans deployed. If funds are not secured to cover these fees, Fondo Adelante will have to charge these fees to borrowers, which will be added to the loan principal and repaid over time. At this time staff is only recommending funding half of the loan loss reserve.

With its contribution of 50% of the loan loss reserve, it is requested that Fondo Adelante and El Pájaro CDC endeavor to lend half of the loan funds to support Salinas businesses and half to Monterey County businesses. For the past 4 years El Pájaro CDC has been offering small businesses development services and access to financing to Salinas Valley and South County underserved, minority and women-owned businesses. El Pajaro CDC has worked with Mujeres en Accion-a program of Monterey Action Council and Women's fund of Monterey County with the goal to promote women's financial stability and help women formalize and start businesses. They have worked with Catholic charities, Agriculture and Land-Based Training Association (ALBA), and connection with the City of Gonzales. These past relationships will enable El Pájaro CDC to deploy funding effectively.

OTHER AGENCY INVOLVEMENT:

The cities of Gonzales, Greenfield and Salinas have all expressed an interest in creating loan funds to assist businesses within their jurisdictions. County staff worked with the City of Salinas to partner in cofounding the loan loss reserve needed to ensure this program can move forward.

FINANCING:

The Housing and Economic Development Office is recommending an increase of appropriations of \$25,000 in Unit 001-1050-CAO038-8514 FY 2019-20 Adopted Budget financed by a release of \$25,000 from the Cannabis Assignment Fund balance BSA 001-3132.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The proposed COVID 19 Emergency Loan program will support the Board of Supervisors economic development initiative by providing low cost, low barrier funding loans to help businesses survive the current public health emergency.

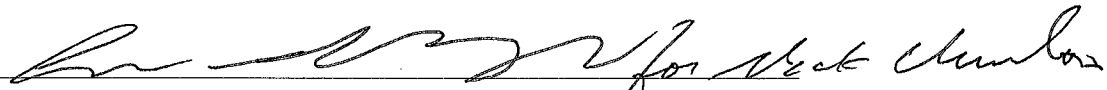
Mark a check to the related Board of Supervisors Strategic Initiatives

- X Economic Development
- X Administration
- Health & Human Services
- Infrastructure
- Public Safety

Prepared by: _____



Anastacia Wyatt, Housing Program Manager, Ext. 5387

Approved by: 
Nicholas E. Chiulos, Assistant County Administrative Officer, Ext. 5145

Attachments:

Board Report

Resolution

Attachment A - IBank Small Business Disaster Relief Loan Guarantee Program - English

Attachment B - IBank Small Business Disaster Relief Loan Guarantee Program - Spanish