

**MONTEREY COUNTY
ECONOMIC OPPORTUNITY COMMITTEE**

MEETING:	August 24, 2015	AGENDA NO.: # 3
SUBJECT:	Receive and approve the Small Business Finance Program titled “Third Street” supporting the SRI Economic Development Strategic Plan initiatives for entrepreneurship, small business start-up and small business retention and expansion.	
DEPARTMENT:	Economic Development Department	

RECOMMENDATION:

Receive and approve the Small Business Finance Program titled “Third Street” supporting the SRI Economic Development Strategic Plan initiatives for entrepreneurship, small business start-up and small business retention and expansion.

DISCUSSION

During the development of the SRI Strategic Plan the consultant made mention of financial sources available from Wall Street and support for Main Street USA. Committee members requested emphases on and support for small business owners in each and every community of Monterey County. The County of Monterey Economic Development offers a small business Revolving Loan Fund (RLF) that is funded or capitalized by the Economic Development Administration (EDA) and managed under contract by Cal-Coastal Rural Development Corporation (Cal Coastal), a non-profit rural development corporation.

The County offers the following programs to serve the Main Street and “Third Street” small business entrepreneurs. In doing so we partner with the Small Business Development Center (SBDC) list below along with the many Cal Coastal programs and other funding providers that include local banks and the Opportunity Fund to assist all minority and women owned enterprises:

Monterey County Revolving Loan Fund Program

This loan program is for businesses located in Monterey County. The loan must meet employment criteria of one job created or saved for each \$20,000 lent. Loan proceeds may be used for inventory, furniture and fixtures, leasehold improvements, equipment, working capital or business acquisition. Loans range from \$5,000 to \$250,000. Rate tied to prime based on credit evaluation. \$200 non-refundable application fee and 2.00% of loan amount due at time of funding, plus closing costs.

Microloan Program in partnership with the SBA

Provides credit and technical assistance to new or expanding small business enterprises. Loan proceeds may be used for inventory, machinery, equipment, leasehold improvements and remodeling expenses. Loans range between \$5,000 and \$50,000. Interest rate is fixed at prime plus 2.75% with a floor of 7.50%.

Intermediary Relending Program

Designed to promote small business enterprises. Loans to businesses that will hire or retain employees in rural areas. Business must be located in an unincorporated area or in a city or town with a population of 50,000 or less. Loans may be used for equipment acquisition, plant improvements and inventory and working capital. Loan size ranges from \$25,000 – \$250,000. Maximum term of seven years for equipment or working capital; longer terms on other uses. Interest rate is at variable prime rate plus 2.50% with the floor of 7.00%.

Loan Guarantee Program

To promote small business enterprises, with special emphasis on, assistance to those that create or retain jobs. A commercial bank will provide the funds. Cal Coastal will guarantee up to 80% of the loan to a maximum guarantee of \$2,500,000. Loans may be used for inventory, accounts receivable, equipment acquisitions, farm production and working capital. (e.g. Revolving lines of credit, short and intermediate term loans.) Maximum term of up to seven years. Interest rate determined by Lender. Cal Coastal charges a 2.50% guarantee fee and a \$250 documentation fee.

SBA 504 Loan Program

This loan program allows Cal Coastal to partner with a commercial bank to provide up to a 90% loan for major asset based purchases or for commercial property. The program calls for the partner bank to provide a 50% loan, the Cal Coastal SBA 504 loan would then provide 40% of the needed financing which allows the borrower to inject a minimum of 10% into the project. Interest rate is tied to U.S. treasury rates and the rate is estimated 4.96% as of 7/15. Rate set at time of debenture sale.

Direct Farm Loans in partnership with the USDA

In this loan program, Cal Coastal provides loans to family farms eligible for a Farm Service Agency guarantee. Loan proceeds may be used for crop production, harvest, farm ownership, farm improvements or equipment acquisition. Loans may be up to \$1,392,000. Operating loans cover crop cycles. Farm ownership loans may have a maximum term of 30 years. Interest rate is variable based on prime or other indices.

USDA Business & Industry Loan

The maximum percentage of guarantee is 80 percent for loans of \$5 million or less, 70 percent for loans between \$5 and \$10 million, and 60 percent for loans exceeding \$10 million. The total amount-not-exceed \$10 million. The Administrator may, grant an exception to the \$10 million limit for loans of \$25 million under certain circumstances. The Secretary may approve guaranteed loans in excess of \$25 million, up to \$40 million, for rural cooperative organizations that process value-added agricultural commodities.

The Opportunity Fund a micro-loan program out of the San Francisco bay area that provides loans in the range from \$5,000 to \$100,000 to small business owners.

CSUM Small Business Development Center or SBDC is the services provided by the CSUMB SBDC include covering the basics of start-up, marketing a product or service and financing a small business. Other topic specific workshops are offered as community needs are assessed.

Once approved, our small business funding program will be updated and placed on the Economic Development Department revised website and the distributed to each of the local Chambers of Commerce. Approval of the “Third Street” small business assistance program finalizes the connection between the four major Opportunity Areas and will provide assistance to small business owners, including minority and women owned enterprise business owners located in Monterey County.

OTHER AGENCY INVOLVEMENT:

County Counsel has reviewed and approved the Monterey County revolving Loan Fund (RLF).

FINANCING:

There is no impact to the General Fund as a result of this action. All expenditures are fully reimbursable through the revolving loan fund.

Approved by:

David L Spaur

David Spaur, CECD, EDPF, Economic Development Department Director, (831)-755-5387