



Board Report

File #: 13-1232, **Version:** 1

- a. Consider approval of an agreement with California Coastal Rural Development Corporation (CCRDC) to manage the day-to-day operation of the County's Small Business Revolving Loan Fund (SBRLF) for three years with annual compensation not to exceed \$150,000 in any one year; and
- b. Authorize the Director of Economic Development to execute the agreement and any amendments that do not increase the amount payable or significantly change the scope of work.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a) Approve an agreement with California Coastal Rural Development Corporation (CCRDC) to manage the day-to-day operation of the County's Small Business Revolving Loan Fund (SBRLF) for three years with annual compensation not to exceed \$150,000 in any one year; and
- b) Authorize the Director of Economic Development to execute the agreement and any amendments that do not increase the amount payable or significantly change the scope of work.

SUMMARY:

The recommended action will authorize California Coastal Rural Development Corporation to continue as the Program Administrator providing day-to-day management of the County's Small Business Revolving Loan Fund (SBRLF). Because of the number and size of the exhibits contained in the proposed contract, only the proposed scope of work is attached to this Board Report. A full copy of the proposed contract is on file with the Clerk to the Board.

DISCUSSION:

The County, through various Program Administrators, has operated the SBRLF since 1990. The SBRLF is designed to bolster job creation and retention by providing capital to small and start-up businesses that either cannot get financing or financing on terms that make their project feasible. Since the time the County funded its first loan, the SBRLF has provided more than \$9.1 million dollars in financing to more than 125 small businesses and supported the creation or retention of more than 1,000 jobs. County support through the SBRLF has leveraged an additional \$24 million dollars in private and U.S. Small Business Administration investment in these businesses. Even though the SBRLF is the lender of last resort and typically the most junior lien holder and therefore making the most risky loans, the County has only written off 8% of all dollars loaned as bad debt. More detailed information on where SBRLF loan dollars have been used, the number of jobs created or retained, and the types of activities the SBRLF supported is included as Attachment 2.

Historically, the County has used an outside Program Administrator (PA) to handle the day to day operations of the program. The use of an outside PA allows the County to leverage the PA's existing staff to provide the specialized services necessary to successfully implement the SBRLF. These services include marketing the program, working with potential borrowers to complete the application process, underwrite the loan request, fund loans and provide ongoing servicing once a loan has been funded. A significant part of the PA's duties include working with applicants to evaluate the minimum financial requirements to make a particular project successful and to develop realistic financial projects to make the project can support the debt service. In some cases, the PA may even have to tell an applicant that their business idea is not ready for financing. In this situation the entrepreneur is encouraged to contact the Small Business Development Center to continue developing their business concept and plan.

As required by the grant funding sources, the County issued a Request for Proposals in July 2013 to identify a new program administrator for the SBRLF. California Coastal Rural Development Corporation (CCRDC) was the only respondent to the RFP. The recommended contract includes several significant changes from previous agreements. These changes included: having a County representative on the CCRDC Loan Committee whenever a loan recommended for funding through the SBRLF is being considered; County participation in monthly loan officer meetings to discuss delinquent loans; and the County will work more proactively to identify potential borrowers through its business retention outreach program. The hope is that these changes will more fully

incorporate CCRDC's full range of financing tools into the County's job creation and retention efforts.

OTHER AGENCY INVOLVEMENT:

County Counsel has approved the Agreement as to form. The Auditor-Controller's office has approved the Agreement as to payment provisions.

FINANCING:

There is no impact to the General Fund associated with the approval of this Contract. The SBRLF is self supporting with administrative costs being paid from interest earned on outstanding principal and fees collected. Loan repayments are deposited in and expended from Economic Development's Appropriations Unit DEO020, Fund 011. Because income generated by the SBRLF cannot be used for any purpose besides continuing/supporting the program, these funds have been and continue to be used as the source of compensation for this CCRDC Agreement.

There are ongoing costs associated with implementing the SBRLF in addition to the contract costs. These include: complying with grant agency reporting requirements; reviewing loan proposals and serving on the loan committee as needed; working more directly with delinquent borrowers; and business outreach. Fulfilling the County's obligations under the grants is estimated to cost approximately \$40,000 annually. The staff cost for these activities is budgeted in Economic Development Appropriations Unit DEO020, Fund 011

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Attachments:

Proposed Agreement with California Coastal Rural Development Corporation SBRLF Portfolio Overview

Exhibit B

Exhibit C

Attachments are on file with the Clerk of the Board