



Board Report

File #: 20-280, **Version:** 1

Approve an amendment to the Small Business Revolving Loan Fund Administrative Plan to incorporate an emergency Microloan Program to mitigate the economic impact of the COVID-19 public health emergency.

RECOMMENDATION:

Approve an amendment to the Small Business Revolving Loan Fund Administrative Plan to incorporate an emergency Microloan Program to mitigate the economic impact of the COVID-19 public health emergency.

SUMMARY:

The County of Monterey has managed a Small Business Revolving Loan Fund (SBRLF) since 1989. The initial SBRLF was established to address specific issues related to small business access to capital and expanded in 1993 to provide additional financial assistance to businesses impacted by the closure of Fort Ord. The proposed changes to the SBRLF Administrative Plan will provide additional flexibility to provide loans to small businesses that are struggling as a result of the Shelter in Place Order and the attendant decline in business activity. It is recommended that the County amend its SBRLF Administrative Plan to meet the needs of businesses during the COVID-19 crisis. The SBRLF currently has \$661,000 available to loan and it is expected that the program will be able to assist 25 businesses.

DISCUSSION:

Since the Shelter in Place Order went into effect, there has been a marked decrease in business activity. These and many other businesses have been hit with unanticipated loss of revenue that would ordinarily help them keep current with their suppliers, landlords, and payroll. While the federal government, primarily through the Small Business Administration (SBA), has been developing programs to help many businesses, the development of the requisite program guidelines has lagged behind the need. Additionally, many SBA programs require a participating bank to implement the programs at the local level. All of this has slowed the delivery of financial assistance and imperiled the outlook for many businesses to reopen once the public health crisis passes.

The County has operated a Small Business Revolving Loan Fund (SBRLF) for more than 30 years under the auspices of the U.S. Department of Commerce, Economic Development Administration (EDA). EDA has issued interim guidance on how local RLFs can be modified to make them more responsive to community needs at this time and implemented an abbreviated process to review and approve local requests. The County has worked with California Coastal Rural Development Corporation (CCRDC) and the National Development Council (NDC) to develop a plan for amending the SBRLF so that it can be more responsive to the community needs during this public health crisis.

Based on input provided by CCRDC and NDC, staff recommends an amendment to the SBRLF Administrative Plan that would expand the eligible loan program to consider smaller loan amounts, reduce the minimum interest rate, and expedite the approval process. The full Amendment and a side-by-side comparison of the current SBRLF and the proposed Microloan Program are attached. The Microloan Program is not intended to replace the SBRLF program, only to help it be more relevant during the existing public health emergency. CCRDC has agreed to cash-flow the administrative expenses until borrowers begin making loan payments in approximately nine months. This will allow the SBRLF to continue to be self-supporting.

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. The recommended changes to the SBRLF Administrative Plan should make the program more responsive to their community needs. The County also worked very closely with CCRDC and the Small Business Development Center to identify specific gaps in existing financial assistance for small businesses. The County is also working with the Monterey County Business Council to provide a webinar to inform businesses on how to access financial resources during the COVID-19 crisis.

FINANCING:

This action does not change the current FY 2019-2020 appropriations, revenues, or positions.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The proposed Microloan Program amendment to the SBRLF Administrative Plan will support the Board of Supervisors' economic development initiative by providing low cost, low barrier to 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: _____
Darby Marshall, RHO Project Analyst II, Ext. 5391

Approved by: _____
Anastacia Wyatt, Housing Program Manager, Ext. 5387

Attachments:

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Attachment 1 - Proposed Changes to Monterey County EDA RLF Emergency Microloan Fund

Attachment 2 - Summary of Proposed Microloan Amendment and Existing SBRLF