



Agenda Report

MEETING DATE: Tuesday, April 13, 2021

TO: City Council

FROM: ASSISTANT CITY MANAGER VIDES
Raunel Zavala, Administrative Analyst

SUBJECT: RESOLUTION APPROVING GROW SANTA CRUZ COUNTY
REVOLVING LOAN FUND MEMORANDUM OF UNDERSTANDING

STATEMENT OF ISSUES:

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed into law by President Trump on March 27, 2020 and provides funding to the U.S. Department of Commerce, Economic Development Administration (EDA) and its Economic Adjustment Assistance Program (EAA) to assist communities impacted by COVID-19 Pandemic. The EDA received \$1.5 billion through the CARES Act to fund its various programs nationwide.

The EDA funded Revolving Loan Fund (RLF) program now consists of more than 500 RLFs nationwide. The purpose of each of these EDA RLFs is to make loans to businesses that cannot otherwise obtain traditional bank financing. These loans provide access to capital as gap financing that helps to enable small businesses to grow into enterprises that can qualify for conventional business financing.

The EDA Revolving Loan Fund (RLF) will operate on a semi-permanent countywide basis and the loan fund will consist of two types of capital including loans up to \$25,000 and resilience loans up to \$500,000.

RECOMMENDED ACTION:

It is recommended that City Council authorizes the City Manager to enter into a Grow Santa Cruz County Revolving Loan Program Memorandum of Understanding with jurisdictions within the County, the Small Business Development Center and the National Development Council, in a form to be approved by the City Attorney, and direct the City Manager to carry out the duties of supporting the Grow Santa Cruz County Revolving Loan Program for the City of Watsonville.

DISCUSSION:

In early spring 2020, City staff joined a series of discussions with the other jurisdictions within the County about a larger Countywide revolving loan fund to help aid in Covid-19 recovery efforts. The group engaged the Small Business Development Center and National

Development Council (NDC), who currently manages the city of Santa Cruz's Grow Santa Cruz Loan fund, in a broader discussion about management and underwriting of the program and opportunities through EDA.

NDC took the lead in submitting an application to the EDA for a County RLF using the City of Santa Cruz's current Grow Santa Cruz Loan fund as an initial program match. The application was successful and NDC was awarded a \$2.75 million Economic Development Revolving Loan Fund to create a revolving loan program in Santa Cruz County to make loans to businesses that cannot otherwise obtain traditional bank financing. NDC is committing to provide a minimum of 20% match funds and the overall program funding has the potential to be further leveraged up to \$16 million in available capital for the broader Santa Cruz County area. NDC will serve as the financial services and technical assistance provider for the Grow Santa Cruz County revolving loan program.

The City of Watsonville, City of Santa Cruz, City of Scotts Valley, City of Capitola, County of Santa Cruz, and the Small Business Development Center (SBDC), and NDC are now seeking to enter into a Memorandum of Understanding (MOU) to implement the Loan Program.

The MOU will define the responsibilities and commitments of NDC, the Small Business Development Center and the Participating Agencies in the Loan Program. The partners will provide assistance to prospect applicants, screen and schedule local business owners for the NDC loan officer. NDC will reserve final investment decisions based on credit approval from an internal committee. The program can be increased in size at any time by additional contributions from the partners or any local banking institutions. The City of Watsonville at this time is not offering any additional match to the fund.

The Grow Santa Cruz County Revolving Loan Program funding allocation is proposed based on the number of sales tax accounts within each of the jurisdictions in Santa Cruz County. The City's total potential maximum lending capacity within the program without providing additional funding beyond the initial program match is roughly \$1M. The participating jurisdictions agree to work towards identifying business lending needs that are a good fit for the program within each of their respective jurisdictions. Following an initial 6 month program review, participating jurisdictions will meet and reevaluate the success of the program along with current allocations to ensure equitable and effective funding disbursements. Additional analysis will be ongoing and NDC will provide participating jurisdictions a loan fund leveraging performance review twice annually.

The Grow Santa Cruz County Loan Program is intended to launch in April and marketing for the program to local business will begin following successful approval by the jurisdictions of program participation and the creation of joint marketing materials.

STRATEGIC PLAN:

Adopting the resolution to approve the MOU between the NDC and the City of Watsonville supports Council Strategic Goal #4 by supporting our existing businesses.

FINANCIAL IMPACT:

NDC is responsible for the administration of the EDA RLF grant and program and no additional funding is required to be provided by the City of Watsonville. The City of Watsonville is not adding any leveraged funding at this time, but could be considered in the future increasing local funding available. Any supplemental funding allocations could be considered through the annual budget process.

ALTERNATIVE ACTION:

The Council may consider not adopting this resolution at this time.

ATTACHMENTS AND/OR REFERENCES (If any):

None.