

October 7, 2021

Ian M. Goldberg
Budget Officer
County Administrator's Office
675 Texas Street, Suite 6500
Fairfield, CA 94533

Dear Ian:

The Solano Economic Development Corporation (Solano EDC) requests your consideration of allocating up to \$2 million in American Rescue Plan Act (ARPA) funding to be received by Solano County. The funding would be used to establish a Revolving Loan Fund (RLF) to help off-set the negative economic impacts to small businesses in Solano County from the pandemic. Portions of the funding could be set-aside for specific types of small businesses, such as women and/or minority owned businesses.

The Solano County 2020 Index of Economic and Community Progress, issued in May of 2021 by Solano County and the Solano Economic Development Corporation provided an overview of the economic impact to our local economy from the pandemic. As noted, over \$584 million in Paycheck Protection Plan (PPP) loans were made in Solano County by financial institutions. Solano County, working with the Workforce Development Board, provided grants to small businesses. The use of ARPA funding to establish a RLF will assist in the next step in economic recovery local small businesses.

The Solano EDC received a \$480,000 grant from the Economic Development Administration that was matched with \$120,000 from Solano County, the seven cities, the Solano Transportation Authority and the Solano EDC to undertake Moving Solano Forward III (MSF III).

MSF III is a two-phased approach to responding to the economic impacts of the pandemic in the near term and building economic resilience in the long term. One of the tasks is to "Determine demand, feasibility and capacity for business financing programs as a key program for retention and expansion. This could include a county-wide revolving loan fund".

A RLF is a gap financing measure used for the development and expansion of small businesses. It is a self-replenishing pool of funds, utilizing interest and principal payments on previous loan to issue new loans. An RLF provides access to a flexible source of capital that can be used in combination with conventional sources.

Many RLF studies have shown that access to capital and flexibility in collateral and terms is more important than the interest rate. The RLF will be built to generate an interest rate return to replenish the fund for future loan allocations. The RLF will provide access to new funding sources for Solano County small businesses.

The RLF will provide loans for the following uses:

- Operating capital
- Acquisition of land and buildings
- New construction
- Façade and building renovation
- Property improvements
- Machinery and equipment

Loan terms will vary based upon the use of the funds. Loans will typically be between \$10,000 and \$100,000. All loans will be made in conjunction with a loan from a financial institution.

It is the intent to pursue additional funding sources to expand the capitalization of the RLF. Potential other sources include the Economic Development Administration (EDA) Revolving Loan Program, Community Development Block Grant funds, and RLF programs operated by cities.

The Solano EDC will develop specific loan guidelines and criteria which will be approved by Solano County prior to loans being considered. A loan committee will be established, with members representing financial institutions, non-profit business lenders, RLF experts and representation from Solano County. A report of activities will be prepared on an annual basis.

Up to 10% of the funding will be used to establish the program, develop guidelines and criteria, create loan documentation, marketing material and administration. Loan servicing will be contracted out.

RLFs are a proven tool to help small businesses. The EDA RLF portfolio consists of more than 500 RLFs nationwide, with a combined capital base of approximately \$870 million. The use of ARPA funding will provide the Solano EDC with another tool to improve the local economy, create jobs and strengthen the small business sector.

The Solano EDC appreciates your consideration of our request for ARPA funding and we look forward to your questions and consideration.

Sincerely,



Sean Quinn
Interim President and CEO