



Office of the City Manager

WORKSESSION

July 18, 2017

To: Honorable Mayor and Members of the City Council
From: Dee Williams-Ridley, City Manager
Submitted by: Jordan Klein, Acting Manager, Office of Economic Development
Subject: Economic Development Worksession: Revolving Loan Fund

SUMMARY

The City of Berkeley's Revolving Loan Fund (RLF) is the primary economic incentive that the Office of Economic Development (OED) offers to established businesses that are launching or expanding operations in Berkeley. The RLF has been in operation for thirty-seven years, making it the City's most long-standing economic development program. In 1980, the City of Berkeley was awarded a \$500,000 federal grant to issue loans to Berkeley businesses to create jobs and stimulate economic growth. To date, the fund has revolved four and half times to generate a total of \$2,298,417 in loans for Berkeley businesses. Borrowers have reported that those loans have resulted in the creation or retention of a total of 253 jobs.

In this Worksession, the Office of Economic Development will provide Council with an overview of the Revolving Loan Fund. Staff will present a summary and history of the program; catalog its impact to date; identify significant current conditions, challenges and opportunities relevant to the loan fund's administration and portfolio; and present questions for consideration regarding the future of the program.

CURRENT SITUATION & ITS EFFECTS

Program Overview and History

In 1980, the City of Berkeley received a \$500,000 grant from the Economic Development Administration (EDA), a federal agency operating underneath the auspices of the Department of Commerce. The grant was issued to administer a commercial Revolving Loan Fund (RLF) to all eligible small businesses in the fund's Target Area, which at the time of the award was a small geographic area of approximately 35 blocks in South Berkeley. Since then, the program has expanded twice geographically, including the most recent 2011 expansion to the City's borders, making the loan program available to all business located in Berkeley.

The City of Berkeley RLF program offers loans to businesses with interest rates and terms that are below market. Loans are available for use in funding business expansion, fixed assets, equipment, working capital, and real estate. Current loan terms are for up

to 7 years, at an interest rate equivalent to the Wall Street Journal (WSJ) published prime interest rate plus two (2) percent. Loan amounts range between \$35,000 and \$150,000. As loan recipients make payments on an issued loan, these funds are used to provide additional loans to new loan recipients; in that way, the fund 'revolves' over time.

The principal goals of the RLF are to support the creation and retention of permanent full-time jobs, facilitate investment and commercial growth, and direct economic development efforts at revitalizing commercial corridors and businesses throughout the City of Berkeley. The loan fund is designed as a tool for equitable economic development; ideal borrowers are businesses that provide services or jobs for people in low-income communities, and women- and minority-owned businesses. The fund is primarily intended to provide financing for businesses that are unable to secure traditional private financing. Nonprofit organizations are also eligible for loans.

The Loan Administration Board (LAB), a City of Berkeley Commission appointed by the Mayor and City Council, provides oversight for the RLF program. OED staff serves as the secretary to the LAB commission, and the LAB meetings are open to the public and subject to the Brown Act. There are special criteria for the LAB members; of the nine seated commissioners, two must have demonstrated business expertise, three must have credit and banking experience, and one must be a lawyer.¹

The LAB outlines policy, guidelines and lending criteria articulated in the Berkeley RLF Administrative Plan based on EDA Terms and Conditions.² Final approval for all loans, including determination of the loan amount, rests with the LAB, informed by recommendations issued from a contracted third-party underwriter. The maximum allowable size of any one loan can only be 25% of the RLF's capital base at the time of the loan. Currently the RLF's capital base is \$710,536, making the maximum loan size \$177,634 (25%).

When the most recent RLF Administrative Plan was adopted by council on May 3, 2011, staff correctly anticipated that the expansion of the lending Target Area would result in the origination of more loans and that additional revenue from the interest payments on new loans would cover any increased administrative costs. Under the Administrative Plan, up to 50% of interest payments on outstanding loans can be used to pay for program marketing or administrative costs including retaining the services of a professional underwriter. The City of Berkeley performs the loan servicing in house (in collaboration with the departments of Health Housing and Community Services, Finance, and the Office of Economic Development) using software licensed from Grants

¹ There are currently two vacant seats on the LAB. All the required "specialty seats" are satisfied at this time.

² The RLF Administrative Plan is updated every five years and approved by the EDA and LAB. The 2016 RLF Administrative Plan update was approved by the EDA in January of 2017. The existing 2011 RLF Administrative Plan remains in effect until the 2016 update is approved by the LAB (anticipated August 2017).

Management System (GMS). Annually, the RLF Program is subject to the single audit review of the City's federally funded programs performed by outside auditors, Badawi & Associates.

Loan Portfolio

Currently the Revolving Loan Fund has seven active loans, comprising \$555,000 loaned. To date, 41 RLF loans totaling \$2,298,417 have been originated. Of those, 26 have been fully repaid, 8 have been written off, and 7 are currently active. A total of 205 jobs have been created and 49 jobs have been retained (253 total jobs) in connection with loans originated (see Attachment 1: Revolving Loan Fund Portfolio).

Over the lifetime of the program, loans have been issued to companies in a variety of business sectors: nine to 'food and beverage services', eight each to 'personal services' and 'non-profit and public entities', six to 'office/other non-retail', and five each to 'business/professional services' and 'retail' (see Attachment 2: Loans By Business Type, 1980-2017). Since the 2011 Administrative Plan update, the loan fund's utilization has increased. Between 2011 and 2017, seven loans have been disbursed with an average value of \$66,428 per loan. Currently there are seven active loans, to a diverse set of borrowers. There have been three instances of 'repeat customers' whereupon paying off one loan the entity has reapplied to the program for a second loan for a new replenishment of capital (The Vault, Kitchen on Fire and A Better Way).

Decades of program activity have generated dozens of success stories: small businesses in Berkeley that have leveraged the RLF to create jobs, generate tax revenue and contribute to community vitality. Some recent examples include:

- Kitchen on Fire borrowed \$35,000 in 2012 to expand a small cooking school, and develop a curriculum of classes ranging from "The Art of French Sauces" to "30 Minute Meals." To date, Kitchen on Fire estimates that it has created 4 permanent jobs and served thousands of students. In late 2016, Kitchen on Fire was named one of the '25 Best Cooking Classes in America' by The Daily Meal. The loan was fully repaid in February 2017 and the fund will soon issue a second loan to support continued expansion of the company.
- SlingFin, a high-end mountaineering and tent design company, borrowed \$80,000 in 2015 to purchase materials to create prototypes of their Alpine Zone Web Truss tents. Since creating the samples, SlingFin's products have won the OutDoor Gold Industry Award and have secured placements with 24 high-end outerwear dealers across North America.
- The BioFuel Oasis is a worker-owned cooperative specializing in quality Biodiesel made from recycled vegetable oil. This "gas" station is one of four purveyors of biodiesel fuel in the East Bay and also sells urban farm supplies including chicken feed and beekeeping gear. This group borrowed \$100,000 from the loan fund in 2008 to retrofit the historic service station at Sacramento and Ashby Avenues, and relocated to Berkeley from San Anselmo in 2009.
- The East Bay Media Center borrowed \$50,000 in 2013 to improve its facilities and AV equipment so it could expand its class offerings including the popular

Summer Teen Media Camp and Berkeley Video and Film Festival held annually in October. The Media Center reports having saved 8 jobs with the funds.

In reviewing the average loan size for each category, the smallest loans (avg. \$30,756) were made to business categorized as personal services (Hair & Beauty Salons, and Medical Services, 4 each). The largest loans (avg. \$71,019) were made to Public and Non-Profit Entities including “schools and educational services” such as the current recipients East Bay Media Center and Kitchen on Fire, and “non-profit offices” including loans to A Better Way, South Berkeley Local Development Corporation (SBLDC) and Inter-City Services.

RLF Loan Delinquencies and Write-Offs

Since the program’s inception there have been eight times when a loan recipient could not pay back the RLF loan, and Council took action to write off the loss. The total amount written off over the life of the program is \$350,463. Five of the eight loans were written off in 1990, and the remaining three (all food and beverage services) were written off in 2005 and July of 2011. Generally, write offs were due to business failure and the full amount of the loan had to be forgiven. In most cases, business operators had insufficient experience and their cash flow projections were overly optimistic. Following each write off, RLF program operations were modified based on lessons learned. For example, following the most recent write off in 2011, business equipment was determined to be insufficient collateral due to the rapid rate of depreciation and the high cost of recovery for the City. As a result, all current RLF loans are instead secured by a combination of personal guarantees and real estate.

Current Capital Base

As of March 31, 2017, the RLF’s current capital base is \$710,536. This figure includes the original \$500,000 seed grant from the EDA from 1980, plus program income added to the fund, less losses on loans. Program income includes all interest earned on loans, plus interest earnings on non-sequestered funds, plus fees charged of loan applicants³ less any administrative fees (i.e. marketing and underwriting costs). The current balance available for lending is composed of the RLF Capital Base, less the principal outstanding on current loans, less any pending loans, that are approved but not yet disbursed. To date, there is \$208,531 available for lending, and one pending loan for \$150,000 which is approved but not yet disbursed (Attachment 3: RLF Fund Utilization).

Target Clients, Marketing & Outreach

Unlike the quick, flexible and unrestricted venture capital that fuels start-ups in software, bio-tech, and other technology-based industry sectors, the RLF dollars typically appeal to established, brick and mortar business seeking funding for equipment or inventory purchases, tenant improvements, or simply working capital. Often small businesses with poor credit history are unable to access private capital for financing business expansion and improvements, and those who can meet private capital procurement requirements

³ A \$200 application fee may be collected with each loan applicant per the 2011 Administrative Plan.

do so at higher prices. For this reason, the RLF loan program is best suited to small business applicants (using the definition of “small business” according to the US Small Business Administration (SBA), as having less than 100 employees). By this yardstick, 98% of all Berkeley businesses are “small businesses.”

OED aggressively markets the RLF and conducts outreach to prospective clients through a variety of efforts. In the past three years, OED has boosted expenditures of resources and staff time on these activities. These include:

- *Local media.* OED places annual and monthly advertisements in two local print publications.
- *Brochure and website.* OED regularly updates a program brochure and website that describes the fund and its uses, and distribute the brochure through economic development partners and at the City’s various customer service locations.
- *Word-of-mouth outreach* is essential and ongoing. Past borrowers that have successfully expanded their businesses through the RLF help spread the word about the program’s value. In addition, OED staff consistently reaches out to its network of merchant groups, business improvement districts, and other city departments that interface with business owners and business license applicants to promote applications to the fund.
- *Loan Board Commissioners* generate leads and applications through their networks of professional contacts.

General interest in the loan fund remains strong; staff estimates that OED fields an average of two to three inquiries per week on the RLF program. However, a much smaller group of businesses goes on to actually complete the loan application. Of the estimated 100 inquiries, staff received just six loan applications last year. Of those, only four were sufficiently completed to forward on to the underwriter.

Loan Application and Review: Process & Timeline for a Typical Borrower

Following the initial inquiry into the program, an applicant completes the RLF loan application (see Attachment 4: Berkeley Revolving Loan Fund Application) and submits all required supplemental information to OED staff, who then package the documents and send the completed loan application to the third party underwriter. The loan applicant and the underwriter work together to review the loan application materials. The underwriter’s work product, a “credit memo”, is then submitted to OED staff for distribution to the Loan Administration Board Commissioners for review. The underwriter’s credit memo recommends approval or denial of the loan, and indicates appropriate collateral for securing the loan based on their review of the loan application. Following a short period of review, the LAB meets (in a publicly noticed meeting) with the loan applicant for a discussion and vote on the loan.

Once a loan is approved by the LAB, the applicant signs a loan agreement and promissory note prepared by city staff and reviewed by the city attorney’s office. The loan agreement is then processed in the same manner as a standard city contract,

routed for review by seven internal city departments, and a check is issued once the loan recipient registers as a city vendor (see Attachment 5: RLF Application Review Process). From start to finish, the process of loan application, review and execution can take approximately six months.

Typical delay or pinch points in the process include:

- Applicant's completion of the loan application to a sufficient degree to send to underwriting.
- Underwriter and applicant maintaining a timely and accurate correspondence to issue a credit memo.
- Execution of the loan agreement, including determination of the appropriate collateral for the loan.
- Processing the city contract required to disburse loan funds (including applicant becoming a city vendor and complying with contract insurance requirements in order to receive funds).

The length of stay for a loan applicant at each of these points in the process can be as short as a month or permanent. Depending on the circumstances unique to each application, an applicant will sometimes elect to put an application on hold indefinitely or for a bounded period of time.

Underwriting Services

As part of the RLF Administrative Plan update in 2011, the LAB determined that hiring an outside underwriter would be a prudent decision and take the burden of underwriting the loans from the volunteer LAB commissioners and shift it to a third party. In late 2013, an open solicitation process was held and a contract with State Assistance Fund for Enterprise, Business and Industrial Development Corporation (SAFE-BIDCO) of Santa Rosa was executed for underwriting services in early 2014.

SAFE-BIDCO charges for its underwriting services on a per use basis based on the requested loan size (1.5% of loan amount or minimum \$1,500 per loan application), plus a \$250 loan application fee that offsets the cost of a credit check of the applicant. The underwriting fees are paid for from the RLF program income, and are reported as "program fees" on the semi-annual reports submitted to the EDA.

To date, the underwriter has produced five credit memos for presentation to the LAB. Of those, three loans have been disbursed, one is pending, and the fifth withdrew its claim on the committed funds because the applicant could not secure a lease for their second location in Berkeley. To date, two loan applications are currently under active review by the underwriter, and three are on hold at the underwriter at the applicants' request. Six other applications could be considered in the "pre-application" stage, where the business owner has submitted a portion of the application to OED staff but it is not yet complete enough to send on to underwriting.

Target Area: Current and Historic

When the City first utilized the \$500,000 grant from the federal Economic Development Administration in 1980, the funds were targeted to address economic decline in specific areas of South Berkeley. Lending from the South Berkeley Revolving Loan Fund (RLF), as it was originally known, was restricted to firms in targeted areas of South Berkeley including the lower Sacramento Street area and the Lorin commercial area. This lending “target area” was codified in the EDA-approved RLF Administrative Plan, which serves as the manual of policies and procedures that the Loan Administration Board uses to manage the fund.

The EDA requires that all RLF Administrative Plans are updated approximately every five years, and are approved by the LAB and the City Council before they are formally approved by the EDA for use. In the 2002 update, it was observed that the small Target Area had been largely saturated with RLF loans. With little business turnover, opportunities for additional RLF lending were limited (see Attachment 6: RLF Loan Activity, 1980-2017). However, conditions of economic distress were still evident throughout all of South Berkeley, and consequently, the City of Berkeley requested approval from EDA to enlarge the target area for the RLF to include additional areas within South Berkeley. (See Attachment 7: RLF Lending Target Area Expansion.)

Despite the best intentions, the net was perhaps not cast wide enough, as only one loan was executed in the expanded target area between 2005 and 2010 (the BioFuel Oasis at 1441 Ashby Ave in 2008). Because of the shrinking applicant pool, and under threat of program termination for ineffective capital utilization, the loan fund’s Target Area was expanded to encompass the full city border in the 2011 Administrative Plan update.

The expansion of the lending boundaries was also intended to more effectively meet program goals, and stimulate the creation of jobs across all economic sectors. In 2009, OED staff performed extensive analysis⁴ on the contraction of employment in Berkeley resulting from the Great Recession. The expansion of the Target Area to the full city allowed for the inclusion of major employment centers, including manufacturing, service and retail businesses of Downtown and West Berkeley, which demonstrated great potential for job creation and retention.

It is important to note that with expansion of the Target Area in 2011, the program did not cease lending in South Berkeley or to retail and restaurant businesses. In fact, the expanded lending area granted the RLF the flexibility to perform wider outreach and consider loan requests from businesses outside the South Berkeley area that are owned by or employ minorities and women. Program staff continues to target South Berkeley most aggressively with outreach regarding the RLF, and aims to implement loans to businesses that are owned by, employ and/or serve low income communities, women and people of color.

⁴ City of Berkeley, Office of Economic Development, *Proposal for Target Area Expansion*, Submitted to: Economic Development Administration (EDA) Revolving Loan Fund Program, June 2009, page 5.

Sequestration Recovery and Capital Utilization, 2014- Present

The loan portfolio earns income from interest charged on loans and from the interest bearing account used for the loan portfolio. When there are no loans being made, a percentage of the total fund is sequestered (and the interest remitted quarterly to the federal government) until lending activity resumes.

Per EDA policy, there is a Capitalization Utilization requirement of 25% of the fund. If a program cannot meet this requirement, the program faces termination and must forfeit its funds. In late 2014, the Loan Board was tasked with committing \$80,022 in loans by October 2015, and an additional \$122,603 in loans by April 2016, or the loan funds would be remitted to the federal government.

Spurred to action by the “use it or lose it” challenge, the Loan Board directed an aggressive, yet economical, marketing campaign to promote applications to the RLF. This effort included a series of advertisements in the East Bay Express, “Good Money Guide” (Attachment 8: RLF Marketing Campaign, East Bay Express), a print brochure with a run of 1,000 copies that described the fund and its uses, and an ad campaign series with the Berkeley Times (Attachment 9: RLF Marketing Campaign, Berkeley Times) which profiled current RLF borrowers along with a short text description promoting the loan fund. A vigorous word-of-mouth marketing campaign was also established. OED staff reached out to its network of merchant groups, business improvement districts, and other city departments that interface with business owners and business license applicants regularly to promote applications to the fund. In addition, Loan Board Commissioners were especially successful in generating leads and fruitful applicants through their networks of professional contacts and colleagues.

Owing to an amplified marketing effort, the expertise of the professional underwriting service and an engaged Loan Administration Board, the program met its capital utilization requirement and emerged from sequestration in late 2016. Two loans, valued at \$250,000 total, were committed to ahead of the EDA’s deadline of April 2016, and a third for \$150,000 was approved in August 2016. As of this writing, our Berkeley program remains in good standing with its Federal Administrators.

Research Findings

In preparing this report, staff conducted research including an analysis of our semi-annual reports submitted to the EDA, a survey of existing borrowers (with assistance from the LAB Chair), a focus group with internal partners, and outreach to other leading micro lending organizations. Staff also examined approaches that other cities have taken to managing their federally-granted revolving loan funds. Key findings are summarized here.

Program Impact & Outcomes

The EDA maintains an exacting, semi-annual reporting requirement for all loan fund operators. The reports analyze the loan portfolio, capital leveraged and jobs created,

and calculate the RLF capital base and the balance available for lending. They are submitted annually in October and April.

To determine historic program impacts and outcomes, OED researched the economic and demographic character of the prior and current RLF loans—including analysis of RLF semiannual report datasets, interviews with current loan recipients, and consultation with staff members from an internal focus group meeting—and made the following findings:⁵

- **The loan fund has “revolved” approximately 4.5 times since its inception in 1980.** There has been a total of \$2,298,417 dollars loaned to Berkeley businesses since the initial grant of \$500,000 for the loan fund. For context, the City of Richmond’s loan fund, which also received an initial grant of \$500,000, has revolved 6.5 times since its inception in 1980.
- **Over the life of the fund, 205 private sector jobs have been created and 49 jobs have been retained.** Within the current group of seven active loans, loan recipients reported that 37 jobs were created, and 23 were retained. Of the total 254 jobs created or retained, 115 (45%) were held by people of color and 102 (40%) by women. For further demographic details regarding the workforce composition of loan recipients, see Attachment 11: RLF Recipient Demographics.
- **The loan fund has leveraged over \$6.2 million dollars in private investment.** Of the current \$555,555 out in active loans, recipients report \$758,243 dollars of private non-RLF funding leveraged by the RLF loans. Over the life of the fund, \$809,840 has been loaned to minority-owned businesses, and \$415,300 to women-owned enterprises (24 total loans).
- **The City of Berkeley’s RLF program boasts a leverage ratio of 2.73 (private financing to RLF dollars) for total loans and 1.37 for current loans.** This is higher than average: the EDA’s Seattle regional office portfolio (which includes 83 RLFs located in Alaska, Arizona, California, Pacific Islands, Idaho, Nevada, Oregon, and Washington) has an average leverage ratio of 2.08 for total loans and 1.94 for active loans. The 41 California-based RLF programs have an average private leverage ratio of 1.45 for total loans and 1.72 for active loans. The 2011 RLF Administrative Plan for the City’s program states a leverage ratio of 2.84 as a goal, indicative of the LAB’s previous desire to increase the volume of RLF loans, but decrease the dollar amount distributed per loan.

Qualitative Outcomes

- **Loan recipients report that RLF funding has helped their businesses.** A loan fund recipient from 2008 recalled that the RLF program “really helped them get

⁵ Statistics cited in this section were obtained via the City of Berkeley’s previously submitted RLF Semi-Annual Report, known as the EDA Form ED-209 (v.4.6). The categories for loan data collection are set by the EDA and maintained by the U.S. Department of Commerce and the Office of Management and Budget (OMB), Control Number 0610-0095. See Attachment 10: RLF Semi-Annual Report ED-209.

into business” and another program participant from 2011 indicated that the RLF funding “came at an opportune time.” A 2015 loan awardee said that “the loan helped us. The money allowed us to continue our prototyping work and kept us in our Berkeley workspace.”

- **Loan recipients and applicants receive constructive technical assistance for their business concerns.** The Loan Administration Board Commissioners conduct site visits to all active loan applicants in a publically noticed meeting held in multiple locations. This year in January 2017, three of seven loan recipients requested assistance with marketing, sales and growth strategies, lease negotiations, working capital expenditure planning, etc. LAB Commissioners followed up in all cases, holding one-on-one consulting sessions with loan recipients. Both loan recipients and LAB members reported the sessions as “productive” and “helpful.”
- **With RLF servicing moving ‘in-house’ to OED, communications with program participants have improved and no new defaults have occurred.** A loan fund recipient noted that the “personal touch” of the RLF program administrators “really helps them (the business) respond to changing market conditions” and another program participant expressed appreciation that they can now “align” their accounting program with their RLF loan’s debt schedule.

Program Strengths, Assets and Opportunities

The Revolving Loan Fund is an effective incentive program that provides an accessible entree to OED’s suite of business assistance services. The following elements of the RLF can be supported, leveraged and enhanced:

- **The terms offered by the City’s RLF are more attractive than comparable loan funds** offered by other cities, regional micro-lenders, and traditional lenders (i.e. banks). Potential applicants to the Berkeley’s RLF program typically remark favorably upon the generous pay back terms (5-7 years) and the low interest rate (prime plus 2%). As of June 2017, prime plus 2% makes for a 6% interest rate. One current RLF borrower recently inquired about obtaining a second loan, “because you all have such nice rates” and are “easy to deal with.” For context, typical interest rates from other micro-lenders currently range from 8% to 20%, and loan repayment terms from traditional lenders are typically between eighteen months and three years.
- **The Loan Administration Board benefits from a skilled set of engaged commissioners dedicated to the Berkeley business community.** Because of the tailored commissioner expertise requirements, there are several talented LAB members with experience and knowledge directly relevant small business finance. The board takes seriously their commitment to supporting RLF loan recipients, and making informed decisions on pending loan applications. They view their work as part of the “continuum of care” for program participants, and work to be successful, if informal, technical advisors to all willing portfolio participants.

- In its current configuration, **the City of Berkeley is able to effect a certain degree of ‘local control’ over the RLF program**, partnering with loan recipients and business owners to provide context sensitive solutions and creative ideas for unique circumstances. For example, when a loan recipient was hesitant to offer a personal guarantee for a pending loan, an alternative for sufficient collateral was devised, in close consultation with the applicant’s board of directors, LAB members, OED staff, and the City Attorney’s office.
- **The program helps RLF applicants and recipients leverage other resources** that are uniquely tailored to each business. For example, an applicant may be able to stack fundraising efforts on top of the promise of an approved loan (i.e. ‘a challenge grant’), or limit a search for a second location to solely Berkeley, so they may spend their loan money on tenant improvements for their new space.

Weaknesses, Challenges and Threats

Council, staff, and program participants should be aware of the following challenges facing the RLF program:

- **The long period of time between loan application and issuance—typically at least four months—undermines the impact of the program.** Many borrowers and prospective borrowers noted that the length of time to execute the loan resulted cash flow concerns and impacted operations. Stakeholders cited instances of employment stability affected directly by the promise of the loan program. For example, a 2016 loan recipient remarked, “the extended delay has so far caused us to lay off two workers, and next week that will increase to four” thus undermining the very purpose of the program.

One prospective loan recipient indicated that for a typical closing period of six months, it would not be “worth it” to go through the application process for a “loan smaller than \$50,000”. Another noted that the other financing opportunities available in the area generally were faster for smaller loans.

OED’s research of other micro-lenders bears this out as well. The Opportunity Fund (headquartered in San Jose) is able to close loans and disburse funds to applicants within 2-3 days, but charges an interest rate between 8-20%. Another non-profit lender, Working Solutions (located in San Francisco), can pre-approve borrowers with a simple online application, and is able to underwrite a loan and disperse funds in 4-8 weeks. Main Street Launch, (based in Oakland) is also able to turn applications around within 4-6 weeks. Both Working Solutions and Main Street Launch loans have interest rates between 8-10%.

Web-based crowd-funding platforms such as Kiva Zip and Kickstarter have slightly longer closing times (averaging 6 weeks), because they depend on the strength of the entrepreneur’s “social capital” and require a sophisticated level of social media and marketing savvy.

Another federally-funded loan program, the U.S. Small Business Administration (SBA) Microloan Program, doesn’t lend the money directly to entrepreneurs but

instead sets the guidelines for loans that are made by its partners (which include the micro-lending institutions named above). SBA guarantees that these loans will be repaid, which eliminates some of the risk to the lending partners. The terms and closing costs for these loans (all smaller than \$50,000) are similar to those of the micro lending partners discussed above.

- **Despite ongoing outreach campaigns, there is a lack of awareness of the program among existing businesses and entrepreneurs.** Many potential loan applicants hear about the program from individuals associated with the City—e.g., the LAB—and therefore give the current loan portfolio the appearance of an “insiders club.”
- **Servicing monthly loan payments is cumbersome and time consuming.** Staff estimates that an average of 40 hours per month are spent on activities related to maintenance of current loans in the program. Tasks include copying each individual loan check, data entry of principal and interest into two financial management systems (GMS and FUND\$), and depositing the income with the City’s treasury department. Additional year-end reporting of interest to program participants, and reconciling accounts takes additional staff time away from other potential business support services, e.g., providing ‘concierge’ services for businesses navigating permitting and licensing processes.
- **When lending to non-traditional applicants, the City assumes greater risk, and it can be a challenge to adequately secure loans.** Typically, RLF loans are secured by personal guarantees or real estate, but in some instances business equipment has been used as collateral.
- **The application experience is outdated and not transparent.** The RLF application is not presented online in an interactive website, and thus the application process is perceived from the very start as an “inflexible” or “clunky” instrument. The prospective loan recipient (and staff) do not have a clear way to “view” where the loan approval and contract is in the review and execution process, which in turn makes it difficult for potential recipients to manage expectations and cash flow appropriately.
- **The new presidential administration may discontinue federal support for the program.** The current White House budget proposal eliminates the EDA completely; should the agency dissolve, it is unclear how RLF program operators would remit the funds from their original grants, or how federal administrators would receive the funds. Additionally, the Trump Administration’s threat to pull all federal funding from “sanctuary cities”, including Berkeley, could potentially impact the RLF.

Revolving Loan Funds in Other Municipalities

Some of Berkeley’s neighboring cities that also offer RLF programs have taken alternative approaches to program administration:

- The **City of Oakland** has fully outsourced its RLF program to the non-profit Main Street Launch (formerly known as Oakland Business Development Corporation). Oakland staffers report working with Main Street Launch as “successful”; they appreciate Main Street Launch’s “sensitivity” to look at businesses with “limited lending status”, and that MSL is a full service organization that brings “a lot of [resources] to businesses in Oakland”. MSL’s loan committee underwrites loans up to \$249,000; any loan amount above that must go to the Oakland City Council for approval.
- The **City of San Francisco** has outsourced their RLF program to two private non-profit vendors, Main Street Launch and Working Solutions. The City of San Francisco has a revolving loan fund that was seeded with an initial award from the EDA of \$1,000,000 in 1979. Since outsourcing the program in 2009, the fund has revolved “twice over”, making between \$2-\$3m in loans to San Francisco businesses in just seven years. City of San Francisco staff report that outsourcing the loan program has freed up staff time for other business development and technical assistance activities.
- The **City of Richmond** maintains the administration of their RLF program by City staff in house. Its fund was also seeded by a \$500,000 grant EDA in 1980. Currently the City of Richmond’s program has an average loan size of \$35,000 to \$50,000, and 9 active loans. All the underwriting is performed in house by staff with the assistance of a loan board, and their loan servicing is performed by an outside vendor. RLF program manager Janet Johnson reports that “in an ideal world, 2.5 to 3 FTEs” would be what a program of her size would need to “reach its full potential.”

Questions for Consideration

Currently, according to the Loan Administration Board Chair, the Revolving Loan Fund program is “cooking”. Since 2014, five loans have been executed, the fund is no longer subject to sequestration (2017) and is successfully meeting the capital utilization requirement (2016) for the first time in eight years. As of this writing, there is approximately \$2,860.50 left on the original contract for the underwriting vendor (SAFE-BIDCO); if the RLF program continues to produce a robust set of loan applications ready for review, more funds should be committed to this contract for use through its expiration date in 2019. Nevertheless, there is room for program improvement.

Based on our analysis and consultations with City staff, program stakeholders, federal administrators, other RLF program operators, and interviews with current loan recipients, staff identified the following policy and program design questions that City leadership could consider:

- **Is the City willing to make trade-offs in order to process loans more quickly?** Streamlining the City’s contracting process for loan agreements could make the program more attractive to prospective borrowers, but would require

compromises on current standards or the investment of significant staff time to update standard procedures. For example, reducing standard contract insurance requirements for a loan agreement might speed up the timeline, but might expose the City to greater risk.

- **Should the RLF program be fully outsourced to an independent vendor?** Outsourcing the full RLF program to a nonprofit vendor would improve the application process for the applicants and would likely increase the volume of loans made. On the other hand, relinquishing control to a third party operator could necessitate less attractive terms for the borrower and/or higher administrative costs for the City.

Outsourcing the administration of an RLF fund has worked successfully for both the cities of San Francisco and Oakland, partly because of those cities' relatively larger volume of loans, and their willingness to pass on the higher costs to loan recipients in sacrifice of quick loan approvals and a streamlined process for loan applicants. By partnering with nonprofit lenders, those programs have been able to leverage private sector donations to increase the capitalization of their funds. Retaining the RLF program 'in house' is an effective approach for the City of Richmond because they retain an underwriter on staff, and the City has more flexible procedures and simplified policies regarding contracting, legal review of loan documents, and check issuing. Outsourcing an entire program naturally comes with a set of tradeoffs; in seeking efficiency, control is sacrificed. For example, loan clients would perhaps have increased access to technical assistance, yet the LAB might become less engaged.

- **Is the current program of technical assistance sufficient to meet the needs of RLF recipients?** The LAB takes its role as technical advisors for all loan recipients seriously, and is working to leverage its "continuum of care" program for all present (and future) loan recipients. Based on the board's annual site visit of loan recipients, many RLF recipients indicated that they needed assistance with marketing, or lease negotiations. The board members worked to satisfy these requests for technical assistance, and loan recipients were appreciative of the efforts, but exploration of a separate, additional, robust technical assistance program is warranted.
- **Should the RLF fund be re-capitalized with increased or matching funds?** Despite the availability of current funds, there may come a time when the RLF program becomes oversubscribed and potential qualified borrowers might have to be turned away. Staff maintains that this would be a "great problem to have", but should this happen it would require a pause in new lending. Additional funds infused into the RLF capital base would not only allow for more loans to be made, but it could provide the program with additional resources and flexibility to offer an expanded technical assistance program for borrowers, improved

underwriting functionality and/or a loan servicing service to assist staff with program administration.

BACKGROUND

Since the program's inception in 1980, its purpose has remained steady – to create jobs and boost small businesses activity within the City of Berkeley, with a focus on serving low-income communities and women- and minority-owned businesses. The Revolving Loan Fund (RLF) is designed for business owners to supplement private financing for tenant improvements, fixed assets, equipment upgrades, and working capital for their firms. Owners report that using RLF funds in tandem with private financing can reduce the cost of operations and keep businesses operations thriving in Berkeley. This in turn helps implement the City's economic development strategy by offering capital assistance to any business in Berkeley that might not be able to attract traditional financing on its own.

Report Methodology

The research for this worksession report was conducted using both qualitative and quantitative methods, including stakeholder interviews, direct observation (site visits), and analysis of a variety of data sources including staff records, LAB meeting reports and minutes, OED's historical reports on the fund, annual single-audit reports prepared by Badawi and Associates, and demographic data from the ED-209 (Semi Annual Report) forms submitted to the EDA. A survey of RLF borrowers was conducted, and outreach to other municipalities and lending organizations took place during the first half of 2017.

Recent Progress

Since the 2011 Administrative Plan update, the loan fund's utilization has increased. Between 2011 and 2017, seven loans have been disbursed with an average value of \$66,428 per loan. Currently there are seven active loans, from a diverse set of clientele. (Attachment 2: Loans By Business Type, 1980-2017). As of March 31, 2017, the RLF's current capital base is \$710,536. This figure includes the original \$500,000 seed grant from the EDA from 1980, plus program income added to the fund, less losses on loans. Program income includes all interest earned on loans, plus interest earnings on non-sequestered funds, plus fees charged of loan applicants⁶ less any administrative fees (i.e. marketing and underwriting costs). The current balance available for lending is the RLF Capital Base, less the principal outstanding on current loans, less any pending loans, that are approved but not yet disbursed. To date, there is \$208,531 available for lending, and one pending loan for \$150,000 which is approved but not yet disbursed (Attachment 3: RLF Fund Utilization).

ENVIRONMENTAL SUSTAINABILITY

⁶ A \$200 application fee may be collected with each loan application per the 2011 RLF Administrative Plan.

Many of the City's environmental sustainability goals are inextricably tied to the overall health of the City's economy. The loan fund is a key source of support for Berkeley businesses, as these businesses are supported to remain open and prosperous, so is the health of the city's economy. The strong state of Berkeley's economy indicates that the City is well-positioned to pursue the environmental sustainability goals. Staff believes that the continued pursuit of the goals, as well as the programs and public policies that encourage that pursuit, represents a core economic strength for Berkeley and a competitive advantage of the City and the region.

POSSIBLE FUTURE ACTION

OED staff will continue to coordinate with other City departments, the Loan Administration Board Commissioners, loan recipients, prospective loan recipients, merchant groups, property owners, arts organizations, and other small businesses owners to promote economic vitality through small business finance opportunities.

This report identifies a wide variety of possible future actions related to economic development assistance for Berkeley businesses and the loan fund. No immediate, near-term Council actions are anticipated. Any future actions will require the careful weighing of trade-offs, some of which are articulated in the "Questions for Consideration" section of this report (see page 13).

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

Activities to support the Revolving Loan Fund require the commitment of staff time and budget resources beyond the federal funds that seed the RLF itself. Actions that facilitate increased economic activity and business sustainability tend to boost revenues related to sales tax and property tax, and thus have positive fiscal impacts on the city.

Some of the initiatives identified above, such as outsourcing all RLF services, and/or adding a more robust technical assistance component to the program, would require significant commitments of staff time, budget resources, and prioritization within the City's and various departments' work plan.

CONTACT PERSON

Jordan Klein, Acting Manager, Office of Economic Development, (510) 981-7534
Eleanor Hollander, Economic Development Project Coordinator, (510) 981-7536

Attachments:

- 1: Table: Revolving Loan Fund Portfolio, March 31, 2017
- 2: Loans by Business Type, 1980-2017
- 3: Table: RLF Fund Utilization, Balance Available for lending as of March 31, 2017
- 4: Berkeley Revolving Loan Fund Application
- 5: RLF Application Review Process
- 6: RLF Loan Activity, 1980-2017
- 7: Map: RLF Lending Target Area Expansion

8: RLF Marketing Campaign, East Bay Express

9: RLF Marketing Campaign, Berkeley Times

10: RLF Semi-Annual Report, EDA Form ED-209, Reporting Period October 1, 2016 to March 31, 2017, Submitted April 2017.

11: Table: RLF Recipient Demographics

Attachment 1

Revolving Loan Fund Portfolio

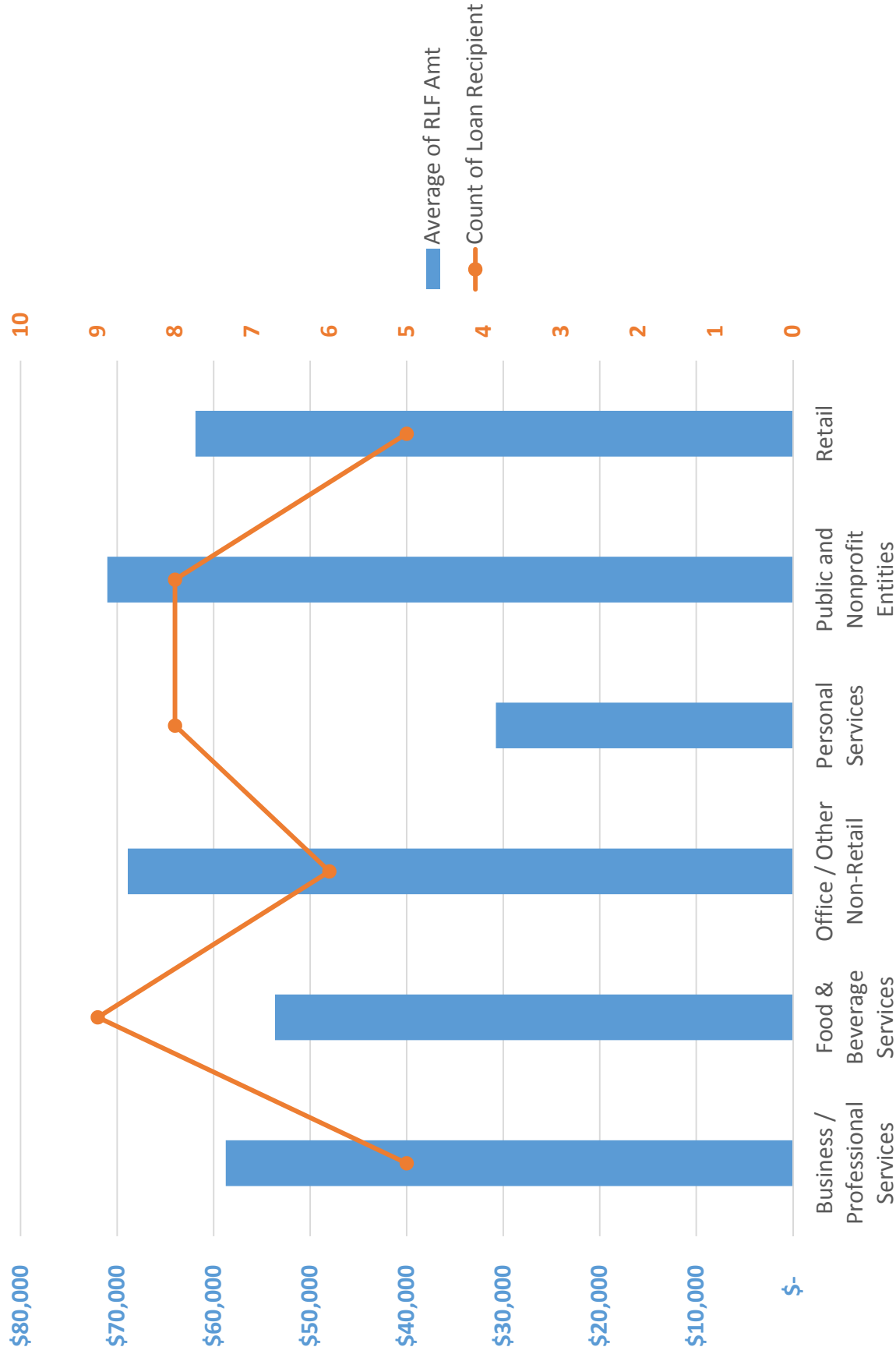
	Number of Loans	RLF Loaned	RLF Principal Outstanding	Loan Losses
Total Active Loans	7	\$555,555	\$352,005	-
Fully Repaid Loans	26	\$1,275,527	-	-
Written Off Loans	8	\$467,890	-	\$350,463
Total Loans	41	\$2,298,417	\$352,005	\$350,463

Program Metrics	Total Loans	Active Loans
Total Non-RLF \$ Leveraged	\$6,264,659	\$758,243
Private Sector Jobs Created	205	37
Private Sector Jobs Saved	49	23
Total Private Sector Jobs	253	60

As of March 31, 2017

Attachment 2

Loans By Business Type, 1980-2017



Attachment 3

RLF Fund Utilization

Balance Available for Lending As of March 31, 2017

	Total
RLF Principal Outstanding on Loans	\$352,005
Pending Loans (approved, but not disbursed)	\$150,000
Current Balance Available for Lending	\$208,531
RLF Current Capital Base	\$710,536

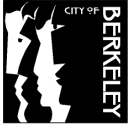
Capital Base: *(Original Grant of \$500,000) + Program Income – Losses on Loans*

Program Income: *(Interest from loans) + Earnings on Non-Sequestered Funds + Fees Charged (i.e. \$200 Application fee) – Administrative Fees (i.e. Marketing and Underwriting Costs)*

Current Balance Available for Lending: *(Capital Base) – (Principal Outstanding on Current Loans) – (Pending Loans, committed but not disbursed)*

Attachment 4
Berkeley Revolving Loan Fund Application

7 Pages



BERKELEY REVOLVING LOAN FUND (RLF) APPLICATION

There is a \$200 fee for each application. Fee will be credited towards loan fee and will be refunded, if not approved.

Amount of RLF Loan Request: \$ _____

I. APPLICANT INFORMATION

Applicant's Name: _____

Title: _____ Date: _____

Name of Business: _____

Ownership (Check one):

Proprietorship _____ Partnership _____ Corporation _____ Non-Profit _____

Business Address: _____

Phone: _____ SS# _____

Co-applicant: _____ Phone: _____

Address: _____

- Business New to Berkeley
- OR
- Existing Berkeley Business - Date Established: _____

Business License # _____ Federal Tax I.D. # _____

Landlord: _____ Phone: _____

Landlord Address: _____

Terms of Lease: _____

II. BUSINESS INFORMATION:

Briefly describe your business, the distinct function of your product / service, your intended customers, your marketing strategy, and how the RLF loan will assist your business development. Please submit a prepared business plan with this application. If no business plan available, please provide explanation

III. PROJECT FINANCING:

- A. Amount of City RLF Loan Request: \$ _____ (A)
- B. Applicant Equity Contribution*: \$ _____ (B)

Purpose of Loan:

Source of Loan Repayment:

*Equity contribution: Value of money and other assets the Applicant invested in the business during the past 12 months or will invest in the business. Please submit evidence of all private funds (bank statements, letter of commitment and turndown letters).

IV. USE OF FUNDS:

	Amount of Loan Request (listed on line A above)	(Plus)	Applicant's Equity Contribution (listed on line "B" above)*	(Equals)	TOTAL PROJECT COST
Inventory	\$	+	\$	=	\$
Equipment & Machinery	\$	+	\$	=	\$
Leasehold Improvements	\$	+	\$	=	\$
Loan Fees (1% of total loan)	\$	+	\$	=	\$
Other	\$	+	\$	=	\$
TOTAL	\$		\$	=	\$

*Plus any additional Funds to be used for this project- including additional loans/ private funds. Sources of funds need to be documented, including denial of bank for additional funds.

V. COLLATERAL OFFERED:

Collateral	Name(s) of Owner(s)	Present Market Value
Real Estate		\$
Equipment & Machinery		\$
Inventory		\$
Other Assets		\$
TOTAL		\$

Other Collateral (Please Explain): _____

VI. OUTSTANDING DEBT: List all outstanding debts (not accounts payable). Any business loans, loans from family/friends, credit card debt, and any other debt the business has incurred. Please list EVERYTHING the business owes. If you need more room, please attach a separate sheet.

CREDITOR	Account Number		Original Amount (\$)	Maturity Date	Collateral Held
	Date of Loan	Interest Rate %	Current Balance (\$)	Monthly Payment (\$)	
1.			\$		
		%	\$	\$	
2.			\$		
		%	\$	\$	
3.			\$		
		%	\$	\$	
4.			\$		
		%	\$	\$	
5.			\$		
		%	\$	\$	
6.			\$		
		%	\$	\$	
7.			\$		
		%	\$	\$	
8.			\$		
		%	\$	\$	

VII. PUBLIC BENEFIT: As a result of the loan, will your business:

a. Create jobs? YES NO

Estimate the number of jobs the business will create in the next two years: _____

b. Retain existing jobs? YES NO

Estimate the number of jobs the business retain: _____

c. Expand a manufacturing enterprise? YES NO

d. Have a positive environmental impact? YES NO

e. Strengthen a key commercial corridor or re-use a long vacant property? YES NO

f. Provide goods/ services presently not available? YES NO

g. Substantially increase tax revenues? YES NO

Please describe the public benefits and quantify, where possible.

Please submit the following information with your application:

- A detailed list of exactly what the requested RLF loan would be used for.
- Most recent year-end financial statement, including income and expenses and balance sheet along with this pre-application form.
- Sources of funds need to be documented, including denial of bank for additional funds.

Attachment 5

RLF Application Review Process

Start – Application Submitted



Loan Application



Underwriting



Review Credit Memo



Loan Administration Board Meeting



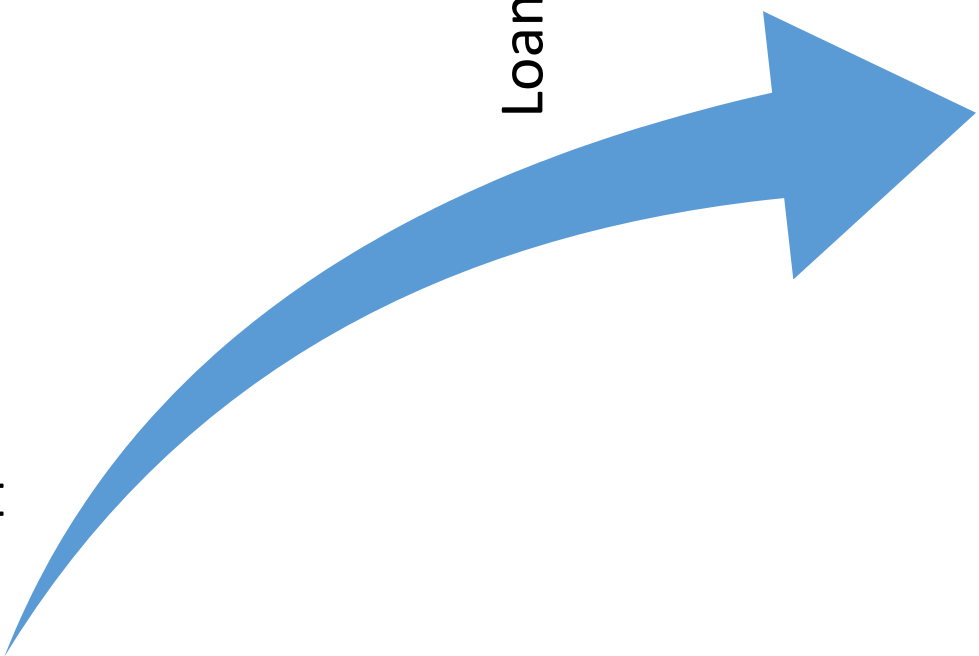
Loan Agreement and Contract



Loan Check Issued



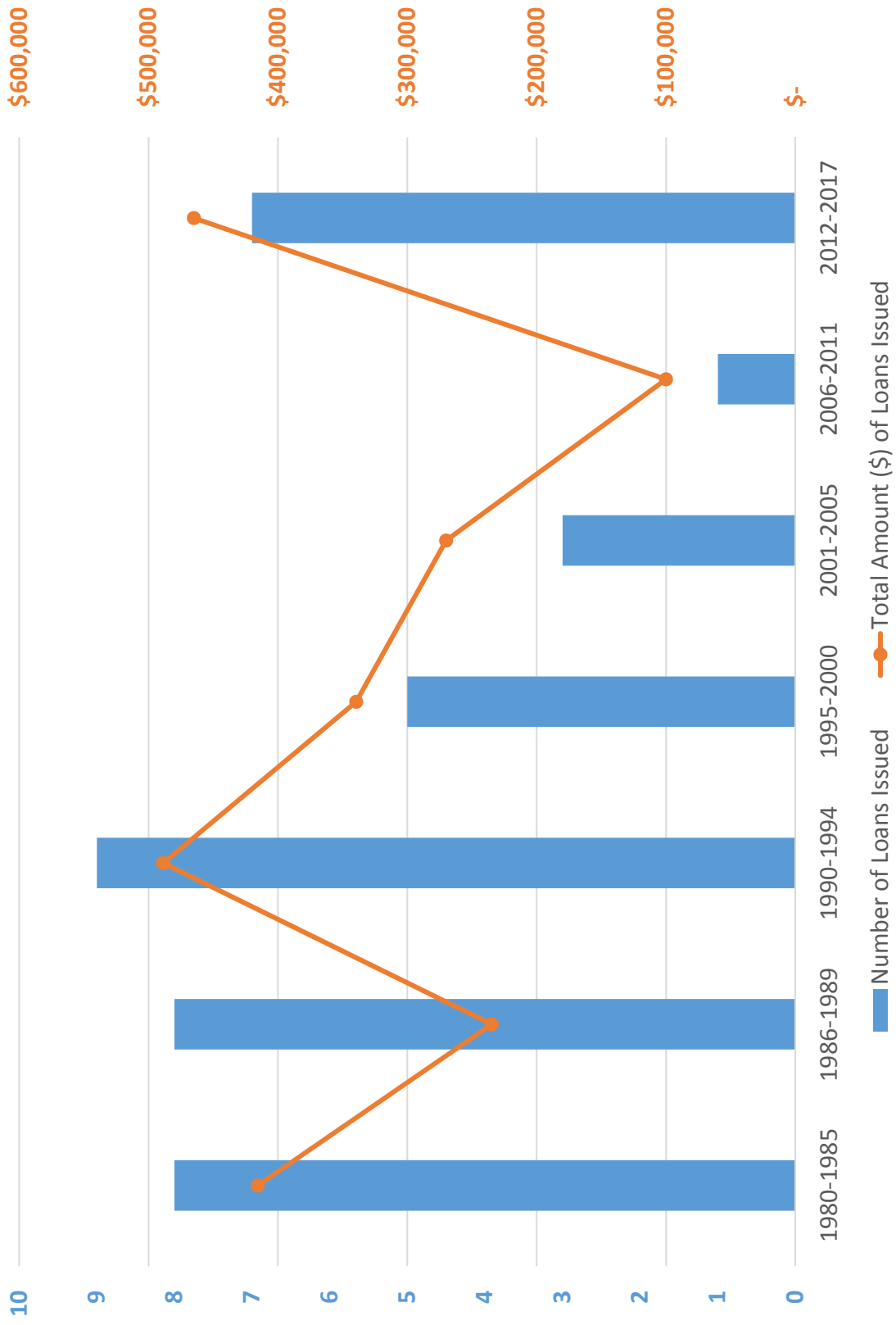
Repayment and Servicing



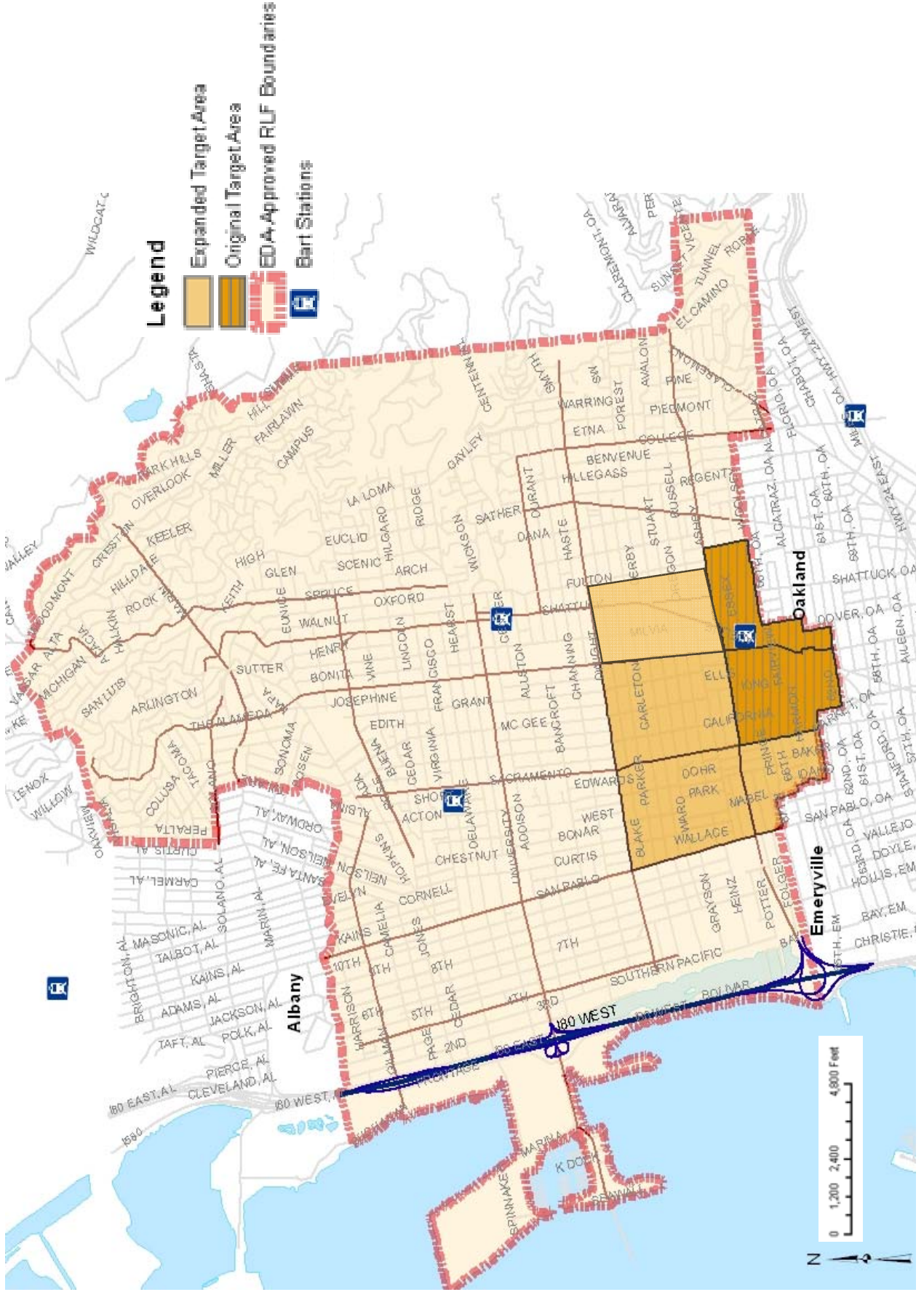
Finish – Loan Issued (total time: +/- six months)

Attachment 6

RLF Loan Activity, 1980-2017



Attachment 7 RLF Lending Target Area Expansion



Attachment 8

RLF Marketing Campaign, East Bay Express

EAST BAY EXPRESS
OAKLAND, BERKELEY, AND EAST BAY NEWS, EVENTS, RESTAURANTS, MUSIC, & ARTS

LOCAL MONEY *for your* GOOD LOCAL BUSINESS

PROSPERITY

LOANS

Social Impact

ON

ding

Do you need funding to grow your Berkeley business?

BERKELEY
Office of Economic Development

Learn more online:
ci.berkeley.ca.us/loanfund/

City of Berkeley
Revolving Loan Fund

We can assist you in obtaining financing for your start-up, business expansion, build out, and other working capital needs.

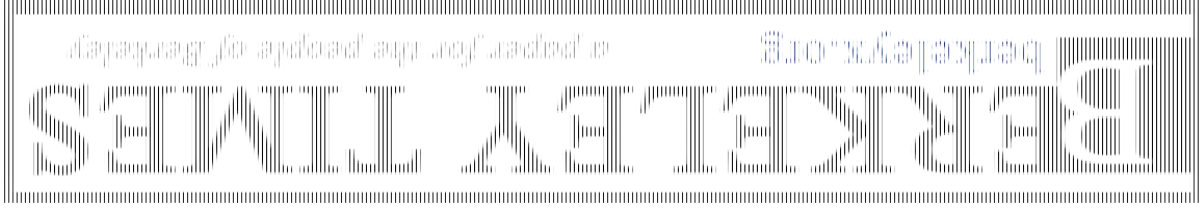
Check out the program today!

MEDIA CENTER
VIDEO
ADDITIONAL LISTINGS
LEARNING TOOLS
AND MORE

Publication date: March 2015

Attachment 9

RLF Marketing Campaign, Berkeley Times



May 25, 2017

BERKELEY TIMES

got funds?

City of Berkeley
Revolving Loan Fund

If you're a Berkeley-based business, you can apply for a revolving loan fund to help you start up, build out, business expansion, and other exciting capital needs. For more info, contact:

(510) 981-7536
c.berkeley.ca.us/loanfund/

Anton Salon

Anton Salon is a vibrant, full-service hair salon and spa located in the heart of Berkeley. We offer a wide range of services including haircuts, coloring, styling, and more. Our experienced stylists are dedicated to providing you with the best possible experience. Contact us today to book your appointment.

Page 7

May 11, 2017

BERKELEY TIMES

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c.berkeley.ca.us/loanfund/

Kitchen on Fire

Cooking up fun since 2005

Kitchen on Fire is a community-based organization that provides cooking classes and resources for people in need. Our classes are designed to be fun and educational, while also providing a safe space for people to learn and grow. Contact us today to learn more.



Meet José Escobedo and Joseph Aguiar (aka José & Joe)

Formerly he was a nurse, but because he has always had an eye for the future, he decided to start his own business. José Escobedo and Joseph Aguiar, known as José & Joe, are the founders of a business that provides services to the community. They have a passion for helping others and are committed to making a difference in their community.

Salon Spa Annex is an exciting community-based business that provides services to the community. It is a place where people can come to get their hair done, relax, and enjoy the amenities. The business is owned and operated by a team of dedicated professionals who are committed to providing the best possible experience for their clients.



Page 7

BERKELEY TIMES

got funds?

City of Berkeley
Revolving Loan Fund

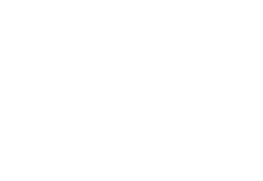
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About Olivier & Lisa Miller

Olivier and Lisa Miller are a couple who have been married for many years. They are both passionate about their work and their community. They have a strong commitment to helping others and are dedicated to making a difference in their community.

Salon Spa Annex is an exciting community-based business that provides services to the community. It is a place where people can come to get their hair done, relax, and enjoy the amenities. The business is owned and operated by a team of dedicated professionals who are committed to providing the best possible experience for their clients.

Salon Spa Annex is an exciting community-based business that provides services to the community. It is a place where people can come to get their hair done, relax, and enjoy the amenities. The business is owned and operated by a team of dedicated professionals who are committed to providing the best possible experience for their clients.



Publication date: May 2017

Attachment 10

RLF Semi Annual Report, EDA Form ED-209

*Reporting Period: 10/1/2016 to 3/31/2017
Submitted: April 2017*

3 Pages



Page 35 of 38

Economic Development Administration
 Revolving Loan Fund Semi-Annual Financial Report
 ED-209 Version 4.6

Grantee Data

Grantee Name: **City of Berkeley**
 Address Line 1: **2180 Milvia St**
 Address Line 2: **5th Floor**
 City: **Berkeley**
 State: **CA**
 Zip Code: **94704**
 Reporting Period: **10/01/2016 - 03/31/2017**
 Web Site URL:

Contact Person: **Eleanor Hollander**
 Contact Phone: **510-981-7536**
 Contact Email: **ehollander@cityofberkeley.info**
 EIN: **94-6000299**
 DUNS:
 EDA Award Number(s):
 07-39-02523
 Reporting Unit: **2422BER**

Part I: Portfolio Status

	No.	RLF \$ Loaned	RLF Principal Outstanding	Loan Losses
1. Current Loans:	7	\$ 555,000.00	\$ 352,005.00	
2. Delinquent Loans:	0	\$ 0.00	\$ 0.00	
3. In Default Loans:	0	\$ 0.00	\$ 0.00	
4. Total Active Loans:	7	\$ 555,000.00	\$ 352,005.00	
5. Fully Repaid Loans:	26	\$ 1,275,527.00	\$ 0.00	
6. Written Off Loans:	8	\$ 467,890.00		\$ 350,463.00
7. Total Loans:	41	\$ 2,298,417.00	\$ 352,005.00	\$ 350,463.00

Part II: Portfolio Summary

A. Summary of Loan Activities

	Total Loans	Active Loans
1. Number of RLF Loans:	41	7
2. RLF \$ Loaned:	\$ 2,298,417.00	\$ 555,000.00
3. Private Non-RLF \$ Leveraged by RLF:	\$ 6,264,659.00	\$ 758,243.00
4. Other Non-RLF \$ Leveraged by RLF:	\$ 0.00	\$ 0.00
5. Total \$ Leveraged:	\$ 6,264,659.00	\$ 758,243.00
6. Total Project Financing:	\$ 8,563,076.00	\$ 1,313,243.00
7. Private Sector Jobs Created:	205	37
8. Private Sector Jobs Saved:	49	23
9. Total Private Sector Jobs:	253	60
10. RLF \$ Loaned for Fixed Assets:	\$ 1,650,653.00	\$ 477,900.00
11. RLF \$ Loaned for Working Capital:	\$ 682,764.00	\$ 112,100.00
12. RLF \$ Loaned for Start-Up:	\$ 530,745.00	\$ 0.00
13. RLF \$ Loaned for Expansion:	\$ 1,772,672.00	\$ 570,000.00
14. RLF \$ Loaned for Retention:	\$ 10,000.00	\$ 0.00
15. RLF \$ Loaned for Industrial:	\$ 0.00	\$ 0.00
16. RLF \$ Loaned for Commercial:	\$ 757,900.00	\$ 90,000.00
17. RLF \$ Loaned for Service:	\$ 990,517.00	\$ 0.00



B. Comparison of RLF Portfolio to RLF Plan

	RLF Plan	Total Loans	Active Loans
1. Cost Per Job:	\$ 8,990.00	\$ 9,084.65	\$ 9,250.00
2. Non-RLF Private Leverage Ratios:	2.84 : 1	2.73 : 1	1.37 : 1
3. Non-RLF Private and Other Leverage Ratios:	2.84 : 1	2.73 : 1	1.37 : 1
4. % Working Capital Loans:	29.60%	0.00%	19.70%
5. % Loans for Start-Ups:	23.00%	0.00%	0.00%
6. % Loans for Industrial:	0.00%	0.00%	0.00%

Part III: Portfolio Financial Status

A. RLF Funding Sources

1. EDA Funding:	\$ 500,000.00
2. Local Match:	\$ 0.00
3. Total Funding:	\$ 500,000.00

B. RLF Income Earned to Date

1. Interest Earned on Loans:	\$ 474,097.00
2. Interest Earned on Deposit Accounts:	\$ 196,970.00
3. RLF Income from Application Fees:	\$ 0.00
4. Other RLF Income:	\$ 0.00
5. Fees Earned on Closed Loans:	\$ 1,000.00
6. Total RLF Income:	\$ 672,067.00
7. Portion of RLF Income Used for Administrative Expenses:	\$ 111,068.00
8. RLF Income Added to Capital Base for Lending:	\$ 560,999.00

C. Status of RLF Capital

1. Total RLF Funding:	\$ 500,000.00
2. RLF Income Added to RLF Capital Base for Lending:	\$ 560,999.00
3. Loan Losses:	\$ 350,463.00
4. Disallowance:	\$ 0.00
5. Voluntary Contributed Capital:	\$ 0.00
6. Current RLF Capital Base:	\$ 710,536.00

D. Current Balance Available for New Loans

1. RLF Principal Outstanding on Loans:	\$ 352,005.00
2. Current Balance Available for Lending:	\$ 358,531.00
3. RLF \$ Committed but Not Disbursed:	\$ 150,000.00
4. Current Balance Available, Net of Committed RLF \$:	\$ 208,531.00
5. Current Balance Available, as % of Capital Base:	29.35%
6. Balance Available, as % of Capital Base, for Previous Reporting Period:	13.74%



Part IV: Miscellaneous Information and Certification

A. Recent Loan Activity (Last 6 Months Only)

1. Number of Applications Received During Reporting Period: 2
 2. Number of Loans Closed During Reporting Period: 2

B. Capital Utilization

1. Amount of Excess Cash for Reporting Period: \$ 0.00
 2. Amount of Excess Cash Subject to Sequestration: \$ 0.00
 3. Change in Excess Cash Subject to Sequestration: (\$ 357,800.97)
 4. Amount Sequestered in a Separate Account, as Reported by Grantee: \$ 357,800.97
 5. Name of Bank in which Funds are Sequestered: Wells Fargo
 6. Total Interest Remitted to EDA, as of End of Reporting Period: \$ 53.52

C. RLF Income and Expenses

1. RLF Income Earned During Reporting Period: \$ 6,987.70
 2. RLF Income Used for Administrative Expenses During Reporting Period: \$ 3,357.00
 3. % of RLF Income Used for Administrative Expenses During Reporting Period: 48.04%

D. Administration

1. Has there been any staff turnover during this reporting period? Yes
 2. If yes, please list:
Manager of Office of Econ Dev (M. Caplan) retired 12/16
 3. Date of most Recent Independent Audit: 03/31/2016
 4. Type of Most Recent Independent Audit: Single Audit
 5. Was the audit filed with the Federal Audit Clearinghouse on time? Yes
 6. If no, why not?

E. Semiannual RLF Plan Certification

1. Does the RLF's governing board certify that the RLF is operating in accordance with its EDA-approved RLF plan? Yes
 2. If no, why not?

F. Signature of Authorized Representative: I hereby certify that the information provided in my organization's electronic submission of the RLF report form (ED209) is complete and accurate to the best of my knowledge.

Signature of Authorized Official Click HERE before signing form! Date

Name of Authorized Official Title of Authorized Official

Attachment 11

RLF Recipient Demographics

	Number of Loans	\$ Loaned	Number of Jobs[^] - Created and Saved
Minority Owned	17	\$809,840	115
Women Owned	10	\$415,300	102
Totals	24*	\$1,225,140	217

**Total Number of Loans: Ownership self identifies as minority/women (i.e. three loans, Gloria Johnson, Ticia Cassanova, and Le Belle's are counted in both rows) – for a total of 24 loans issued.*

[^]Number of Jobs: (Created and Saved) express a workforce composition number reported by all RLF loan recipients.