

## San Joaquin County Revolving Loan Fund Creating Opportunity

*Decade-1980-1989*

***Is the project/program still going? If the project/program has ended, what went well and what could have been improved?***

The San Joaquin County Revolving Loan Fund (RLF) was created as a result of a grant from the United States Department of Commerce, Economic Development Administration's (EDA), specifically Title IX of the Public Works and Economic Development Act of 1965. Grant funds were used in their entirety to facilitate an employee buy-out of a company threatening to close their Stockton, CA plant. Because the EDA grant funds were a loan to the Employee Stock Ownership Trust (ESOT) upon their repayment in 1981 the EDA authorized San Joaquin County to utilize these funds (\$5.5M) to capitalize the (RLF).



Initially the RLF was managed under the guidance of County Counsel through a trust agreement with a local financial institution. Although some loans were made in the early years the EDA funding was targeted for recapture if more loans were not made.

In 1988, the San Joaquin County Employment & Economic Development Department (EEDD) became the local administrator of the RLF program. The RLF developed an Administrative Plan which was approved by the EDA enabling EEDD staff to aggressively market the program to new and existing businesses.

As a lender of "last-resort" the RLF faced challenges in identifying potential borrowers that met the various eligibility requirements whether it was job creation or equity injection. Federal regulations overlaid the funds and the program was under constant oversight by the EDA. As a new endeavor in San Joaquin County growing pains and challenges were experienced. Additionally, national macro- and microeconomic policies, not to mention recessions also had to be endured.

**RLF**  
REVOLVING  
LOAN FUND

***Explain, in detail, how the project/program has had an impact on employment, expansion of local tax base & diversification of the area's economy? (500 Words Max)***

Since taking over the administrative reigns of the RLF, the EEDD has aggressively marketed the program to new and existing businesses that were unable to obtain financing through traditional sources. To date, and notwithstanding the ebbs and flows of local, statewide, and national economic cycles, the RLF has performed well making a significant impact on hundreds of businesses and thousands of residents of San Joaquin County.

Cumulatively, per the last reporting period 12/31/18 the RLF had funded 184 loans totaling \$43,280,924. These loans created or retained 3,867 jobs in San Joaquin County and further leveraged \$39,771,748 of private sector capital. Income generated from the loans paid for administrative costs with the remainder added to the capital base of the RLF. As of 12/31/18 the RLF's capital base is \$6,655,266.

A wide range of entrepreneurs and companies have been funded by the RLF. Examples include food wraps, rebar manufacturing, auto dealerships, general retail, restaurants, and recently a climbing gym.

The BIL program has funded 23 loans since its inception totaling \$455,000. There has never been any loan loss attributed to the BIL program.

***If the project/program has not ended, please explain what phase it is in and what will come next.***

Like all programs, in order to avoid complacency change is necessary. The RLF, in the late 1990s paired up with the Greater Stockton Chamber of Commerce, San Joaquin Delta College Small Business Development Center, Private Industry Council (now "WorkNet"), San Joaquin County Economic Development Association and the California Trade & Commerce Agency (TTCA) through the California Business Incubator Enterprise Program to establish a new Business Incubator Loan (BIL) program that would also be administered by the County's EEDD lending staff. San Joaquin County received a \$100,000 grant from TTCA through AB 1812 and matched those funds with \$200,000 to initially capitalize the program. These loans range in size from \$5,000 to \$25,000 and are focused on start-ups and entrepreneurs.

Most recently, (April 2019) in an effort to pivot the RLF towards more expediency and the largest category of applicants, created the SmallCAP program focusing on loans in the \$25,000-\$100,000 space. RLF research had found that the majority of RLF applicants were encompassed in this range and thus developed a loan product that would showcase a streamlined approval process that would get funds in the hands of borrowers quicker.

The RLF will continue to evaluate its products, offerings, and services and cater them to the County's business community. The federal EDA has been very helpful and open to new ideas across the entire spectrum of EDA-funded RLFs. This collaboration between local and federal government has truly benefited San Joaquin County.

***What advice would you give other communities who want to replicate this project/program?***

First, and perhaps most importantly spend the time and prepare a Strategic Plan for lending in your community/jurisdiction. It will take time but trying to establish a program and the related support infrastructure on the fly will place you and your program in serious peril. Dedicated resources are paramount, and that includes not only staff, but third parties like title companies, attorneys, CPAs and the like that you will engage in the lending process. If you are seeking federal EDA funding understand you are a lender of last resort and that means that your applicant has to have been turned down or not have access to credit (the EDA has broadened what it accepts for credit not otherwise available recently).

Equally important is your referral sources. You **MUST** establish relationships with local banks and financial institutions and gain their trust. They are looking for a source to refer their banking clients they cannot help at this time. We realize at the SJC RLF we are a springboard for our clients back into traditional banking/lending relationships. Most banks won't fund start-ups, but if you decide to do so and your clients perform you can take great pride in helping advance that company.

Sound financial management and portfolio management are absolutely critical. Maintain checks and balances and carefully review best practices of your peers in the lending arena, especially those who function in California. You need to know the laws and regulations and get buy-in from stakeholders. Seriously contemplate whether you have the capacity to operate a program. Its not a hobby, its an adventure! You will make a lot of great contacts, meet really innovative business owners, and help facilitate job creation and investment.

