

**TREASURE COAST REGIONAL PLANNING COUNCIL
REVOLVING LOAN FUND SERVICE AREA AND FUNDING EXPANSION
JUNE 9, 2020 REVISED**

Purpose and Background

The retention and growth of small- and medium- size businesses can be constrained by a lack of access to capital. This situation has been exacerbated by the economic damage caused by the Coronavirus Pandemic and the activity restrictions and business closures necessary to restrain the spread of the virus. Revolving Loan Funds provide a means to put capital in the hands of small businesses that might not otherwise be able to obtain loans. As loans are repaid, the funds are loaned out again to new borrowers allowing the program to continue and expand its reach into the community. The South Florida Regional Planning Council (SFRPC) currently operates a Revolving Loan Fund (RLF) through the U.S. Department of Commerce, Economic Development Administration (EDA), that provides low interest loans ranging from \$25,000 to \$500,000 to small- and medium- size businesses. Since 2002, the SFRPC RLF program has serviced more than 410 loans, totaling more than \$37 million, and helping fund projects totaling over \$112 million. As a result of these investments, more than 8,000 jobs have been created or saved. These projects were funded with RLF money because conventional funding was not available. The original lending area was Monroe, Miami-Dade, and Broward counties in the SFRPC region but was expanded in 2019 to include Palm Beach County in the Treasure Coast region. The expansion was approved by Council on December 14, 2018 through Resolution 2018-04. At the time, there was no new capital available to invest into the RLF so the service area expansion was limited to just part of the Treasure Coast region due to the limited loan funds on hand.

As part of the CARES Act of 2020, the EDA will be providing new funding to existing RLFs in good standing, doubling their existing funds without the requirement for matching funds. For the SFRPC RLF, this means that \$5.38 million is being provided for them to make new loans in their existing service area of Monroe, Miami-Dade, Broward, and Palm Beach counties, with an additional 10% to administer the funds. The EDA is also making grant funds available on a competitive basis to, among other things, establish or expand Revolving Loan Funds to help address the impacts of the Coronavirus Pandemic.

Proposed Project

Council does not currently operate an EDA RLF and it will be faster and more efficient to bring these services to the rest of the Treasure Coast region (Martin, St. Lucie, and Indian River counties) by expanding the existing RLF operated by the SFRPC, especially considering that Palm Beach County is already within the SFRPC RLF service area. Council, therefore, would like to request funding from EDA to supplement the additional capitalization provided to the SFRPC RLF by the EDA and to expand the lending service area to include the entire TCRPC region.

Considering that the existing 4 county lending area was provided with \$5.38 million in additional loan funds, and considering that the basis of that award was the amount of the existing loan pool developed when the lending area was only 3 counties (Monroe, Miami-Dade, and Broward), the population related to that \$5.38 million is approximately 4,797,115 people. This equates to \$1.12 per capita. Considering that the population of the 4 county Treasure Coast

region is 2,065,763 people, at \$1.12 per capita, this equates to \$2,316,768 or \$2.3 million for clarity.

To utilize the \$5.38 million, a new CARES Act RLF Plan will be established by the SFRPC, which will predominantly follow their existing RLF Plan but with added flexibility to their underwriting parameters to help small businesses impacted by the Coronavirus Pandemic. If our application to the EDA is successful, the \$2.3 million requested will be added to the CARES Act RLF and pooled with the \$5.38 million for loans across the SFRPC and TCRPC regions.

As an expansion of the existing SFRPC RLF program, it is expected that the existing SFRPC staff which administers their RLF will continue to do so. In order to serve the entire Treasure Coast region, TCRPC staff will assist in promoting the RLF and identifying potential applicants along with our partners in the economic development organizations in each county. SFRPC staff will make themselves available in the region as necessary to meet with potential applicants and otherwise administer the loans.

Funding

The U.S. Economic Development Administration has made new funding available to communities for potential projects that prevent, prepare for, and respond to coronavirus, including for necessary expenses for responding to economic injury as a result of coronavirus. This funding can be used to help communities catalyze public-private partnerships that will support economic recovery. The EDA CARES Act funding requires a 20% match (compared to the usual EDA 50% match), therefore to bring this new funding to the region, the newly served areas would need to provide 20% of the loan funds matched by 80% in EDA funds. These amounts would be \$460,000 in local (non-federal) match funds and \$1,840,000 in EDA (federal) funds. Using population to apportion this money, Martin and Indian River counties would each need to contribute 25% (i.e. \$115,000) and St. Lucie County would need to contribute 50% (i.e. \$230,000) on a one-time basis after which the loan program would continue to operate without further funding being necessary. Under certain conditions, EDA's regulations provide discretion to establish a maximum EDA investment rate of up to 100% for certain projects. In consultation with our EDA representative, it does not appear that this re-capitalization of funds will be eligible for the match exemption.

Matching funding provided by each county and the associated EDA funds will be managed internally to ensure that at least that amount is made available for loans within that county, with the potential for more loan funds to be available from the pool.

Comprehensive Economic Development Strategy (CEDS) Plan Consistency

Innovation & Economic Development

Objective: Promote innovation and competitiveness, preparing the region for growth and success in the worldwide economy.

Business Climate & Competitiveness

Objective: Create a business climate supportive of existing industries and welcoming of new ones.