


ECONOMIC DEVELOPMENT AUTHORITY

Date: May. 15, 2023
Item No.: 5.b

Department Approval

Executive Director Approval

Janice Gundlach

Paul J. Trueman

Item Description: Adopt a Resolution creating a small business micro-loan pilot program

1
2 **BACKGROUND**

3 At the March 13, 2023 Roseville Economic Development Authority (REDA) meeting a small business
4 micro-loan program was presented for discussion. While the REDA was not asked to take any formal
5 action at that meeting, feedback was sought on whether or not to proceed and what type of program
6 parameters were acceptable. Based on the REDA's feedback, no substantial changes were recommended to
7 the program's parameters as presented by staff (Attachment A). As such, the proposed Small Business
8 Micro-Loan Pilot Program parameters and guidelines are as follows:

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10 Program Parameters

11 Loan funds are only to be used for capital improvements. Eligible capital improvements include, but are not
12 limited to: repair, renovation and rehabilitation of buildings; building code corrections; and façade
13 improvements.

14
15 To be eligible for a small business micro-loan, a business must meet *all* of the following criteria:

- 16
- 17 • Employ no more than 5 full-time equivalent employees (including the business owner).
 - 18 • Have a brick-and-mortar presence in Roseville. Home-based businesses are not eligible for funds,
19 unless the funds are proposed to be used towards expansion into a brick-and-mortar location in
20 Roseville.
 - 21 • The business must use the micro-loan proceeds in connection with an expansion of the business's
22 operations that results in an increase of employees or be able to demonstrate that the funds are
23 necessary to help prevent job loss.

24 Loan Structure

- 25
- 26 • Micro-loans would be forgiven if the business remains open in the City of Roseville for a period of
27 3 months.
 - 28 • At the end of 3 months, the business must provide a statement describing how the assistance helped
29 to expand the business, increase the number of employees, or retain employees.
 - 30 • Micro-loan proceeds would be disbursed directly to the contractor who completed the capital
31 improvements following receipt of a final invoice.
 - 32 • Micro-loan recipients would enter into a forgivable loan agreement with, and deliver a promissory
33 note to, the REDA. Micro-loan proceeds must be disbursed within 6 months of execution of the loan
34 agreement.
- 35

36 Application Requirements

- 37 • Basic details about the business (who, what, where).
- 38 • Must be able to demonstrate the business has been in business for at least one year.
- 39 • Description of capital improvements to be funded.
- 40 • A statement of need, including whether access to traditional funding has been explored, and if yes,
- 41 why traditional funding was not pursued for the intended use of the micro-loan.
- 42 • A summary of the business’s monthly revenues & expenditures for the last 1-2 years.
- 43 • An explanation of how the micro-loan will help the business remain and expand in the City of
- 44 Roseville and/or create or retain jobs.

45
46 Businesses Not Eligible

47 The following businesses *are not* eligible:

- 48 • Businesses that do not have a physical address within the City of Roseville
- 49 • Non-profit organizations
- 50 • Businesses with annual gross revenues greater than \$1 million
- 51 • Chain retail
- 52 • Businesses that derive income from passive investments without operational ties to operational
- 53 businesses
- 54 • Businesses that engage in sexually explicit goods/services
- 55 • Businesses that engage in gambling enterprises
- 56 • Businesses that engage in activities prohibited by law
- 57 • Businesses that earn revenue from pyramid schemes, lending services and/or day trading/short term
- 58 investments
- 59 • Businesses that are not in compliance with all state and local laws and regulations pertaining to
- 60 licensing, building codes, zoning, and environmental requirements
- 61 • Businesses that have delinquent taxes, bills, fines or other charges due to the city

62
63 Anticipated Total Program Funding

- 64 • *Maximum micro-loan* funding per business would be \$5,000 (not to include Open to Business fees)
- 65 • Total program budget would not exceed \$30,000
- 66 • Administrative fees would not exceed \$5,000 (included in the \$30,000)
- 67 • Funding must be dispersed by December 1, 2024 (deadline for ARPA)
- 68 • Micro-loans would be administered through Open to Business
- 69 • Open to Business would be responsible for execution of loan agreements with loan recipients and
- 70 follow-up after 90 days regarding loan forgiveness criteria
- 71 • Open to Business would enter into an agreement with the REDA for program administration

72
73 Anticipated Minimum & Maximum Loan Amounts – loan award to be determined based on need*

- 74 • \$5,000 max (would result in no less than 5 recipients)
- 75 • \$1,500 min
- 76 • If costs of improvement exceeds micro-loan proceeds, then the business will need to show proof of
- 77 funds to complete improvements before award of loan.

78
79 *Loan award amount would be based upon need - businesses with the most demonstrated need would receive the maximum
80 funding and businesses not able to demonstrate need would not be funded. Total number of loans awarded, and loan amounts,
81 would be driven by available funding and number of qualified applicants.

82

83 As previously discussed at the March REDA meeting, this program is proposed as a pilot program due to
84 the type of funds being used (ARPA) and to gauge actual interest and use by Roseville businesses. The
85 attached resolution allows for the Executive Director to make modifications to implement the program
86 based on the following conditions:

- 87 • Amendments or consents do not materially adversely affect the interests of the REDA,
- 88 • Amendments or consents do not contravene or violate any policy of the REDA, the City or
89 applicable provision of law, and
- 90 • Amendments or consents are acceptable in form and substance to the counsel retained by the
91 REDA to review such amendments.

92
93 If the program is deemed successful, the REDA could consider continuing the program in some form at a
94 future date after all funds allocated to the pilot are extinguished. The pilot program will be reviewed based
95 on lessons learned through implementation. It should be noted that because the pilot program is being
96 funded with ARPA funds, a decision to continue the program would require that a funding source be
97 identified.

98
99 **POLICY OBJECTIVE**
100 The REDA’s role is to coordinate and administer housing, economic development and redevelopment
101 efforts for the City of Roseville.

102
103 **BUDGET IMPLICATIONS**
104 The REDA would utilize up to \$30,000 of ARPA funds for this pilot program.

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106 **RACIAL EQUITY IMPACT SUMMARY**
107 No specific racial equity impacts have been identified related to this request. However, the need for this
108 program was discovered through the Choose Roseville program where outreach to BIPOC businesses was
109 prioritized. This suggests the likelihood a BIPOC-owned business may benefit from a micro-loan is high.

110
111 **STAFF RECOMMENDATION**
112 Approve the Small Business Micro-Loan Program.

113
114 **REQUESTED REDA ACTION**
115 By motion, adopt the Resolution provided as Attachment D, approving the Small Business Micro-Loan
116 Program.

117
118 Prepared by: Jeanne Kelsey, Housing & Economic Program Manager, 651-791-7086

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120 Attachments A: Minutes from March 13, 2023 meeting
121 B: Forgivable Micro-Loan Program Guidelines and Application
122 C: Loan Agreement Micro-Loan Program
123 D: Resolution

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