



AGENDA ITEM NO.  
**C-9**

# COUNTY OF HUMBOLDT

For the meeting of: April 22, 2014

Date: March 31, 2014

To: Board of Supervisors

From: Phillip Smith-Hanes, County Administrative Officer *PSH*

Subject: Approval of Headwaters Fund Revolving Loan Fund Contracts to Arcata Economic Development Corporation and Redwood Region Economic Development Commission.

### RECOMMENDATION(S):

That the Board of Supervisors:

- 1) Review and approve the Headwaters Fund (HWF) Revolving Loan Fund (RLF) lender agreements with the Arcata Economic Development Corporation (AEDC) and the Redwood Region Economic Development Commission (RREDC) through June of 2019; and
- 2) Authorize and direct the Chair of the Board to sign the lender agreements between the County and AEDC and RREDC (Attachments 1 and 2); and
- 3) Authorize that any consent or approval in these agreements required of County, the HWF Board, or the HWF staff, may be exercised by the County Administrative Officer or, upon the County Administrative Officer's written authorization, by the HWF Coordinator.

### SOURCE OF FUNDING:

Headwaters Revolving Loan Fund

Prepared by Dawn Elsbree, Headwaters Fund Coordinator

CAO Approval *[Signature]*

REVIEW: Auditor *MBM* County Counsel *DS* Human Resources *[Signature]* Other \_\_\_\_\_

TYPE OF ITEM:

Consent

Departmental

Public Hearing

Other \_\_\_\_\_

**BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT**

Upon motion of Supervisor *Lovelace* Seconded by Supervisor *Bass*

Ayes *Sundberg, Lovelace, Bohn, Fennell, Bass*

Nays \_\_\_\_\_

Abstain \_\_\_\_\_

Absent \_\_\_\_\_

### PREVIOUS ACTION/REFERRAL:

Board Order Nos. E-3; C-6; C-4; C-7; E-6; E-1; C-7

Meetings of: 11-05-02; 04-22-03; 09-14-04; 12-11-07; 07-08-03; 12-11-07

and carried by those members present, the Board hereby approves the recommended action contained in this Board report.

Dated: April 22, 2014

By: *[Signature]*

Kathy Hayes, Clerk of the Board



## DISCUSSION:

On November 5, 2002, the Board of Supervisors approved issuing a Request for Proposals (RFP) for loan services for the Headwaters RLF. On April 22, 2003, the Board allocated \$8 million to the RLF from the original Headwaters funds. The Board approved a lender agreement with Arcata Economic Development Corporation (AEDC) on September 14, 2004, extended it on December 11, 2007, and approved a new contract as of July 1, 2010. Your Board approved a three-month extension of this contract to September 30, 2013. Under the lender agreement, AEDC could access up to \$3 million. Similarly, Redwood Region Economic Development Commission (RREDC) was under contract to be a lender for the RLF and could access up to \$3.5 million. The Board approved a lender agreement with RREDC on July 8, 2003, extended it on March 30, 2004, and again on December 11, 2007, and approved a new contract as of July 1, 2010. On February 7, 2012, your Board also approved an increase in the allowable cap on the loan funds that RREDC could access from \$3 million to \$3.5 million. On June 18, 2013, your Board extended the agreement with RREDC to September 30, 2013. Both of these agreements have now expired.

In order to increase the opportunities for community partners to work with the Headwaters Fund RLF and in order to increase loan returns to the fund, your Board authorized the issuance of an RFP on November 5, 2013. That RFP closed on January 31, 2014, with two qualified respondents.

The two respondents were AEDC and RREDC. Each organization proposed two basic changes in terms for the loan program. In the past the loans were underwritten and serviced in exchange for 40% of all of the interest earned on the Headwaters portion of the loan. The first change was to decrease the amount of interest each organization earned on the Headwaters portion of loans under \$150,000 from 40% to 35%. The second change was that for loans over \$150,000, Headwaters would earn 7% of the annual rate, and the loan servicer would earn 1%. Staff and the Headwaters Fund Board Loan Committee reviewed these RFP responses (Attachments 3 & 4) and went back to AEDC and RREDC with two stipulations:

- 1) That the amount of the loan portfolio that is in loans under \$150,000 be capped at 25% of the total portfolio, based on capital amount. This stipulation could be waived in certain circumstances with prior Headwaters Fund Loan Committee approval; and
- 2) With the loans that are less than \$150,000, interest and principal payments would be primary over financing fees.

AEDC and RREDC agreed to these terms and also agreed that contract language would reflect each organization's ability to access up to \$3.5 million in total loan funds on an availability basis. AEDC and RREDC would not be guaranteed \$3.5 million in loan funds if other loan opportunities come to Headwaters in the interim.

The RLF was designed to provide financing to a wide range of businesses to fill the gaps in the market for available financing. The hope with issuing the RFP was to find additional lending partners to provide economic development financing. Feedback from some local lenders is that they do not currently need additional capital for loan making. Other lenders do not have the underwriting capacity but may still end up working with AEDC or RREDC to access Headwaters loan funds as a partner.

## FINANCIAL IMPACT:

Approval of these contracts should have a positive financial impact on the Headwaters RLF as it for more loans to be made at a higher rate of return to the fund.

The recommended action supports your Board's Strategic Framework by effectuating the Core Role of supporting business and workforce development.

OTHER AGENCY INVOLVEMENT:

Arcata Economic Development Corporation  
Redwood Region Economic Development Commission

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Your Board could choose not to approve these contracts. This is not recommended as the current contracts have expired and there is not currently a vehicle for deploying additional loan funds into the community.

ATTACHMENTS:

- Attachment 1: RLF Master Participation Agreements – AEDC and RREDC
- Attachment 2: RLF Lender Agreements – AEDC and RREDC
- Attachment 3: RFP Response AEDC
- Attachment 4: RFP Response RREDC