ECONOMIC DEVELOPMENT POLICY COMMITTEE
Thursday, March 4, 2021
9:00 a.m. – 10:00 a.m.

Virtual/Microsoft Teams Meeting

Call-in number: 1-323-776-6996 Access Code: 831 836 193#

AGENDA

1. Introductions

2. Legislative update (CEO) — 10 minutes

3. Regional Microloan Program (CEO & Angel City Advisors) — 30 minutes

4. Business Relief updates: — 20 minutes

   a) LA Regional Covid-19 Recovery Fund (DCBA)

   b) Keep LA County Dining (LACDA)

5. Public Comment

NOTE:

Please send comments to EconomicDevelopment@ceo.lacounty.gov by Wednesday March 3rd at noon. They will be shared with the Committee prior to the meeting.

Regional Microloan Program: **Design & Implementation Plan**

Summary Presentation | Angel City Advisors | March 2021

Background

- Board of Supervisors initiated formal consideration of a regional microlending program via March and November ***2019 Motions*** titled *Creation of a Countywide Microloan Program*, co-authored by ***First and Second Districts***.

- A ***Needs Assessment*** and ***Program Design & Execution Plan*** were delivered to the County CEO in May and October 2020 by Angel City Advisors. A multivariate Social Equity Index was created, and an Equity Mapbook to assist place-based investment was published.

- Simultaneously, the social and economic stress created by the ***COVID-19 pandemic has increased demand*** for patient capital and laid bare the inequities faced by vulnerable populations and enterprises seeking economic relief.

Program Mission

What is the County Microloan Program's Mission?

- Los Angeles County acknowledges that many ***entrepreneurs of our region continue to be left out*** of traditional capital offerings as well as small business relief programs, and require a dedicated borrower-centric program to address that inequity.
- Los Angeles County will invest catalytic capital into those ***local nonprofit microlenders*** who are willing to engage in business lending packaged with high-touch technical assistance to advance the ***explicit mission of supporting vulnerable and underfunded*** entrepreneurs in the region.
- Our public investments, leveraged by private partners, will result in greater deployment of responsible working capital loans during this time of economic recovery and ***build a resilient, indigenous microlending infrastructure*** for our future.

Program Investments

What County Investments Will be Made?

1. ***Balance Sheet Equity*** – grant funds will be awarded for cash reserves held by microlending partners, which can serve as loss reserves and allow for greater external capital raising.
2. ***Operating Support*** – grant funds will be awarded for operating support, restricted for the purposes of either (a) hiring additional outreach and consulting staff; or (b) rate/fee buydowns to offer more affordable loan products to microborrowers.
3. ***Loan Guarantees*** – additional reserves will be set aside to offer significant loss protection for high-impact, high-equity transactions.

Program Products

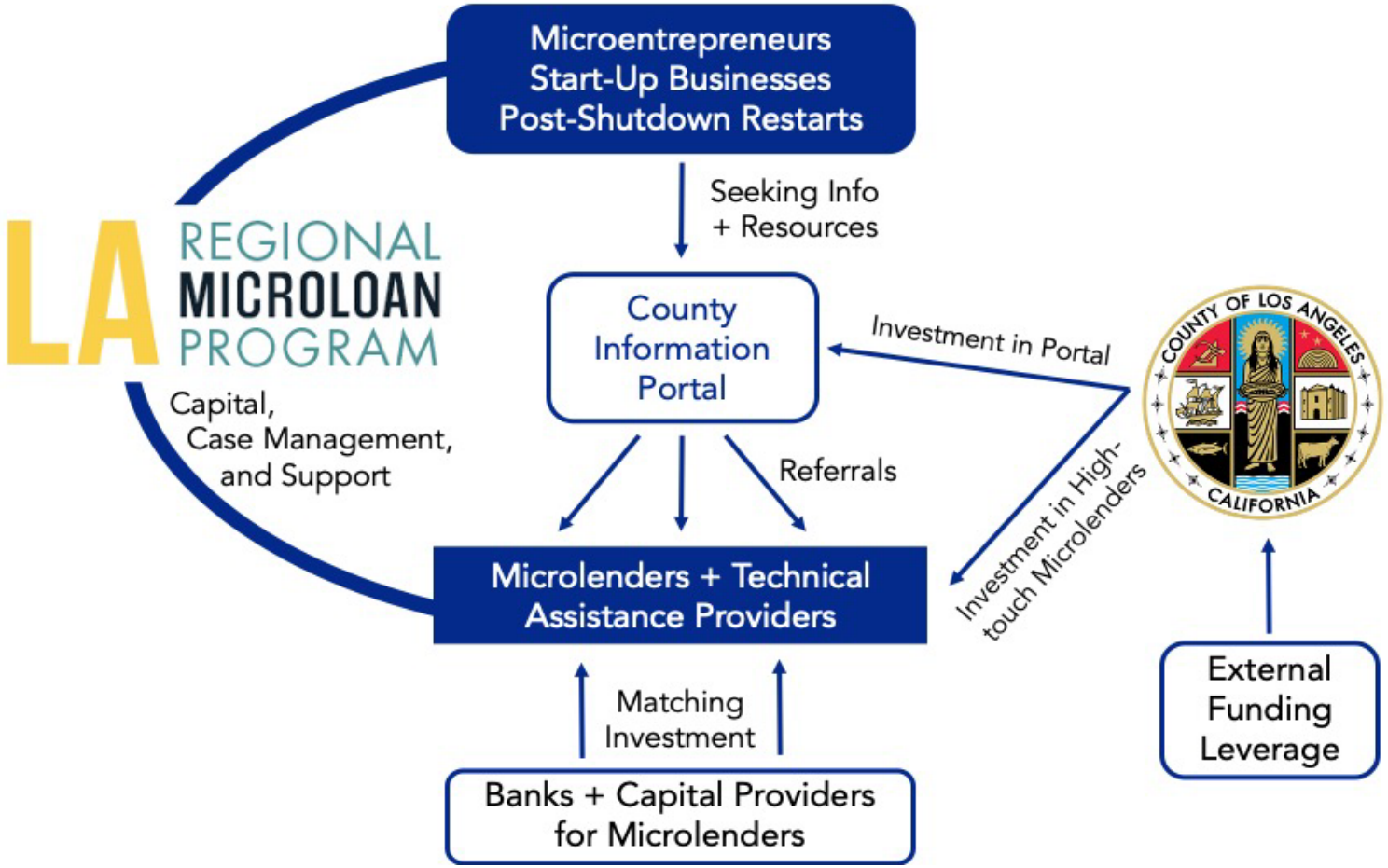
What Types of Products could be Offered?

Products	Loan Amount	Term	Uses	Cost / Underwriting
Microbusiness Working Capital	$1,000 to $15,000	Up to 3 years	Costs to operate business	Low interest, low fee, TA participation, and other preparedness measures. Operating experience and prior success.
Line of Credit (LOC)	$2,500 to $25,000	Review and renew every 2 years	Support cash flow operating needs	Interest rate tied to risk, any collateral available, and other underwriting non-FICO based credit characteristics Line of credit increased in increments based on successful repayment
Microbusiness Restarts	$15,000 to $50,000	5 to 7 years	Costs to restart business	Low interest, low fee, TA participation, and other preparedness measures. Operating experience and prior success.
Microbusiness Startup	$1,000 to $15,000	Up to 5 years	Include licenses, education, tools, inventory, etc. to start new business	Low interest, low fee, TA participation, and other preparedness measures. No collateral required

What is the Leadership Role of the County?

Value-add Leadership Roles:

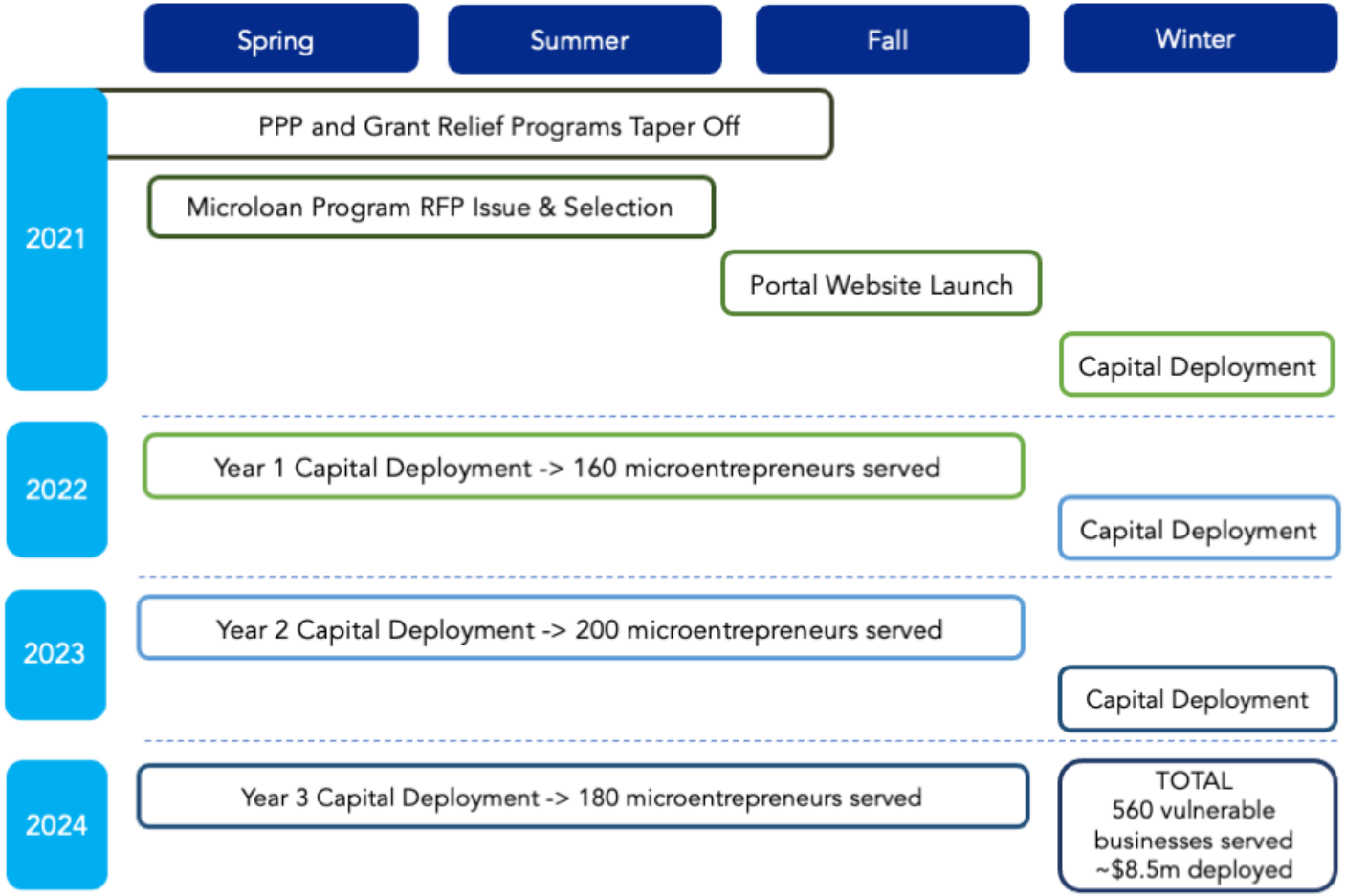
- Microloan Program Portal (companion to DCBA portals, a first-stop resource)
- Provide Catalytic Capital to build up microlenders
- Convening role for regional stakeholders and funders
- Connector for County vendors seeking working capital
- Additional Microbusiness Support Infrastructure over time



Program Timeline

What is the Timeline of the Microloan Program?

- PPP and Grant Relief expected to taper off by Fall 2021 and a Microloan Program could then by ready to deploy capital to continue support for vulnerable microentrepreneurs
- The County could launch the program within 10 months of a decision and funds commitment.



What is the County's Financial Commitment?

$5 million investment in year one, $1 million in years 2 and 3 (total $7 million over 3 years). Payments can be staggered if necessary.

Will leverage outside capital sources to create a $9 million microloan fund (avg loan size $16,500 over 500+ entrepreneurs) as well as operating funds for partner microlenders and product subsidies and loan guarantees for the borrowers.

Once program platform is built, it can be replenished or scaled easily if additional resources become available.

Use of Funds ($5 million)	% of Budget Allocation	$ Grant Allocation	Capital Match Requirement	Total $'s for community impact
Balance Sheet Equity	60%	$3,000,000	3:1	$9,000,000
Technical Assistance Funding	16%	$800,000	No match	$800,000
Product Subsidy	15%	$750,000	No match	$750,000
Guarantee	9%	$450,000	No match	$450,000
Total	100%	$5,000,000		$11,000,000

In Summary…

- Regional Microloan Fund is a borrower-centric, equity-first program to bring capital to those microentrepreneurs consistently cut-out of funding due to structural barriers.
- The program targets vulnerable segments and does *not* cannibalize the work of other loan programs or grantmaking entities in the region.
- The investments shore up local microlending infrastructure that has been undercapitalized and builds a more resilient system for future economic shocks. It also sets the table for future County investments in business support services in line with the East LA Entrepreneurship Center and City of LA BusinessSource Centers when the time is right.
- The County can play a leadership role without getting into the business of lending. A $5 million investment (with modest follow-ons) can launch a $9 million fund with wrap-around services that operates over three years.

Questions?

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CEO

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