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## **Santa Clara County Supervisors to Vote on \$100 Million Loan Program for Small Businesses**

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The proposal comes up for a vote on Tuesday. (Photo by Rido, via Shutterstock)

As businesses throughout the South Bay face losses, layoffs and bankruptcy, Santa Clara County leaders are considering whether to allocate \$100 million in small loans to help them pull through the crippling pandemic.

The proposal comes up for debate at Tuesday's Board of Supervisors meeting.

Pitched by county supervisors Joe Simitian and Susan Ellenberg, the plan would make low-interest loans available for local businesses adversely impacted by Covid-19.

"COVID-19 has been an economic body blow for our county's small businesses and their employees," Simitian said in a press release about the proposal. "These businesses are the backbones of our communities, providing employment and economic stability for residents across the county."

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Ellenberg echoed the sentiment.

“Throughout this health crisis, we have all made great sacrifices for the health and safety of our communities,” she said in a prepared statement. “Our small, local businesses are no exception. And as we look to ways to mitigate the impact of this crisis for all those affected, it is our responsibility to include supports that can offset some of these negative impacts on our small businesses to assure that their families and the families who look to them for work, can survive.”

Though small businesses suffer the most, they’re faced with a dearth of resources, the two supervisors note.

“Businesses in all sectors have been impacted,” the board referral memo states, “but it’s small businesses that often find themselves locked out of traditional capital markets. And we know that it is small business ownership that often provides women, immigrants, and people of color their first opportunity to become business owners. We also know it is these businesses, the very ones that provide the promise of opportunity, that have been most dramatically devastated by the shelter in place order.”

If the five-member board approves the referral on Tuesday, county staff would drum up a list of options for rolling it out and present a report about them at the Nov. 18 meeting. Among the issues to be addressed in that report are:

- Total target for the loan fund
- Source of funds
- Initial thoughts as to eligibility criteria
- The potential range of loan amounts
- How and by whom the loans will be underwritten and serviced
- Issues, if any, with legal prohibitions on “gift of public funds” and/or constitutional prohibitions on public banking

Though the county lacks experience in administering loans, Simitian proposed that it could team up with community organizations and lending institutions to make the plan work.

“Thought will need to be given both to the size of the loan program and the maximum amount available to any individual business,” the referral reads. “And while this is a time of economic uncertainty, there is an opportunity for the county to realize some degree of return on investment and that should be taken into account when right-sizing the program. It should be reasonable to consider a loan pool ultimately on the order of \$50-\$100 million, particularly if we can leverage outside funding sources and/or like-minded partners.”

To that end, the report back on Nov. 18 should include information about other sources of funding that could potentially expand the loan program. Those alternatives could include bigger businesses, philanthropists, nonprofits, finance professionals and local cities.

Simitian and Ellenberg also want the county to consider whether some loans might be forgivable

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under certain circumstances.

“For example,” they state in their joint referral, “there could be future state or federal funds that might be used to supplant some of the county funds or it might make sense to underwrite a loan for personal protective equipment or other expenses directly related to Covid-19 differently than loans for other purposes. The repayment structure of these loans should be focused on helping our local small businesses recover from the harms they have suffered during this crisis.”

Finally, they add, the county should consider if they could broaden the program to boost availability of personal protective equipment, technical services and other assistance to help small businesses adapt operations to the prolonged public health emergency.

“While support for these businesses can and should be provided by the state and federal government, sufficient support has not been forthcoming,” Simitian said of the plan. “The state lacks resources, and timely action from the federal government seems unlikely. While some programs exist, they are time-limited and inadequate to meet the demand.”

That’s why the county should step up, he argued, even though its own budget is strained from pandemic-related revenue losses.

Still, he said, “a soundly structured loan program allows us to provide significant help while eventually recovering the bulk of the funds.”

“Many businesses find that their options have been exhausted, and are desperately trying to hold on,” Simitian added. “While the county doesn’t have significant experience in administering this type of program, by partnering with local financial institutions and nonprofits, we can find something that works to help those that are hurting.”

*The Board of Supervisors meeting starts at 9am Tuesday. [Click here](#) to read the agenda and [here](#) for information about the small business loan proposal.*