



Lake County Economic Development Corporation (Lake EDC)
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To: City Councils and Board of Supervisors

From: Lake EDC Contract Staff, Andy Lucas and Jeff Lucas

Date: February 1, 2019

Subject: Lake EDC Budget, Program Background, Planned Work, and Request for Funds

Background:

The Lake EDC is a 501 C 3 nonprofit public benefit corporation governed by a nine-member board of directors representing government, nonprofit, business, and tribes. The board will expand to eleven members in 2019.

The following Lake Economic Development Corporation (Lake EDC) activity and budget description is provided to update board and council members with information regarding the work of the Lake EDC and sources and uses of funds. The Lake EDC operates on an annual cycle of July 1 to June 30 each year.

1. Sources of income to the Lake EDC are:

A. **USDA Rural Business Development Grant (RBDG):** Lake EDC has successfully received grant funds specifically for the purpose of providing technical assistance to small businesses in Lake County for the period of July 30, 2018 through July 30, 2019 in the amount of \$92,000. The EDC contracts with Community Development Services (CDS) to provide technical assistance to small businesses using these grant funds. For the purposes of cashflow, the EDC pays CDS on a monthly basis for these services from the Intermediary Relending Program (IRP) account. On a quarterly basis CDS prepares and submits reimbursement requests to the USDA for the services provided the previous three months. Those RBDG funds are then reimbursed to the IRP account. The cities of Lakeport and Clearlake each contributed \$2,500 for a total match of \$5,000 for this grant. At this time, the primary source of funds for core business services is USDA RBDG funds. The USDA RBDG program usually operates on an annual cycle of July 1 to June 30. In order to accommodate this grant cycle, our budget is set up on an annual July 1 to June 30 basis.

B. **Local sources of income** include contributions from the City of Clearlake, City of Lakeport, and County of Lake for project specific activities. These activities include membership in Team California for business attraction, and Zoom Prospector, a web-based business attraction tool. The contributions from the City of Clearlake and the City of Lakeport provide match funds for the USDA RBDG grant as indicated above.

Current local contributions for budget year 2018/2019:

Source	Amount	Use
City of Clearlake	\$2,500	Match Funds RBDG/Team CA
City of Clearlake	\$1,000	Zoom Prospector
City of Lakeport	\$2,500	Match Funds RBDG
City of Lakeport	\$1,000	ZoomProspector
City of Lakeport	\$ 833	Team CA
County of Lake	\$2,000	ZoomProspector
County of Lake	\$ 834	Team CA

C. **Regional sources of income** include CalRecycle, Recycling Market Development Zone (RMDZ), Zone Incentive Funds (ZIF), in the amount of \$7,800. These funds are allocated to the following projects:

Source	Amount	Use
RMDZ/ZIF	\$5,000	Zoom Prospector
RMDZ/ZIF	\$1,500	Printed Marketing Material
RMDZ/ZIF	\$1,300	Lake EDC Website

- The EDC also manages a USDA-funded business loan program called the **Intermediary Relending Program (IRP)** which consists of five separate loans from the USDA in the total amount of \$2,750,000. Each loan from the USDA is structured with a 30-year repayment term. The first three years being 1% interest-only payments and the remaining term being principal and interest payments at 1% fixed rate. These loan funds are used by the EDC to make business loans to local businesses not to exceed \$150,000 for each loan. Since the IRP program beginning in 2002, the EDC has made 31 loans totaling over \$3,413,595, at interest rates varying from 4% to 8% depending on market rate and degree of risk.
- In addition to the direct business services that are provided by the Lake EDC, **CDS contract staff** provide administrative, grant writing, marketing, Board support, and loan underwriting and packaging services on a monthly basis. The source of income for these services is the IRP business loan repayments revenue stream. This expense averages \$2,500 per month. The average IRP business loan repayments average \$11,390 per month.
- A funding application has been submitted and informally approved by the **US Economic Development Administration** in the amount of \$160,000 for a two-year period for the purpose of hiring a part time economic recovery coordinator. We expect these funds to come on line in July 2019. The coordinator will provide assistance to local businesses, assist with implementing the Comprehensive Economic Development Strategy (CEDS), expand our capacity to develop broadband services, work with community colleges, contractors, and the Workforce Alliance of the North Bay (WANB) to generate construction skills training, to help rebuild homes, help with the administration of the Lake EDC website, Facebook, Instagram, and Twitter accounts and marketing activities.

5. In 2018 Lake EDC started working closely with the **USDA 502 housing programs** to provide low interest flexible financing to working families so they can buy or finance the building of a home. The reason we did this is that home ownership is important to community development and building family equity. Our local employers consider home ownership a key to workforce stability and upward mobility. It is fundamental to community and economic development, especially in a place where so many homes have been lost to fires. This effort has not yet generated income for the EDC. However, Deborah Swartz (CDS staff), has received 502 loan program packaging certifications, and after four loans have formally gone through the packaging process, the EDC will be receiving \$1,500 from the USDA at the closing of each 502 loan. Under separate contract, as required by the USDA, Deborah will be paid \$250 for each loan, leaving a net income of \$1,250 to the EDC for future uses, such as meeting match requirements for future grants.
6. In the past, housing and economic development have been seen as separate activities, related, but implemented by separate and different types of organizations. We don't think that model will work for us in Lake County in the future. We believe that the EDC can play a larger, much more **proactive role in housing development in Lake County**. At our Housing Fairs we have Realtors, brokers, lenders, and builders present to work directly with families so they can buy a home.
7. We believe that the Lake EDC should take a more proactive role in building resiliency for our communities by **pursuing CalFire grant funds for Fire Wise Communities**, fuel load reduction, and related projects in cooperation with our local communities and property owners. The Cobb Area Fire Wise project is a good example of what can be done to prepare for, and reduce the impacts of, the next series of fires.
8. On December 3, 2018, a **Lake County Economic Development Strategy** was presented by Dr. Robert Eyler at a workshop of the Board of Supervisors and the two city councils. Later that week the Lake EDC Board met and advised staff to focus on implementing three tasks from that strategy in addition to our existing work, and to provide an estimate of cost to complete the three tasks during program year 2019/2020.

These three tasks are:

1. **Define and market twenty-five commercial sites** in Lake County with complete information on each site needed for development. Post these sites on the Site Selector tab of the Lake EDC website.
<https://www.lakecountycaedc.org/site-selectors/>
2. **Expand broadband services to commercial and residential users** not adequately served now.
3. **Fund infrastructure improvements** (such as public bathrooms and wastewater treatment at Lampson Airfield).

The Lake Economic Development Corporation is requesting funds from the Cities of Clearlake and Lakeport and the County of Lake to help fund the three tasks described above.