



Richland County Council
Office of Small Business Ad Hoc Committee
MINUTES
December 10, 2024 – 4:00 PM
Council Chambers
2020 Hampton Street, Columbia, SC 29204

COUNCIL MEMBERS PRESENT: Derrek Pugh, Chair; Gretchen Barron, and Chakisse Newton

OTHERS PRESENT: Paul Livingston, Allison Terracio, Jesica Mackey, Anette Kirylo, Jackie Hancock, Leonardo Brown, Lori Thomas, Jennifer Wladischkin, Tamar Black, Pamela Green, Patrick Wright, Michelle Onley, Kenny Bowen, Phil Harris, Ashiya Myers, Angela Weathersby, and Kyle Holsclaw

1. **CALL TO ORDER** – Chairman Derrek Pugh called the meeting to order at approximately 2:00 PM.
2. **APPROVAL OF MINUTES**
 - a. September 17, 2024 – Ms. Newton moved to approve the minutes as distributed, seconded by Ms. Barron.

In Favor: Pugh, Barron, and Newton

The vote in favor was unanimous.
3. **ADOPTION OF THE AGENDA** – Ms. Newton moved to adopt the agenda as published, seconded by Ms. Barron.

In Favor: Pugh, Barron, and Newton

The vote in favor was unanimous.
4. **ITEMS FOR DISCUSSION/ACTION**
 - a. Revolving Loan Fund – Ms. Pamela Green, Office of Small Business Opportunity Director, indicated the Revolving Loan Program would align with three (3) of the strategic goals: Economic Development, Plan for Growth, and Achieve Positive Public Engagement. The purpose of the Revolving Loan Fund is for those businesses that have difficulty obtaining financing through traditional measures. It would be in place to ensure that we are creating jobs or retaining jobs. It will also be a capacity builder and support revitalizations of some designated areas in unincorporated Richland County.

Currently, the City of Columbia has a Revolving Loan Program that only serves within the city limits. They often turn away business owners who request lending because they are outside the city limits.

Three potential primary funding sources have been identified: Economic Development Administration–Economic Adjustment Assistance (EDA–EAA) Funds, CDBG Funds, and Richland County General Funds.

The “EDA” fund is a unit of the Department of Commerce. The awards range from \$500,000 to \$2M and are used to capitalize or recapitalize revolving loan programs. The main evaluation criterion is that they must satisfy at least one of the seven investment priorities. The investment priorities are Equity, Recovery & Resilience, Workforce Development, Manufacturing, Technology-Based ED, Environmentally Sustainable Development, and Export & Foreign Direct Investment. She noted that the Revolving Loan Program would be consistent with Equity and Workforce Development in terms of creating and retaining jobs.

The CDBG funds would have HUD low-to-moderate income (LMI) requirements. Currently, \$50,000 has been designated for the Office of Small Business Opportunity. In February, they would like to apply for an additional \$25,000. These funds would be considered for potentially forgivable loans or smaller loan amounts due to the HUD requirements that will be attached.

Finally, a review of the City of Columbia's program shows the need for 25% match funds from the General Fund.

The Revolving Loan Fund would be "gap funding." Everything would be collateralized. The minimum loan would be \$10,000, and the maximum would be \$200,000. Potentially, there would be tiered pricing, which helps mitigate the risks associated with these types of loans. There are allowable administrative expenses under "EDA." It was noted the City of Columbia utilizes a third-party loan servicing agent. The cost for this service would be approximately \$18-\$25 per loan recipient. This third-party entity would be responsible for billing and collecting payment.

To effectively administer the program, there would need to be designated staff with an in-house loan officer and a compliance coordinator to ensure we are meeting Federal guidelines. In addition, a seven-person loan committee will be appointed by Council and will have two-year terms. The committee could adjust fees, interest terms, etc., but we would have baseline guidelines from "EDA."

The EDA requires a five-year loan strategy based on the Comprehensive Economic Development Strategy with the Central Midlands Council of Governments. The County's Revolving Loan Fund goals and objectives would be:

- Education and Workforce: Support programs focused on removing barriers for small local businesses;
- Economy: Support entrepreneurship and small business development, build capacity for the growth and creation of quality, livable wages by expanding lending/funding opportunities, building stronger entrepreneurial ecosystems
- Resilience: Build SLBE capacity for growth and development by providing access to capital and supporting micro-lending programs

The financing strategy would relate to building construction, expansion, land acquisition, machinery, equipment, supplies, and working capital. The proposed terms would include a balloon feature for extended years.

The Revolving Loan Fund would be managed through the Office of Small Business Opportunity. The OSBO Director and Commercial Loan Officer would be primarily responsible for managing the Revolving Loan Fund and coordinating the activities of the Revolving Loan Committee. Essentially, the Commercial Loan Officer would underwrite the loans and submit them to the committee for review. The committee will be diverse and include attorneys, bankers, small business owners, and a representative from the County.

Ms. Barron inquired if the proposal is to use a combination of sources to make up the budget or will the funds be pulled from one source.

Ms. Green responded that matching funds would be needed to utilize the "EDA" funds. The CDBG funds can be counted towards the match. She noted the City of Columbia pulled funds from CDBG, the Economic Development Investment Fund, and their Renaissance Project.

There will be three (3) buckets: "EDA," "CDBG," and the General Fund. As part of the "EDA" piece, we will work with other banks, mostly Community Development Financial Institutions "CDFIs," because we are a gap funder. In most cases, we will be in a second position, but we would have worked with the "CDFIs" for some of the other "BDCs" for those looking for lending opportunities. We will be required to follow HUD requirements for the CDBG funds. The General Fund matching piece would allow us some flexibility with other types of loans. It will be essential to have a great Coordinator to ensure we adhere to all of the guidelines.

Ms. Barron requested more details regarding the tier type pricing.

Ms. Green replied we may want to look at tiered pricing from \$10,000 to \$20,000, etc. The lower amount may be a higher interest rate, but it also serves a particular market.

Ms. Newton inquired what the budget would be for this type of program.

Ms. Green replied there would be an additional \$125,000 for staffing. If we utilize a third party for the loan services, it would be taken out of the interest fees from the program. We would have to determine how to structure the matching piece. The other pieces and the funds available are new parts to her. She will look to Council for guidance on that part.

Ms. Newton inquired if the staff funding would come from the General Fund. In addition, would the referenced committee function similarly to the Hospitality Tax Committee (i.e., would the committee members be appointed by Council)?

Ms. Green indicated the General Fund would be the easiest way to fund staff. The committee would be appointed by Council and make recommendations to the body.

Ms. Barron stated, for clarification, that the committee's only responsibility would be to review the applications and would not serve as a governing body.

Ms. Green replied the committee would have input on some of the procedures (e.g., terms, policies, etc.). The goal is to have a banker and an attorney on the committee.

Ms. Mackey requested examples of what other counties and large metropolitan areas are doing that closely reflect Richland County's demographics. Additionally, what investment would the Council need to make to administer the Revolving Loan Fund Program?

Ms. Green noted that most of the funds will be expensed through the "EDA" bucket. When you look at the Central Midlands Council of Government's Five-Year Plan, the "EDA" is a core piece of it. The County would have to invest at least 25% in matching funds.

Mr. Pugh asked if Ms. Green had come across entities that utilized multiple third-party partners when she was researching revolving loan funds.

Ms. Green pointed out that the County works with eight third-party sources. They have discussed, in general terms, what we would like to do regarding revolving loans. Third-party loan servicers strictly service the loan. They would be responsible for sending out billing and past-due statements and providing the County with notice of those in default.

Mr. Pugh inquired if the 7-person committee would be an ad hoc committee.

Ms. Green responded in the affirmative. The OSBO Office will put together a Five-Year Lending Strategy. Then, they would assemble the components of the Code/Ordinance for how it will operate. We would have the committee review and make suggestions on these policies.

Mr. Pugh asked if this type of committee is standard across the industry.

Ms. Green replied in the affirmative. She noted you want to ensure you have an objective review.

Mr. Pugh inquired if the committee members would go through the Rules and Appointments Committee process or if it would be more in line with the P3.

Ms. Green believes it would be more in line with the P3. She pointed out that staff would create the framework. The lending strategy would be based on the Central Midlands Council of Governments strategy. The committee would not have free reign.

Ms. Terracio asked what measures would be built into the plan if the loan was not repaid to recoup the funds.

Ms. Green stated there are default measures and levels. All of the loans will be collateralized. The goal is never to repossess anything but to endeavor to remedy the matter. We may have to restructure loans to accommodate the situation. Of course, this will be handled case by case.

Ms. Terracio expressed that she has a lot of concerns regarding this program.

Ms. Newton requested a general timeline of the process, including how the criteria will be created and whether we will be creating policies and/or ordinances.

b. Disparity Study Report [Pursuant to SC Code of Laws, Sec. 30-4-70(a)(2)]

Ms. Barron moved to go into Executive Session, seconded by Ms. Newton.

In Favor: Pugh, Barron, and Newton

The vote in favor was unanimous.

***The Committee went into Executive Session at approximately 4:41 PM
and came out at approximately 4:57 PM***

Ms. Barron moved to come out of Executive Session, seconded by Ms. Newton.

In Favor: Pugh, Barron, and Newton

Mr. Pugh indicated that the Committee entered into Executive Session to receive legal advice. No actions were taken in Executive Session.

5. **ADJOURNMENT** – Ms. Barron moved to adjourn the meeting, seconded by Ms. Newton.

In Favor: Pugh, Barron, and Newton

The vote in favor was unanimous.

The meeting adjourned at approximately 4:58 PM.



Informational Agenda Briefing

Prepared by:	Pam Green	Title:	Director
Department:	Office of Small Business Opportunity	Division:	
Date Prepared:	November 12, 2024	Meeting Date:	November 21, 2024
Approved for consideration:	County Administrator	Leonardo Brown, MBA, CPM	
Meeting/Committee	OSBO Ad Hoc		
Subject:	"Direct the Administrator to explore options for the County to establish a revolving loan." [Office of Small Business Opportunity Ad Hoc Committee Recommendation, 27 August 2024]		

At its August 27, 2024 Regular Session meeting, Council approved the Office of Small Business Opportunity Ad Hoc Committee’s recommendation to direct the County Administrator to explore proposed funding opportunities and parameters for implementing a Revolving Loan Fund (RLF) through the Office of Small Business Opportunity (OSBO). The potential RLF would align with the following strategic goals: Invest in Economic Development, Plan for Growth, and Achieve Positive Public Engagement.

PURPOSE

The RLF would provide access to capital for small businesses that may have difficulty obtaining traditional financing. Opportunities funded by the RC RLF seek to ultimately improve the number and caliber of job opportunities in Richland County as well as retain existing jobs. The RLF would help foster entrepreneurship, innovation, and productivity through investments in infrastructure development, capacity building, and business development to attract private capital investment and higher-skilled, higher-wage jobs. Additionally, the RC RLF could support revitalization of designated areas in unincorporated Richland County. The RLF would create a re-lending platform from principle and interest payments.

The City of Columbia currently services small businesses within the designated city limits only thus leaving an area of opportunity to provide access to capital for those businesses that cannot be serviced via the City. The County’s RLF would bridge the gap in lending territory across Richland County.

FUNDING SOURCES

Three (3) primary funding sources have been identified as the baseline for the RLF.

Economic Development Administration-Economic Adjustment Assistance (EDA-EAA) Funds

As known as Funding Opportunity PWEAA2023, these funds represent a unit of the Department of Commerce with applications being accepted on a continuous basis until funds are depleted. The award range is \$500k-\$2M and is an identified source to capitalize or recapitalize.

EDA evaluation looks for alignment with at least one of its seven Investment Priorities: Equity, Recovery & Resilience, Workforce Development, Manufacturing, Technology Based ED, Environmentally Sustainable Development, Export & Foreign Direct Investment. A RC RLF would be consistent with Equity

and Workforce Development strategies, effectively address the creation and retention of full and part time jobs, and leverage other public/private resources.

CDBG Funds

These funds would have a HUD low-to-moderate income (LMI) requirement. Currently \$50k is attributed to OSBO with a plan to apply for another \$25k in February. These funds would be considered for forgivable loan opportunities as they serve to improve LMI components.

Richland County General Funds

A review of the City of Columbia's programs shows the need for matching funds.

BASELINE GUIDELINES TO CONSIDER:

The RLF will serve as "gap funding" for small businesses who are unable to meet traditional lending requirements. All loans are collateralized which provides a secondary source of repayment and require personal guarantees of the borrowers. Staff suggests a minimum loan of \$10,000 with the possibility of tiered pricing. The EDA requires a maximum of \$200k and certain pricing guidelines. There will also be a designated per loan amount for the creation and/or retention of a full- or part-time job. The County has the ability to access certain fees such as application and origination fees for associated risk measures which offset processing expenses.

The EDA fund has allowable expenses to effectively run the program that must be kept under 51% of interest collected. Staff suggests use of a Loan Servicing Agent for billing, payments, collections, etc. The average estimated cost for a servicing agent is between \$18-\$25 per loan recipient.

To effectively administer the program with designated staff, the OSBO would need an in-house loan officer and compliance coordinator. A seven (7) person Loan Review Committee would need to be appointed by Council for a specified term (i.e. 2 years). The Loan Review Committee can adjust fees, interest terms, and limits deemed necessary to execute the provisions of the RLF while maintaining all federal requirements. OSBO would produce semi-annual reporting to Council.

FIVE (5) YEAR REVOLVING LOAN FUND STRATEGY

EDA requires a five-year loan strategy from each recipient consistent with the region's current Comprehensive Economic Development Strategy (CEDS). The Central Midlands Council of Government (CMCOG) Comprehensive Economic Development (CED) Strategy is identified for Richland County. The County's RLF would support the following goals and objectives of the 2022-2027 CMCOG's CED:

- Education and Workforce: Support programs focused on removing barriers for small local businesses with Richland County
- Economy: Support entrepreneurship and small business development, build small business capacity for the growth and creating of quality, livable wages by expanding lending/funding opportunities, building stronger entrepreneurial ecosystems.
- Resilience: Build SLBE capacity for growth and development by providing access to capital and support micro-lending programs

The business development objectives of the plan will ultimately improve the number of job opportunities in Richland County, retain existing jobs, foster entrepreneurship, innovation and

productivity through capacity building and foster the potential to revitalize commercial corridors throughout the County. The financing strategy involves funding for building construction, conversions, expansions, land acquisition, machinery, equipment, supplies materials, and working capital. Below is an example of proposed terms with a balloon feature for extended years:

- Equipment: 7 to 10 years;
- Land and building: up to 25 years
- Inventory up to 3 years with review every six months
- Working capital: up to 2 years with review every six months
- Leasehold Improvements: up to 25 years

The RLF would be managed by Richland County through the Office of Small Business Opportunity (OSBO). The OSBO Director and Commercial Loan Officer would be primarily responsible for managing the RLF and coordinating activities of the Revolving Loan Fund Committee. The Committee would be authorized to approve/deny all loan requests, modifications, and referrals for legal action for default recommended by staff. The Committee will also review policies and procedures and quarterly portfolio reports provided by OSBO.

As it relates to the RLF Income, income must be placed into the RLF Capital base to make loans or pay for eligible administrative costs associated with the fund's operation. The income may fund administrative costs, provided:

- Such RLF Income and the administrative costs are incurred in the same 12-month (12) Reporting Period;
- RLF Income that is not used for administrative costs during the twelve month (12) Reporting Period is made available for lending activities;
- RLF Income shall not be withdrawn from the RLF Capital base in a subsequent; and Reporting Period for any purpose other than lending without the prior written consent of EDA.4.
- When charging costs against RLF Income, RLF Recipients must comply with applicable federal cost principles and audit requirements as found in:
 - 2 CFR part 225 (OMB Circular A-87 for State, local, and Indian tribal governments),
 - CFR part 230 (OMB Circular A-122 for non-profit organizations other than institutions of higher education, hospitals or organizations named in OMB Circular A-122 as not subject to such Circular), and 2 CFR part 220 (OMB Circular A-21 for educational institutions); and (2) OMB Circular A-133 for Single Audit Act requirements for States, local governments, and non-profit organizations and the Compliance Supplement, as appropriate. (307.12)

All Principal and interest payments will revolve back into the revolving loan fund. Interest payments and fees may be utilized to defray the ongoing administrative costs of operating the RLF. Principal and any interest not used for administrative expenses will revolve into the RLF for relending. Cash available for lending must be held in an interest-bearing account.