

## ARPA Funding Project : RLF

Initiative Name:	SeaTac City Revolving Loan Fund (RLF) or Other Fund Structure
Project Owner	SeaTac Economic Development Division
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<b>Project Description (includes funding ask)</b>	
<p><i>A large number of SeaTac and South King County businesses suffered a substantial reduction in revenues while incurring ongoing operational expenses for an extended period of time caused by the global Covid-19 pandemic and related restrictions and closures. The majority of businesses in SeaTac survived/endured through the pandemic, but many were unable to pay off previous debt, incurred new debt, used up savings and/or delayed doing maintenance/making investments in the businesses that would have occurred during normal circumstances. Traditionally underserved business communities experienced these impacts at a similar and more intensive scale. The situation increases the need for flexible and non-traditional funding/financing options to bridge the capital and operational capital gaps for business and allow for a rebuilding/building up of financial strength of the SeaTac businesses.</i></p> <p><i>Participating in a revolving loan fund (RLF) using \$1.5M ARPA dollars is proposed as a solution. This fund can be incorporated into the Washington State-wide Flex Fund program (recommended), with the SeaTac contributed pool of funds specifically dedicated for lending/granting to SeaTac based businesses.</i></p> <p><i>SeaTac's allocated ARPA funds would be leveraged to access other capital in the fund which increases/multiplies the lending capacity (<a href="http://smallbusinessflexfund.org">smallbusinessflexfund.org</a> – <b>Small Business Flex Fund</b>). The Flex Fund provides working capital loans of up to \$150,000 to qualified businesses with a 5 year term.</i></p> <p><i>Alternatively, funds can establish an independent SeaTac specific revolving loan fund administered by a third party community development financial institution (CDFI) similar to how CARES Act funds were distributed in 2020-21. It is an option, but due to higher cost and increased risks, this approach is not recommended.</i></p>	

- 1) ***Start:*** The City of SeaTac establishes a relationship and becomes a participant of the Flex Fund program. The allocated funding from the America Rescue Plan Act (ARPA) federal dollars create the original SeaTac specific funds for disbursement of loans within the Flex Fund. Loans are then available to previously defined qualifying businesses for qualifying business expenses (working capital for businesses or otherwise. Once initial ARPA funds are disbursed through loans, the requirement of committing ARPA funds by end of 2024 and expending by end of 2026 would be met. The future repayment of loans would replenish the fund and allow for an ongoing future loan program. There is opportunity to designate SeaTac’s contribution of ARPA funds to additional programs/benefits of SeaTac businesses: Interest buy down, grants on top of loans, different additional loans, (possible forgivable loans/grant-type structure). The existing Flex Fund program has a good user interface in different languages and matches the business applicants with the best of multiple local CDFI lenders.
  
- 2) ***Sustain/Grow:*** The nature of the RLF is such that once issued loans are repaid, the funds can be used for future loans in perpetuity. The fees/interest revenue pays for the ongoing operation and administration of the fund. Allowable fund uses can be adjusted based on future business needs.

*(Note: Revenues from loan fees/interest rate revenues can grow the fund, additional funds can be infused into the fund. Uses of Flex Fund are restricted to working capital. For SeaTac, exploring use of funds for business real estate acquisition support/displacement prevention or other business needs can be explored)*

Funding is being requested to: 1) Create and capitalize a SeaTac specific fund pool within the Flex Fund infrastructure and 2) Disburse the loans to eligible business applicants.

Included in the appendix are background details on scope/schedule/budget and structure.

Overview and Outcomes (see appendix for background)	
Amount of SeaTac ARPA monies requested	<b>\$1.5M–</b> (leveraged up 1/3rd public dollars, 2/3rds private capital)
Cost of setting up the fund	To be determined based on amount. % of total fund amount (approx. 0.5 - 3%) and staff time 80-120 hours
Ongoing cost of managing fund	Administrative expenses of third party fund manager (usually percentage of managed funds or annual fee). Should be self-sufficient through fund operations
Ongoing investment by SeaTac	Some staff time each year for reporting and high level oversight, potential audit related work.
Number loans to businesses in <b><i>SeaTac</i></b> over three years	10-30 annually, <b><i>30-90 over 3 years (depending on size of fund and loan amounts)</i></b>
End of Executive Summary	

# Appendix

## Project Scope / Budget

The scope of this project can vary based on chosen approach:

### Fund Creation Options

1. Participate in Flex Fund but specific to SeaTac businesses – less management and less control
2. Create independent SeaTac specific revolving loan fund administered by third-party CDFI – more costly, more management and more control, more exposure/risk

### Funding Amounts:

A recommended amount is \$1.5 million with a possible minimum of \$1.0 million. This allows for leveraging opportunities to add other funding sources at scale.

### Resources Require:

Approx. 80-120 hours of staff time (economic development staff with support from Finance Department staff). Plus ongoing annual program management/monitoring/oversight.

## Project Schedule

<b>Project Funding Approved SeaTac Partnership(s) Established (Flex Fund or otherwise)</b>	<b>May 15 2022 July 1 2022</b>
<b>SeaTac Specific Fund/Lending Program Established</b>	<b>August / September 2022</b>
<b>First Round of Lending</b>	<b>October - December 2022</b>
<b>Second Round of Lending</b>	<b>2023</b>
<b>Third Round of Lending</b>	<b>2024</b>
<b>Periodic Program Updates</b>	<b>2022-2024</b>
<b>Program Review/Audit / Adjustment</b>	<b>2023-2024+</b>

### Considerations:

- Complexity of establishing, managing, reporting, and maintaining compliance.
- Evaluation of SeaTac specific business funding needs to inform the formulation of fund and eligibility/lending criteria.
- Other uses for ARPA funds based on business community needs/broader community needs/city priorities.

## *Related resources and background information*

Small Business Flex Fund

<https://smallbusinessflexfund.org/>

NDC Announces Participation in New Loan Program in Washington State

<https://ndconline.org/2021/06/30/ndc-announces-participation-in-new-loan-program-in-washington-state/>

MRSC info on: American Rescue Plan Act (ARPA), and specifically the Local Fiscal Recovery Fund (LFRF)

<https://mrsc.org/Home/Explore-Topics/Finance/Revenues/American-Rescue-Plan-Act.aspx>

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