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City of Santa Maria begins loan program

By Malia Spencer/STAFF WRITER

Santa Maria officials are optimistic that a new revolving loan program will attract businesses and translate into future jobs while avoiding the pitfalls encountered by other loan attempts.

The Santa Maria City Council Tuesday unanimously approved guidelines to govern the \$1 million Business Retention and Attraction Loan Program that will be administered by the Santa Maria Valley Chamber of Commerce.

The program is the brainchild of Councilman Marty Mariscal, who saw the proceeds generated from the city's sale of surplus water as the perfect funding mechanism for such a loan.

"We are taking an asset of the city and putting it to work in the city," Mariscal said of the money.

The loan program's purpose is to help new businesses come to Santa Maria and existing firms expand their current facilities.

Mariscal said he sees the loan program helping businesses qualify for bigger loans or helping to bridge loans from other sources.

For instance, he said, if an existing company was looking to purchase a bigger building and it had only \$300,000 but needed another \$100,000, the company could apply for a city loan to get the extra money.

Mariscal and other council members say the program amounts to the city "putting its money where its mouth is" when it comes to business development.

"We talk about creating jobs and that's what this loan will do," said Councilman Leo Trujillo prior to his vote Tuesday night.

Businesses looking to obtain a loan would have to apply with the Chamber of Commerce, which would administer the loan, but the City Council ultimately would approve all loans, according to the guidelines.

Guidelines recommend loans not exceed \$250,000.

Officials also noted that the new loan program would work well with the business-incubator project that is starting up in Santa Maria to foster startup firms.

Incubator clients would have a third funding source in addition to a bank or the Small Business Administration, said Alan Tratner, executive director of Santa Maria Enterprise Center and program manager for Santa Barbara County Small Business Development Center, a program of the U.S. Small Business Administration.

"This rounds out a beautiful financial package," Tratner said. "A hallmark of a successful incubator is access to capital."

The city has an existing revolving loan program that uses federal Community Development Block Grant funds. However, city officials said those loans are restrictive and require creation and tracking of the number of jobs for low- and moderate-income people in relation to the amount of money allocated.

Another pitfall of the CDBG loans is the money is supplied to more speculative ventures, said Rick Haydon, assistant city manager.

"We have made some other loans in the past to some airline companies and other businesses that have been delayed in paying us back on these loans," Haydon said. "(We) have gone back to the table and refinanced those loans to make sure they are paid back in an agreed upon time line."

One well-known venture is the now defunct Pacific Skyway, a Santa Maria-based airline started in 1999 by David Baskett. The airline borrowed about \$153,700 from the city and still has \$24,773 remaining to be paid back, city officials said.

Pacific Skyway filed for bankruptcy in 2000.

To avoid bad loans, the city's new program has contracted with Coastal Business Finance to provide third-party oversight of loan applications. The nonprofit organization is certified by the Small Business Administration to provide businesses with federal loan funds, and is chartered by the federal government as a Certified Development Corporation.

"(We) analyze risk with the loans," said Brian Kearns, VP/executive director of CBF. "We make sure (businesses) can afford what they are getting into."

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Bob Hatch, Chamber president and CEO, said he is happy about the new loan program, which will be one more incentive for companies to either stay in Santa Maria or relocate to the city.

"I think it's a wonderful, wonderful advantage that we will have," Hatch said. "For this to be available to list as a benefit to relocate or expand or to establish (in Santa Maria) is priceless in my mind."

He noted that the difference between this loan and the CDBG loans is the work with Coastal Business Finance.

"All appropriate steps (will be taken) to ensure the borrower is worthy to receive the funds," Hatch said.

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