

One of the best-kept fund secrets not meant as a secret at all

By Malia Spencer/Senior staff writer

It's been more than a year since the Santa Maria City Council created a \$1-million business retention and attraction loan program, and the fund has yet to be tapped.

Officials don't think the problem is a lack of need in the business community but simply a lack of knowledge of the program.

The revolving-loan program is funded by revenue generated by the city from the sale of surplus State Water and administered by the Economic Development Commission.

Applications for funds are first sent through Coastal Business Finance, a nonprofit corporation that is certified by the federal government, before they are presented to the council for final approval.

The expertise of Coastal Business Finance is used to ensure the city doesn't lend to ventures that are too high risk.

Many residents still recall a series of loans the city gave to Pacific Skyway, a now defunct airline, that totaled \$153,900. As of Dec. 31, \$26,367, which includes the interest, remained to be paid, according to city staff.

"The city is sensitive to risk; our job is to manage that," said Brian Kearns, vice president and executive director of CBF.

So far, the company has received calls from interested business owners about the loan program but not in large numbers, Kearns said.

In an effort to get the word out about the program, Kearns is working with local banks because many times their institutions are the first contact for business owners seeking capital.

The city's loan can be used for existing business expansion or start-ups, Kearns said.

He noted that the first allocation recommendation may be headed to the City Council soon for a business looking for money to expand and make improvements. Kearns declined to name the business until the loan is approved.

This revolving loan is just one more option for small business owners since it is offered at a lower interest rate than a market loan. Kearns noted the loan is meant to augment a bank loan.

George Majoue, owner of MotionZ and a member of the Santa Maria Chamber of Commerce board, said he thinks the city's loan program is great.

Offering such a program speaks "highly of the city and the EDC, they are committed to small businesses and bringing them into the community."

Majoue, who with his wife opened Motionz three years ago, recalled that starting a business required a lot of time, learning and money.

“It's difficult to get a new business started up,” he said. “Especially if it's a mom-and-pop type business. City support is a major plus.”

This is the second revolving loan fund the city has started, said City Manager Tim Ness. The first is through the Community Development Block Grants program, and since CDBG is under the U.S. Department of Housing and Urban Development, that loan has strict qualification requirements.

This new loan program has more money available and fewer restrictions, Ness said. He noted that the CDBG loan program isn't used as often anymore because the restrictions have tightened.

The city has been criticized by some residents for using revenue from surplus water sales to establish the loan program instead of putting the money back into the water fund and trying to lower rates.

Ness countered that the city tries to keep its rates for water and other services low, but that \$1 million, though it seems like a lot of money, won't reduce rates significantly.

The city is interested in offering loans and other benefits to businesses in order to draw new companies to town or keep existing ones. Housing a wide variety of businesses is an important way to create jobs, Ness said.

“(We are) trying to raise the bar, so to speak, on the income levels of jobs as well,” he said, “(and) create situations for move-up opportunities for those in lower-paying jobs, but also to create a level of jobs that people can come and comfortably live in Santa Maria, which many people are finding hard to do.”

Ness noted that employee payrolls also turn over in the community, generating revenue for city services through sales and property taxes.

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