

BUSINESS INCENTIVES

Although important, incentives are but one component to locating or retaining a business. There are several factors involved in siting or retaining a business. Companies require a desirable business climate. The Yuba-Sutter region has such a climate, it has:

- Low tax burden
- An educated and available labor force
- Good infrastructure
- A pro-business attitude
- Stable political environment

The following outlines programs and services available to businesses in the region:

Technical Assistance

A. Demographic and Business Information

Yuba-Sutter Economic Development Corporation provides a variety of demographic and business trend information free of charge to businesses.

B. Site Location Assistance

Yuba-Sutter Economic Development Corporation provides direct assistance to businesses that want to identify and locate sites in Sutter and Yuba Counties. The Corporation also provides assistance to expanding companies and acts as a liaison for businesses needing assistance with permitting, financing and labor force needs.

C. Environmental Response Team

The California Trade and Commerce Agency assists companies through the state's environmental process and works with environmental and economic development agencies such as the Yuba-Sutter Economic Development Corporation to streamline permit processing.

D. International Trade

1. Agriculture Export

The California Department of Food and Agriculture provides agriculture interests with assistance service and support in developing sales in foreign markets, including trade development programs, export information, resources services and promotional funding services.

2. Northern California World Trade Council

Located in Sacramento, the Northern California World Trade Council provides technical assistance to companies interested in international trade and foreign investment.

E. Small Business Assistance

1. Service Corps of Retired Executives (SCORE)

The SCORE Association, headquartered in Washington, D.C., is a nonprofit association dedicated to entrepreneurial education and the formation, growth and success of small business nationwide. SCORE's 10,500 retired and working volunteers provide free business counseling and advice as a public service. SCORE is a resource partner with the U.S. Small Business Administration.

2. Small Business Development Center (SBDC)

The SBDC provides a variety of services to start-up and established businesses. Assistance is offered free or at low cost, tailored to the clients' needs.

F. Labor and Workforce Development

1. Employment Development Department, Labor Market Information Division.

Provides assistance to employees with analysis of employment trends, skills and qualifications, wages and salaries.

2. Career Training and Education Center, (CTEC) and Regional Career Center, (RCC)

CTEC and RCC provides a variety of services such as applicant screening and or job matching, job listings and announcements, customized recruitment, provide interview facilities and direct placement.

FINANCIAL ASSISTANCE

Federal Funding Sources and Programs

A. U.S. Department of Agriculture, Rural Development

1. Community Facilities Loan Program

The USDA makes funds available to local agencies for water, sewer and community facilities in the form of loans or grants.

2. Rural Development Program

Provides seed monies to rural communities for technical assistance to diversify their economy and help develop industries that create jobs, use local resources, and enhance rural lifestyle. Projects include research, recreation, wildlife, timber, minerals, land management, and technology transfers. Two programs that assist local communities are the Rural Business Enterprise Grant (RBEG) and the Rural Business Opportunities Grant (RBOG).

3. Water and Waste Disposal Loan and Grant

Provides loans or grants to fund central community water and waste disposal systems in rural areas and towns. Activities include the construction or improvement of water and sewage facilities. Priority is given to sewer and water systems that are experiencing a public health problem.

B. Small Business Administration (SBA) Loans

1. Small Business Administration Micro-Loan Program

This program is available to established and start-up businesses that have less than 100 employees and less than \$5 million in sales. It provides loans in the range of \$1,000 to \$25,000 at a fixed rate. The loans can be used for working capital, inventory, furnishings, real property acquisitions, etc. They cannot be used for debt repayment.

2. Minority Pre-qualification Loan Program and Women's Pre-qualification Loan Program

Enables SBA to pre-qualify loan guarantees for women and minority-owned businesses before approaching lenders. The women's program uses only non-profit intermediaries to assist in loan packaging and

securing before applying for guarantees. The minority program allows for-profit intermediaries as well.

3. Small Business Administration 7(a) Loan Program

This program is designed to assist small businesses by providing working capital to meet both short and long-term financing needs. Funds can be used to purchase inventory, supplies, machinery, and equipment; consolidate debt; and pay for construction, conversion, rehabilitation, or acquisition of existing businesses. Private lenders provide the loans. The SBA will guarantee up to 90 percent of loans up to \$155,000, and 85 percent of loans over \$155,000. Loan sizes are \$50,000 to \$1,000,000. The lending institution sets the rate, and uses the assets purchased with loan proceeds as collateral. The small business may be required to inject 10 to 25 percent into the project.

4. Small Business Administration 504 Loan Program

This program is designed to assist small businesses by providing long-term, fixed-asset financing. Funds can be used for land acquisition, construction or purchase of existing buildings, site improvements, renovations, restoration, and purchase of major equipment. Private lenders provide 50 percent of project cost, SBA provides up to 40 percent. Project size ranges from \$350,000 to \$4 million.

5. Small Business Administration Low DOC Loan Program

This program is designed to streamline the lending process for small loans (up to \$100,000) provided by the SBA. Loans under this program are designed to assist small businesses by providing working capital to meet both short and long-term financing needs. Funds can be used to purchase inventory, supplies, machinery, and equipment; consolidate debt; and pay for construction, conversion, rehabilitation, or acquisition of existing businesses. Private lenders provide the loan. SBA will guarantee up to 90 percent of it. The lending institution sets the rate, and uses the assets purchased with loan proceeds as collateral. The small business may be required to inject 10 to 25 percent into the project.

6. Small Business Administration CAPLines Loan Program

- CAPLines is the umbrella program under which the SBA helps small businesses meet their short-term and cyclical working capital needs. A CAPLines loan can be for almost any dollar amount. There are five loan programs for small businesses under the CAPLines umbrella:

- Seasonal line: advances against anticipated inventory and accounts receivable help during peak seasons;
- Contract line: finances the direct labor and material cost associated with performing assignable contracts;
- Builder's line: can finance direct labor and material costs for small contractors or builders. The building project serves as the collateral;
- Standard asset-based line: a revolving line of credit for businesses unable to meet credit standards associated with long-term credit. It provides financing for cyclical growth, recurring and/or short-term needs. Businesses continually draw from this line of credit. Repayment comes from converting short-term assets into cash, which is remitted to the lender;
- Small asset-based line: this revolving line of credit up to \$200,000 operates like a standard asset-based line except that some of the stricter servicing requirements are waived, providing the business can show repayment ability from cash flow for the full amount.
- These loans may be used for most business purposes. Each line of credit has a maturity of up to five years. Funds can be used as needed throughout the term of the loan to purchase assets, as long as sufficient time is allowed to convert the assets into cash at maturity. The SBA can guaranty up to 80 percent of loans of \$100,000 or less, and up to 75 percent of loans about \$100,000. Holders of at least 20 percent ownership in the business are generally required to guaranty the loan.

C. State Funding Sources and Programs

1. Community Development Block Grants

Community Development Block Grants (CDBG) are very popular. These programs are funded by the federal government and flow through the state for purposes of compliance with regulations and meeting overall state objectives. The CDBG program is managed by the State and the Program is divided into two categories: General Allocation and Economic Development. The funding limit is \$800,000 with a per application limit of \$500,000. The Planning and Technical Assistance limit is \$70,000, or \$35,000 per program with a four percent local match in kind and cash. An application for economic development purposes may be a consideration for infrastructure installation (water, sewer, streets and/or storm drainage). The General Allocation fund can include housing rehabilitation, public works and facilities needs as they relate to housing. An extremely vital

issue with these grants is the mandatory requirement that each grant benefit a Targeted Income Group. This group is based upon the median annual salary earned in the County. This number will change from year to year and supports a formula to determine the low- and medium-income persons who become the Targeted Income Group. Each economic grant application must show a direct improvement in the Targeted Income Group employment. The community of Sutter would be a good example of the Target Income Group benefiting from a sewer plan that could also serve the industrial development planned for that area.

2. Rural Economic Development Infrastructure Program (REDIP)

This program is managed by the State Trade and Commerce Department. The program is available for public or private projects including infrastructure. Eligible programs include water and sewer facilities, streets and roads, storm drains, central wastewater and water plants and collection lines and other facilities to support industrial and commercial activity. Interest rates are set through previously sold bonds at five percent with a maximum loan amount of \$1,000,000 and a loan period of 15 years. Sutter County is eligible for the program, however, the use of REDIP funds is limited to publicly-owned infrastructure projects built for the purpose of supporting private development. Either a public or private entity can apply for the funds. Housing development is not eligible.

3. Infrastructure Bank

The bank can provide funds to support infrastructure development or new industry. The purpose of the loan program is to provide a financial incentive for a project, not necessarily a direct-tax incentive. The state has allocated \$475 million to commence a two-tiered reserve fund leveraged loan program. Tier 1, consisting of \$275 million initially, will provide loans ranging from \$250,000 to \$20 million per applicant. Tier 2, consisting of \$75 million initially, will provide loans ranging from \$250,000 to \$5 million per applicant. This bank should be closely monitored by County staff independent of what the YSEDC is doing regarding it.

D. Local Funding Sources

1. Enterprise Zones in Yuba-Sutter and Sacramento International Airport

This requires research of County-owned lands suited to creating a County-owned industrial park or purchase of land for the same purpose. The availability of an enterprise zone can provide substantial financial help to employers without cost impacts on the County's resources.

YSEDC currently manages a joint Enterprise Zone in both Yuba and Sutter Counties. The Enterprise Zone can provide the following benefits:

- Businesses can earn up to \$19,000 per employee in state tax credit.
- Sales tax credits up to \$1.3 million annually on machinery and parts purchased by enterprise zone businesses.
- Up-front expensing of specific depreciable property as an incentive under certain conditions.
- Lenders to Zone businesses receive interest income, tax-free.
- Losses incurred by Enterprise Zone businesses may be carried over to years in which taxable income is earned.
- Unused tax credits can be applied to future tax years.
- Enterprise Zone businesses receive preference points on state of California contracts.
- Other specific benefits and incentives designed specifically for Yuba and Sutter counties as part of the Enterprise Zone.

2. Local Financing

a. Mello-Roos Bonds

A Mello-Roos District can be created with funds collected and amortized over a 20-year period. The funds can be used for a specific purpose such as an economic development strategy and the needed capital to pay for infrastructure, selected fees and any related costs. Jurisdictions can adopt a policy to allow Mello-Roos financing for all pre-construction costs such as permit approvals, plan checking, environmental reviews and so forth. This will allow the prospective employer to amortize these costs over a period of time rather than pay the costs prior to occupancy.

b. Lease Revenue Bond

These are sold through a special authority, such as a redevelopment agency or parking district, which constructs a facility and leases it to the local municipality. The lease payments secure the bonds, and once the bonds are retired, the municipality takes possession of the facility.

c. Industrial Development Bonds

Participating counties and cities issue tax-exempt or taxable bonds to offer low-interest financing to industries expanding or locating operations within the jurisdiction. Bonds can finance land acquisition, building construction, equipment purchases,

architectural and engineering fees, manufacturing, energy development, industrial parks, and incidental costs associated with the project.

d. Certificate of Participation (COP)

Public entities with leasing and borrowing powers use COP to finance the acquisition or construction of public facilities and equipment. A private party will purchase a facility, land, or equipment, and the public agency will make annual lease payments to the party. The public agency is required to set aside funds in the general fund for lease payments.

e. Special Assessment District Bond

A “special assessment district” may be created to levy special assessment charges against properties benefiting from an improvement of service. Activities include basic infrastructure, parking, landscaping, and operation and maintenance of water and electrical service.

f. Sales Tax Revenue Bond

Bonds are payable from and secured by revenues received by the issuer from the imposition of a sales and use tax, or a transactions and use tax, on retail transactions within the issuer’s boundaries. Bonds are useful for financing projects that will not generate revenues for some time or will not generate sufficient amounts to cover the costs of the project. Typical projects include acquisition, installation, construction or improvement of any and all public works, state highways, local streets, roads, and public transit systems.

3. Revolving Loan Fund Program (RLF)

This program provides low-cost financing to businesses. The range of loans is from \$25,000 to \$150,000. The RLF funds are designed to fill gaps in financing and are tailored to the capital needs of the individual’s business. The eligible use of the funds are:

- Working Capital
- Furniture, Fixtures and Equipment
- Inventory
- Machinery

4. Yuba-Sutter Intermediary Relending Program

This program managed by the Yuba-Sutter Economic Development Corporation provides loans to businesses in the region. Eligible use of the funds are:

- Business and industrial acquisitions when financial assistance will keep the business from closing prevent the loss of employment opportunities or provide expanded job opportunities
- Business construction, conversion, enlargement, repair, modernization or development
- Purchase and development of land, easements, right-of-way, buildings, facilities, leases, or materials
- Purchase of equipment, leasehold improvements, machinery or supplies
- Transportation services
- Working capital