



## Buncombe County Government

October 9, 2018

**Memo to:** Board of Commissioners *RN*  
**From:** Rachael Nygaard, Strategic Partnerships Director and Tim Love, Intergovernmental Relations Director  
Via George Wood, Interim County Manager *GW* *TL*  
**Re:** Recommendation on Mountain Community Capital Fund

As you are aware, the County has been engaged in discussions with the City of Asheville and several Community Development Financial Institutions (CDFI) regarding the creation of a small-business "loan loss reserve" program for minority and historically disadvantaged businesses. During your regular meeting on October 17, 2017, the Board of Commissioners for Buncombe County voted to allocate \$200,000 toward the creation of this small business development program. This funding is already budgeted in a special projects fund and is available for use.

Buncombe County staff have worked closely with the City of Asheville and project partners and are requesting Board of Commissioner approval to move forward with the allocation of funding and execution of the agreement between the City, County and partner CDFIs. At the September 11, 2018 City Council meeting, the City of Asheville formalized their support for the Mountain Community Capital Fund (MCCF). The MCCF Partners are targeting a launch by the end of the 2018 calendar year.

Please see the below sections for an overview of the project, requested funding, and proposed next steps.

### Program Overview

The MCCF is a "loan loss reserve" program. Loan loss reserve programs are designed to help small businesses access loans by extending the "reach" of CDFI lenders. CDFI "reach" is extended through the creation of a loan guarantee fund that can be accessed in the event that a loan recipient defaults. This lending option creates access to debt financing to small businesses that will contribute to economic development and would not be able to grow their business but for the availability of the loan. The loan guarantee fund will be established using funds from the City and County (if approved). This program is modeled on a similar program implemented by the City of Charlotte and complements traditional lending options available through institutions such as the Small Business Administration. Below are key elements of the program.

- **Loan Size:** Expected to range from \$10,000 to \$70,000 with an average of \$30,000.
- **Loan Term:** Approximately 7 Years.
- **Loan Success Rate:** Estimated 95% success rate based on similar programs.
- **Loan Administration:** CDFIs will perform all loan underwriting, administration, tracking, etc. Local government partners have no role in the administration process (i.e., we are not issuing loans, we are providing a loan guarantee in case of default).
- **Loan Technical Assistance:** A key component of the program is the provision of technical assistance by the CDFIs to loan recipients. Technical assistance includes capital and business training that may be delivered via classroom, coaching, or online.



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### Funding

The MCCF requires an initial, one-time infusion of funds to develop the loan guarantee fund. Below are the committed and requested amounts.

- City of Asheville: \$250,000
- Buncombe County: \$200,000
- Additional Partners: TBD

### Oversight and Governance

The MCCF is created and governed by an Allocation of Services and Duties agreement. The agreement has been provided to you for your review. Key elements of the agreement include:

- **Operating Committee:** Composed of appointees from the City, County, and community. The operating committee will govern the fund in accordance with the rules of procedure.
- **Credit Underwriting Committee:** Composed of appointees from the City, County, and community. The underwriting reviews and approves CDFI lender losses in the event a loan default occurs.

### Recommendation

Our recommendation is to execute the MCCF Allocation of Services and Duties agreement and release funding. Staff have reviewed the program and believe that the program will provide a low risk opportunity to support economic development and job growth in our community. This program aligns with your strategic goals and emphasizes small business growth for minority and historically disadvantaged businesses. Our research shows that similar programs show low lender loss levels (less than 5%). Further, the program and loan providers are emphasizing a technical assistance approach which will develop business competency and contribute to additional sustainability. If you have any questions, or if I can be of any further assistance, please do not hesitate to contact Rachael or Tim.

A resolution for the County Manager to execute the Mountain Community Capital Fund Agreement and release fund for the associated deposit note is attached.