



Downtown Stockton Enterprise Loan Fund Board Meeting

Date: Wednesday, November 4, 2020

Time: 12:00 p.m.

Place: Online, via Zoom Meetings

Join Zoom Meeting

<https://us02web.zoom.us/j/86842389691?pwd=ai9RY09oVnZQSUgyQW9HUjBNTWI3UT09>

Meeting ID: 868 4238 9691

Passcode: 018387

One tap mobile

+16699006833,,86842389691#,,,,,0#,,018387# US (San Jose)

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Meeting ID: 868 4238 9691

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Find your local number: <https://us02web.zoom.us/j/86842389691?pwd=ai9RY09oVnZQSUgyQW9HUjBNTWI3UT09>

To: DSELF Board Members: Steve Lantsberger, Luis Duarte, Laurence Held, Aaron Edwards, Patricia Palacios, Nicole Snyder, Robert Oakes, Kari McNickle

Staff: Mike Huber, Courtney Wood

Agenda

1. Call to Order/Roll Call
2. Public Comments
3. Approval of September Financials – Action Item
4. Approval of October Minutes – Action Item
5. Loan Performance Updates/Loan Delinquencies/New Applications – Informational Item
6. DSELF Program Revision – Action Item
7. Items for Future Consideration
8. Adjourn

General Meeting Requirements:

Public Comments: The law provides the opportunity for the public to be heard on any item within the subject matter jurisdiction of the Board, before or during the consideration of that item by the Board. For all items, including items not on the agenda, the public comment time at the start of each meeting is appropriate. The person addressing the Board is limited to five (5) minutes unless the Chairman of the Board grants a longer period of time as appropriate to manage the Agenda. State law does not allow action to be taken on any item not on the Agenda. The Conference Room is handicapped accessible.

This agenda shall be made available upon request in alternative formats to persons with a disability, as required by the Americans with Disabilities Act of 1990 (42 U.S.C. § 12132) and the Ralph M. Brown Act (California Government Code § 54954.2). Persons requesting a disability related modification or accommodation in order to participate in the meeting should contact the Executive Director of the Downtown



Stockton Alliance at 209-464-5246, during regular business hours, at least twenty-four hours prior to the time of the meeting.

Pursuant to the Brown Act as codified in Government Code Section 54957.5, any documents pertaining to a non-closed agenda item distributed to a majority of the Board of Directors in less than 72 hours before a Board meeting shall be available for public inspection. Said documents shall be available for inspection at the office of the Downtown Stockton Alliance, 125 Bridge Place, 3rd Floor, Stockton, California, Monday through Friday, except Holidays, between the hours of 8:30 a.m. and 4:30 p.m.

Downtown Stockton Enterprise Loan Fund

10/30/20

Balance Sheet

Cash Basis

As of September 30, 2020

	Sep 30, 20	Sep 30, 19
ASSETS		
Current Assets		
Checking/Savings		
11000 · Cash in Bank	155,508.20	142,977.55
Total Checking/Savings	155,508.20	142,977.55
Other Current Assets		
12000 · Notes Receivable		
12020 · NR - The Campus Downtown , LLC	23,714.51	35,070.66
12040 · NR -The Deliberation Room	36,130.02	38,364.69
Total 12000 · Notes Receivable	59,844.53	73,435.35
Total Other Current Assets	59,844.53	73,435.35
Total Current Assets	215,352.73	216,412.90
TOTAL ASSETS	215,352.73	216,412.90
LIABILITIES & EQUITY		
Equity		
32000 · Unrestricted Net Assets	216,030.42	212,822.74
Net Income	-677.69	3,590.16
Total Equity	215,352.73	216,412.90
TOTAL LIABILITIES & EQUITY	215,352.73	216,412.90

9:28 AM
10/30/20
Cash Basis

Downtown Stockton Enterprise Loan Fund
Profit & Loss
September 2020

	Sep 20	Sep 19	Jan - Sep 20
Ordinary Income/Expense			
Income			
40000 · Finance Charge Income	0.00	1,596.66	1,252.78
Total Income	0.00	1,596.66	1,252.78
Gross Profit	0.00	1,596.66	1,252.78
Expense			
60410 · Processing Fees	50.00	100.00	450.00
64400 · Board Meeting Expense	0.00	0.00	163.01
66000 · Staff Expenses	438.18	0.00	1,429.52
Total Expense	488.18	100.00	2,042.53
Net Ordinary Income	-488.18	1,496.66	-789.75
Other Income/Expense			
Other Income			
70000 · Interest Income	12.59	12.83	112.06
Total Other Income	12.59	12.83	112.06
Net Other Income	12.59	12.83	112.06
Net Income	-475.59	1,509.49	-677.69



Downtown Stockton Enterprise Loan Fund Board Meeting Minutes

Date: Wednesday, October 7, 2020

Time: 12:00 p.m.

Place: Online, via Zoom Meetings

Join Zoom Meeting

<https://us02web.zoom.us/j/89458712495?pwd=SE5rejFQcDlid0xOYktWd3FqNlIDdz09>

Meeting ID: 894 5871 2495

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Passcode: 738874

Find your local number: <https://us02web.zoom.us/j/89458712495?pwd=SE5rejFQcDlid0xOYktWd3FqNlIDdz09>

Board Members Present: Aaron Edwards, Kari McNickle, Patricia Palacios, Nicole Snyder

Board Members Absent: Luis Duarte, Laurence Held, Robert Oakes, Steve Lantsberger

Staff: Mike Huber, Courtney Wood

Agenda

1. Call to Order/Roll Call
 - The meeting was called to order at 12:02 PM.
2. Public Comments
 - There were no public comments
3. Approval of August Financials – Action Item
 - A motion was made (A. Edwards/P. Palacios) to approve the August financials. The motion passed unanimously. The votes were as follows:
 - A. Edwards: Aye
 - P. Palacios: Aye
 - K. McNickle: Aye
 - N. Snyder: Aye
4. Approval of September Minutes – Action Item
 - A motion was made (A. Edwards/N. Snyder) to approve the September minutes. The motion passed unanimously. The votes were as follows:
 - P. Palacios: Aye
 - K. McNickle: Aye



- A. Edwards: Aye
 - N. Snyder: Aye
5. Loan Performance Updates/Loan Delinquencies/New Applications – Informational Item
 - C. Wood shared that there were no new applications for DSELF, that Deliberation Room is continuing to take advantage of the DSELF deferment option, and that The Campus is continuing to make payments.
 6. COVID-19 Program – Action Item
 - A discussion took place regarding the previously approved DSELF COVID-19 loan program. Upon review of existing business loan programs available, it was determined that the program would be duplicative of other business support efforts. The Board asked that DSA track any requests from businesses for COVID-19 funding moving forward to see if there might be need for a program in the future.
 - A motion was made (K. McNickle/P. Palacios) not to implement the previously approved DSELF COVID-19 loan program. The motion passed unanimously. The voters were as follows:
 - A. Edwards: Aye
 - N. Snyder: Aye
 - K. McNickle: Aye
 - P. Palacios: Aye
 7. DSELF Collateral Policy – Action Item
 - A discussion continued surrounding whether the Board should waive the real property collateral requirement for loans near the floor of the DSELF loan amount, which had been discussed at several prior meetings.
 - A motion was made (P. Palacios/A. Edwards) to waive the real property collateral requirement for loans up to \$30,000, as long as applicants provide other accepted forms of collateral. The motion passed unanimously. The votes were as follows:
 - P. Palacios: Aye
 - N. Snyder: Aye
 - A. Edwards: Aye
 - K. McNickle: Aye
 8. DSELF Program Revision – Informational Item
 - C. Wood shared that DSELF staff are working on a revised DSELF program. She noted that staff are looking for input from Board members, which can be sent via email.
 - M. Huber stressed the fact that DSELF needs to get the money out on the streets to help businesses; he noted that overthinking/vacillating prevents businesses from receiving DSELF loans. He also shared that while it is important to vet applicants, DSELF loans are intended for people who are considered risky by traditional lenders, so the Board needs to examine what can be done to streamline the process and reduce restrictions.
 - C. Wood noted that a draft of revised program guidelines will be brought to the next Board meeting.
 9. Preliminary Pandemic Procedure – Discussion Item



- The Board had no further input regarding possible pandemic procedures.
- 10. Items for Future Consideration
 - No items for future consideration were noted.
- 11. Adjourn
 - A motion was made (K. McNickle/A. Edwards) to adjourn. The motion passed unanimously and the meeting was adjourned at 12:31 PM. The votes were as follows:
 - P. Palacios: Aye
 - N. Snyder: Aye
 - K. McNickle: Aye
 - A. Edwards: Aye

General Meeting Requirements:

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San Joaquin County

Revolving Loan Fund

56 S. Lincoln Street, Stockton, CA 95203

Phone 209.468.3615 Fax 209.468.3666

REMITTANCE

TO: **Downtown Stockton Enterprise Loan Fund**

September 9, 2020

343 East Main Street First Floor

P.O. Box 1165

Stockton, CA 95201

PAYMENT DUE DATE	DESCRIPTION	LOAN PAYMENT	REMITTANCE
9/1/20	Tina Smith dba Campus Downtown, Inc. Loan # 116-02-01	1,625.00	
	Principal		
	Interest	<u>0.00</u>	
	Check #683511251	1,625.00	
	Total		
	RLF Fee	<u>-25.00</u>	
	Requested Transfer to Bank of Stockton DSELF account # 1215002393 on 9/15/20	1,600.00	1,600.00
9/1/20	Deliberation Room: Loan # 121-02-01	0	
	Principal		
	Interest	<u>0</u>	
	Check # Total		
	RLF Fee	<u>-25.00</u>	
	Requested Transfer to Bank of Stockton DSELF account # 1215002393 on 9/15/20	-25.00	-25.00
		TOTAL REMITTED	1,575.00

Background

The DSELF Board has discussed making modifications to the DSELF loan program in an effort to facilitate the loan approval process.

DSELF staff is proposing that the DSELF Board adopt the modified version of the Pre-qualification and Pre-approval requirements and standards depicted on the following pages.

To view the current/existing version of these requirements in booklet form, [please click this link](#).

**1. Proposed DSELF
Pre-Qualification Requirements
& Rubric**

I. Pre-Qualification Requirements

1. DSELF application – (see Exhibit A for application)
2. Credit score (release to be included in application)
3. 30-minute interview with applicant (see Exhibit B for interview questions)

II. Pre-Qualification Rubric

SCORING CRITERIA					
					MAX PTS
Application	Incomplete/Absent/ Business is not in Downtown* 0 pts	All sections are complete 2 pts	N/A	N/A	2
Credit Score	Credit score with more than minimal derogatory information in the prior 12 months, and more that 2 30-day late payments within that period. 0 pts	Minimal derogatory information in prior 12 months, allowing for a maximum of (2) 30- day late payments within that period; written explanation will be mandatory for any derogatory information within this period 4 pts	N/A	N/A	4
30-minute interview with applicant	Did Not Schedule Interview/Missed Interview/ Answered <50% of interview questions confidently/ Business is not in Downtown*/Have not sought traditional funding 0 pts	Attended interview, and could answer at least 50%, but <75% of interview questions confidently 1 pt	Attended interview, and could answer 75% - 100% of interview questions confidently 2 pts	N/A	2

Scores of 7 or more will go on to the “Pre-approval” phase. Scores 6 or below will be asked to re-submit in 60 days and told which criteria they were lacking; for the interview portion they will only be asked questions upon which they hesitated previously.

Any businesses not physically located or operating within the Downtown Stockton PBID boundary may apply for a DSELF loan at the discretion of the DSELF Board of Directors. If the business is not located within the Downtown Stockton PBID boundary, the applicant must provide a written statement relaying how their business does/will significantly benefit the residents or businesses within the PBID boundary in a way that differs from similar businesses within the PBID boundary. This statement will be brought to the Board of Directors, which will determine by vote whether to allow the application to continue for approval. Submission of a written statement of benefit to the DSELF Board does NOT guarantee an applicant will qualify for a DSELF loan or that an applicant’s DSELF loan will be approved.

EXHIBIT A: NEW DSELF APPLICATION

Preliminary Business Loan Application / Credit Check Form

Amount Requested? _____
 Purpose _____
 Name _____
 Social Security # _____ Date of Birth _____ Phone # _____ Cell # _____
 Current Address _____
 Previous Address _____
 Business Name _____
 Business Address _____
 Date Business Opened/Will Open _____
 Employer (if not self-employed) _____
 Previous Employer _____
 Name of Bank and Type of Accounts, i.e. checking or savings _____

List all credit obligations, loans, credit cards, and/or personal debts

	Name of Lender/Creditor	Balance	Payment
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____
4.	_____	_____	_____
5.	_____	_____	_____

In connection with a loan application that I/we have made to the Downtown Stockton Enterprise Loan Fund (DSELF), I/we authorize releasing any information requested by the DSELF. This information may include, but may not be limited to, credit reports, loan/obligation payment histories, employment and income verification, and account deposit histories and balances. A copy of this authorization may be deemed to be the equivalent of the original and may be used in lieu of the original.

Signature _____ Date _____
 Signature _____ Date _____

Please, let us know: How did you hear about DSELF?

☐ Lender ☐ Advertisement ☐ News Article ☐ Friend ☐ Other _____

Please enclose a non-refundable \$200 check payable to: DSELF

DSELF ADMIN | Courtney Wood | 209.888.8630

DSELF

EXHIBIT B: PRE-QUALIFYING INTERVIEW QUESTIONS

1. What is your industry?
2. What is your business model?
3. What are your products and services and how are they priced?
4. Are you located within Downtown/or are you planning to be located in Downtown (do you already have a chosen location)?
5. How long have you been in business/what stage are you in?
6. What is your plan for growth?
7. What amount are you seeking?
8. What will the loan be used for?
9. Have you been denied by a traditional lender?

**2. Proposed DSELF
Pre-“Approval” Requirements/Standards
and Approval/Closing Information**

I. PRE-“APPROVAL” REQUIREMENTS

1. Application Checklist

The following information is needed by the Downtown Stockton Enterprise Loan Fund (DSELF) to determine feasibility for entering into a loan application assistance agreement:

- ☐ **A. Existing Application & Certifications (forms to be provided by staff)**
- ☐ **B. Financial Statements:**
 - ☐ 1. Business (Previous one 1 year [if already in business] and recent interim)
 - ☐ 2. Personal (Current) – Personal Budget Analysis (month-by-month income and expenses for the past 24 months)

Required for all owners with at least a 20% stake in the company
- ☐ **C. Federal Tax Returns (previous three (3) years):**
 - ☐ 1. Business (If in business)
 - ☐ 2. Personal

Required for all owners with at least a 20% stake in the company
- ☐ **D. Business Plan, which MUST include ALL of the following (*Please see Exhibit A for a more detailed description of what to include in your business plan):**
 - 1. Vision & Mission of the business
 - 2. Brief history of the company and years of operation
 - 3. Market Analysis - including industry outlook, Strength, Weakness, Opportunities & Threat “SWOT” analysis, and description of target customer
 - 4. Operations - including management capabilities (resume, entrepreneurial training etc.), and proposed 2 year hiring schedule
 - 5. Products & Services - overview of the product or service being provided, and your value proposition/competitive advantage
 - 6. A Marketing & Promotion plan
 - 7. Profit and Loss statements and Cash Flow projections for 24 months, demonstrating a reasonable plan for loan repayment
 - 8. Financing Needs
- ☐ **E. Copy of lender decline letter or written statement that credit is not otherwise available**
- ☐ **F. Written Description of Loan Request – Including loan amount, use of proceeds, detailed description of collateral to be pledged, and repayment terms desired. PLEASE NOTE: Vehicles are not accepted as collateral, and all business or personal property will be discounted by 80%.**

NOTE: for loans over \$30,000, real property collateral is required, and a description or copy of the deed of such property must be submitted.
- ☐ **G. Lease agreement — existing or proposed.**

NOTE: If you have already personally guaranteed your lease, in order to received DSELF funds, you must work with your landlord to add the DSELF as a subordinate, as a term of the loan.
- ☐ **H. Environmental Questionnaire (will be provided by staff)**

☐ **I. Business License, Necessary Permits, Proof of Proper Zoning, and Certificate of Occupancy**

J. Business Account Aging (if your business has Accounts Payable or Receivable)

☐ 1. Accounts Payable Aging

☐ 2. Accounts Receivable Aging

☐ **K. Business Debt Schedule (if your business has Business Debts)**

*****ADDITIONAL REQUIREMENTS*****

IF YOU ARE ACQUIRING AN EXISTING BUSINESS OR ENTITY, YOU MUST ALSO SUBMIT:

☐ **L. Purchase agreement**

IF YOU ARE A BUSINESS TO BUSINESS OPERATION, RATHER THAN A BUSINESS TO CONSUMER OPERATION, YOU MUST ALSO SUBMIT:

☐ **M. Customer list with names, address, zip code and telephone numbers**

☐ **N. A copy of a sample invoice**

In order to quickly determine if we can be of service to your firm, we need all of the information requested above, as well as the completed application. If any information requested is not available, please attach a written explanation.

All information will be held in strictest confidence.

Please Note: All documents submitted with this application become the property of the DSELF and will not be returned. Do not submit original documents.

II. PRE-“APPROVAL” STANDARDS

ALL APPLICABLE PRE-APPROVAL REQUIREMENTS MUST BE SUBMITTED IN FULL AND MEET THE STANDARDS OUTLINED BELOW, AS DETERMINED BY DSELF STAFF.

If any submitted document within the “pre-approval” requirements list, apart from the business plan (which may be modified and re-submitted), are found to warrant disqualification, an applicant must wait 60 days to re-submit updated materials.

1. Business Plan

Business plans must include all information outlined above.

NOTE: Business Plans without financial statements/projections, or with inadequate detail will not be considered and thus the application will be disqualified or rejected until such time as a complete document is available for review.

NOTE: The SJDC Small Business Development Center (SBDC), Stockton Impact Corps, or Centro Community Partners may be used as a resource for business plan creation, but the use of these organizations is not required.

2. Secondary and Tertiary Sources of Repayment

A secondary source of repayment is required. The secondary source of repayment shall be the personal guaranty(ees) of the principals/owners of the business. The secondary source of repayment may also originate from a third-party co-signing the loan, or a third-party personal guarantee. This will be a term of the loan closing process.

NOTE: If you have already personally guaranteed your lease, in order to received DSELF funds, you must work with your landlord to add the DSELF as a subordinate.

A tertiary source of repayment is also required. This shall be the real property, business assets or personal assets that can be pledged as collateral in support of the financing. In evaluating the collateral value of assets being pledged to secure the loan, the DSELF's discounting standards will be applied at 80% of personal property and business assets. Broker's Price Opinions or third-party data sources including Co-Star, Zillow, etc., will be utilized to determine value of real property pledged as collateral.

NOTE: The tertiary source of repayment (with any applicable discounting applied), **MUST** equal 75% of the loan amount or greater. Anything less, will disqualify the applicant.

3. Debt Service Capacity

Existing or projected cash flow for the combined business and personal expenses must be sufficient to support repayment of the loan, which will be determined by an examination of the business's 2 year financial projections which should include the loan payment as an operating expense.

NOTE: Any months showing an inability to make the loan payment will disqualify the loan application.

4. Personal Financial Capacity

Applicants must show proof of income to cover personal expenses during the life of the loan, which will be determined by the personal budget statements.

NOTE: Any months showing an inability to cover personal expenses will disqualify the loan application.

5. Evidence of Business Profitability

NOTE: Financial Projections must show a 15% net profit margin by the last month of year 2.

6. Evidence of Owners' Commitment* (*for start-ups only)

NOTE: 10% or more of any listed start-up costs must be funded by the owner(s) of the company, which must be shown in the business financial projections sheet.

III. LOAN APPROVAL AND CLOSING PROCESS

Upon receipt of a completed DSELF loan application, DSELF staff will examine whether the requirements are met.

Loan applications deemed eligible will be forwarded to the DSELF Board of Directors for final consideration and ultimate approval or denial. Applicants will be asked to meet with the Board for an interview at this stage. Approved DSELF loan applications will be returned to the RLF for documentation and funding. The RLF will administer the DSELF Loan Closing process. Loans will not be funded until all loan documents are executed and conditions met.

EXHIBIT A: PROPOSED BUSINESS PLAN TEMPLATE

1. Vision & Mission Statement

- a. State your Vision Statement
- b. State your Mission Statement

2. About the Company

- a. Describe the current stage of your business
 1. *Are you in the idea phase, in operation, looking to expand?*
 2. *How long have you been in operation (if in operation)?*
- b. State your business entity type & ownership information
 1. *What is your business entity? Sole proprietorship, LP, LLC, etc.*
 2. *Who are the owners/investors? If there are partners, how is ownership divided?*
 3. *What is the relevant background/experience of the owners/operators?*

3. Market Analysis

- a. Name the industry in which you are operating
 1. *If the industry is growing, share the % growth rate*
- b. Name key opportunities and threats for your business
- c. Name your biggest competitors
- d. Define your target customer— i.e., age, gender, needs, wants

4. Products & Services

- a. Describe your products and services, including their prices
- b. Describe your value proposition/competitive advantage
 1. *State the unique selling point of your business which makes you attractive to your target customer*
 2. *Why will your customers choose you, rather than your competitors?*
 3. *How are you solving a problem or addressing a pain point for your customer?*

5. Operations

- a. State the size of your operating team and share whether team members have prior relevant experience/relevant certifications – include resumes of owners of 20% or more of the company
- b. Share whether you are planning to hire additional workers within the next year

6. Value Proposition/Competitive Advantage

- a. State the unique selling point of your business which makes you attractive to your target customer
 1. *Why will your customers choose you, rather than your competitors?*
 2. *How are you solving a problem or addressing a pain point for your customer?*

7. Marketing Strategy

- a. Name which promotion and distribution channels you will be using
 1. *How will your clients will first hear about the business, where can they go to learn more about the business, where clients can purchase your products/services, and how you will stay in touch with your customers?*

8. Financial Projections

- a. State total revenue within the past year, and/or # of clients secured within the past year
- b. State your profit and loss and cash flow projections for the next 2 years (use a spreadsheet)
 1. *Describe how you arrived at this number (make sure projections are reasonable)*
- c. State the expected amount to be spent on Salaries/Wages within the next year

9. Financing Needs

- a. State the amount you are seeking and what it will be used for
- b. State how much the owner(s) or investor(s) have invested to date
- c. Share if there are any other financing sources you are pursuing