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California Association for Local Economic Development

Federal Stimulus Recommendations

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- ❖ Use EDA to administer a large portion of the stimulus dollars, but adjust the EDA process to look more like the Office of Economic Adjustment Program at the Defense Department.
- ❖ Create a Treasury Fund that all existing Federal State and local programs can use to guarantee and/or provide some sort of credit enhancement to support private and public sector lending.
- ❖ Encourage Regulatory Flexibility
 - If State requires EIR, drop federal requirements
 - Waive local match
 - Allow funds to replace local funds on current (in progress) projects
 - Waive jobs per dollar requirements
- ❖ Expand capacity to deliver funds by using existing economic development organizations to identify and help process projects for EDA, Treasury, SBA, etc.
- ❖ Expand and overlay federal enterprise zones on top of existing state enterprise zones.
- ❖ Declare this economic crisis as an “urgent need” for existing CDBG and stimulus funds (if any)...require 50% of any Community Development Block Grant stimulus funds go for economic development.
- ❖ All workforce stimulus funds should be demand driven and passed through organizations like the Community Colleges and programs like the Employment Training Panel that are demand driven.
- ❖ Create a federal tax credit for business to invest in local economic development.
- ❖ Provide matching dollars for approved state and local bond issues.
- ❖ Encourage pension fund investing in municipal bonds and Industrial Revenue Bonds by allowing them to re-assign tax benefits to nonprofits and/or sell to investors seeking tax deductions.
- ❖ Significantly bolster all SBA lending and other federal agency (EDA, RDA) lending programs allowing them flexibility to alter interest rates and terms and to guarantee bank lending.
- ❖ Provide for a strong and diversified (beyond affordable housing) Community Reinvestment Act and expand this to all financial institutions, insurance companies etc. This will put funds in the hands of community organizations equipped to deploy capital and create jobs.

- ❖ Allocate \$1 billion of the 700 Billion TARP funds to CDFIs and other community and non-profit organizations that can get this money out to projects and small businesses ASAP. This would need to be done on more flexible terms than is being offered to banks (longer term, lower interest or grants).
- ❖ Fund additional New Market Tax Credit applications beyond what was just awarded this year. Work down the list of highly qualified applicants from this round. These tax credits can get deployed relatively rapidly and are targeted to LMI.
- ❖ Utilize Treasury funds to purchase SBA 7a loans and SBA 504 First Trust Deed loans to free up the secondary market for these programs and provide needed liquidity for lenders.
- ❖ Treasury needs to ensure that SBA is meeting the needs of small businesses since banks are withdrawing access to capital. Working capital and lines of credit and non-real estate secured financing is essential. TARP is doing nothing on this front. Cost of capital must also come down.
- ❖ Reduce fees on SBA 7a program for non-real estate loans
- ❖ Expand the number of 7a lenders to non-traditional lenders such as Certified Development Companies and CDFI's that are still making these needed loans but without the 7a guarantee. Expand the SBA microloan at the same time and allow SBA microlenders to become 7a lenders as well with a focus on being able to deliver the Community Express program and the Technical Assistance associated with it.
- ❖ Reduce the costs of the nation's number one economic development finance program – the SBA 504 program – to make the program affordable and to act as an incentive to job creation and expansion. The spread on this program has increased almost 5 fold due to the credit crisis.
- ❖ Utilize CDCs and other non-traditional lenders to finance commercial real estate, particularly owner-occupied retrofits for energy efficiency with a subordinate debt government guaranteed loan to create many more green jobs and reduce foreign oil dependency.
- ❖ Require banks that received bail out funds to use those funds for loans. This is mostly a liquidity crisis and the overall economy will not work without money available for borrowing by businesses.
- ❖ Require every lender/financial institution to make personal contact with every holder of a subprime or alt-A mortgage loan in their portfolio for the purpose of restructuring those loans into conventional loans with reasonable fixed interest rates.
- ❖ Provide federal guarantees for repayment of tax-exempt municipal bonds, given the lack of private insurance and the current fears of buyers and investors in the

municipal bond market. The cost of doing this will be minimal to the federal government because default rates on munis are extremely low.

- ❖ Assure that any public works stimulus program emphasizes investment in public transit, retrofitting of public buildings to make them energy-efficient, projects that will encourage infill development, projects that will provide water storage for already developed areas that are water-deficient or threatened, projects that will provide for storm water retention rather than runoff into streams and rivers.
- ❖ Hold up all or a portion of the EDA related changes related to loan guarantees...deadline is 12/22/08
- ❖ Create one-stop-shop business credit web site for all programs searchable by need or activity.
- ❖ How will we know what is coming to our States?