



COUNTY OF HUMBOLDT

For the meeting of: 4/4/2023

File #: 23-371

To: Board of Supervisors
From: County Administrative Office
Agenda Section: Consent

Vote Requirement: 4/5th

SUBJECT:

Headwaters Fund Revolving Loan Fund Loan to the Salyer Store

RECOMMENDATION(S):

That the Board of Supervisors:

1. Approve the Headwaters Fund Board's (HWFB) recommended Revolving Loan Fund (RLF) loan of \$320,000, as part of a total participation loan with Arcata Economic Development Corporation (AEDC) of \$640,000, to the Salyer Store for the purchase of the property and building renovations (4/5 Vote Required).

SOURCE OF FUNDING:

Headwaters Fund Revolving Loan Fund (3843)

DISCUSSION:

On March 14, 2023 the HWFB made an unanimous motion to recommend that your Board authorize the Headwaters Fund (HWF) to participate with AEDC in a \$640,000 under the Extraordinary Project Criteria of the Headwaters Fund Revolving Loan Fund Manual. The recommended loan will be used to purchase and renovate the Salyer Store property, which includes the Salyer Store itself, the rental space in the same building - currently leased to the Salyer Post Office - and 4 buildings behind the store - 3 one-bedroom units and 1 three-bedroom unit. The recommended loan of \$640,000 would have a borrower injection of \$250,000 for a total project cost of \$890,000. Loan funds would be used for the purchase of the property (\$600,000) and building renovations (\$40,000). Borrower injection will be used for the purchase of the business (\$200,000, which includes \$70,000 in inventory, \$50,000 in FFE and \$80,000 in Goodwill) and \$50,000 in working capital. HWF participation in this loan would be in the amount of \$320,000, to be funded through the RLF.

The Salyer Store is a general/grocery store located in Trinity County at 50 Salyer Lane in the small town of Salyer, six miles east of Willow Creek. The current owners have owned the business for over 20 years and are well known in the community. They would like to retire and pass their legacy to a

community minded family to operate the store, as opposed to an out-of-town investor. The small convenience store offers soft drinks, alcoholic beverages, cigarettes and a wide selection of grocery items. The store sits on a 5.52-acre piece of property which includes a 3-bedroom house that is currently occupied by the owners, as well as three one-bedroom rentals. Located in the same building as the store is a rental space currently occupied by the Salyer US Post Office. The current owners have been managing the business from the year 2000 and have created a hub for the community. They offer made-to-order sandwiches and "Grannie's" famous freshly baked cookies from the small deli. They also offer deli meats, produce and other essentials for the local community. Most products are delivered from distributors such as Humboldt Beer Distributors and Producers Dairy with other small lot items purchased through weekly supply runs to the coast with a business cargo van. The present clientele consists of approximately 500 local residents, the occupants of the US Forest Service barracks, as well as traffic on the Hwy 299 which approaches a million passersby annually.

AEDC's extensive review of the project and the borrower found the recommended loan to be acceptable under normal RLF loan criteria with the exception of its location. The Salyer Store is located less than a mile outside of the Humboldt County Border and therefore must be approved by a super majority vote of the Board of Supervisors and meet specific selection criteria. Per the RLF Manual, Section 4(b) Eligible Organization, organizations eligible for loans may be located outside of the County if the Extraordinary Project Criteria in section 17 are met. Selection criteria for such projects include;

1. The project must demonstrate a total economic benefit that significantly exceeds the economic benefit from using twice the amount of funds for the Revolving Loan Fund, CIF, or Grant Fund; whichever of the three Funds that would be appropriate and/or most impacted would be the standard against which to judge the Extraordinary Project. In other words, if the Extraordinary Project requests \$1 million, its total economic benefit must exceed using \$2 million for Revolving Loan Fund, CIF, or Grant Fund investments; and
2. The calculation of total economic benefit should include measures such as County-wide direct and indirect job creation/retention, wealth generation, workforce development and business development; and
3. No alternative sources of funding should be readily available.

This criterion is addressed accordingly below.

1. Total economic benefit of an RLF loan is measured by job creation/retention. However, per the RLF manual Section 4(f)(i), the lender can make exceptions to the normal job creation/retention requirement if the lender deems the organization will generate a sufficiently high total economic value to the county. It is the findings of AEDC, the HWFB and staff that the Salyer store is an essential community facility which more than generates a sufficiently high total economic value to the county.
2. When calculating the total economic benefit of the Salyer Store project, the HWFB and AEDC

also considered the community benefit of Salyer Store and the adverse impact of its closure. The Salyer store was identified as more than a grocery store but a community hub that houses the local post office as well as three one-bedroom rentals. This is also one of the few businesses in the area which can tap into tourist dollars and retain that economic stimulus in the community through jobs, purchasing of local goods and providing nourishing food in a food desert. Failure to secure the loan would likely lead to the closure of the Salyer Store with a large adverse impact on its community. With the recent closing of River Song Natural Foods in Willow Creek, there will be only one other grocery store in the area, potentially creating a monopolized market. This type of market structure can lead to higher prices for consumers and lower wages for workers, which in turn can lead to a drop in the rate of new business formation and job creation.

3. The Salyer Store has no alternative sources of funding that are readily available.

Lastly, per the Headwaters Fund Charter, Section 1(b)(ii), the purpose of the Headwaters Fund includes keeping the funds working in the community in perpetuity. Approving this recommended \$320,000 loan to the Salyer Store at a 7% interest rate will help the fund in meeting its obligations to support our community now and in the future.

FINANCIAL IMPACT:

There will be no General Fund impact. Financial costs are borne by the Headwaters Fund RLF (3843), which currently has a cash balance of \$3,275,795. This action authorizes the Headwaters Fund to loan \$320,000 of its RLF cash balance to the Salyer Store. If this loan is approved the RLF will have a cash balance \$2,955,795 available for future loans.

STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework by providing community-appropriate levels of service, supporting business, workforce development and creation of private-sector jobs, managing our resources to ensure sustainability of services, seeking outside funding sources to benefit Humboldt County needs

OTHER AGENCY INVOLVEMENT:

Headwaters Fund Board, Arcata Economic Development Corporation

ALTERNATIVES TO STAFF RECOMMENDATIONS:

The Board may choose not to approve staff recommendation. This is not recommended as the loan will not only boost the Headwater's revenues, but also keep a long-standing establishment in business.

ATTACHMENTS:

1. AEDC Participation Agreement - Salyer Store

PREVIOUS ACTION/REFERRAL:

Board Order No.: N/A

Meeting of: N/A

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