



ECONOMIC DEVELOPMENT  
& FINANCING CORPORATION



# EDFC First Quarter Report 2018-2019 Fiscal Year

Economic Development and Financing Corporation  
175 E. Church St., Ukiah, CA 95482  
(707) 234-5705  
[www.edfc.org](http://www.edfc.org)  
[info@edfc.org](mailto:info@edfc.org)

This report is sponsored by:



Accepted by the EDFC Board of Directors on October 11, 2018

Unless otherwise noted, this report was written and data was compiled by:  
Heather Gurewitz, MCRP  
Executive Director

About the Author:

Heather Gurewitz became the Executive Director of EDFC in January of 2018. She holds a Master's of Community and Regional Planning from the University of Oregon and a Bachelor of Arts in Geography from UC Berkeley. Ms. Gurewitz came to EDFC with over ten years of experience in community and economic development. If you have questions or concerns, she can be reached at (707) 234-5705 or via email at [heather@edfc.org](mailto:heather@edfc.org).

# Contents

- 2018-2019 First Quarter Organizational Accomplishments & Deliverables ..... 6
  - Grants and Lending Program ..... 6
  - Community Collaboration and Outreach..... 6
  - Programs and Training ..... 6
- 2018-2019 First Quarter Loan Program Activity ..... 7
  - First Quarter Loan Program Statistics ..... 7
    - Table 1: EDFC Loans by Location..... 7
    - Table 2: Breakdown of Funds Currently Available for Lending from EDFC..... 8
  - Loan Program Income ..... 8
- Economic Development Activities ..... 8
  - Coming Up..... 9
    - Save the Date: Mendocino County Economic Summit: Charting a Path Forward..... 9
    - “Meet with a Lender” Rural Entrepreneur Outreach ..... 9
    - Did we mention that we have money to lend? ..... 9
- Mendocino County Economic Development News ..... 10
  - Costco Opens in Ukiah ..... 10
  - Skunk Train’s Parent Company Announces Plan to Purchase Portion of the GP Mill Site ..... 10
  - Microphor Announces Closure of Willits Facility..... 10
  - State Expands Opportunities for Homemade Cottage Food ..... 10
- Economic Trends..... 11
  - Labor Market and Employment Data ..... 11
    - Chart 1: Total Private Employment by Industry Comparison, July 2017 v. July 2018..... 12
  - Real Estate Trends..... 12
    - Chart 2: Units Sold, Pending and On the Market between August, 2017 and August, 2018 ..... 13
    - Chart 3: Price of Real Estate based on Price Per Square Foot ..... 13
- Cannabis..... 14
  - Table 3: California State Cannabis-Related Licenses by Location in Mendocino County ..... 14
  - Table 4: Cannabis Cultivation License by Type ..... 15
- This Quarter’s Bonus Report: Opportunity Zones & Mendocino County ..... 15
- Thank You to Our Sponsors..... 15

# 2018-2019 First Quarter Organizational Accomplishments & Deliverables

In the first quarter of the 2018-2019 Fiscal Year, EDFC accomplished the following contract deliverables and auxiliary activities to support economic development in Mendocino County, the City of Ukiah, the City of Fort Bragg, the City of Willits, and the City of Point Arena:

## Grants and Lending Program

- Awarded Community Development Financial Institution Fund Financial Award Grant for \$400,000 for lending and loan program administration
- Received a \$10,000 grant from PG&E to coordinate an Economic Summit
- Submitted two grant applications requesting a total of \$840,000; one for economic inclusion planning and one application to create a new Revolving Loan Fund
- Provided technical assistance through our Rural Microentrepreneur Assistance Program via West Company and EDFC to four businesses
- Made one loan for \$11,500 to Proudly Healthy located in Fort Bragg, CA

## Community Collaboration and Outreach

- Participated in and presented at the Sonoma-Mendocino Economic Development District semi-annual meeting
- Developed loan program servicing policies, underwriting policies, and portfolio performance measures and goals
- Participation in the Healthy Mendocino Poverty Action Teams for inland Mendocino and the Mendocino Coast
- Coordinated with North Coast Opportunities (NCO) on developing the concept of a joint commercial kitchen/economic development center
- Coordinated with the Alex Rorabaugh Center (ARC) Family Resource Center, Ukiah Vecinos en Accion, and West Company to develop a potential program for a Community Market in Ukiah
- Took on fiscal sponsorship of the Mendocino Latinx Alliance
- Executive Director was appointed to the Mendocino County Committee for the Workforce Alliance of the North Bay (WANB), and the Policy & Oversight Committee
- Provided direct outreach to the Greater Ukiah Chamber of Commerce, Mendocino Coast Chamber of Commerce, Employers Council of Mendocino, Ukiah Rotary Club, Savings Bank of Mendocino County, Westamerica Bank, Redwood Credit Union, Wells Fargo, Tri-Counties Bank, Inland Water and Power Commission, and Mendocino Coast Latino Coalition
- Participated in the following events: 12@12 with the Mendocino Coast Chamber, office hours at KGUA in Gualala, Fort Bragg Latino Business Owners Forum (with West Co.), the Small Business Administration Small Business Road Show (with West Co.), Ukiah Vecinos en Accion September meeting
- Continued monthly radio spot on Peggy's Place on KGUA radio serving Point Arena and Gualala

## Programs and Training

- Took on the role of Broadband Coordinator for Mendocino County (see broadband report for deliverables on program)

- Participated in trainings for: USDA Rural Microentrepreneur Assistance Program and Intermediary Revolving Loan Program, USDA Rural Development 502 Direct Housing Loan Program, CalCAP Loan Loss Reserve Program webinar, and CDBG Disaster Resilience webinar
- Reviewed and provided comments on the recently released Mendocino County Economy Report released by Chico State and made it available to the public via the EDFC website.

## 2018-2019 First Quarter Loan Program Activity

EDFC has spent the majority of the first quarter of the 2018-2019 fiscal year addressing some of the deficiencies in the existing infrastructure of our current loan policies and procedures. Over the last three months we have completed the development of loan underwriting criteria, a new credit memo, and new servicing policies and procedures. We have also been working with an attorney to develop our own set of loan closing documents which is an important component that has been missing from our program. Though we will still be making high risk loans that fill an important gap in our community, we are using important predictors of a loan applicant’s ability to repay, to ensure that we are making loans that benefit the client, our community, and EDFC.

### First Quarter Loan Program Statistics

Loan Inquiries: 10

Applications Received: 1

Applications Denied: 0

Applications Approved: 1

Total # Current Loans in Portfolio: 35

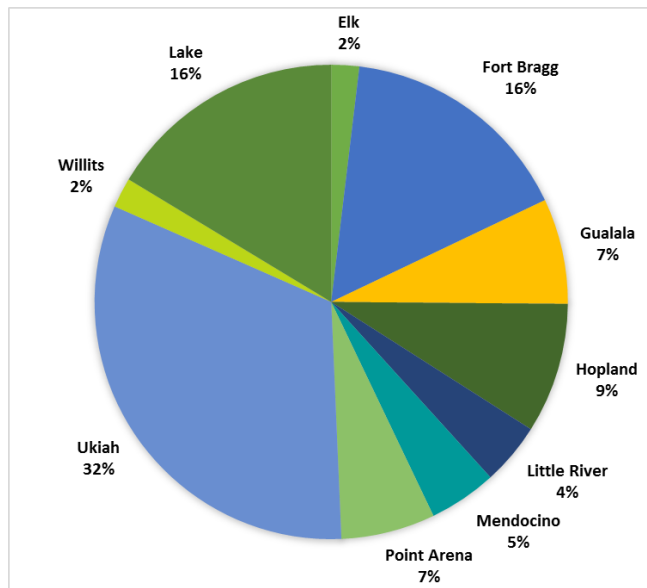
Total Dollar Amount of Portfolio: \$1,705,400

Total Dollar Amount Available to Lend: \$1,426,140

EDFC has loans throughout Mendocino and Lake Counties. Of the total number of active loans, 84% are in Mendocino County, the largest portion of which are in Ukiah, followed by Fort Bragg. The following chart shows the breakdown of loans by county and city:

Table 1: EDFC Loans by Location

Location	Outstanding Portfolio
<b>Lake</b>	<b>\$278,960</b>
<b>Mendocino</b>	<b>\$1,426,439</b>
Fort Bragg	\$273,458
Gualala	\$122,682
Hopland	\$151,487
Elk/Little River	\$104,696
Mendocino	\$79,050
Point Arena	\$109,642
Ukiah	\$550,551
Willits	\$34,873
<b>Total Outstanding</b>	<b>\$1,705,400</b>



**Table 2: Breakdown of Funds Currently Available for Lending from EDFC**

Fund Name/Source	\$ Available
Community Development Financial Institution Fund	\$297,500
EDFC Revolving Loan Fund	\$21,380
Rural Microentrepreneur Assistance Program	\$362,810
Direct Public Offering	\$100,000
Intermediary Relending Program (new & revolved)	\$644,450
<b>Total Currently Available for Lending</b>	<b>\$1,426,140</b>

In addition to these programs, EDFC also administers the Community Foundation’s Microloan Program which currently has an estimated \$13,000 available to lend. These funds can be used as match for some of our USDA loans that require 25% private investment.

Additionally, EDFC received an award from the Community Development Financial Institution Fund which will increase our available CDFI funds by \$340,000. We are also currently applying for a grant from the Economic Development Administration which would also increase our loan funds and reduce our organizational risk. We expect to hear about the EDA funds early in the next quarter.

### Loan Program Income

Between July 1, 2018 and September 30, 2018, EDFC generated a net revenue of approximately \$13,000 to support the operation and sustainability of EDFC and our loan programs. While this is not insignificant, our monthly operating expenses, which largely consist of the salary of two staff and professional fees directly related to operating, are significantly more. The loan program revenue covered approximately 34% of our operating costs for the quarter.

EDFC’s loan program income is a critical base for the financial health of EDFC. At the USDA Rural Development RMAP/IRP training we learned that EDFC needed to make some changes to the capital structure of the loan program. Additionally, we have implemented loan policies that comply with federal requirements and that will improve the long-term sustainability of our funds. That said, in the immediate future, there will likely be a significant drop in interest income that will negatively impact our organizational budget.

## Economic Development Activities

In this quarter, EDFC continues its efforts to build stronger collaboration and coordination with the five jurisdictions it serves and with community partners. The Executive Director continues to maintain communication and contact with partners to provide support and create economic impacts.

EDFC successfully secured an additional contract to serve as the county’s Broadband Coordinator for the current year. This is an important economic development activity that greatly impacts our local economy. We are working alongside the Broadband Alliance of Mendocino County and as the county’s representative to the North Bay North Coast Broadband Consortium to maximize our time and efforts. This quarter we dove into the planning process to create the Mendocino County Broadband Plan. We began with first analyzing all existing and previous work completed by the former coordinator, Trish



Steel, and have moved into the needs assessment phase, also known as a countywide survey of broadband access. We will complete the survey and an initial plan draft in the second quarter.

### Coming Up...

EDFC will continue the work we are doing: collaborating with partners and local jurisdictions, making more loans to local businesses, and supporting the overall economic development of Mendocino County. Here are some of the activities we are planning for in the future:

#### Save the Date: Mendocino County Economic Summit: Charting a Path Forward

Thursday, January 31, 12:00-4:00 PM

111 E. Commercial St. in Willits



EDFC is organizing an important stakeholder meeting to start the process of planning for the future of Mendocino County's economy. The goal of the event will be to understand the resources currently available that support economic development, identify gaps in our system, and begin the process of developing goals for the future. We will have break-out sessions covering a number of topics such as entrepreneurial development and financing, cannabis, housing, and poverty alleviation. More details to come...

#### "Meet with a Lender" Rural Entrepreneur Outreach

EDFC is currently seeking funds so that we can implement a program that will provide targeted outreach to all parts of our very sizeable county. The program would allow an EDFC staff person to spend one day a month visiting our outlying communities and providing credit and business loan information and credit counseling. We would alternate monthly between Covelo, Laytonville, Gualala/Point Arena, Fort Bragg, Willits, and hard-to-reach neighborhoods in Ukiah. We are currently seeking sponsors for this program.

#### Did we mention that we have money to lend?

EDFC has over \$1 Million to lend to start-up and existing businesses in Mendocino and Lake Counties. Our loans range from \$5,000 to \$250,000. Our terms range from 3 years to upwards of 15 years, and our interest rates start at 6%. For more information about our loans call 707-234-5705 or visit [www.edfc.org](http://www.edfc.org).

# Mendocino County Economic Development News

In case you missed it, here were some of the news items that impact our local Mendocino County economy that may be of interest.

## Costco Opens in Ukiah



After 20 years of back and forth, Costco opened its doors in Ukiah on July 19<sup>th</sup>. The economic benefits of Costco include an estimated 200 new jobs, tax income for the City of Ukiah and Mendocino County, and a new outlet for local products that could potentially lead to national distribution. There is concern about the impacts that Costco may have on other local retailers, and these concerns may be legitimate. Local retailers that are concerned about the impacts of Costco should contact West Company, the host of the

Mendocino Small Business Development Center and Women's Business Center. West Company can help local business owners come up with a plan for changing conditions. To reach them visit their website at [www.westcompany.org](http://www.westcompany.org) or by phone at 707-964-7571.

## Skunk Train's Parent Company Announces Plan to Purchase Portion of the GP Mill Site



In September the Skunk Train's parent company announced a plan to purchase about 70 acres of land on the GP mill site. Since the mill closed in the 1990's, the future of the mill site has been uncertain. The City of Fort Bragg has worked with the community to develop plans, and has also created a stretch of coastal trail that reaches from the Pudding Creek Trestle to the Noyo Harbor Bridge. The train's parent company is the first private investor to publicly

announce an intention to purchase and invest in the site. We'll keep you updated as we learn more.

## Microphor Announces Closure of Willits Facility

In July, Microphor, a long time Mendocino County business, put out a press release announcing that it will close the facility in January of 2019. Currently, the facility has 18 full time employees, but in the past Microphor was a major economic generator in the area. Microphor was founded in 1971 and provided waste disposal systems using redwood bark for transportation on trains and planes.

## State Expands Opportunities for Homemade Cottage Food

While not Mendocino County specific, the Cottage Food Law allows people with certified home kitchens to make and sell a small range of baked goods, jams, and other low risk foods. In September, the state legislators passed and the governor signed into law, Assembly Bill 626, which now allows a greater range of foods that will include meat and dairy. The regulations aren't out yet, but this is sure to be a great entry level opportunity for future food manufacturers.

We know there's more happening in our local economy and we'll try and bring you more in the future. If you would like to share news about our local economy with EDFC, please contact us and send it to [heather@edfc.org](mailto:heather@edfc.org). While we won't be able to get it in this particular report, we will add it to our Facebook page and/or future reports.



## Economic Trends

The following report uses three sources of data to look at our economy in the last quarter. It includes labor market data, real estate trends, and state issued cannabis licenses. These indicators were selected for the main reason that they provided Mendocino County specific data that was current for July and August of 2018. This report identifies some trends, but we know that the economy is not always predictable and so it is important to continue to be proactive about the future.

In quick summary, employment trends in the county are positive, however, real estate trends are concerning, particularly the quantity of larger rural parcels on the market. Additionally, while no data is currently available, the issue of smoke taint for inland Mendocino County grape growers, could have major impacts in the coming year. Therefore, it is reasonable to say that the economy is currently fine, but there is reason to be mildly concerned about the future and there is a need to be extremely proactive.

### Labor Market and Employment Data

Instead of looking at monthly fluctuations in employment over the course of the quarter, this section compares July of 2017 employment data to July of 2018 employment data. Due to the seasonal fluctuations in employment, month to month comparisons are likely not a good indicator of economic conditions and instead, this report compares last year to this year. It is important to note that July is likely to be the highest employment month of the year due to the seasonal nature of both tourism and natural resource-based industries.

The Labor Market Information System data shows employment growth between July, 2017 and July, 2018 in Mendocino County's economy. While there was minor shrinkage of 120 people in the total civilian labor force, civilian unemployment (a segment of the total civilian labor force) shrank by 310.

Total non-farm employment increased by 1%.<sup>1</sup> The largest growth was seen in construction which had an increase of 9% (120 jobs) between July 2017 and July 2018.<sup>2</sup> This was expected as Mendocino County continues recovery and rebuilding efforts related to the October 2017 Redwood Valley Fire. Education and Health Services also saw an increase of 120 jobs, but as the industry has significantly higher employment numbers, this only constituted a 2% increase. Manufacturing saw a minor increase of 1% (30 jobs) which is small but important as manufacturing is an important component of a healthy economy. Another industry with growth was Professional & Business Services which grew by 4% (70 jobs).

Mendocino County saw a 5% (70 jobs) decrease in farm employment between July 2017 and July 2018.<sup>3</sup> A decrease in farm employment may signify a decrease in agriculture production in the 2018 year. That said, it could also signify that more farms are using out-of-area contract labor companies that do not show a Mendocino County address. While we have no hard data at this time, we have heard from a number of wine grape growers that smoke taint is an issue for some. Many vineyards located in the

---

<sup>1</sup> ibid

<sup>2</sup> ibid

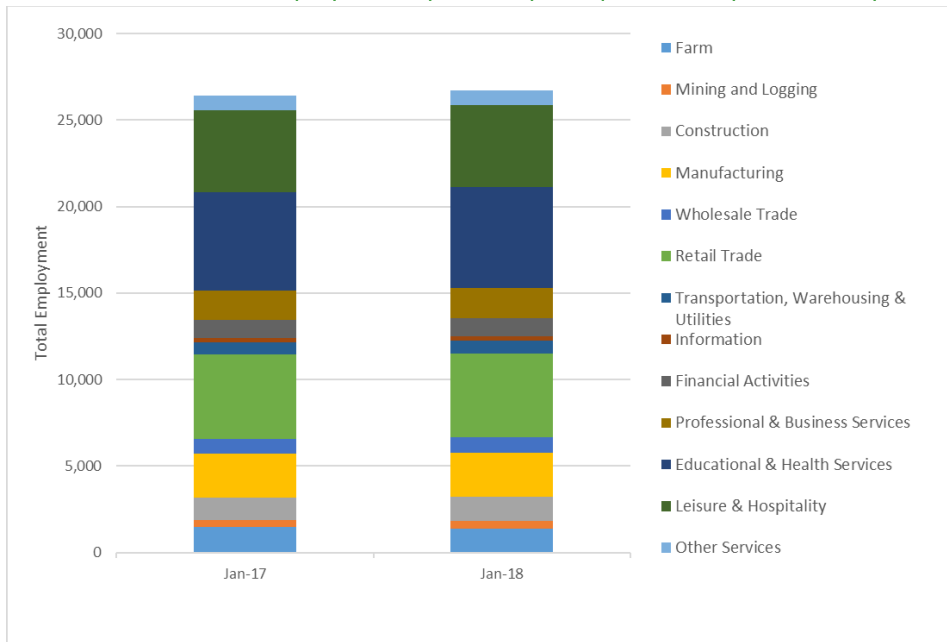
<sup>3</sup> Weaver, Randall. California EDD Labor Market Information System, July 2018 and August 2018 Report

greater Ukiah Valley, Redwood Valley, and Potter Valley have indicated that they are having trouble selling their grapes because of smoke taint from the fires.

There were no other industries that showed significant contraction in their workforce between July 2017 and July 2018.

The following chart shows the employment by industry comparison for July 2017 and July 2018.

**Chart 1: Total Private Employment by Industry Comparison, July 2017 v. July 2018**



Source: Weaver, Randall. California State Employment Development Department Labor Market Information Systems, July and August 2018 Reports.

### Real Estate Trends



Real Estate trends are mixed. Between August 2017 and August 2018, the average price of residential properties for sale was \$864,846, but the average price of properties sold was \$491,230.<sup>4</sup> This supports claims that large rural parcels are setting on the market, whereas single family residences are moving quickly and are in high demand. The average sale price in August 2018 (\$535,000) was higher than August of 2017 (\$447,000),<sup>5</sup> however, the fluctuations over the course of the year do not show a specific upward trend. The highest average sale price over the course of the year was in December of 2017, with an average sale price of \$557,000.<sup>6</sup> There is speculation that this peak in the market was related to displaced households from both the Redwood Valley and Santa Rosa fires of October 2017.

Between August of 2017 and August of 2018, the number of properties on the market went from 325 to

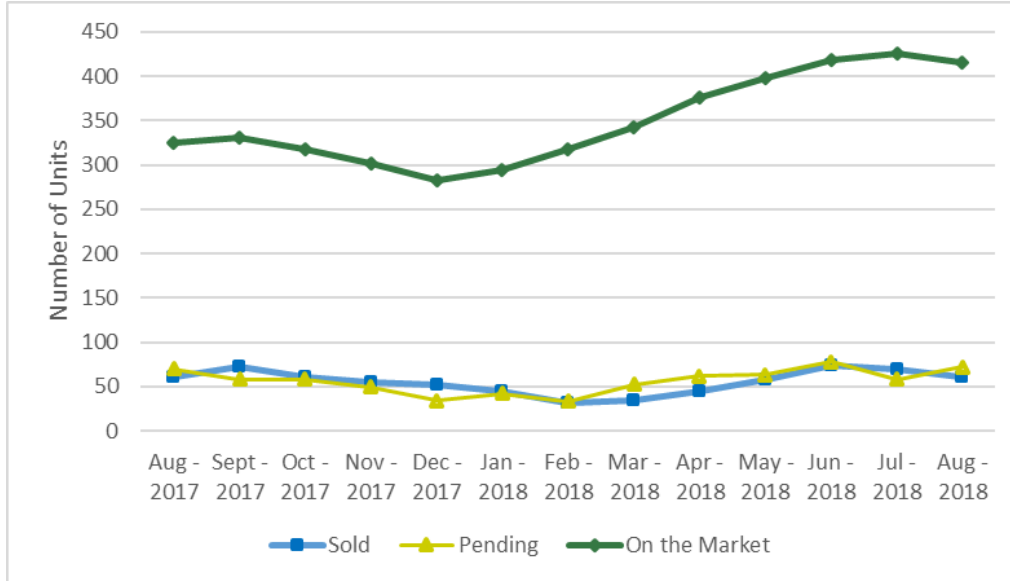
<sup>4</sup> TrendGraphix, Mendocino County Properties Market Data, <http://www.mendocinocountyproperties.com/market-data/>

<sup>5</sup>

<sup>6</sup> Ibid

415 which is a 20% increase in homes for sale.<sup>7</sup> While the increase in housing may be seen by some as a positive trend, there is a significant concern that larger parcels are flooding the market and not selling. There is also concern, though no current data is available, that wages are not keeping pace with housing prices.

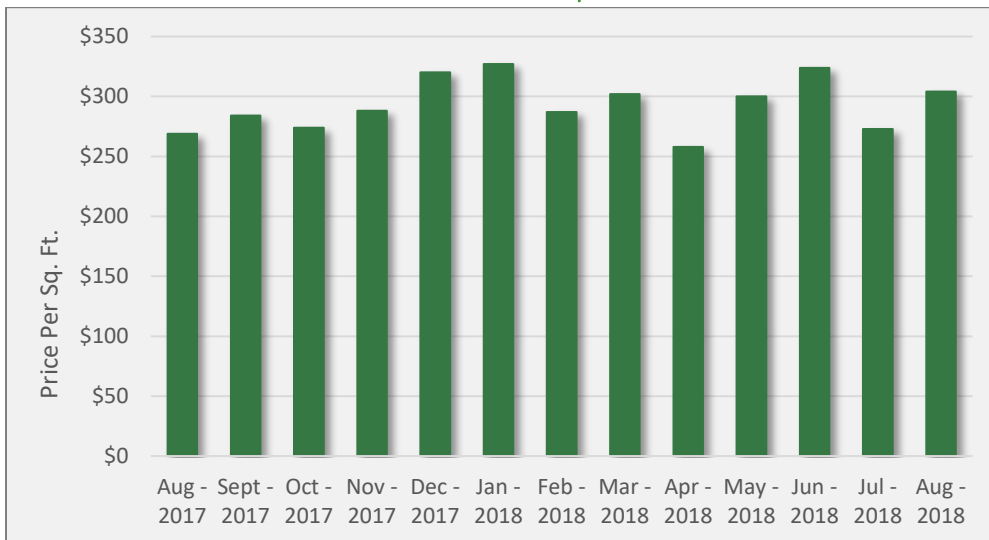
Chart 2: Units Sold, Pending and On the Market between August, 2017 and August, 2018



Source: Coldwell Bankers, Mendo Realty TrendGraphix, <http://www.mendocinocountyproperties.com/market-data/>

This is supported when you look at the following chart which shows “Average Price per Square Foot.” This shows fluctuating but stable trend ranges over the course of the year between \$258/square foot to \$327/square foot.<sup>8</sup>

Chart 3: Price of Real Estate based on Price Per Square Foot



Source: Coldwell Bankers, Mendo Realty TrendGraphix, <http://www.mendocinocountyproperties.com/market-data/>

<sup>7</sup> Ibid.

<sup>8</sup> Ibid

As an indicator, this could be something that has a significant negative impact down the road. If parcels don't sell and instead become foreclosures, it could have long term negative impacts on the county.

### Cannabis



It is still extremely difficult to quantify the impact of cannabis on our county as the industry has been underground for decades. However, there are some indicators we can use such as the real estate trends noted above. Additionally, it is possible to track post-legalization licenses issued by the State of California. This does not tell us if the economy is good or bad, but provides a baseline of information on potential economic activity.

According to the State of California Department of Food and Agriculture, they have issued a total of 639 Cannabis Cultivation licenses in Mendocino County. It is important to note that the state has only issued temporary licenses at this time. Of all licenses issued, 270 are expired and 88 are about to expire, and 281 permits are active.<sup>9</sup> The following table shows the breakdown of active Cannabis permits from the state for all types by locations in the county including those about to expire.

**Table 3: California State Cannabis-Related Licenses by Location in Mendocino County**

Location	# State Licenses
Albion	1
Boonville	6
Branscomb	1
Calpella	1
Comptche	4
Covelo	38
Dos Rios	4
Fort Bragg	8
Gualala	2
Hopland	13
Laytonville	41
Leggett	1
Navarro	2
Philo	9
Piercy	1
Potter Valley	15
Redwood Valley	16
Ukiah	41
Unincorporated area	85
Westport	1
Whitethorn	1
Willits	70
Yorkville	8

Source: <https://aca6.accela.com/CALCANNABIS/Cap/CapHome.aspx?module=Licenses>

<sup>9</sup> California Department of Food and Agriculture, Cal Cannabis Licensing Division, <https://aca6.accela.com/CALCANNABIS/Cap/CapHome.aspx?module=Licenses>

The majority of active licenses are for the purpose of cultivation. Only four processor licenses are active or about to expire and there are 22 nursery licenses. The vast majority are either small or cottage outdoor growing licenses. Below is a chart showing the breakdown of active licenses by type:

**Table 4: Cannabis Cultivation License by Type**

License Type	# of Licenses
Medium Indoor	1
Nursery	22
Processor	4
Small Mixed-Light Tier 1	92
Small Mixed-Light Tier 2	28
Small Outdoor	102
Specialty Cottage Indoor	5
Specialty Cottage Mixed-Light Tier 1	8
Specialty Cottage Mixed-Light Tier 2	9
Specialty Cottage Outdoor	12
Specialty Indoor	5
Specialty Mixed-Light Tier 1	26
Specialty Mixed-Light Tier 2	10
Specialty Outdoor	45
<b>Total</b>	<b>369</b>

Source: <https://aca6.accela.com/CALCANNABIS/Cap/CapHome.aspx?module=Licenses>

### **This Quarter’s Bonus Report: Opportunity Zones & Mendocino County**

Since the passage of the 2017 Tax Bill, there has been a great deal of discussion about the implications of Opportunity Zones which were established as part of the bill. The Zones are designed to incentivize private investment into low income areas through tax incentives. There are three Opportunity Zones located in Mendocino County. The full report will be available shortly.

### **Thank You to Our Sponsors**

EDFC will continue to provide quarterly reports on the status of Mendocino County’s economy and important developments happening throughout the county. We appreciate the support we receive from our local jurisdictions including the County of Mendocino and the Cities of Fort Bragg, Point Arena, Ukiah, and Willits; and most recently, the Sonoma Mendocino Economic Development District. We also receive funding from AT&T and PG&E to support our general work.

While we are fortunate to have the support of these organizations, EDFC is a 501(c)(3) not-for-profit organization, and we always need funding and support to continue this work. We are happy to take your donation, grant, or other contribution you would like to make to EDFC. If you would like to reach us for this purpose or for any other reason, please contact us at (707) 234-5705.