MINUTES

Lane Economic Committee
Lane Council of Governments (LCOG), Fifth Floor Conference Room
859 Willamette Street -- Eugene (Remote meeting via GoToMeetings)

August 10, 2020
11:30 a.m.

PRESENT: Mark Bodie, Dan Betschart, Kari Westlund, Courtney Griesel, Kelli Weese, Anne Fifield, Greg Ervin
GUESTS: Eric Lind, Lynn Meyer, Howard Schussler

1. Welcome/Introductions/Changes to the Agenda

Mark Bodie, Chair, convened the Lane Economic Committee (LEC) at 11:37 a.m. Those present introduced themselves.

2. Public Comment

None.

3. Comments from the Members, Chair & Staff

None.

4. Review minutes from March 9, 2020
Action item: Approve minutes

Mr. Ervin moved, seconded by Ms. Weese, to approve the March 9, 2020 minutes. The motion carried unanimously.

5. Lane Small Business Development Center PPP & News - Eric Lind, Capital Access Team Advisor

Eric Lind, Capital Access Team Advisor for the Lane Small Business Development Center (SBDC), provided an overview on government COVID-19 relief programs for small businesses, including PPP (Paycheck Protection Program) and EIDL (Economic Injury Disaster Loans). Under the CARES Act, the PPP was allocated $349 billion starting Friday, April 3rd, and all the funds had run out within two weeks. Slightly before that, EIDL loans and advances were offered, but they were not handled well and took a long time. Most businesses did not receive funds until late April or early May. The PPP Flexibility Act went into effect April 24th, allocating another $310 billion for PPP and $60 billion for EIDL. That closed August 8th.

Oregon businesses received about $7 billion in PPP funds. Over 5 million loans were made throughout the US, with an average loan amount of $103,000. In order to get total forgiveness on the funds, original PPP loans designated 75% or more of the funds to be spent for eligible payroll costs, and up to 25% could be spent for non-payroll costs, such as utilities, rent, or mortgage. Many businesses could not meet the 75% threshold, so they were unable to open. The PPP Flexibility Act in late May/early June designated 60% or more of the funds for eligible payroll costs and 40% for other costs, so more businesses were able to operate and get total forgiveness on the funds. Any portion that is not forgiven turns into a loan at 1%.

The original PPP covered a period of 8 weeks, and most businesses started to receive funds the week of April 13th-17th. The 8 weeks started when they received the money. Most businesses needed more time to re-open. With the PPP Flexibility Act, any business receiving a loan on June 5th or after was automatically granted 24 weeks of relief.

The original PPP offered 6 months of deferred payments; the Flexibility Act increased that up to 10 months. That means that a business could have up to 24 weeks to spend the money, and then up to another 10 months to apply for forgiveness, which adds up to a total of almost 16 months. The original PPP designated a 2-year maturity; the PPP Flexibility Act designated a 5-year maturity as of June 5, 2020 (at 1%). If a business received a loan prior to June 5th, they could work with their lender to extend maturity.

Under the original PPP, the Safe Harbor rule was narrow, but the PPP Flexibility Act expanded it. Under the expansion, there is more latitude to businesses that had to be closed for a while; if they had a reduction Mr. Lind offered to talk to businesses about Safe Harbor rules if lenders cannot give them what they need.

The PPP EZ Forgiveness Application (similar to the 1040EZ) simplified the application process. With this application, certain businesses (self-employed, sole proprietorships with no employees, independent contractors, employers who did not reduce wages more than 25% or did not reduce hours, etc.) can apply for forgiveness. It also simplified the amount of documentation that needed to be provided to the lender in the application process.

PPP Applications under $150,000 may be totally forgiven (this is currently under discussion), or they may be able to certify that they have done everything properly, have proper records, and they need the loan forgiven.

Ms. Fifield asked if people should continue to send businesses to Lane SBDC if they have questions about the PPP. Mr. Lind replied that as a Capital Access Team Member, he usually advises businesses on other lending processes, but during the pandemic he has been a PPP expert, and businesses can reach out to him. Lane SBDC is free and can help in many ways.

Ms. Griesel asked if there are conversations happening in financial institutions about how they will handle businesses potentially needing to come back for a second round of loans as the pandemic continues. Mr. Lind responded that the National Association of Government Guaranteed Lenders (NAGGL) is pushing for changes that need to happen, such as no fees and additional funding in the 4th round. For example, businesses such as restaurants, day care centers, hair salons, spas, dentists, etc. had to be closed for a couple of months, so the initial round of PPP did not help them. Some of these are viable businesses but still need help in the form of grants or loans, especially if the pandemic continues for a while.

6. Community LendingWorks - Overview and new programs - Lynn Meyer, Director of Lending

Lynn Meyer provided an overview of what CLW has been up to during the pandemic crisis. He noted that CLW was the first loan fund in the state to launch an emergency loan product. CLW is working on five projects:

1) Launching emergency loans product throughout the state, starting in Lane County.
2) Portfolio preservation, working with current borrowers and small business owners in the community that have loans with CLW to see if they could help.
3) Facilitating small business grants through Business Oregon.
4) Launching CDBG grants for communities throughout the state (for example, one in Creswell that will serve all of Lane County, minus Eugene and Springfield).
5) Continuing to lend where they can with their normal pool of funds.

Mr. Meyer reported that CLW began helping businesses with pandemic relief early on. By the end of March, they had launched the emergency loan program, providing funding to 19 businesses in Lane County for a total of $400,000. The application window was a few days, but they received 100 applications in the first 15 minutes and over 200 by the end of the first day. Since then the loan program has spread throughout the state, with over 90 loans totaling $1.3 million.

Mr. Meyer then spoke about portfolio preservation. One of the first things CLW did was figure out how to help their current portfolio of about 550 loans. When COVID-19 hit, they immediately reached out to their borrowers to provide forbearance, forgiveness, and interest-only loans. About 60% of the businesses accepted and about 40% of their consumers accepted. Many of their small businesses have been able to open and are doing well, but we might not see all the true impact on small businesses for months to come.

Mr. Meyer continued by talking about CLW's involvement in the small business grant program through Business Oregon. They partner with communities throughout Lane County. Rounds 1 and 2 are being dispersed now; round 3 has been approved. Round 1 was designed to go to businesses who did not receive PPP or EIDL funds. Rounds 1 and 2 will result in helping between 150-180 businesses just in Lane County, although many more need help. Round 3, just awarded, will allow businesses who received PPP and EIDL to receive these funds as well.

Mr. Meyer then reported on CLW's launch of CDBG program, which is coming online and will be $150,000 for communities in Lane county that do not reside in entitlement cities (Eugene and Springfield). The approval from the state should come within 1-2 months.

Mr. Meyer shared that CLW's normal lending activity is continuing as usual. The way they have lent capital in the past is probably not how they will lend it in the future due to all the restrictions and challenges small businesses face due to the pandemic. It will be a multi-year process, partnering with LCOG, credit unions, banks, foundations, cities, and counties. CLW serves as a partner that can provide capital that does not fit one model or another.

Mr. Meyer said that there may be as many as 6 rounds of grants to small businesses. Round 3 will start at $400,000 and may go as high as $575,000.

Ms. Griesel expressed appreciation for CLW's work and help in our region. Mr. Meyer noted that some of the communities have given money to CLW that will remain there in perpetuity for an emergency loan fund.

Ms. Westlund asked if the interest rate on loans is consistent. Mr. Meyer replied that it is fairly consistent but can vary based on the funding cycle. The highest interest rate on emergency loans has been 2%. The loans also have (non-payments, interest-only, extended payments over a period of time, etc.).

Ms. Griesel pointed out that in mixing grants and loans, the cost to administer the grants has been problematic, because funds they are receiving do not allow for covering that cost. The jurisdictions have been trying to gather those funds as best they can, but this goes to show why a loan is also helpful.

Ms. Fifield asked if there is any analysis on which businesses are still struggling. Mr. Meyer responded the data is very informal, but that some businesses in the food and beverage industry are back to (or even above) pre-COVID numbers, but it depends on how quickly they were able to pivot. In the first round of grants, CLW thought food and beverage businesses would dominate the applications, but they saw all different kinds of businesses apply. He noted that there are still many people struggling. Receiving EIDL excluded some businesses from other programs. He added that it is critical for funders and lenders to find sources that allow them to pair loans and grants together. Grants provide fluidity of capital, but loans are also needed to spur growth. For the most part throughout the state, grants and loans have been treated separately, but there should be more of a focus on rebuilding and stabilization with a mixture of grants and loans.

7. Roundtable Discussion of Impacts of Covid-19, what we're doing to be resilient, and what's next - Howard Schussler, LCOG GS Director

Howard Schussler invited members to share what they are working on their thoughts on how the community will be resilient. He noted that a big focus of Lane County and the City of Eugene is resiliency.

Ms. Westlund spoke about the tourism industry. She wondered how interconnected our area's economic health is with the economic health of the greater Portland area. Portland drives half of tourism revenues in the state, so she is trying to figure out where the tourism industry is going in our area. She noted that the state's "playgrounds" (the Coast, Central

Oregon, etc.) are doing well with their tourism economies. Southern and Eastern Oregon are less robust, but much more robust than Eugene/Springfield. She reported that Eugene/Springfield's tourism economy is at approximately 30%, while Portland's is at around 12%. The Portland housing market is starting to show problems; houses are not selling as well. The Eugene and Springfield housing markets are still going well. She asked others for their opinions on how our economy interacts with Portland and how Portland's trajectory influences thinking as we look ahead.

Ms. Griesel reported that Springfield's economy will benefit if they get in front of branding and messaging. Their new economic development web page will focus on why employees will want to live in Springfield. The assets that Travel Lane County generates around the attractions in the area become more important in branding as far as finding a workforce in a generally located place. They need help from regional partners, up to the state, in engaging the state from a DLCD and regulatory standpoint to address what it means for employment lands and how we can access our assets. Lane County is the "best of all worlds," and it is affordable with a high quality of life.

Ms. Fifield added that one issue big cities are facing in recruiting is that there is no point in living there if people cannot enjoy what big cities offer right now, and she said this has come up in efforts by a business here while recruiting from the Bay Area. This is an opportunity to attract both employers and employees, as in our mid-sized city, it is possible for people to get back into their offices. She is worried about UO, because it is such a huge driver of the economy; there may be a shrinkage of the population of students. Some kids are staying here to go to UO instead of doing online courses from schools elsewhere, and some kids from out of state are not coming back to UO because it is remote, so they are enrolling in local schools instead.

Ms. Westlund pointed out that her concern is around state and industry revenues generated out of the huge market of Portland (half of Travel Oregon's revenues come from Portland). She wondered if Portland's economy is affecting other statewide industries this way.

Ms. Griesel spoke about the commercial sector, expressing concern that some commercial space may become uninhabitable. She also spoke about the need for more residential space as homes are becoming workplaces. She noted that lottery funding is decreasing, which lessens the resources for our infrastructure.

Mr. Schussler asked if the Cities of Eugene and Springfield and Lane County are hoping for temporary changes to state regulations to in order enable recovery efforts for a couple of years (for example, the ability to spend video lottery dollars).

Ms. Griesel agreed on the need for video lottery funds, and she also mentioned conversations with DLCD, ODOT, etc. to redefine what employment lands are.

Ms. Fifield said that she does not see a problem from a land use perspective, as we can increase our housing supply on already served land, and we are not looking to grow out. She suggested talking about reimagining Valley River Center, which is a huge property with great real estate. Housing could be built in that prime location. Video lottery dollars go mostly to the county and not to the City of Eugene.

Ms. Griesel mentioned that video lottery funds do sometimes support infrastructure partnerships, such as the farmers' market. She noted that Springfield has several hundred acres of employment land that is designated only for employment, but people will not be building industrial campus-type buildings for a while.

Ms. Fifield said that things they have done with the food and beverage industry have been at a local level, not on a state regulatory level, but OLCC is very flexible. She went back to the question of how integrated our area is with the Portland economy, and she said that since UO is such a huge driver of our economy, we are somewhat independent of Portland.

Ms. Westlund noted that in some ways, since Portland is our competitor in tourism, our area could benefit. However, Portland is also very connected to us, and all the negative national press about Portland affects the whole state. She also mentioned the issue of Eugene's conference remaining closed because it is managed by The Graduate Hotel, which is closed.

Ms. Fifield responded that she is worried about The Graduate in all university towns. Ms. Griesel wondered if the conference space can be rebranded in a virtual setting. Ms. Westlund noted that they are working on capacity reconfigurations for social distancing. Local companies doing virtual event work could possibly use it.

Ms. Westlund reported that the TRT in the Eugene/Springfield area is coming in at about 35% of the norm, but it will be a slow build. There will be no conventions, university, sporting events, performing arts, etc. until early 2021, and there is a huge overlap between tourism and other sectors. There would have been $1.5 million in room tax alone this year if all the planned events had occurred. There is very little business travel at the moment; people are visiting just due to cabin fever.

Mr. Ervin observed that people are fleeing the Portland and Seattle areas. Wage earners are remaining in the area, and their families are leaving due to medical issues exacerbated by being in bigger cities. However, health insurance does not transfer between states. Also, a lot of land is being bought in rural areas by displaced people who will not return to major cities.

Ms. Fifield said that there are recreation areas where home sales are increasing, but people can only work from second homes if they have good health insurance. She also noted that mental health care providers at universities can only work with patients in certain places, so they cannot serve all their patients remotely.

Mr. Bodie talked about housing as a big issue for bringing people into the area. There is a big demand for housing, but a lot of land is not zoned for housing, and developer costs are extreme. He wondered if there is anything coming down the pike, such as secondary dwelling unit discussions in Eugene, which could provide affordable housing. Ms. Fifield replied that the secondary dwelling unit discussions are still going, some required costs have been removed, and state changes have affected local laws and codes. This will all help open more secondary dwelling units. The local codes still need to be changed, but the pieces that are inconsistent with state law are no longer enforceable. Ms. Griesel added that Springfield is in the middle of a code rewrite process, but it takes a while. Ms. Fifield said she will reach out to somebody who can give Mr. Bodie a summary of where things are right now with secondary dwelling units. Mr. Bodie said most of his clients are building larger apartment complexes, but since he lives close to downtown Eugene, he thinks about it as a local issue.

Mr. Ervin asked how connected the LEC members are to the state. He noted that everything must be re-evaluated, such as state goals, buildable lands, expansions, etc. He wondered if the way the state structures itself needs to be re-evaluated, as these are the questions coming up in counties and municipalities. Ms. Griesel replied that they are well-connected, but we could be more so. Ms. Fifield mentioned calls that Sarah Means has every other week for the 4-county region. The calls are an effective way to learn how the region is experiencing things that come down from the state. Sarah Means is the connection to the state government. Ms. Griesel thought that these calls are ending soon, but she noted that LCOG sits at a lot of tables, so there are many opportunities through LCOG.

8. Set next meeting date: September 14, 2020

Mr. Bodie set the next meeting for September 14, 2020 and adjourned the meeting at 12:52 pm.

(Recorded by Rachel Burstein)