

## Big gains in Salinas area small business

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Feb. 10

thecalifornian.com



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In 2009, Tammy Hunziker renovated Notre Dame High School's kitchen and reinvigorated their meal offerings. Following her dream, she took out a \$200,000 SBA loan last year, opening her specialty bake shop Room for Dessert in Monterey in December. / Jay Dunn/The Salinas Californian

By the numbers

➦ to Salinas businesses, the number of loans they made, and total amounts loaned for the past two fiscal years:

- 1st Capital Bank, 9, \$1.95 million
- Monterey County Bank, 7, \$1.34 million
- California Statewide Cert. Dev, 6, \$3.57 million.

- Live Oak Banking Co., 6, \$8.74 million
- Chase Bank, 5, \$1.05 million
- Wells Fargo Bank, 3, \$1.52 million
- SBA – EDF Enforcement Action, 2, \$4.4 million
- Mortgage Capital Dev. Corp., 2, \$1.84 million
- California Coastal Cert. Dev., 2, \$887,000
- Santa Cruz County Bank, 2, \$485,000
- Bank of America, 2, \$75,000
- Superior Financial Group, LLC, 2, \$32,500
- Valley Community Bank, 1, \$3.25 million
- CDC Small Business Financial Corp., 1, \$379,000
- U.S. Small Business Administration: [www.sba.gov](http://www.sba.gov)
- CSUMB Small Business Development Center: <http://sbdc.csumb.edu/sbdc-home>

The CSUMB Small Business Development Center is moving to Salinas from its location in Gonzales. The center should be at its new office at 106 Lincoln St., a block from Salinas City Hall, by March. Information: Contact Andrea Zeller-Nield, associate director. Phone: 831-675-7232. Fax: 831-675-7234.

In 2009, Tammy Hunziker, Notre Dame High School Class of 1985, wanted to be near her four daughters during the day as they attended the Salinas girls school. So she created a job for herself. She took over the school kitchen, renovated it, stocked it with culinary equipment and began serving hot meals for lunch. Then she took over the snack bar during the Spirits' home games. The word spread about the quality of her meals, desserts and baked goods, and soon she added catering jobs and wedding cakes to her enterprise.

Last February, Hunziker decided to pursue her dream of opening a specialty bake shop. She took out a \$200,000 business [loan](#)

➦ . Room for Dessert opened at 398 Franklin St. in Monterey in December. Between the school kitchen and bake shop she employs 12 people.

Lynn Carmichael has operated Traboh Inc. since 1986. He's run his business, as Hobart Sales and Service, at the Salinas Airport Industrial Park since about 1990. Until last year, he rented the building at 1536 A Moffett St. that holds a warehouse, office and showroom. Traboh supplies and services the local food-services industry.

Carmichael got tired of renting the place.

"Ever since I was young I was always told it's better to own than to rent," he said.

Last year he decided to buy the building — and did — borrowing \$754,000 and saving himself as much as \$3,000 a month in rent. The family-run business employs a staff of 20.

Jose Chavez held a good-paying job with benefits in the Salinas Valley farm industry for 26 years. He could have retired from Wente Vineyards in Greenfield, but something else was tugging at him. The son of a bracero farmworker, Chavez said he has a strong work ethic and "ganas," the inner drive and heart to do more, to be more. So he opened a bakery in Soledad in 1989. He sold that to his brother and broadened his vision, buying some real estate and opening the Sanborn Plaza Market in east Salinas in 2003. Last year, Chavez took out a loan for \$425,000 to renovate the building to meet his needs. The Mexican-flavored [supermarket](#)

with a bakery, butcher shop, sandwich counter and check-cashing service will celebrate its 10th year in business next week. Sanborn Plaza Market employs 31 people.

These three business owners represent not only the entrepreneurial spirit that thrives in the Salinas area but also are examples of merchants who have sought and received loans through the U.S. Small Business Administration. They are among 50 in Salinas that obtained loans guaranteed by the SBA in the past two fiscal years.

The SBA is looking to add to that total this year. SBA officials observe that Monterey County seems to be rising out of the economic recession faster than other counties, if the loans the agency makes are an indication.

"Monterey County is one of the few counties that has recovered back to the (pre-recession) 2008 loan-lending levels," said Melende Ward, of the SBA regional office in Fresno. That office administers SBA loans and information to 15 central California counties.

In federal fiscal year 2008, a total of 78 SBA loans were approved in Monterey County for \$31 million. Those loans helped to save or create 2,183 jobs, according to SBA figures.

The number of local SBA loans took an immediate dive the following year as the Great Recession took hold. But in this county, the rebound has been more than gradual, figures show.

Here are Monterey County's SBA loan figures for the past four years:

- 2009 — 48 loans, \$17.7 million, 592 jobs.
- 2010 — 66 loans, \$21.6 million, 489 jobs.
- 2011 — 70 loans, \$34.8 million, 616 jobs.
- 2012 — 78 loans, \$60.8 million, 1,278 jobs.

An enthusiastic lender

Monterey County Bank is one of the top five SBA lenders locally. In 2012, it made 19 SBA loans countywide for a total of \$9.9 million, SBA figures show.

“The Salinas market is very strong for small business and, as the largest city in Monterey County, creates many exciting opportunities,” said Charles Chrietzberg Jr., chief executive officer of Monterey County Bank.

Among the Salinas-based businesses assisted by the bank are Peninsula Pure Water; Central Coast Audiology; Howard Homes; Green’s Camera; Oh Baby; Eric Garcia, DDS; Room for Dessert; and Armstrong Productions.

In Salinas, 56 SBA loans totaling \$29.8 million have been made from October 2011 through Jan. 9 of this year, figures show.

“If we continue at the current pace of the [first quarter](#)

[↗](#) (which began Oct. 1), we will be back at the pre-recession stage. That can’t be said of all the areas we serve, but it’s certainly true of the Monterey and Salinas areas,” said Carlos G. Mendoza, SBA district director in Fresno.

Mendoza and other small-business economists are optimistic about this year.

Small businesses are regarded as the engine of economic growth. Policymakers from mayors to presidents acknowledge these facts: There are more than 22 million small businesses in America — and growing. Last year alone more than 800,000 were started. Small businesses account for 99 percent of all U.S. businesses. They employ 53 percent of the private work force and contribute over half of the nation’s private gross domestic product.

The SBA itself doesn’t loan money. Instead, its programs guarantee repayment, taking some of the risk away from the banks as an incentive for them to lend money to small-business owners. In effect, the SBA is a co-signer on a percentage of the loan.

The two most common SBA loans are the 7A, used for starting or expanding a business; and the 504, used for long-term financing for the purchase of land or buildings. A microloan program provides smaller loans of up to \$50,000 to start-ups and enterprises looking to expand.

The SBA also offers loan programs for disaster assistance, economic despair, export assistance, veteran and military community loans, CAP lines, pollution control and CAIP, which is assistance to businesses that may have been negatively affected by the North American Free Trade Agreement.

With few exceptions, start-up companies and small businesses that have been operating for a few years, rely on loans to help launch or expand. These entrepreneurs have several resources to help them navigate through the loan process.

Help with business plan available

Among the local offices created to help them is the California State University Monterey Bay Small Business Development Center, or SBDC, established in September 2009.

The SBDC helps in a variety of ways.

“We know where the resources are,” said Andrea Nield, executive director.

“SBDC can evaluate your financial situation, provide in-depth analysis with comparisons to your business peers and solid recommendations to ensure you pursue and secure the right sources of capital to achieve your goals,” states the center’s website.

Nield urges businesses looking into SBA and other commercial loans to make a first stop at the center to get professional guidance.

The SBA and the SBDC work along with other local resources trying to inject new life into the economy. The Salinas Valley Enterprise Zone and the city of Salinas's "Grow Salinas" campaign are also players in boosting the small business sector.

Nield said the SBDC is moving next month to Salinas, where 60 percent of its clients are situated. Since 2009, the center has assisted more than 500 small businesses, Nield said.

Some of that help involved applying for SBA loans is invaluable in a testy economy.

The tightening of the mortgage credit rules following the mortgage crisis of the past few years had a residual effect on the qualifications for small business loans, Nield said. The mortgage crisis forced banks to tighten lending criteria, she said.

"You almost had to have perfect credit. You really had to be the perfect deal" to take out a loan, Nield said. "And there are very few perfect deals out there."

Some of the retreat by banks and guarantors to more strict rules will have to loosen up a bit if small businesses are to be encouraged to grow, said one observer.

Peter Siegel, president of BizBen.com, issues a monthly report on the health of the small-business sales market through his BizBen Index.

"Easier access to funds from financial institutions will be an important factor in a more active business-for-sale marketplace throughout the state," Siegel said. "Financial institutions aren't handing out cash like they did before the mortgage meltdown. But many are starting to loosen up on the purse strings and make loans for solid deals."

Savvy business owners also are part of the equation, he said.

"We're seeing more innovative strategies being used by smart California entrepreneurs," he said. "Fresh approaches are needed to overcome some of the deal-killers we've had to cope with in the past few years. This is a new economy for participants in the small business ... market. It comes with some new imperatives. People who are figuring out how to adapt to this environment are giving themselves an advantage."

Loans don't come easy

That's why SBA loans are attractive to business owners. The SBA guarantees repayment to banks. It's a layer of security that's hard to resist. Mendoza calls it a win-win for bank and borrower.

That said, most SBA loans don't come easy.

"The SBA process can be daunting if you don't have help," said Hunziker of Room for Dessert.

When she decided to look into an SBA-backed loan, she went to Monterey County Bank and met with a loan specialist about her retail ideas. She said that helped her focus her plans to expand. Secondly, she said the SBA loan packet contains a checklist for applicants that is extremely helpful. She put everything down on paper.

"The bank needs to see where you think all the money will go," she said. Business license, health permit, building permit, stoves, light bulbs, spatulas — "everything necessary to open the doors."

The SBA requires an investment from the business owner as part of the buy-in for securing the loan, another reason for making sure one's plan has crossed all the T's and dotted the I's.

"You're putting your livelihood on the line. Do you really want to do it halfway?" asked Wendy Franscioni, chief lending officer at Cal Coastal Rural Development Corp.

Cal Coastal lends primarily to small agricultural interests. About 90 percent of their borrowers are Latino farmers, mostly strawberry growers. The need for start-up or expansion money is a constant among the smaller farmers that contribute to the county's No. 2 crop, valued at \$713.8 million in 2011, the most recent year for which figures are available.

"We sure don't seem to run out of them," said Franscioni.

Cal Coastal offers SBA 504 loans and microloans to clients. The backing of the SBA gives local lenders comfort and keeps the regulators at bay, they said.

And local lending can sometimes lead to business relationships that build trust among banks and borrowers. Borrowing from a smaller local bank can give the process an intimacy not found with the bigger banks. Relationships develop. Traboh's Carmichael said anything he can do to praise the folks at Cal Coastal who helped him in the process he is happy to do.

While there is hope this year for improving the small-business market, observers say more can be done.

The Salinas Valley has much to offer with the wine region in south county and the high-profile agriculture industry. But public and private efforts at stimulating the local economy are splintered, they say.

"There is a disconnect between the vision for economic development and the implementation," said one investor who asked to remain anonymous.

He said city and local government campaigns and programs must groom a climate friendly to small business with less of the hair-pulling permit processes or focus on attracting major retailers that exists now.

In one respect, "We are encouraging big businesses at the expense of small businesses," he said.

SBA official gives grounds for optimism

Meanwhile, Mendoza of the SBA Fresno office offers some evidence for his optimism that small businesses in Monterey County will be borrowing and growing. He projects an increase in SBA loans from 78 last year to 90 this year, valued at about \$70 million. For the entire region, he projects 622 loans for \$305 million.

He based his Monterey County projection for SBA loans on 15 percent growth, a conservative figure, he said. From fiscal year 2011 to fiscal year 2012, the county saw a 75 percent growth in dollars approved (to \$60.8 million from \$34.8 million), he said. He said a survey of SBA lenders in the county points to positive attitudes about the future and increased lending. Among the economic indicators showing a brighter outlook for loans are housing prices, Mendoza said. Those prices in Monterey County are rebounding and stabilizing ahead of other California cities, he said. In addition, agricultural land prices remain strong and the county's economy is diversifying, though ag remains the dominant industry.

On top of all that, Mendoza said the SBA is on solid ground politically.

"There is no talk of running out of the SBA guaranty," he said. "Both Congress and the president have recognized

the importance that small business plays.”

Advice from a small business owner

That has got to be good news for entrepreneurs like Chavez.

His advice for business owners pursuing an SBA loan is to go into the process with a positive attitude, patience, a good credit rating and with consultants who can help you organize and complete the paperwork.

Chavez said he is the only sibling among 11 to become a business owner. His vision years ago was family-driven. He wanted to leave something for his children to build on. And with his youngest daughter, Janet, 29, at his side as assistant store manager, it seems his legacy is secure.