

BACK TO BUSINESS IOWA PODCAST

A partnership of Iowa State University Extension and Outreach and America's SBDC Iowa

SEASON 1 | EPISODE 9: SBA 504 and Other Financial Options

(19:01; published April 30, 2020)

Description: *Steve Brustkern, executive director of Blackhawk Economic Development Corporation, joins the podcast to discuss the various programs he oversees. The Small Business Administration's 504 program, various revolving loan funds, and other topics of business development are included in his discussion with host Steve Adams.*

Transcript:

[music]

Steve Adams, host 00:10

Hello, and welcome to the Back to Business Iowa podcast from Iowa State University Extension and Outreach. This podcast is a collaboration between Iowa State University Extension and Outreach and the programs including Community and Economic Development, Farm, Food and Enterprise Development, and the Iowa Small Business Development Centers. These podcasts cover relevant topics for businesses and individuals related to education, research and technical assistance during and post COVID-19.

Steve Adams, host 00:54

In this podcast, we'll be speaking with Steve Brustkern, executive director of Blackhawk Economic Development, and the work he does with small businesses in Iowa. Steve, once again, thanks for being here today. We certainly appreciate your time.

Steve Brustkern 01:09

Thank you.

Steve Adams, host 01:11

You've been working with small business in Iowa for quite a period of time. Now could you start out by telling us about the history of Blackhawk Economic Development?

Steve Brustkern 01:21

Sure. Blackhawk Economic Development is a nonprofit economic development group that started back in 1978 as a kind of outside the box economic development project at that time to assist in the retention of what was the Rath Packing Company, Blackhawk received a grant from the EDA, relative to Rath. Rath did not survive through the mid 1980s crisis, but we were able to recover a portion of the funds that we have loaned from them via the grant to capitalize a revolving loan fund program.

Steve Brustkern 01:57

And since that time, then we've added a couple different programs to it. In mid 1983, we were certified as a small business certified development company, which added the SBA 504 program as our second financial assistance program. Then in 2013, we added a couple other programs, the last one being the general loan fund program. And we combine that with the revolving loan fund the SBA 504, the general fund and we also have an USDA IRP program. We have a myriad of different programs that have



different levels of oversight on them, which allow us to be very very flexible in the financial assistance that we provide to businesses.

Steve Adams, host 02:40

That IRP program, just so maybe some of our listeners don't understand that acronym perhaps, is an intermediary re-lending program, correct?

Steve Brustkern 02:50

That is correct.

Steve Adams, host 02:52

Yes, and you mentioned that Economic Development Administration EDA grant, we had a similar situation pop up here in Montgomery County when the Eveready plant left, and we were able to get an RLF fund through the EDA and those those things have been lifesavers over the years. I'm pretty sure you probably say the same thing, right?

Steve Brustkern 03:14

Yes, we have. Because of that we were able to provide assistance to hundreds of businesses and basically millions of dollars that have really resulted in a lot of jobs either retained or created.

Steve Adams, host 03:26

Terrific. So how long have you actually been with Blackhawk Economic Development?

Steve Brustkern 03:31

I started with Blackhawk Economic Development in August of 1990. So we're going on 30 years.

Steve Adams, host 03:36

We're you're almost a lifer there.

Steve Brustkern 03:39

Second lifer here.

Steve Adams, host 03:40

A second lifer, I see, but that's almost a career, right?

Steve Brustkern 03:43

That is real close to a career, been a very rewarding career in our ability to help in terms of assisting with capital investments in the communities as well as job creation and retention.

Steve Adams, host 03:55

I think all of us that work in economic development get that sense of satisfaction as well. So what types of businesses do you work with? And what size typically would you see walk in your door on any given day?

Steve Brustkern 04:09

We work with businesses of all types, primarily in their for-profit businesses. And they're basically those that would meet SBA's definition of a small business. And with those, again, it's just about all types. There are certain exclusions from it that are very limited, but basically all types of nonprofit [sic]. We work anywhere from salons to hotels to manufacturing operations, we've done some ag-related, that being dairy type facilities, just everything across the board.

Steve Adams, host 04:41

Sounds like a full spectrum there. Being at Ground Zero and boots on the ground, so to speak there, what are you hearing from businesses as they try to work through things in light of COVID-19?

Steve Brustkern 04:54

It appears the first thing that comes to mind on that is just the fact that they're concerned for their survival. And their survival certainly is tied to the ability to open up or to what extent that they're locked down. It's something that is very concerning to them and even going down the road, they are uncertain as to how soon they may be open, to the extent that they may be open, the extent to which the pandemic may have altered the purchasing habits of customers.

Steve Brustkern 05:25

That with restaurant business being down now, is it going to be a trend to to basically more food prepared in kitchens and then shared by the family on Saturday nights versus going out? Certainly, relative to when they go to open, what is the supply going to be like in the case of a restaurant where there'll be a run on grocery items? Will the supply chain be able to supply them with food and supplies in a timely fashion? There's just a lot of different unanswered questions and something that they probably won't know the answers to until they're hit with it.

Steve Adams, host 06:02

Well, it's certainly I think we've been hearing some of that same sentiment echoed around as far as those types of concerns. And as we've said several times on the podcasts, business, as usual probably is never going to be the same. Would you agree?

Steve Brustkern 06:18

I would agree with that. And it's going to be different for every different type of business. And it's going to be up to the business owner, entrepreneurs, to see if they can find some way to navigate through that and get back into a product or a service that is going to be appealing to the new demographics out there in the new way people look at what they're going to do with their disposable income.

Steve Adams, host 06:43

Well, that brings up another point here, since we're all dealing with this for probably the first time in our careers, what is your organization really doing at this point to help these businesses work through these challenges? Are you getting a lot of phone calls? Is your call volume up? You know, give me some idea of what what you're having to do and what you're dealing with and what kind of outreach you're doing there through Blackhawk.

Steve Brustkern 07:08

We're doing quite a bit directly with the clients that we have. We have several hundred clients out there relative to the SBA 504 program, that revolving loan fund, the IRP as well as a general loan fund program. And it varies by program as to what we're doing. The majority of calls, as you can imagine, are somewhat related to the CARES Act as assistance filters down to the SBA. And there's been a lot of programs that come out, they come up very fast and furious. But a lot of business owners are not in a position that they really understand what that is.

Steve Brustkern 07:42

And then followed by that will be the opportunity for them, based upon the state of the economy, as to a further deferment of payments of up to six months. So we're very active in terms of being on the ground with the businesses, what is your need? Is there an assistance program that may be available for you to provide some additional funds for you to operate? As well as, does it make sense to

approach your conventional lender relative to deferment, and if you do, you know, you got to strategize as to when you're going to start to make payments again and how you're going to catch those up as well.

Steve Brustkern 07:42

So we field an awful lot of calls relative to what is the Economic Injury Disaster Loan program, what is the Payroll Protection Program, those different things. And we're trying to help those businesses navigate through how you apply and also what you need relative to make the application. In addition to that, we have a large portfolio of SBA 504 loans. So we work with our clients there, as SBA has, for the next six months, they're picking up the loan payments for our borrowers. And we're working with the borrowers to understand that, when it's going to start, when it's going to stop, any actions they should take.

Steve Brustkern 08:56

So it's something that's a lot of phone calls, referring onto other agencies. There's a lot of phone calls relative to the programs that we offer and the loans that we service as to the steps that we have to take for them.

Steve Adams, host 09:09

Well as various other guests, Steve, we have heard, not only success, but also horror stories, I guess with the payroll Protection Program and the economic injury, disaster loan. By and large, what are you hearing for your clients and they find this the system easy to navigate, to work through or are there issues? Are most of the people receiving their funding that they requested? Or what are you hearing out there on the streets?

Steve Brustkern 09:33

what we're hearing and, again, through direct contact with the businesses is that there's a lot of stuff that has come out, it's come out very, very quickly. There are a lot of service providers that are tagging along with it. Not only SBA putting out stuff, but you have a lot of different companies, whether they're CPAs and attorneys that are making interpretation of what those rules are. A lot of those are flexing somewhat because of how fast and furious this came out. But overall, it's been very well-received. From my understanding of the people that we've worked with and our clients, that most of those applied to the first round of the PPP program, and they were able to secure financing under that program.

Steve Brustkern 10:16

The conventional lender, who is the source on those, has 10 days to get the funds to the applicant. And that's been pretty much universal, they've been able to handle that. In terms of the EIDL, the Economic Injury Disaster Loan program, a little frustration there relative to their getting in to apply online with SBA but it's taking a little while for SBA to get back. But what they have to do is remember that they have to be patient. This is something that that hit everybody off-guard and SBA is trying their best to take care of everybody. And we're talking about tens of thousands of applications coming into them with a limited staff there. So just be patient. SBA is doing a great job trying to take care of people. In the end, I think they'll have everybody covered.

Steve Adams, host 11:07

Well, I think patience is the key there, Steve. And we've been hearing some of the same things on our weekly Small Business Development Center conferences. The SBA recognizes that they've been a bit overwhelmed, and there is some lag time there. But for the most part, I think, again, using your word, there, patience is probably a virtue in this case.

Steve Brustkern 11:28

Absolutely.

Steve Adams, host 11:30

So you talked about some of the programs, but what do you feel like are the most significant tools that are available to Iowa small businesses to get through the current economic crisis?

Steve Brustkern 11:42

Well, the tools are certainly those in that federal program, being the Payroll Protection Program and EIDL. On the other side of it too, a recession comes or a disaster happens, but we have to be ready, willing and able to help in the recovery of it. And that's where more of our programs come into play right away relative to the SBA 504 program. We're doing a fair amount of new business startups under the program. And we're getting a lot of inquiries relative to expansions and purchasing buildings that people are currently leasing.

Steve Brustkern 12:15

Under that program, it's an opportunity for an applicant to get up to 90% financing for a project and lock in very favorable long-term interest rates. The April 2020 504 20-year effective rate was just under 3%. So and in addition to that, we we operate a revolving loan fund program. Well, we have funds that we can make available, similar to the state grant program relative to some short-term working capital. But we're also out there with the new business startups and we have a couple of those we're working on right now.

Steve Brustkern 12:49

So not only do we have to be concerned about where we're at in the economy now, but how are we going to come out of this, what tools are in place relative to recovery? And I think we're standing at that front saying, okay, as this thing passes, then what can we do to help you do the things that you see were shortcomings for you in this disaster, that you can improve? Different things, whether it be different equipment, more automated equipment, something like that.

Steve Adams, host 13:19

Well, that's a great segue into this next question, Steve. And we've had several discussions back and forth with our small business Assistance Team. But is this a good environment for entrepreneurs and do you feel like maybe out of disaster comes opportunity type thing? And you may have already answered this, and if you have I apologize. But do you see an opportunity for entrepreneurs, getting some applications in for new small businesses?

Steve Brustkern 13:49

Yes, I do. Being in the middle of a disaster, it's really hard to see the sunshine. But there are times when the clouds move a little bit away and we know that the sun's going to shine. So there are certainly opportunities to pick up additional business, if you will. It's been a prolonged period of time where people are really getting cabin fever, and they're looking forward to the time when they go out there and start to enjoy the services and products that they used to in the past. So I think there is an opportunity for those that can hang on relative to a surge in the economy, possibly, which would include food service and recreational services and all those different things. There's just a lot of pent-up demand, and people are looking forward to the opportunity to get out there and do more.

Steve Adams, host 14:38

I feel like we almost ought to insert "The sun will come out tomorrow" from the musical Annie at this point, so you've got some cautious optimism going on there.

Steve Brustkern 14:48

Yes, I do. Certainly it's always tempered by the national experts relative to the return of COVID-19 in the fall. However there was very promising news that was on last night, relative to moving forward with not only treatment but potential vaccine. So we don't know where that's going to go, we definitely need to plan and be careful as to how we move forward. But things pass and we just need to do the best job we can relative to making sure that we survive as a business community in general, and be positioned to take advantage of bringing the economy back.

Steve Adams, host 15:28

That's wise words again, stay safe, you know, stay sane and be careful. Absolutely. Before I let you go, Steve, do you have any last words of wisdom for Iowa small business owners, struggling again with the COVID-19 crisis?

Steve Brustkern 15:43

Well, if I had any wisdom, which I doubt sometimes that I do, it would be certainly the importance of staying very vigilant and taking full advantage of any programs that are available. The other thing is make sure that, be patient. SBA's out there to help, they will help. And then probably the last thing is, keep in mind that when you're in business one of your best partners, the one that you absolutely have to keep informed all the time, is your bank or credit union loan officer.

Steve Brustkern 16:11

And I would say make sure that you don't overwhelm them but at the same time, share with them where the business is at, what problems you're encountering, and certainly look for their advice as to steps that they foresee that you might be able to take not—only to survive this, but on the flip side of it, when it comes back, they would be more in a position to help you into recovery or potentially even expansion.

Steve Adams, host 16:37

Steve, I want to thank you so much for being here today, and for all the work you do with Iowa small businesses, especially those in Black Hawk County. But if our listeners wanted to contact you for any reason for any additional information, where should they go? Where's the best way for them to reach out to you?

Steve Brustkern 16:53

They can reach out to us on our website which is bhed@bhed.org. Phone number here is 319-235-2960. And my email address is SteveB@bhed.org. Important to note that although we're in Black Hawk County and we share Blackhawk as a common name, we do projects across the state of Iowa. And we're certainly looking forward to the opportunity to help anybody in the state of Iowa relative to the SBA 504 program. Our services under the revolving loan fund and IRP are more limited in terms of service territories, but we certainly like the opportunity to assist anywhere that we can.

Steve Adams, host 17:39

Great and I assume operators are standing by, right.

Steve Brustkern 17:42

[laughter] Operators are standing by, I'll answer the phone.

Steve Adams, host 17:47

Good enough. Perfect. Hey, thank you, Steve.

Steve Brustkern 17:50

Thank you. It's been my pleasure.

Steve Adams, host 17:51

You bet. Thanks for the talk. If you have any questions about this Back to Business Iowa podcast, please feel free to contact me, Steve Adams, stadams@iastate.edu. And thank you once again for listening.

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