



Now is the time to dust off that business plan.

Finance

The start of a virtuous cycle

South Bay businesses will benefit from early recovery and low rates from their responsive, local banks



Beach Business Bank President and CEO Robert Franko.

by **Robert Franko**

We have all heard about the excesses of Wall Street bankers and sub-prime mortgages. But that begs the question, are all bankers like that?

Not at all. Local banks are run by your neighbors and friends. These local bankers had nothing to do with sub-prime mortgages or credit default swaps. They work on Main Street, not Wall Street. They care about their communities. They care about the businesses in those communities.

Community bankers know you by name, they live in the community where you live. Local bankers provide a healthy rate of return for depositors (almost always better than the rates at the "mega-banks"), and then they direct those same deposits right back into the small businesses and non-profit organizations in the local community.

Local banks help small businesses get started, and then they nurture those businesses during their early years. Small businesses and start-up businesses account for most of the jobs created in the US in any year.

Just look through the pages of this publication, if you have any doubt. Look at the advertisements for restaurants and contractors, doctors and tax preparers, attorneys and auto mechanics. All of these businesses hire local employees, who then spend much of their pay in our local community.

Take restaurants, for instance. These dining establishments provide thousands of jobs in the South Bay from entry-level waiters to master-chefs. Many of the restaurants in the South Bay were initially capitalized with a loan from a local community bank.

Consider another local favorite,

Grow, the Produce Store in Manhattan Beach. This is a family business started by Kathy and Barry Fisher. They had an idea, researched it carefully and found all of the necessary ingredients for a successful retail business, including location, supply chain and employees. They approached their local bank, found a credit facility that worked for them, and started their business in 2006. Since that time, they have created many jobs in the South Bay, and they have contributed to more local charities than you can imagine, from the American Martyrs Parish Fair, the Congregation Tibereth Jacob Auction, the Circle of Love Preschool & Kindergarten, the Jimmy Miller Foundation, to just about every major Manhattan Beach charity and event.

2011 will be the year when the local bankers help local businesses get back to business.

President Obama has made this a pillar of his political agenda this year. His mandate to Congress is to support small business right now.

The next two years will see many new businesses sprout up, and many existing businesses gear up for growth. Banks are being encouraged to lend money to small business. Even the mega-banks are awakening to the value of small business loans.

Interest rates are the lowest they have been in memory. That makes the cost of starting a new business less than it has been in years. This phenomenon will almost certainly last through 2011, and likely well into 2012.

The national economy has been healing for some time now. However, because unemployment is

still quite high by recent historical standards, the Federal Reserve wants to see large gains in employment before it allows interest rates, especially the short-term rates available to businesses, to rise again.

As businesses start and grow, they hire employees, and then they need more space, so those ubiquitous For Rent signs start to disappear. Working people feel better about themselves and their prospects for the future, so they spend money, go out to dinner, buy that new car and take a vacation. Restaurants are more crowded, hotels are fully occupied, and real estate prices start to rise. Even investors return to the market.

All of this creates a virtuous cycle of success that feeds upon itself. That virtuous cycle will gain momentum this year. The momentum has been building gradually for nearly two years, the next two years should really take off. The South Bay survived the worst of the Great Recession in good condition, it should recover much more rapidly than the rest of the state and the nation.

If you are thinking of starting a new business or making a local investment, now is the time to dust off that business plan. If your business needs a loan to get started, expect a much warmer reception at your local bank than at any time since 2007. The local banks are here and anxious to do business with you. And all of that should bode very well for the economic future of the South Bay.

Robert Franko is the founding president of Beach Business Bank. ER