



BRAD SHERMAN
MEMBER OF CONGRESS

January 13, 2016

The Honorable Jerry Brown
Governor of California
State Capitol, Suite 1173
Sacramento, California 95814

Re: Porter Ranch – Help from the SBA

Dear Governor Brown,

Thank you for your leadership in declaring a state of emergency.

I write today to provide information on the federal support available to help alleviate the problems caused by the leaking well at Southern California Gas Co.'s (SoCalGas) storage facility above Porter Ranch.

I am sure that your staff is working to determine whether to ask the federal government to issue an emergency declaration or a major disaster declaration under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. § 5121 *et seq.* In order to make these determinations, please keep in mind that SoCalGas is solely responsible for costs associated with the leak.

In the meantime, I urge you to ask the SBA to make an Economic Injury Disaster Loan declaration for the area affected by the gas leak pursuant to 15 U.S.C. § 636 and 13 C.F.R. § 123.3. By making an Economic Injury Disaster Loan declaration, the SBA can provide loans on favorable terms to businesses for uninsured economic losses when “a business concern is unable to meet its obligations as they mature or to pay its ordinary and necessary operating expenses.” 13 C.F.R. §123.300. An area may qualify for Economic Injury Disaster Loans if, according to a state certification signed by a state governor, at least five businesses have suffered a substantial uninsured economic loss. 13 C.F.R. § 123.3(5).

The affected area will certainly meet this test when we look at all businesses, including home-based businesses, landlords (small businesses of renting one or two houses), as well as businesses in traditional commercial buildings.

If SBA loans are available, then some small businesses will be able to obtain loans on favorable terms in order to deal with “economic injury” such as loss of customers. The maximum loan amount for an economic injury disaster loan is \$2 million, loan maturity can be up to 30 years, and interest rates are less than 4%. Proceeds can be used for working capital to enable businesses to alleviate economic injury and resume normal operations.



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I believe that many businesses have suffered substantial uninsured economic losses. Any business may have difficulty meeting its obligations when even some of its customers disappear as a result of an environmental health disaster. This is especially the case when those businesses were already struggling before the leak.

Retail establishments and home-based businesses alike suffer because of the leak. I am personally aware of at least two home-based businesses forced to shut down as a result of evacuation of their homes because the homes contain sophisticated equipment such as studio space and computer systems. Porter Ranch has a number of large homes with significant home-based businesses, and those who have evacuated are often stymied because they do not have sufficient space or equipment to conduct their business.

In addition, landlords in the business of renting homes have seen their tenants flee, while they must still make mortgage payments and maintain the property. With this declaration, such landlords may be eligible for Economic Industry Disaster Loans.

Accordingly, the SBA may be able to provide meaningful assistance to businesses in Porter Ranch. If my office can be of any assistance, please feel free to reach out to me directly, or contact Lauren Wolman in my DC office or John Alford in my Sherman Oaks office. Thank you for your continued leadership and attention to this urgent matter.

I have attached an information sheet as to the letter that your office needs to send so that Porter Ranch businesses can obtain help from the SBA.

Sincerely,



Brad Sherman
Member of Congress

cc: U.S. Small Business Administration
The Honorable Maria Contreras-Sweet, Administrator

encl.

Economic Injury Declaration Request

Letter needs to be addressed to:

James Rivera
Associate Administrator for Disaster Assistance
US Small Business Administration
409 3rd St, SW
Washington DC 20416
Tel: 202-205-6700
Fax: 202-481-2336
James.rivera@sba.gov

Letter must certify that 5 businesses (including home-based businesses and those in the business of renting property) have suffered a substantial economic injury “such that a business concern is unable to meet its obligations as they mature or to pay its ordinary and necessary operating expenses.” *See* 13 C.F.R. §§ 123.3(5), 123.600.

Letter must ask the SBA to make an “economic injury declaration” pursuant to 13 C.F.R. § 123.3(5).