

October 6, 2020

C-12

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to execute all documents necessary to enter into an agreement with Grow America Fund, Inc., a nonprofit organization, for the purpose of continuing various business loan programs administered by Grow America Fund, Inc., and to promote the City's business assistance loan programs, in an annual amount not to exceed \$75,000, for a period of one year, with the option to renew for two additional one-year periods, at the discretion of the City Manager. (Citywide)

DISCUSSION

On May 20, 1997, the City Council authorized the City Manager to execute an agreement with Grow America Fund, Inc., for the purpose of establishing a business loan program known as the Grow Long Beach Fund (Fund). The program became operational on June 1, 1997, and was supported by the Redevelopment Agency (RDA) until its dissolution by the State of California in 2012. In recent years, the Fund and associated administrative costs have been supported by the Economic Development Department, via grants and other one-time budget savings identified as needed

The National Development Council (NDC) is a nationwide, private nonprofit corporation designated as a Small Business Lender and is qualified to serve as a Small Business Administration (SBA) 7(a) lender. The Fund is operated as a subsidiary of the NDC. Since 1997, the NDC has provided underwriting services for the City's small business loan programs including the Long Beach Emergency Loan Program (ELP), which was recently established to assist Long Beach businesses with the COVID-19 pandemic economic impact.

Continued City participation in the Fund offers Long Beach businesses access to the SBA 7(a) loan program and an array of other critical services not available to high-risk borrowers from the for-profit lenders. City funds are leveraged four-to-one by Fund dollars, through secondary market sale of the SBA guaranteed portion of each loan. The SBA guarantees up to 75 percent of each loan. Grow America Fund, Inc., sells the guaranteed portion to investors. The sale proceeds are then used to fund more loans. The remaining 25 percent of the loan is retained by the Fund and serviced on behalf of the City. This arrangement leverages the City's Community Development Block Grant (CDBG) funds and reduces risk in each loan.

Since 1997, the City has deposited a total of \$1,150,000 in the Fund, which has produced 31 loans totaling \$9,169,800 to Long Beach businesses. This amount represents the City's ability to leverage its lending capacity by providing \$10.65 in loans for every \$1 of investment in the program. To date, a total of 492 jobs have been retained and created. Currently, funds available for lending under the program total \$3,532,673. In addition to the Fund, NDC has

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assisted City staff with marketing, structuring and underwriting U.S. Economic Development Administration (EDA) loans resulting in \$5,695,077 of direct small loans to 216 businesses, and 428 jobs retained and created. The NDC team is currently assisting staff with implementing the Emergency Loan Program, Small Business Restart Grant, and Small Business Transition and Technology Grant program funded by CARES Act. As part of the agreement, the City will have free access to the ZoomGrants portal for managing these grant programs via NDC's subscription to ZoomGrants.

Since inception, the City has utilized CDBG and former Redevelopment Agency funds as leverage for the Fund. Businesses receiving a CDBG-funded loan must provide a benefit to a low- to moderate-income area or create low- to moderate-income jobs. The current benefit requirement is that one new full-time job must be created for every \$35,000 in loan proceeds. Jobs created or retained by the borrowers are reported as part of the City's Consolidated Annual Performance Evaluation Report (CAPER).

During the term of the agreement, Grow America Fund, Inc., personnel will work with City staff to increase marketing efforts to promote business assistance loan programs to new or expanding Long Beach businesses. The goal of the program is to continue providing emergency and recovery loans to local businesses and increase the Long Beach EDA loan portfolio from the current \$5.6 million to over \$8 million within two years. Under the proposed agreement, NDC will receive a fee of \$75,000 per year. Under the new agreement, NDC's scope of services will be greatly expanded to include other technical support and financial analyses to the City with respect to its economic and housing development program proposals. The agreement will also include a waiver of registration fees for City staff attending NDC's economic and housing development trainings.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on August 25, 2020, Deputy Finance Director Sandy Tsang-Palmer on September 14, 2020, and by Budget Management Officer Rhutu Amin Gharib on September 21, 2020.

TIMING CONSIDERATIONS

City Council action is requested on October 6, 2020, to expedite execution of the agreement.

FISCAL IMPACT

The total annual cost of the agreement is \$75,000. The cost is unbudgeted and will be absorbed within the General Fund Group in the Economic Development Department. As it has for the past 23 years, the costs associated with this contract will be offset by grants and other one-time savings identified as needed to continue to receive grant funds from the federal government and to continue to provide loans to local small businesses. If this amount cannot be absorbed, the Department will return to the City Council to ask for an appropriation increase for this cost. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. This contract will provide continued support to our local economy. The number of jobs created will depend on the amount of loans funded. Based on CDBG requirements (one job for every \$35,000 loaned) and, assuming all of the existing funds available for lending are exhausted, approximately 101 new jobs would be created.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John Keisler".

JOHN KEISLER
DIRECTOR OF ECONOMIC DEVELOPMENT

APPROVED:

A handwritten signature in black ink, appearing to read "Thomas B. Modica".

THOMAS B. MODICA
CITY MANAGER