



## Legislation Text

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**File #:** 17-0811, **Version:** 1

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Recommendation to authorize City Manager, or designee, to execute all documents necessary to enter into an agreement with Grow America Fund, Inc., a non-profit organization, in an amount not to exceed \$72,000, for a period of 12 months, with the option to extend the agreement for one additional two-year term, at the discretion of the City Manager, 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. (Citywide)

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.

The National Development Council (NDC) is a nationwide, private non-profit 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 NDC.

Continued City participation in the Fund offers Long Beach businesses access to the SBA 7 (a) loan program. 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 make 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 25 loans totaling \$7,884,800 to Long Beach businesses. This amount represents the City's ability to leverage its lending capacity by providing \$9.60 in loans for every \$1 of investment in the program. Currently, funds available for lending under the program total \$4,180,017. In addition to the Fund, NDC has assisted City staff with marketing, structuring and underwriting U.S. Economic Development Administration (EDA) loans resulting in \$1.8 million of direct small loans to 20 businesses.

Since inception, the City has utilized CDBG and former Redevelopment Agency funds as leverage for the Fund. As such, 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 net 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 increase the Long Beach EDA loan portfolio from the current \$1.8 million to over \$3 million within two years. Under the proposed agreement, NDC will receive a fee of \$72,000 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 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 and by Budget Analysis Officer Julissa José-Murray on August 29, 2017.

City Council action is requested on September 19, 2017, so that a new agreement may be executed with the NDC.

Sufficient funding for the NDC annual fee of \$72,000 is budgeted in the Business Assistance Fund (SR 149) in the Economic and Property Development Department (EP). 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, 119 jobs would be created.

Approve recommendation.

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JOHN KEISLER  
DIRECTOR OF ECONOMIC  
& PROPERTY DEVELOPMENT

APPROVED:

PATRICK H. WEST  
CITY MANAGER