



CITY OF LONG BEACH

R-14

DEPARTMENT OF DEVELOPMENT SERVICES

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December 1, 2009

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to modify existing business loans, deferring the borrower's obligation to make monthly payments for twelve months and extend the terms of the loans as appropriate. (Citywide)

DISCUSSION

In 1987, the City Council authorized the establishment of the Commercial and Industrial Revolving Loan Program (Program), which is capitalized by the U.S. Department of Commerce, Economic Development Administration, Community Development Block Grant (CDBG), Redevelopment Agency funding and program loan repayments. The purpose of the Program is to provide access to capital to retain, attract, expand, and create businesses in the City of Long Beach. Financing under the Program supplements, but does not replace, private lending. Since its inception, more than 300 loans have been funded, totaling more than \$22 million. Under existing program language, City Council authorization is required to make loans for \$100,000 or more and to make significant subsequent modifications to those loans.

In early 2009, staff worked with the City Manager to identify economic development strategies to assist existing businesses affected by the global recession. Staff proposes to modify the terms of certain existing loans made under the Program in order to allow the borrowers to defer payments for twelve months beginning April 1, 2009 until March 31, 2010. The loans would continue to accrue interest during the payment suspension period. The accrued interest would then be added to the principal balance and the entire new balance would be amortized over the remaining term of the loan. To keep the monthly payments from increasing significantly, a one- or two-year extension to the loan term would be added. The interest rate and other terms and conditions would remain unchanged. Another alternative is for the borrower to make interest only payments for twelve months and extend the term one year.

In February 2009, the Economic Development Bureau sent a letter to all borrowers within the Program offering this loan modification. Those with loans over the \$100,000 initial

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principal amount who accepted the offer to participate are listed on the following chart. Because these loans are over \$100,000, City Council approval is required to make the loan modifications.

<u>Borrower</u>	<u>Revised Maturity Date</u>	<u>Initial Principal Amount (\$)</u>	<u>Current Principal Balance (\$)</u>
L'Opera, Inc.	04-15-2016	250,000.00	13,667.08
L'Opera, Inc.	06-01-2016	260,000.00	163,040.68
John Morris (Smooths)	12-01-2012	175,200.16	155,845.13
Tenth House Enterprises (Alegria)	12-15-2011	140,000.00	46,692.61

This letter was reviewed by Chief Assistant City Attorney Heather A. Mahood on November 11, 2009 and by Budget and Performance Management Bureau Manager David Wodynski on November 13, 2009.

TIMING CONSIDERATION

City Council action is requested on December 1, 2009 to expedite implementation of the proposed modification.

FISCAL IMPACT

All additional interest earned during the deferment period, as well as future payments to retire the debt, will be deposited in the Special Revenue Fund (SR 149) in the Department of Development Services (DV). Other than delayed cash flows, there is no significant fiscal impact from the proposed deferment.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CRAIG BECK
DIRECTOR OF DEVELOPMENT SERVICES

APPROVED:



PATRICK H. WEST
CITY MANAGER