



CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

C-5

September 13, 2005

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to deposit an additional \$350,000 in Community Development Block Grant (CDBG) funds into the Grow America Fund, Inc., enabling the City to continue to make SBA 7(a) loans to eligible businesses. (Citywide)

DISCUSSION

On May 20, 1997, the City Council authorized the City Manager to execute an agreement with the Grow America Fund, Inc. (GAF) for the purpose of establishing a business loan program to be known as the Grow Long Beach Fund. The program began June 1, 1997 and will continue until the final loan is repaid. Other business loan programs offered by the City are the Capital Availability Program, the Revolving Loan Fund, and the Microenterprise Loan Program.

The National Development Council is a nationwide private non-profit organization designated as a Small Business Lender and is qualified to serve as a Small Business Administration (SBA) 7(a) lender. The GAF is operated as a subsidiary corporation by the National Development Council and establishes agreements with client cities across the nation to extend SBA 7(a) financing to local businesses.

Participation in the GAF allows the City access to the SBA 7(a) loan program. The SBA guarantees a portion of the loan, usually 75 percent, and the GAF sells the guaranteed portion to investors. The sale proceeds are used to make other loans. The remaining 25 percent of the loan is retained in the GAF and collected on behalf of the City. This arrangement leverages the City's Community Development Block Grant (CDBG) funds and reduces participation and risk in each loan. The City has deposited a total of \$800,000 in the GAF since 1997. The GAF has provided 19 loans totaling \$6,109,500 to eligible Long Beach businesses that meet CDBG criteria. As of March 31, 2005 net earnings retained in the program total \$94,429, which have been used to make new loans.

Currently, funds available for lending under this program have been exhausted. The requested \$350,000 will provide the capacity to make \$1.4 million in loans to Long Beach businesses over the next year.

Since inception, the City has deposited only CDBG funds in the GAF. A business receiving a CDBG-funded loan must provide a low- to moderate-income area benefit or create low- to moderate-income jobs. City staff in the Economic Development Bureau monitor this compliance.

This letter was reviewed by Assistant City Attorney Heather A. Mahood on September 6, 2005, and Budget Management Officer David Wodynski on August 31, 2005.

TIMING CONSIDERATIONS

City Council action is requested on September 13, 2005, to authorize the City Manager to deposit an additional \$350,000 of CDBG funds in the Grow America Fund, Inc. to allow City access to the SBA 7(a) loan program.


FISCAL IMPACT

Funding for this activity is budgeted in the Revolving Loan Fund Program in the Community Development Grants Fund (SR 150) in the Department of Community Development (CD). There will be no impact on the General Fund.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



FW PATRICK H. WEST
DIRECTOR OF COMMUNITY DEVELOPMENT

APPROVED:



GERALD R. MILLER
CITY MANAGER