



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Paul Krutko

SUBJECT: See below

DATE: June 1, 2004

Approved

Date

SUBJECT: ANNUAL CERTIFICATION OF THE REVOLVING LOAN FUND

Adoption of a resolution certifying that:

- (1) The City of San Jose's Revolving Loan Fund (RLF) Plan is consistent with and supportive of the area's current economic adjustment strategy, and
- (2) The RLF is being operated in accordance with the policies and procedures contained in the RLF plan, and the loan portfolio meets the standards contained therein, except as noted in the report.

BACKGROUND

In December of 1992 Council approved the amended Administrative Plan for the federal Economic Development Administration (EDA)/ Community Development Block Grant (CDBG) Revolving Loan Fund. The plan provides for the appointment of the Loan Administration Board that governs the activity of the Revolving Loan Fund Program. In addition to the general requirements of the RLF, the March 15, 1993 EDA Standard Terms and Conditions and the RLF Administrative Manual Grant require that the grant recipient's governing board review the RLF Plan and make the following determinations:

- (1) The RLF Administrative Plan is consistent with and supportive of the City's current development objectives and financing strategies, otherwise referred to by EDA as the area's economic adjustment strategy, and
- (2) The RLF is being operated in accordance with the policies and procedures contained in the RLF Plan, and the loan portfolio meets the standards contained therein (any exceptions are noted).

The RLF Plan has two distinct parts. The first portion of the RLF Plan is technically referred to by the EDA as the "Area's Economic Adjustment Strategy" and includes the business

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development objectives, financing strategy, policies, and portfolio standards for the RLF. The second part outlines the RLF's internal operating procedures.

ANALYSIS

The Revolving Loan Fund is consistent with and supportive of the City's development goals and financing strategies, or the economic adjustment strategy as it is referred to by the EDA. A partial list of development goals includes small business stimulation, job creation and retention, neighborhood revitalization, and modernization or rehabilitation of industrial properties.

The Revolving Loan Fund has made 128 loans totaling over \$2.6 million. Forty-six (46) of those loans were made using EDA funds for over \$1.4 million and resulted in over 350 jobs. These loans stimulated small business development, including the start-up and expansion of local businesses, created and retained jobs for low-income persons, developed businesses owned and operated by minorities, women, and members of other economically disadvantaged groups, and redeveloped blighted land and vacant facilities for productive use.

The current Revolving Loan Fund is being operated in accordance with the policies and procedures contained in the RLF Administrative Plan, which was approved by City Council in December of 1992.

Access to capital is a critical issue facing most small businesses today. The City's Revolving Loan plays an important role in supporting small business activity in San Jose. These loans have funded small businesses in the Enterprise Zone and CDBG designated Neighborhood Business Districts. The certification period covered through this memo is October 1, 2004 through September 30, 2005.

PUBLIC OUTREACH

N/A

CEQA

Not a Project

NEPA

M01: Categorically Excluded per 24 CFR 58.35(b)(4)

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COORDINATION

This memo was coordinated with the City Attorney's Office and the RLF Loan Administration Board.

COST IMPLICATIONS

There are no cost implications as a result of this certification.

PAUL KRUTKO
Director of Economic Development

