



COUNCIL AGENDA: 10/30/07
ITEM: 2.6

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Paul Krutko

SUBJECT: ANNUAL CERTIFICATION OF
THE REVOLVING LOAN FUND

DATE: October 9, 2007

Approved

Ray Wener

Date

10/10/07

Council District: City-Wide

RECOMMENDATION

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.

OUTCOME

Approval of this resolution will allow the continued use of a grant from the United States Economic Development Agency toward the funding of the RLF program

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

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- (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.

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 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 City of San Jose's Economic Development Strategy focuses on creating entrepreneurial environment to support start-up and growth of local small business. We are accomplishing that by proactively assisting entrepreneurs. In the past fiscal year, the RLF program may result in over 30 jobs and lent over \$450,000 which is the highest level in the program's history. Funding was provided to a dozen businesses ranging from a hair salon to car repair shop to a plumbing firm. The RLF clientele served are typically economically disadvantaged small business owners and they in turn provide employment opportunities to our residents that have the greatest difficulty in achieving employment.

This program is aligned with the recommendations of Economic Development Strategy No. 5, "Support start-up and growth of local businesses, small and large, in tech as well as non-tech fields" and No. 13, "Develop retail to full potential, maximizing revenue impact and neighborhood livability".

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. Until July 1998, EDA funds could only be expended in the Title IX area which includes Alum Rock Avenue, East Santa Clara Street, and Japantown. As of July 1998 the Office of Economic Development obtained authorization to expend EDA funds throughout the Enterprise Zone and Targeted Employment Areas.

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. Since its inception, the RLF program has made 156 loans for a total of \$3,518,400. The certification period covered through this memo is November 1, 2007 through October 31, 2008.

EVALUATION AND FOLLOW-UP

Certification of EDA funding for the RLF program is brought to City Council for approval on an annual basis.

PUBLIC OUTREACH/INTEREST

The purpose of this section is to describe discussions that have occurred with the public, stakeholders, community groups and/or other governmental agencies. Staff will be asked to use the following checklist to determine if items are to be considered items of "Significant Public Interest", thus requiring additional notification per the matrix below. Please note the outreach that was done.

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

The Certification of the RLF program does not meet the criteria identified above, however outreach to San Jose businesses about the RLF program is ongoing. In addition to including information flyers with Business License renewals to 60,000 recipients throughout the year, the Small Business Assistance Counter at City Hall and collaborative outreach efforts with the Business Services Team of work2future and the small business chambers have increased awareness of the program

CEQA

Not a project.

COORDINATION

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

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COST SUMMARY/IMPLICATIONS

There are no cost implications as a result of this certification. The EDA funds are a grant from the federal government that may only be used for the RLF program.



PAUL KRUTKO
Chief Development Officer

For questions please contact Christopher Coggins, Economic Development Officer, at (408) 535-8193.