



Memorandum

TO: DRIVING A STRONG
ECONOMY COMMITTEE

FROM: Paul Krutko

SUBJECT: SEE BELOW

DATE: February 9, 2006

SUBJECT: ECONOMIC DEVELOPMENT CATALYST FUND RFP UPDATE

In an effort to enhance the economic impact for San Jose's small business community, the Office of Economic Development forwarded a recommendation to City Council to select a Fund Manager to establish and manage an Economic Development Catalyst Fund (EDCF). The Fund will provide financial services, technical assistance, and information targeted to job-generating companies with high growth potential. The City's objectives as they relate to the creation of this Fund are: (1) to build the City's tax base, (2) to create jobs for local residents, (3) to facilitate the integration of other programs and services targeted to the small business community, and (4) to create the opportunity to participate in the financial success of companies receiving investment from the Fund.

From 1994 through August 2005, the City of San Jose operated a small business loan program called the Development Enhancement Special Fund (DESF). The DESF has supported small businesses with loan guarantees and direct loans, resulting in approximately 1,243 jobs retained or created with some \$2,549,853 in existing or new sales tax revenues generated. It is a fundamental objective of the City of San Jose that the community impact achieved through the creation of the EDCF will surpass that of the DESF.

On October 18, 2005, City Council directed staff: (1) to release a Request for Proposals (RFP) to select a Fund Manager for the EDCF, and (2) to provide information relating to the sale of the DESF portfolio as part of the capitalization of the new EDCF. The EDCF RFP was released on December 7, 2005, and a Request for Bids (RFB) for the sale of the DESF portfolio was released on January 17, 2006.

Both documents were posted on the Office of Economic Development's website (www.sjeconomy.com), the Silicon Valley Workforce Investment Network's website (www.svwin.org) and the City's BidLine Service. Additionally, copies of the RFP and RFB documents were sent to over 30 members of the local financial services community. A representative of FDIC has agreed to distribute the documents to local banking institutions.

EDCF Technical Assistance conferences were held on January 6 and February 7, 2006. When proposals are received on March 2, 2006, the evaluation panel will focus on the following criteria: (1) Demonstration of the Need, (2) Qualifications and Experience, (3) Work Plan, and (4) Leveraging. We anticipate providing a recommendation to City Council on April 25, 2006, regarding the outcome of the RFP and RFB processes.

PAUL KRUTKO
Director, Office of Economic Development