

May 13, 2025

Honorable Mayor and City Council
City of Long Beach
California

RECOMMENDATION:

Recommendation to adopt a Resolution authorizing the City Manager, or designee, to execute all documents necessary to amend Contract No. 35694 with Grow America Fund, Inc., of Cleveland, OH, a nonprofit organization for the purpose of continuing various business loan programs administered by Grow America Fund, Inc., and to promote the City's business assistance loan programs, to increase the annual contract amount by \$10,000, for a revised annual contract amount of \$85,000, with a 3 percent annual cost of living adjustment (COLA) increase for each year after the first extension year, for a total contract amount not to exceed \$562,727, and extend the term of the contract for three years, with the option to renew for two additional one-year periods, at the discretion of the City Manager. (Citywide)

DISCUSSION

City Council approval is requested to amend Contract No. 35694 with Grow America Fund, Inc. (Grow America), to continue the administration of various business loan programs. Council approval will be retroactive to include amount owed for services provided as of October 1, 2024, and will be paid at the approved rate.

At its meeting on May 20, 1997, the City Council authorized the City Manager to execute an agreement with Grow America Fund for the purpose of establishing a business loan program known as the Grow Long Beach Fund (Fund). The program became operational on June 1, 1997, and was supported by the Redevelopment Agency (RDA) until its dissolution by the State of California in 2012. In recent years, the Fund and associated administrative costs have been supported by the Economic Development Department via grants and other one-time budget savings identified as needed.

Grow America (formerly the National Development Council (NDC)), a nationwide, private nonprofit corporation designated as a Small Business Lender Company (SBLC) and Community Development Financial Institution (CDFI), is qualified to serve as a Small Business Administration (SBA) 7(a) lender. Since 1997, Grow America has provided underwriting services for the City's small business loan programs, including the Long Beach Emergency Loan Program (ELP), which was established during the COVID-19 pandemic to assist the Long Beach small business community with maintaining their businesses through the economic impact of the pandemic. Grow America has also supported more than 100 small businesses.

Continued City participation with Grow America offers Long Beach businesses access to the SBA 7(a) loan program and an array of other services and resources offered. Through the Grow America Fund (SBA 7(a) loan program), City dollars are leveraged four-to-one (actual leverage to date has totaled greater than 12:1) by fund dollars through secondary market sale of the SBA guaranteed portion of each loan. The SBA guarantees up to 75 percent of each loan. Grow America sells the guaranteed portion to investors. The sale proceeds are then used to fund more loans for local businesses. The remaining 25 percent of the loan is retained by the fund and serviced on behalf of the City. The original funds that were leveraged were from RDA and have continued to revolve around over time bringing the leverage up to the 12:1 today. Community Development Block Grant (CDBG) funds have only been used in the Microenterprise RLF which is not a leveraged fund.

Since 1997, the City has deposited a total of \$1,150,000 in the Fund, which has produced 37 loans totaling \$11,717,461 to Long Beach businesses. This amount represents the City's ability to leverage its lending capacity by providing \$12.42 in loans for every \$1.00 of investment in the program. To date, a total of 573 jobs have been retained and created. Currently, funds available for lending under the program total \$4,651,627. Grow America is a U.S. Small Business Administration (SBA) licensed and regulated Small Business Lending Company (SBLC) that is entitled to make SBA guaranteed loans to eligible small businesses deemed the Grow America Fund. In order to become designated an SBLC, entities are required to participate in an application process through the SBA. Grow America is one of the nation's SBLC devoted to economic and community development financing.

Grow America has matched the \$1,150,000 contribution and leveraged funds to total \$14,283,432. Through extensive research, staff were able to compare what other SBLCs have to offer, as a result no SBLC can match the 4:1 contribution. In addition, if the contract was not in place, Grow America would not have any contractual obligations to continue lending and revolving the city's initial investment to support small business located within the city of Long Beach. In addition to the Fund, Grow America has assisted City staff with marketing, structuring and underwriting U.S. Economic Development Administration (EDA) loans resulting in \$6,115,594 of direct small loans to 165 businesses, and 648 jobs retained and created. This partnership has also completed a series of small business loans from \$650,000 in CDBG funds that were allocated to the Revolving Loan Fund in the first quarter of 2024.

Since inception, the City has utilized CDBG and former RDA funds as leverage for the Fund. Businesses receiving a CDBG-funded loan must provide a benefit to a low- to moderate-income area or create or retain jobs in these areas. The current benefit requirement is that one new full-time job must be created or retained for every \$35,000 in loan proceeds. Jobs created or retained by the borrowers are reported as part of the City's Consolidated Annual Performance Evaluation Report (CAPER).

During the term of the agreement, Grow America personnel will work with City staff to increase marketing efforts to promote business assistance loan programs to new or expanding Long Beach businesses. The goal of the program is to provide loans to local businesses and increase the Long Beach EDA loan portfolio from the current \$5.6 million to over \$8 million within two years. This agreement will also expand technical support and financial analyses to the City with respect to its economic and housing development program proposals. The agreement will also

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include a waiver of registration fees for City staff attending Grow America's economic and housing development trainings.

City Charter Section 1801 requires that contracts for City purchases be awarded to the lowest responsible bidder after a competitive bid process, but allows for awards without a competitive bid process when, as here, such an award is supported under the law and authorized by a Resolution adopted by the City Council.

This matter was reviewed by Deputy City Attorney Marsha Yasuda on April 17, 2025, and Purchasing Agent Michelle Wilson on April 16, 2025, and by Budget Management Officer Nader Kaamoush on April 28, 2025.

TIMING CONSIDERATIONS

City Council action to amend Contract No. 35694 is requested on May 13, 2025, to ensure there is no interruption to services.

LEVINE ACT

This item is subject to the Levine Act. The Mayor, Councilmembers, and Commissioners who have received a contribution of more than \$500 within 12 months prior from a party, participant, or their representatives involved in this proceeding may do either of the following: (1) disclose the contribution on the record and recuse themselves from this proceeding; OR (2) return the portion of the contribution that exceeds \$500 within 30 days from the time the elected official knew or should have known about the contribution and participate in the proceeding.

All parties, participants, and their representatives must disclose on the record of this proceeding any contribution of more than \$500 made to the Mayor or any Councilmembers within 12 months prior to the date of the proceeding. The Mayor, Councilmembers, and Commissioners are prohibited from accepting, soliciting, or directing a contribution of more than \$500 from a party, participant, or their representatives during a proceeding and for 12 months following the date a final decision is rendered.

FISCAL IMPACT

The requested action increases the contract authority with Grow America Fund by \$10,000 for a revised annual contract amount not to exceed \$85,000 and extends the term for a period of three years with a 3 percent COLA for consecutive years, with the option to renew for two additional one-year periods. The Economic Development Department has absorbed the cost of this agreement with existing appropriations in the General Fund Group in the Economic Development Department. If all costs cannot be absorbed, the department will return to the City Council to request an appropriation increase and evaluate an adjustment during a future budget development. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. This contract will provide continued support to our local economy. The number of jobs created will depend on the amount of loans funded. Based on CDBG requirements (one job for every \$35,000 loaned) and, assuming all of

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the existing funds available for lending are exhausted, approximately 196 new jobs would be created or retained.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



Bo Martinez
Director
Economic Development

APPROVED:



THOMAS B. MODICA
CITY MANAGER