

November 19, 2024

Honorable Mayor and City Council
City of Long Beach
California

RECOMMENDATION:

Recommendation to authorize 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 contract amount by \$187,727, for a revised contract amount not to exceed \$262,727, 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.

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, 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 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. This arrangement leverages the City's Community Development Block Grant (CDBG) funds and reduces risk in each loan.

Since 1997, the City has deposited a total of \$1,150,000 in the Fund, which has produced 37 loans totaling \$11,102,461 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 570 jobs have been retained and created. Currently, funds available for lending under the program total \$4,388,468. 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. The Grow America team, along with City staff, has recently finalized a new grant from the EDA in the amount of \$750,000 following a successful application for funds submitted in late 2023. These funds are estimated to be received by the City in December 2024. 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 include a waiver of registration fees for City staff attending Grow America's economic and housing development trainings.

This matter was reviewed by Deputy City Attorney Ashleigh Stone on October 9, 2024, Administrative Analyst Tommy Ryan on October 3, 2024 and by Budget Management Officer Nader Kaamoush on October 31, 2024.

TIMING CONSIDERATIONS

City Council action to amend Contract No. 35694 is requested on November 19, 2024, to ensure there is no interruption to services.

FISCAL IMPACT

The requested action increases the contract authority with Grow America Fund by \$187,727 and extends the term for a period of three years with the option to renew for two additional one-year

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periods. The total amount of the agreement will not exceed \$262,727. The Economic Development Department has absorb 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 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