

AGENDA



Thursday, February 14, 2008

**Neighborhood Housing and Community Development
RECOMMENDATION FOR COUNCIL ACTION**
Item No. 13

Subject: Approve a resolution revising the Commercial Preservation and Revitalization Zone program guidelines to modify the matching funds ratio requirements and maximum loan amounts

Amount and Source of Funding: Funding is available in the Fiscal Year 2007-2008 Operating Budget of the Neighborhood Housing and Community Development Department.

Fiscal Note: There is no unanticipated fiscal impact. A fiscal note is not required

For More Information: Paul Hilgers, Director, Neighborhood Housing and Community Development, 974-3108

Prior Council Action: June 8, 2006, Resolution No. 20060608-74

The CP&R Business Loan Program assists many geographically and financially qualified businesses. Feedback from current and prospective CP&R Business Loan Program applicants and small business participants of City sponsored events "Meet the Lender" coordinated by Economic Growth and Redevelopment Services Department, "Open House" coordinated by Neighborhood Housing Community Development Department (NHCD) and the recent "IT Conference and Expo" coordinated by Communication & Technology Management Office, Purchasing, Financial Services, and Small & Minority Business Resources Office suggested the need for several modifications to the program guidelines. The recommended modifications will strengthen the CP&R Business Loan Program as a gap financing commercial loan program and encourage traditional and community lender participation. The recommended loan amount and interest rate modifications align applicant funding needs to a broader range of projects and to present day project costs. In addition, the modifications increase accountability and protect the public's investment by instituting standard commercial loan underwriting criteria.

The following modifications to the existing CP&R Business Loan Program guidelines are recommended:

(a) Match ratios. The existing match ratio requires that matching funds for investment in the business be on a one-to-one ratio. Program staff recommends that the applicant minimum match be established at 10 % for small businesses and up to 25 % for developers.

(b) Leverage ratios. A leverage ratio of 1.5 to 1 between the combined total of private, other public and equity funds compared to CP&R funds invested is also recommended. These recommendations are consistent with the applicant match and leverage ratio requirements of the Neighborhood Commercial Management Program, a small business loan program also established as a revolving loan fund.

(c) Maximum loan amount. Currently, the maximum loan amount is \$10,000 for a participating business that has been operating and located in the Commercial Preservation & Revitalization Zone (CP&R Zone) for at least five years but less than 10 years; and \$20,000 for a participating business that has been operating and located in the CP&R Zone for at least 10 years.

Program staff recommends that the maximum loan amount for a start-up business locating in the CP&R Zone, an existing business re-locating to the CP&R Zone, or a business that has been operating in the

CP&R Zone for four years or less be \$10,000; \$20,000 for an existing business that has been operating and located in the CP&R Zone for at least five years but less than 10 years; and \$30,000 for an existing business that has been operating and located in the CP&R Zone for at least 10 years.

Approval of the recommended modified minimum requirements is consistent with NHCD's 2004-2009 Consolidated Plan. The Consolidated Plan states specifically that NHCD will provide flexible capital in the form of gap financing to businesses in blighted or depressed commercial districts and to create and/or retain jobs for low and moderate income wage earners.

Approving the modification of the minimum requirements will also further the Department's Mission: "...to provide housing, community, and small business development services to benefit eligible residents so they can have access to livable neighborhoods and increase their opportunities for self-sufficiency."

See attachments for the proposed revised CP&R Business Loan Program guidelines and a summary of revisions.