

RESOLUTION NO.

WHEREAS, the United States Small Business Administration (“SBA”) contends “that small business is an engine of economic growth and job creation;” and

WHEREAS, City certified Minority-Owned Business Enterprises and Women-Owned Business Enterprises (MBE/WBEs) are required by City Code to comply with the size limits established by the SBA; and

WHEREAS, the SBA’s size standards define whether a business is “small” and thus eligible for government programs and preferences reserved for “small business concerns;” and

WHEREAS, a small business concern is defined by the SBA as “a small business that is not dominant in the field of operation for which it is bidding on a government contract, in addition to qualifying as a small business under the criteria and size standards in Title 13, Code of Federal Regulations, part 121 (13 CFR 121);” and

WHEREAS, the City Council formed the Special Committee on Economic Incentives (“Committee”) by Resolution No. 20120524-092 to make recommendations to Council regarding improvements to the City’s existing Chapter 380 economic development policy; and

WHEREAS, the Committee held six public meetings to consult with other governmental jurisdictions, gather information from experts regarding economic incentive policies, and provide ample opportunity for public input; and

WHEREAS, as a result of the recommendations of the Committee, the Economic Development Department (“EDD”) initiated a stakeholder process to identify the potential impact on small local contractors and develop proposals for mitigating the negative impacts of requiring the City’s living wage on construction projects that are part of Chapter 380 economic development agreements; and

WHEREAS, the stakeholder group identified several impacts that could result from the revision of the City’s economic development policy including an increase in payroll costs and higher administrative and accounting costs; and

WHEREAS, the stakeholder group stated that smaller companies are “less able to absorb the up-front costs of higher wages and will have to seek higher-risk, more expensive financing;” and

WHEREAS, members of the stakeholder group recommended if the living wage floor is implemented, the City should establish a City-funded loan guarantee program to enable local contractors to secure private financing; and

WHEREAS, members of the stakeholder group recommended funding a collateral pool as part of the City-funded loan guarantee program; and

WHEREAS, EDD staff have recommended against establishing a City-run collateral pool or loan guarantee program citing lack of significant funding sources for the program, lack of resources needed to engage in credit analysis that would be required for the volume of loan applications, and lack of an expedient process needed for small construction businesses bidding on projects; and

WHEREAS, the City has an established relationship with Velocity Federal Credit Union to administer loans for energy efficiency upgrades for the Better Buildings Program; and

WHEREAS, the structure of the Better Buildings Program shows a precedent for partnering with third party lenders rather than utilizing only City-administered loan programs; and

WHEREAS, the SBA guarantees loans made to small business by private and other institutions through their SBA Guaranteed Loan Programs; and

WHEREAS, the 2013 Report and Recommendations on the City of Austin Economic Development Policy , addressing chapter 380 economic development incentive agreements, states that “The City can establish either a collateral pool program or a loan guarantee program if a public purpose is identified;” and

WHEREAS, according to a 2010 Minority Business Development Agency report, “capital access is the most important factor limiting the establishment, expansion, and growth of minority-owned businesses;” and

WHEREAS, creating an accessible guaranteed loan program with a collateral pool could make contracting on City projects and Chapter 380 economic development agreement projects a more viable option for small businesses including City certified minority- and women-owned business enterprises; **NOW, THEREFORE,**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

The City Manager is directed to explore options for working with third party financial institutions to provide a guaranteed loan program including a collateral pool as a resource for small businesses including City certified minority- and women-owned business enterprises that contract with the City directly, or through companies that contract with the City or contract with companies that receive chapter 380 economic incentives with the City.

BE IT FURTHER RESOLVED:

The City Manager is directed to bring back multiple options regarding a possible guaranteed loan program including a collateral pool, and provide information on any related fiscal notes, program structure and administration information, and detailed outlines of potential benefits and services available for small businesses for Council consideration no later than December 12, 2013 to allow time for discussion prior to the mid-year budget adjustment in January 2014.

BE IT FURTHER RESOLVED:

The City Manager shall gather feedback regarding potential options from the MBE/WBE and Small Business Enterprise Procurement Program Advisory Committee at their November 5th and December 3rd 2013 meetings.

ADOPTED: _____, 2013 **ATTEST:** _____
Jannette S. Goodall
City Clerk