

CITY COUNCIL AGENDA: JANUARY 21, 2014

REPORT

SUBJECT: COMMUNITY DEVELOPMENT BLOCK GRANT - BUSINESS ASSISTANCE PROGRAM UPDATE

SOURCE: COMMUNITY DEVELOPMENT DEPARTMENT

COMMENT: A portion of the City's Community Development Block Grant (CDBG) funds received by the City from the U.S. Department of Housing and Urban Development (HUD) are allocated for economic development purposes through the Business Assistance Program (Program). This report provides the City Council with an annual update regarding the Program.

The Program provides funding for projects which meet one of the three (3) national CDBG objectives: 1) expanding economic opportunities, principally for low- and moderate-income persons; 2) aiding in the prevention or elimination of slums or blight; and 3) meeting community development needs that have a particular urgency. The Program focuses on providing funding assistance to businesses, which will in turn create jobs while increasing the overall economic base of the community. It is important to note that 51% of the jobs created or retained by each CDBG-assisted business expansion or retention project are filled by, or made available to, persons of low- and moderate-income.

Consistent with HUD's guidelines, the Program mandates the creation or retention of one job for each \$35,000 in assistance. The loans reported below represent the creation or retention of 60 full-time equivalent jobs. To date, more than 129 jobs have been created/retained as part of the Business Assistance contracts and on-going monitoring shows that, by extension, more than 500 jobs were created or retained through these projects.

The Program is divided into two (2) categories. The first category targets assistance with large loans in excess of \$50,000, and is typically used by larger businesses. The second category provides funding assistance of \$50,000 or less and typically provides assistance to smaller businesses. More specifics are provided below.

The first category of assistance is for large projects which require funding in excess of \$50,000. In this scenario, funds are typically used for construction of improvements, equipment purchases, and acquisition of land and/or buildings. In 2013, one (1) of the loans in the Large Business Assistance Program was paid in full, which leaves two (2) active loans in its portfolio.

Listed below is a summary of the current Large Business Assistance Program loans:

Loan #/ Business Type	Use of Funds	Original Date of Loan	Original Loan Amount	Loan Balance	Status
BAP 03001 ProDocumentSolutions Printing Facility	Parking Lot Improvements Security Equipment	05/06/03	\$355,000	\$0	Paid in Full
BAP 01001 Charles and Jan Crissman Automobile Body Repair	Acquisition	05/27/10	\$100,000	\$70,101	Current
BAP 01003 Mark Sidley's Porterville Chrysler New Automobile Sales	Inventory and Working Capital	10/19/10	\$250,000	\$103,524	Current

The second category is the Small Business Revolving Loan Program. The main objective of this program is to provide "gap" funding for small businesses that are either starting or expanding in Porterville. In 2013, one (1) loan was paid in full. Currently, the Small Business Revolving Loan Program has seven (7) active loans in its portfolio with two (2) loans to be paid in full in early 2014.

Listed below is a summary of the current Small Business Revolving Loans:

Loan #/ Business Type	Use of Funds	Original Date of Loan	Original Loan Amount	Loan Balance	Status
RFL 00109 Alla Liberstein, MD Medical Practice	Equipment	03/11/09	\$45,000	\$778	Current
RLF 01002 Plano Jerky Manufacturing/Retail	Expansion of Facility	05/12/10	\$15,000	\$174	Current
RLF 01003 Porterville Ford Automobile Sales	Equipment and Signage	04/08/10	\$38,000	\$15,390	Current
RLF 01009 McLaughlin Plumbing Professional Services	Working Capital Equipment	08/23/12	\$50,000	\$47,406	Delinquent

Loan #/ Business Type	Use of Funds	Original Date of Loan	Original Loan Amount	Loan Balance	Status
RLF 01007 BMK, Inc. Retail	Working Capital	12/14/10	\$50,000	\$36,005	Current
RLF 01006 Dayla and Massey Missakian Professional Services	Working Capital	05/11/11	\$50,000	\$25,766	Current
RLF 01010 William and Glenda Mauldin Retail	Working Capital	10/19/10	\$30,000	\$0	Paid in Full
RLF 01012 Elsa Medina Restaurant	Equipment and Working Capital	05/10/11	\$41,859	\$41,859	Default filed Bankruptcy
RLF 01213 Eric Madrigal Medical Practice	Equipment Supplies Working Capital	09/11/12	\$50,000	\$45,242	Current

The balance available for lending in the Business Assistance Program for large projects is \$300,033, and the balance available in the Small Business Revolving Loan Program is \$379,764.

The information stated above reflects the status of the Business Assistance Program through December 2013.

RECOMMENDATION: For information only.