




Office of the City Manager

CONSENT CALENDAR

July 18, 2006

To: Honorable Mayor and  
Members of the City Council

From:  Phil Kamlarz, City Manager

Submitted by: Thomas A. Myers, Acting Manager of Economic Development

Subject: South Berkeley Revolving Loan Fund Certification

RECOMMENDATION

Adopt a Resolution endorsing the South Berkeley Revolving Loan Fund (RLF) Plan Certification as required by the federal Economic Development Administration (EDA).

FISCAL IMPACTS OF RECOMMENDATION

Certification of the RLF by the Council authorizes staff to continue its administration of the loan fund in South Berkeley. Staff time is required to review business plans, financial statements, loan packages, prepare recommendations to the Loan Administration Board (LAB), and to administer the loan program.

CURRENT SITUATION AND ITS EFFECTS

As of June 7, 2006, \$560,441 was available for loans to South Berkeley businesses in the Target Area designated by the RLF Administrative Plan. The RLF is a revolving loan fund. As loan recipients make payments, these funds are used to provide additional loans to new loan recipients. During the current reporting cycle, \$4469.93 in interest was paid to the RLF by borrowers who have outstanding loans, and \$446.38 in interest was earned on the RLF Account that is on deposit at Washington Mutual Bank. Each year the City of Berkeley has an audit completed of the RLF. The loan portfolio earns income from interest charged on loans and from the interest-bearing account used for the loan portfolio.

BACKGROUND

The City of Berkeley received a \$500,000 grant from the Economic Development Administration (EDA), Dept. of Commerce in 1980 to administer a commercial Revolving Loan Fund to eligible small businesses in the South Berkeley Target Area. All EDA grant recipients are required to certify to EDA that the Loan Administration Board (LAB) and the City Council have reviewed the RLF's performance for the preceding year relative to the area's economic strategies and the RLF Administrative Plan and determined that: 1) the RLF Administrative Plan is consistent with and supportive of the area's economic strategies, and 2) the RLF is being operated in accordance with the policies and procedures contained in the RLF Administrative Plan, and the loan portfolio meets the standards contained therein. The LAB approved a motion to this effect on July 6, 2006.

Strategies for economic improvements in South Berkeley are governed by the South Berkeley Area Plan, which was adopted in 1989 and complemented in 1999 by the South Berkeley Community Development Action Strategy. The Area Plan designates revitalization of commercial corridors and employment creation as high priority goals and identifies the RLF as a primary strategy to achieve both. The RLF Administrative Plan sets forth goals and objectives that are consistent with the South Berkeley Plan and provides specific guidelines for the origination of loans. Principal goals of the RLF are job creation and assistance to small, women and minority-owned businesses in the South Berkeley Target Area.

On June 28, 2005, the City Council adopted Resolution No. 62,962-N.S. revising the RLF Administrative Plan. These revisions included updating and incorporating requirements and procedures mandated by EDA's RLF Administrative Manual, and substantive changes to the plan. These revisions were adopted by the EDA on August 15, 2005. The revised RLF Administrative Plan is available for review in the Office of Economic Development.

To date, 33 RLF loans totaling \$1,748,417 have been originated. Four (4) loans with a remaining principal balance totaling \$269,476 are currently outstanding. A total of 159.5 jobs have been created or retained in connection with loans originated in the Target Area. Semi-annual reports to EDA provide detailed information on Berkeley's RLF portfolio. The latest report covering the period October 1, 2005 - March 31, 2006 is available for review in the Office of Economic Development

#### RATIONALE FOR RECOMMENDATION

EDA requires that the City Council annually certify compliance of the RLF with its Administrative Plan.

#### ALTERNATIVE ACTIONS CONSIDERED

None.

#### CONTACT PERSON

Thomas A. Myers, Secretary to the Loan Administration Board, Office of Economic Development, 981-7530

Attachments:

1: Resolution

RESOLUTION NO. ##,###-N.S.

ENDORISING THE SOUTH BERKELEY REVOLVING LOAN FUND (RLF) PLAN  
CERTIFICATION

WHEREAS, the City of Berkeley received a \$500,000 grant from the federal Economic Development Administration (EDA) in 1980 to administer a commercial Revolving Loan Fund (RLF) for eligible businesses in the South Berkeley Target Area; and

WHEREAS, a progress report on the RLF is sent to EDA twice a year; and

WHEREAS, EDA requires that the City Council annually certify compliance of the RLF with its Administrative Plan.

NOW THEREFORE, BE IT RESOLVED that the Council of the City of Berkeley hereby endorses the Revolving Loan Fund Plan Certification as required by the federal Economic Development Administration and determines that:

- 1) The RLF Administrative Plan is consistent with and supportive of the South Berkeley Area Plan and economic improvement strategies for South Berkeley; and
- 2) The RLF is being operated in accordance with the policies and procedures contained in the RLF Administrative Plan, and the loan portfolio meets the standards contained therein.