

OFFICE OF THE CITY MANAGER
DES MOINES, IOWA

ITEM II-A

CITY COUNCIL COMMUNICATION 97-241
APRIL 28, 1997 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
28E AGREEMENT—THE CORPORATION FOR ECONOMIC DEVELOPMENT IN DES MOINES (CEDDM)	◆ RESOLUTION ORDINANCE RECEIVE/FILE	JAMES GRANT COMMUNITY DEVELOPMENT DIRECTOR

SYNOPSIS —

The CEDDM has been in existence since 1981. It administers the SBA 504 Loan Program, as well as the Community Development Block Grant- (CDBG) funded Revolving Loan Fund (RLF) and Loan Injection Loan Funds for the City. The Economic Development Division provides staffing for the Corporation. The City Council reviews and approves a 28E Agreement annually. The CEDDM is requesting modification in the 1997 agreement to provide for purchase of computer and related equipment and software. These purchases will be necessary for the CEDDM to upgrade to proposed Small Business Administration (SBA) Program standards, and will provide more efficient hardware and software to meet City loan servicing needs as well. Prior to action on the proposed 28E Agreement, Steve Justice, CEDDM President, will present information to the Council on the CEDDM Programs and their impact on employment and tax base.

FISCAL IMPACT —

Under previous agreements, the City has been responsible for providing all staff support services including equipment. The proposed 28E Agreement contemplates The Corporation and City sharing the cost of technology upgrade. The upgrade expenditures are necessary to continue the SBA Program and are estimated at approximately \$10,000. The cost of the technology upgrade would be deducted before the 50-50 split of fees.

RECOMMENDATION —

Approval.

BACKGROUND —

The CEDDM is governed by a Board of Directors comprised of local community and business representatives. Since its inception in 1981, it has assisted 68 small businesses through this SBA Loan Program for a total investment of approximately \$55 million in building and machinery, and the creation or retention of 703 jobs. Through the RLF Program, CEDDM has helped another 43 small businesses with their working capital needs. This program has helped generate \$5,352,000 of investment and the creation or retention of 222 jobs.

The City provides staffing to the CEDDM, and the fee revenues generated by the SBA Loan Program are split equally between the City and the CEDDM. As with other aspects of City government, the loan functions of the CEDDM and Economic Development staff are being affected by technology. The CEDDM will need to purchase an IBM computer, selected software, and peripheral equipment to meet on-line requirements of the SBA. Presently, the Economic Development Division has Macintosh equipment. However, the purchase of this equipment and software will also benefit the City by

providing more efficient and better integrated equipment and software for City loan processing and servicing. Since the SBA has not yet published its standards, the cost of these purchases is estimated at this time. However, the CEDDM has to be prepared to meet these needs in 1997 in order to remain in the SBA Program.

The proposed 28E Agreement provides that these purchases would be made prior to splitting the SBA revenues with the City. While the City may forego some level of revenues, it will benefit in the long run by providing better technological support to its staff for its loan programs.