



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 05/23/2005

Communication No.: 05-307

| Agenda No.: | Item | Type: | Resolution | Roll | Call |
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Submitted by: Richard Clark, Deputy City Manager

SUBJECT—

Approval of 28E Agreement between the City of Des Moines and The Corporation For Economic Development in Des Moines.

SYNOPSIS—

The 28E Agreement designates The Corporation for Economic Development in Des Moines (CED) as the administrative body for the City's Revolving Loan Fund (RLF), Loan Injection Program (LIP), and MircoLoan Program, which are funded from CDBG funds with the City providing space, clerical and administrative support. Under the Professional Services Agreement, the City's Office of Economic Development will provide staffing to the CED for loan packaging, loan servicing and administration and marketing activities for the CDBG Programs and the SBA 504 Loan Program. The 28E Agreement is for a period of one year and has been written to automatically renew for consecutive terms of one year unless notice is given by either party to terminate the agreement at least 60 days prior to the end of the current year. The agreements have been approved by the CED Board of Directors, once approved by City Council, the Professional Services Agreement will be submitted to SBA for approval.

FISCAL IMPACT—

The City's Office of Economic Development is the only staff to the CED. Up to \$61,000 of the fee revenues generated by the 504-loan program are being allocated to pay for professional services related to loan origination, servicing, administration, marketing and liquidation services for the SBA 504 Loan Program and the City's Economic Development Financial Assistance

Programs. 504 Fee Revenues in excess of \$61,000 will be shared with the City to pay for facility costs. Additionally, the CED has agreed to pay \$20,000 annually for clerical and administrative support of the loan programs. Recently, revenues to the City have averaged about \$70,000 per year and with projected loan growth in the 504 program could increase over the next few years to \$100,000 per year. The new agreement provides the opportunity for the City to expand revenues and increase assistance given to small business development in the City of Des Moines. The agreement has an effective date of July 1, 2005.

RECOMMENDATION—

Approval

BACKGROUND—

Assistance to small business expansion is a key effort in the City's overall economic development strategy. The public-private partnership between the City and the CED compliments the implementation of this strategy by providing direct financial assistance to growing businesses in the City of Des Moines. It provides the City's Office of Economic Development an entry to small businesses looking to expand and the opportunity to retain that expansion within the City of Des Moines.

The Corporation for Economic Development in Des Moines (CED) is a private, non-profit corporation established in 1981. The CED 18 member governing Board of Directors is comprised of local community, financial and business representatives. The CED is a Certified Development Corporation under the U.S. Small Business Investment Act of 1958, as amended (SBA). It is certified by the SBA to originate loans under the SBA 504 Loan program that provides long-term, fixed rate financing to small businesses to assist in the acquisition of real estate and equipment. Over its 23-year history, the CED has assisted 103 small businesses by approving \$25.2 million in 504 funding, resulting in the creation of over 1,100 jobs in the community.