



Legislation Text

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Report to Mayor and City Council

Tuesday, March 16, 2021

Consent

SUBJECT:

CONSIDER AMENDMENT NO. 3 TO A CONTRACT WITH THE CALIFORNIA COMMUNITY ECONOMIC DEVELOPMENT ASSOCIATION, A NONPROFIT ORGANIZATION (C-20-044), TO PROVIDE ASSISTANCE TO CARSON BUSINESSES IN APPLYING FOR LOANS MADE AVAILABLE THROUGH THE CITY'S CORONAVIRUS SMALL BUSINESS LENDING/GRANT PROGRAMS (CITY COUNCIL)

I. SUMMARY

At the February 16, 2021 Mid-Year Budget Review, the City Council discussed the status of the City's COVID Small Business Loan Program and gave direction to staff and the program administrator, the California Community Economic Development Association ("CCEDA"), a California non-profit organization, to continue to process loan applications currently in the pipeline but to not seek to sign more businesses up for the program.

The Council appropriated enough money to finish out the loan pipeline and to amend the CCEDA contract to cover the Technical Assistance, underwriting, packaging, and closing of these loans. CCEDA was also administering the City's CDBG-funded Small Business Grant Program, and those files are now being transferred to City staff to complete the process with the current applicants. This item is to consider Amendment No. 3 to the agreement with CCEDA for another \$30,000 to complete these tasks.

II. RECOMMENDATION

1. APPROVE Amendment No. 3 to a contract with the California Community Economic Development Association ("CCEDA"), a California non-profit organization for the purpose of operating a Small Business Assistance Program Carson for retail and commercial businesses and non-profits.
2. APPROVE the acceptance of a grant of \$20,000 made by the Union Pacific Foundation through the Carson Community Foundation for the purpose of the City's Small Business Lending Program.
3. AUTHORIZE the Mayor to execute the amendment, following approval as to form by

the City Attorney.

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III. ALTERNATIVES

TAKE another action the Council deems appropriate.

IV. BACKGROUND

On April 13, 2020, the Disaster Council approved a contract in a form acceptable to the City Attorney with CCEDA to quickly create and implement a focused business assistance program for Carson businesses, with a special emphasis on the COVID-19 response and accessing funding through federal programs offered through the Small Business Administration. The City Council approved the transfer of \$75,000 from Community Development to the Coronavirus Emergency Account and the contractor proceeded.

In terms of reaching out to businesses, the initial push was to call and email businesses on the City's Business License list and make the services available. These services included a program of business technical assistance, assistance with applying for the two SBA lending programs, and the marketing and administration of the City's Coronavirus Small Business Lending Program, which provides loans up to \$10,000 to Carson-based businesses during this period.

As part of the original mission of the contract, CCEDA has assisted at least 112 SBA loan applications since the beginning of the project, distributed 145 loan applications and assigned technical assistance to at least 125 businesses. Of the loans they have assisted with, \$2,300,000 was for EIDL and \$4,010,000 in PPP loans. As far as the total number of SBA loans made in Carson since the beginning of the pandemic, assisted by CCEDA or not, at least 1,079 businesses have received loans with nearly 900 receiving loans of \$150,000 or less. The total amount of SBA lending in the City likely has exceeded \$100,000,000 with \$33,259,000 of that being loans in the smaller category.

It was anticipated that the \$75,000 appropriated for the contract in April would last just a few months given the pace and the scale CCEDA was asked to operate. Amendment No. 1, approved on July 7, increased the amount of the contract by an additional \$75,000. Amendment No. 2, for an additional \$75,000, was approved on October 6, 2021. In November, the City Council amended the loan program guidelines to increase the maximum loan amount to \$30,000 and allow the lender to increase the loan amounts of existing borrowers. So far, CCEDA has written \$70,000 in increased loans to existing borrowers.

As far as the City's loan program, as of the date of this report, the City has disbursed \$480,000 in loan proceeds through the program, with \$100,000 in additional loans in process to almost 10 applicants. At least four of those are additional loans to existing borrowers and the rest are new loans. CCEDA will assist every completed loan application through the approval process to closing. In addition, CCEDA will help close out the completed loan files and transfer for them to the City for future loan servicing.

In terms of loan servicing, the City recently completed an RFP for loan servicing (collecting payments, handling delinquencies and defaults) and staff anticipates bringing a contract with a service provider in April. All of the loans are repayable, as the City did not incorporate loan forgiveness into the program. All borrowers have a six month deferral period before they need to make payments, and payments are made over a three year period. Some of the early borrowers have begun to make payments but many of the borrowers are still in the deferral period and are not due to begin to make payments yet.

Recently, a significant share of their activity has gone into processing grant applications for the City's CDBG-funded grant program; the City has begun to transition that activity back to internal City staff. So far, \$35,000 in grants has been disbursed to 7 applicants. There are applications for \$280,000 in the grant pipeline, for a total of \$315,000. There originally was \$284,606 budgeted for the grant program in CDBG. If a high percentage of applications make it through the application process, the City will need to reallocate CDBG funds from other programs into the grant program to cover all of the requests.

The general descriptions of the businesses receiving the small businesses include:

1. Amusement company
2. Hair Salon (several)
3. Window cleaning company
4. Formal shop
5. University-branded merchandise
6. Graphics and printing companies (several)
7. Golf Equipment company
8. Several auto body shops
9. Architecture/design firms (several)
10. Dance studio
11. Nail salon (several)
12. Steel importer
13. Dry cleaner
14. Cidery
15. Tire store/Other automotive repair (several)
16. Cargo/Shipping companies (several)
17. Building/mechanical contractor (several)
18. Insurance agencies (several)
19. Awards/trophy company
20. Quick serve restaurant (several)
21. Venue Services

V. FISCAL IMPACT

The additional amount of the contract is \$30,000. It is anticipated that this should be sufficient funding to allow the CCEDA to wind down the remaining loans as well as

transition the grant program over to City staff. The total amount expended on loans so far is \$480,000, with another \$100,000 anticipated to be disbursed over the next few weeks. The original program was established at \$500,000, and funds sufficient to cover the additional loans were appropriated in February.

The CDBG program is accounted for separately and does not create a General Fund fiscal impact, except to the extent that this contract was used to cover the administration of the grant program (application processing) was undertaken through this contract.

That work has now been transitioned to City staff.

The City also had an opportunity in 2020 to apply for a \$20,000 small business assistance grant through the Union Pacific Railroad Foundation on behalf of the loan program, to be used to assist small business in Carson deal with the COVID-19 pandemic. Because the applicant needed to be a 501c(3) organization, the City worked with the Carson Community Foundation to be the actual recipient of the grant. The action recommended here would be for the City Council to approve the receipt of the grant from the Carson Community Foundation, which would then be made available through the loan program to one of the final borrowers. Staff would then make a request to the Carson Community Foundation for the funds. This would reduce the need for City funds by \$20,000.

VI. EXHIBITS

1. CCEDA Amendment No. 3

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