



AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Alexa Jeffress
Director, Economic and
Workforce Development

SUBJECT: Small Business Revolving Loan Fund
Recapitalization

DATE: December 21, 2021

City Administrator Approval 

Date: Jan 7, 2022

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution:

- (1) Accepting And Appropriating Five-Hundred And Fifty Thousand Dollars (\$550,000) Awarded To The City Of Oakland By The U.S. Department of Commerce's Economic Development Administration (EDA) For The Purpose Of Funding The City's Small Business Revolving Loan Fund For Zero Percent (0%) Interest Loans Made By June 30, 2022 In An Amount Not To Exceed One Hundred Thousand Dollars (\$100,000) Each; And**
- (2) Authorizing The City Administrator To Negotiate And Award A Professional Services Agreement With Pacific Community Ventures In An Amount Not To Exceed Eighty Thousand Dollars (\$80,000) For A One Year Term With One Two-Year Option To Renew To Administer the City's Small Business Revolving Loan Fund Pursuant To A Competitive Process.**

EXECUTIVE SUMMARY

Since 1988, the City of Oakland has offered a small business Revolving Loan Fund (RLF), but due to several factors, including lack of funding, the program has been dormant over the past several years, with an existing fund balance of \$200,000. In July 2020, the City of Oakland received a non-competitive grant in the amount of \$550,000 from the U.S. Department of Commerce's Economic Development Administration (EDA) to recapitalize the RLF from Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funds.

The proposed resolution would accept and appropriate the \$550,000 EDA grant and allow the City to re-establish the fund, which, combined with the \$200,000 in existing fund balance, would provide a total of \$750,000 for the program. The reactivated loan fund would offer loans up to \$100,000 at low- and no-interest to Oakland's small business community. The proposed resolution would also authorize staff to enter into a professional services agreement with Pacific Community Ventures (PCV) for loan packaging, business financial support, and technical

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assistance, with \$80,000 allowed for program administration charges. The re-establishment of the RLF and technical support programs for small businesses was identified as a priority in the Economic Recovery Plan, issued on September 1, 2021, by the City's Economic & Workforce Development Department (EWDD).¹

BACKGROUND / LEGISLATIVE HISTORY

In 1988, the City of Oakland developed a revolving loan fund with a federal EDA grant and Community Development Block Grant (CDBG) funding. This program was created to assist small businesses and support local job creation by supplementing private financing of new or rehabilitated buildings, fixing machinery and equipment, and providing working capital and business soft costs. The RLF expended loan funds and has not been active in new loan generation over the past several years, instead focusing on loan servicing and loan repayments. Over time, through loan repayments, the existing loan fund balance has grown to approximately \$200,000.

The EDA RLF has been managed by the Department of Housing and Community Development (HCD), which contracted with the Oakland Business Development Corporation (currently known as Main Street Launch) to provide loan packaging assistance and offer one-on-one management and technical assistance. The agreement for services has expired.

In response to the COVID-19 pandemic, the Federal government through the CARES Act made available \$550,000 in non-competitive revolving loan fund recapitalization grants to existing EDA RLF programs. In 2020, the City applied for and was successfully awarded a \$550,000 EDA RLF recapitalization grant.

With a new funding pool available for the RLF, staff mapped out the re-establishment of the program which included bidding and selection of loan administration services and on August 20, 2021 the City issued a competitive request for proposals (RFP), pursuant to City contracting requirements, for a contract with a community development financial institution (CDFI) to provide loan packaging, business financial support, and technical assistance for small business lending. Three CDFIs expressed interest in the RFP, one decided not to compete and two CDFIs -- Feed the Hunger Fund and PCV -- submitted proposals. Of the two CDFIs that submitted proposals, PCV was selected based on the comprehensiveness of their services and their lower administrative fees. PCV is an Oakland-based, woman of color-led 501(c)(3) nonprofit social enterprise and CDFI that has been active in Oakland with a focus on small businesses lending and financial services since 2002.

ANALYSIS AND POLICY ALTERNATIVES

Staff recommends that the City enter into a one-year contract with PVC, with the option for one two-year renewal depending on performance and renewed funding. The initial loan fund is

¹ Economic Recovery Plan: <https://cao-94612.s3.amazonaws.com/documents/Info-Memo-Economic-Recovery-Plan-2021-22.pdf>

estimated to be a total of \$750,000, which includes the \$550,000 recapitalization grant awarded in 2020 and the unspent \$200,000 in funds remaining from the initial EDA RLF. The RLF will be used to provide working capital loans to small business owners, and lines of credit and bonding assistance to marginalized construction contractors. Approval of the requested action advances the Citywide priority of **housing, economic, and cultural security**.

Strategies for Utilizing RLF

The City Council granted the City Administrator authority to administer the RLF program and amend the program as needed per Resolution No. 78620 CMS. The RLF program was last amended in 2015 and requires modifications to assist current small businesses attempting to recover or start a new business during the COVID-19 pandemic. Through the provisions of the EDA, staff has requested a temporary program amendment to allow lending interest rates to be lower than the current program minimum rate of four percent interest. The request is to temporarily modify the interest rate to zero percent interest for loans up to \$100,000 each. The EDA RLF program administrator approved the City's request for a zero percent interest rate for loans that are made by June 30, 2022. Staff anticipate that there will be significant interest in the program, and the City would be able to deploy the available funds in a quick and efficient manner through the proposed professional services agreement with PCV. Under the proposed agreement, PCV would market the RLF program and build upon the success of their recently launched Oakland Restorative Loan Fund, targeting Oakland businesses that have not had access to traditional business financing. The goal is to fully deploy remaining RLF capital to small businesses in Oakland.

FISCAL IMPACT

The proposed acceptance and appropriation of the EDA RLF grant of \$550,000 would re-establish a small business financial tool for the City of Oakland's small business community. With the acceptance of the \$550,000 combined with the existing RLF fund balance of \$200,000, the City would be able to deploy approximately \$670,000 (with \$80,000 dedicated to program administration charges).

The EDA grant funds will be deposited in the Department of Commerce Fund (2104), Economic Development (85411), Project (TBD), Federal Grant: Miscellaneous (46129).

PUBLIC OUTREACH / INTEREST

Through active engagement with the Oakland Economic Recovery Advisory Council in 2020² and subsequent business outreach conducted as part of the recently issued Economic Recovery Plan, small business financial resources and technical assistance have been identified as critical tools to support the city's equitable economic recovery. This action would

² Economic Recovery Advisory Council February 2021 *Final Report and Recommendations*: https://cao-94612.s3.amazonaws.com/documents/Final-ERAC-Report_feb26-web-small_2021-02-26-213536.pdf

implement a partnership with a local CDFI and re-launch the City's RLF, which aligns with the immediate recovery goal of providing more low-cost and no-cost capital into the community.

COORDINATION

The Departments of Economic and Workforce Development and Housing and Community Development, the Budget Bureau, and the Office of the City Attorney coordinated in preparation of this report.

SUSTAINABLE OPPORTUNITIES

Economic: Re-establishing a lending program and technical assistance focused on small businesses provides a pathway to community re-investment and revitalization providing both opportunities for ownership and employment.

Environmental: Encouraging local employment and business ownership can reduce commutes and related greenhouse gas emissions.

Race and Equity: Providing access to low- and no-interest capital and technical support for Oakland's small business community is a targeted outcome from the Economic Recovery Plan, but racial disparities impact access to available funding. Data indicates that areas of Oakland where more than 75 percent of residents are black and indigenous people of color (BIPOC) were substantially less likely to receive previous Federal grants and loans in 2020.³ Recent data shows that recent federal Paycheck Protection Program (PPP) rounds in 2021 were more successful at reaching BIPOC and women-owned businesses than earlier rounds. However, more focused efforts are still needed to support businesses in Oakland's majority-BIPOC communities, to ensure they benefit from available capital. This program provides a vital financial tool to advance that objective.

³ 2020 Annual Economic Dashboard: <https://create.piktochart.com/output/52220446-oakland-economic-dashboard-2020-economic-recovery-issue>

ACTION REQUESTED OF THE CITY COUNCIL

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- (2) Authorizing the City Administrator or Designee to Negotiate And Award A Professional Services Agreement With Pacific Community Ventures In An Amount Not To Exceed Eighty Thousand Dollars (\$80,000) For A One Year Term To Administer the City's Small Business Revolving Loan Fund Pursuant To A Competitive Process.

For questions regarding this report, please contact Micah Hinkle, EWDD Deputy Director, at (510) 917-9473.

Respectfully submitted,



ALEXA JEFFRESS
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