



THE CITY OF SAN DIEGO

Redevelopment Agency's Report

DATE ISSUED: April 23, 2008

REPORT NO: RA-08-12
RTC-08-053

ATTENTION: Honorable Chair and Members of the Redevelopment Agency,
Council President and City Council
Docket of April 29, 2008

SUBJECT: San Diego Regional Revolving Loan Fund

REQUESTED ACTION:

Should the Redevelopment Agency:

1. Amend the Fiscal Year 2008 budget of the North Park Redevelopment Project Area to increase the appropriation and authorize expenditures of \$403,308 of tax increment proceeds for the repayment of a General Fund loan to the City of San Diego?
2. Amend the Fiscal Year 2008 budget of the San Ysidro Redevelopment Project Area to transfer appropriations from the project area's Capital Fund (Fd 98570) to the project area's City Loan Repayment Fund (Fd 98574) and authorize expenditures of \$60,000 of tax increment proceeds for the repayment of a General Fund loan to the City of San Diego?
3. Amend the Fiscal Year 2008 budget of the Naval Training Center (NTC) Redevelopment Project Area to transfer appropriations from the project area's Capital Fund (Fd 98050) to the project area's City Loan Repayment Fund (Fd 98054) and authorize expenditures of \$375,000 of tax increment proceeds for the repayment of a General Fund loan to the City of San Diego?

Should the City Council:

1. Accept a General Fund Loan Repayment from the North Park Redevelopment Project Area to the City of San Diego in the amount of \$403,308?
2. Accept a General Fund Loan Repayment from the San Ysidro Redevelopment Project Area to the City of San Diego in the amount of \$60,000?
3. Accept a General Fund Loan Repayment from the NTC Redevelopment Project Area to the City of San Diego in the amount of \$375,000?
4. Apply the aforementioned General Fund loan repayments totaling \$838,308 to the City's San Diego Regional Revolving Loan Fund (SDRRLF Fund 10265) and authorize expenditure thereof for the established purposes of the fund?

STAFF RECOMMENDATION:

It is recommended the Redevelopment Agency adopt resolutions to:

1. Amend the Fiscal Year 2008 budget of the North Park Redevelopment Project Area to increase the appropriation and authorize expenditures of \$403,308 of tax increment proceeds for the repayment of a General Fund loan to the City of San Diego.
2. Amend the Fiscal Year 2008 budget of the San Ysidro Redevelopment Project Area to transfer appropriations from the project area's Capital Fund (Fd 98570) to the project area's City Loan Repayment Fund (Fd 98574) and authorize expenditures of \$60,000 of tax increment proceeds for the repayment of a General Fund loan to the City of San Diego.
3. Amend the Fiscal Year 2008 budget of the Naval Training Center (NTC) Redevelopment Project Area to transfer appropriations from the project area's Capital Fund (Fd 98050) to the project area's City Loan Repayment Fund (Fd 98054) and authorize expenditures of \$375,000 of tax increment proceeds for the repayment of a General Fund loan to the City of San Diego.

It is recommended the City Council adopt resolutions to:

1. Accept a General Fund Loan Repayment from the North Park Redevelopment Project Area to the City of San Diego in the amount of \$403,308.
2. Accept a General Fund Loan Repayment from the San Ysidro Redevelopment Project Area to the City of San Diego in the amount of \$60,000.
3. Accept a General Fund Loan Repayment from the NTC Redevelopment Project Area to the City of San Diego in the amount of \$375,000.
4. Apply the aforementioned General Fund loan repayments totaling \$838,308 to the City's San Diego Regional Revolving Loan Fund (SDRRLF Fund 10265) and authorize expenditure thereof for the established purposes of the fund.

SUMMARY:

In 2002 the City established the SDRRLF for the purpose of providing loans for small business and development projects. (Reference Attachment A - City Manager's Report # 02-152 and Attachment B - City Council Resolution R-296757). The fund was established by a \$1.2 million grant from the Department of Commerce, Economic Development Administration (EDA). As part of the terms of the EDA grant, the City is obliged to provide matching funds. The City Council satisfied this requirement by authorizing the City Manager to accept loan repayments from the Redevelopment Agency to the City. (Refer to Council Resolution 296757, Adopted July 8, 2002.) The Redevelopment Agency allocated funds for this purpose in the Fiscal Year 2003 budget. Today's proposed action calls for specific loan repayments of the Redevelopment Agency and the utilization of these repayments by the City for specific SDRRLF projects.

Revolving Loan Funds: Revolving Loan Funds are utilized throughout the country as a source of financing for small business or development projects which may not otherwise be available. As funded loans are repaid, the funds become available for new loans to other businesses, thus creating a revolving loan fund. The funds are utilized for working capital, property acquisition, inventory and purchase of machinery & equipment. Funds have been used to assist a woman-owned business to obtain a line of credit to cover the purchase of coffee bean inventory, for the expansion of a minority-owned restaurant to cover pre-development costs /working capital, and assist in the start up of an after-market car parts company.

How the City's Fund Works: As projects are identified, the City makes requests to EDA to draw against the Grant, at which time the City is obliged to possess the matching funds. The funds (including City match via the Redevelopment Agency) are placed in the SDRRLF and are then available for the identified small business loans.

Loans made via the SDRRLF:

Five loans were funded and closed during 2005 and 2006 totaling \$1,090,000 (City match to the EDA grant in the amount of \$545,000). Repayments are being made on the majority of the existing loans. The repayments add to the principal and available capital in the SDRRLF. A \$300,000 loan paid in full in 2006 was deposited back into the loan fund.

Loans Pending the Provision of City Matching Funds:

The actions requested at the beginning of this report will provide the City match for projects via the aforementioned loan repayments from the Redevelopment Agency. These matching funds are needed in order to utilize EDA funds and SDRRLF Repayment funds. The current funding requests will assist in the purchase of equipment for the first commercial biodiesel manufacturer in the region, targeted by City for the CleanTech Program. Funding will also assist in the relocation of a manufacturer of high-end architectural panel composites, which occupies manufacturing space in San Diego's East Village, to Otay Mesa located in the San Diego Regional Enterprise Zone. The NTC Foundation will utilize funds for development costs for Phase II of the NTC Promenade.

FISCAL CONSIDERATIONS:

The City matches required for these projects are being funded via debt repayments from the Redevelopment Agency to the City's General Fund. Funds for this purpose are available upon receipt of the Agency repayments, the City in turn will transfer the monies to the SDRRLF to satisfy the EDA funding requirement and facilitate the activation of the project loans.

The proposed debt repayment from the North Park Redevelopment Project Area is being funded via an increase in appropriation from Fiscal Year 2008 revenue receipts. The proposed debt repayments from the San Ysidro and NTC Redevelopment project areas are being funded via transfers in appropriations from the respective project areas' Capital Fund to the respective City Loan Repayment Fund. While the debt repayments and associated transfers will reduce funds available for investment in future redevelopment projects, there is no operational impact associated with the proposed loan repayments. Additionally, the use of the loan repayments by the City to fund the SDRRLF supports the objectives of the Redevelopment Agency. The Redevelopment Agency and City benefit from this action in that monies are provided to fund the small business loans.

Additionally, this proposed action satisfies EDA requirements as follows:

EDA Requirements:

- Meets the National Objective: Low and Moderate Income Persons.
- Location in an eligible project area census tract as defined by EDA.
- Meets the public benefit requirement for job creation & job retention and location in a predominantly L/M income neighborhood and involving the employment of persons, the majority of whom are L/M income persons.
- Semi-annual Employment Status Reports.
- Eligible uses: new or rehabilitated buildings, fixed machinery and equipment, working capital and soft costs, in the RLF project areas.

PREVIOUS AGENCY, COUNCIL and/or COMMITTEE ACTION:

In 2002 the City established the SDRRLF for the purpose of providing loans for small business and development projects. (Reference City Manager's Report # 02-152 and City Council Resolution R-296757). The same action authorized the City to accept debt repayments from the Redevelopment Agency as a source of matching funds.

The respective projects that will receive funding as a result of this action were approved by the San Diego Regional Revolving Loan Fund Advisory Board on August 15, 2007.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

Promotion of the SDRRLF: Loan program marketing has been conducted by City Planning & Community Investment (CPCI) at workshops and community meetings, and with community groups. Program Fact Sheets are kept current and modified via template as requested for specific groups and/or project areas.

Cross marketing by other CPCI staff has been extremely beneficial specifically after the Enterprise Zone Incentive Team and the Business Finance Team combined into one work unit. The joining of these incentive teams has proven to be the greatest resource for cross-marketing. Expansion of the Enterprise Zone into a larger portion of San Diego will be extremely beneficial to all incentive programs going forward. City staff is always available to speak at community groups and events and seeks to expand exposure of the programs as often as the opportunities arise.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

The Redevelopment Agency will benefit from this action as the projects that will receive funding are aligned with the goals of redevelopment. The City will benefit from the availability of these leveraged funds for the intended projects.

Chair and Members of the Redevelopment Agency
Council President and City Council
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Approved:

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Attachments:

- A. Manager's Report 02-152, Dated July 3, 2002
- B. Resolution 296757, Adopted July 8, 2002
- C. SDRRLF Eligible Census Tracts