

Lift Fund Partnership

Roque Salinas

Economic Development Director

02/28/2023

Summary

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- Presentation, Discussion, and Possible Action on an Ordinance Authorizing the City Manager to enter into an agreement between the City of Leon Valley and Lift Fund to Administer a 0% Interest Loan Program to Local Businesses
- 1st Reading as Required by City Charter
- Staff is following up with the council based on feedback from the last meeting.

Options:

1. Approve (1st reading)
2. Denial

Follow up to council questions

- If the council were to decrease the funds from 250k would lift fund still be interested? What is the minimum that a city would need to provide for lift fund to administer the program?
 - The minimum we typically do is \$100K. Our recent experience has been that small businesses need capital more than usual. The City of San Antonio had a buydown with us for \$500k that was projected to take one year to deplete across the city. It was totally depleted in about two months and council is looking for ways to accommodate the needs of a significant amount of disgruntled business owners in the pipeline that were unable to access the funds after depletion. Your initial idea of \$250K would likely be closer to the current need.
- What happens to funds once a business pays them back? For example, if a business gets a loan for 100k, when they pay back the loan in full what happens to those funds?
 - The total amount of funding for the buy down program is 1M. Once a loan is agreed too those funds will be subtracted from the total funding amount available.
- Can we make employment requirements? I.e., for every 50k loan you must hire at least 1 person.
 - This is also not enforceable. The benefit of this type of program has many indirect positive effects and holding a business to this can be troublesome.

Follow up to council questions

- Council heard that the lift program had a program where the repaid funds can be reissued for additional loans. Can you answer if there is such a program?
 - Yes, there is such a program. It is a revolving loan program. Lift fund presented the buydown program to the City of Leon Valley base on the funding factor of 250k, the want of 0% interest loan program, and the source of funding coming from ARPA funds.
 - If the city wants to do a revolving loan program, the funds cannot be from ARPA funds, due to federal law, and the amount is recommended to be in the 750k-1M range. Businesses would pay interest on loan about 7% and loan rates are adjustable throughout the life of the program.
- If the business defaults on the loan what happens to those city funds? Are they all allocated at the start of the loan or are they paid with the loan payment? In the event of default can the remainder of the city amount be used for other loans.
 - If a business defaults on a loan, Lift fund would issue a notice of default and handle the process. The city would not need to do anything. The funds are subtracted from the available total once the loan is agreed upon. No, in the event of default that amount of funding is not added back to the total funding.

Follow up to council questions

- For a business to qualify, can we restrict them to be a sales tax-generating business, and make an effort to hire employees from Leon Valley. Is that possible the second part possible?
 - Lift fund can restrict businesses to sales tax only. Lift fund would not necessarily recommend it if the population were not there to support a sales tax only program. If the business population is not sufficient then the funds can remain unused. Requiring a business to hire a Leon Valley resident is again not enforceable.
- The business should agree to provide feedback or media interviews on how the funds helped them succeed, grow etc. Is this possible to have in the agreement?
 - All businesses can be required to provide some type of media presentation, interview, and updates.
- Is it possible to get a representative from Lift fund to attend the next meeting?
 - We will be present at the next meeting.

Staff recommendation

- Staff recommends the City to enter into buy down interest loan program with Lift fund.
 - Current unaudited ED fund balance is \$557,551
 - Funding (based on council meeting 2/21) \$150,000
 - Ending fund balance \$407,551
- At council discretion

S.E.E. Statement

Social Equity:

- N/A

Economic Development:

- Economic and Community Development projects encourage collaborative engagement with residents.

Environmental Stewardship:

- N/A

Strategic Goals

Economic Development is a strategic goal outlined in Leon Valley's Strategic Plan.

This partnership is in line with the city's goal of economic development to recruit and retain businesses in the city.

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