



AGENDA MEMORANDUM

Action Item for the City Council Meeting of September 17, 2019

DATE: August 19, 2019
TO: Peter Zaroni, City Manager
FROM: Mike Culbertson
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Renewal No. 2 Type A Grant for LiftFund, Inc.

CAPTION:

Resolution approving Renewal No. 2 of the Small Business Incentives Agreement between the Corpus Christi Business and Job Development Corporation and LiftFund, Inc. to provide grant up to \$150,000 for their loan buy-down program to assist small businesses from October 1, 2019 through September 30, 2020.

SUMMARY:

The Type A Board has approved a grant of \$150,000 for LiftFund to pay down the interest expense for small businesses who are located within the Corpus Christi city limits. LiftFund is a micro lender that provides loans to small businesses that cannot get bank funding for equipment due to lack of credit history or other bank criteria. This grant covers the loan buy-down program from October 1, 2019 through September 30, 2020.

BACKGROUND AND FINDINGS:

LiftFund, Inc. supports small and start-up companies with a loan interest buy-down program when traditional financing is not available. Type A has provided funding since 2004. Type A funds are used to pay part of the interest payments on a loan. This can lower the loan interest rate as much as 5%. A loan of 12% (not atypical in today's financing environment) can be paid down to 7% using Type A funds. On a \$10,000 loan this can save the small business \$842. This makes the loan payments manageable for small businesses. LiftFund has loaned \$9,587,804 of their own funds and has assisted over 592 small businesses in the city since the inception of this program. Since 2015 small businesses helped by LiftFund have retained 288 jobs and created 224 new jobs. In 2018 LiftFund has made loans to 18 different businesses. These businesses have created 18 new jobs and retained 60 jobs. The Board approved the Small Business Assistance budget on July 15, 2019 and is pending City Council approval. The current agreement allows for the Board to extend this agreement for one more additional year. LiftFund uses this incentive on all loans made within the city limits. Without this incentive the number would be greatly reduced. It is difficult to estimate since the quality of the borrower weighs heavily on the results.

This is LiftFund's performance over the last four years:

	Grant	Loans	Clients	Retained	Created
2016	\$ 248,739	\$ 948,123	55	79	147
2017	\$ 158,827	\$ 507,663	35	107	37
2018	\$ 110,047	\$ 384,016	26	71	20
2019 ytd	\$ 83,990	\$ 290,369	12	46	34
Total	\$601,606	\$2,130,173	128	303	238
Est 2020	\$150,000	\$500,000	25	65	25

ALTERNATIVES:

Enlist local banks to lend to small businesses. However, to qualify for this program, small businesses must have been turned down for a bank loan. Additionally, local banks already participate in the Small Business Administration (SBA) loan program.

FISCAL IMAPCTS:

This Type A will grant has been approved by the Type A Board and is in their 2019-2020 budget. This will use economic development funds of \$150,000 out of a small business budget of \$603,500.

Funding Detail:

Fund: 1140 Business and Job Development Fund
Organization/Activity: 15020 Small Business Projects
Mission Element: 707 Economic Development
Project # **(CIP Only)**:
Account: 530000 Professional Services

RECOMMENDATION:

The Type A Board approved this grant at their August 19, 2019 meeting, as did CCREDC's Board. Staff recommends approval Renewal No. 2 of the Small Business Incentive agreement with LiftFund for the interest buy-down program in the amount of \$150,000 from October 1, 2019 through September 30, 2020.

LIST OF SUPPORTING DOCUMENTS:

Resolution
Agreement