



AGENDA MEMORANDUM

First Reading Ordinance for the City Council Meeting of February 18, 2020
Second Reading Ordinance for the City Council Meeting of February 25, 2020

DATE: January 27, 2020
TO: Peter Zanon, City Manager
FROM: Mike Culbertson
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| \$100,000 Type B Economic Development Grant for LiftFund Inc. small business loans |
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CAPTION:

Ordinance approving a five-year Business Incentive Agreement between the Type B Corporation and LiftFund Inc. in the amount of \$100,000 for the Dream Makers Fund, a revolving loan fund for small businesses within the city limits of Corpus Christi, effective upon signature of the City Manager or designee; appropriating funds in the amount of \$100,000 from the Type B Economic Development Fund; and amending the budget.

SUMMARY:

This ordinance authorizes a contract with LiftFund Inc. to create a Dream Makers Fund for small business loans in Corpus Christi. The Dream Makers Fund of \$100,000 will provide extra and dedicated loan funds to help small businesses grow and create and retain jobs and help the economy of the City grow.

BACKGROUND AND FINDINGS:

LiftFund Inc. supports small and start-up companies with loans when businesses are turned down by banks due to lack of credit history or business history. Since 2004, LiftFund has loaned \$9,587,804 in funds and assisted over 592 small businesses in Corpus Christi. Since 2015, small businesses helped by LiftFund have created 224 new jobs and have retained 288 jobs.

To enhance services, LiftFund is requesting a one-time \$100,000 grant to be used exclusively as loan funds for small businesses within the city limits of Corpus Christi, Texas. The fund will be called The Dream Makers Fund and will act as a permanent revolving fund that replenishes itself from payments on loans to eligible Corpus Christi small businesses. In case of default from any potential loans, LiftFund Inc. will provide funds to ensure The Dream Makers Fund is capitalized at \$100,000 level.

The Corpus Christi Regional Economic Development Corporation (CCREDC) received an application from LiftFund Inc. and the application was vetted and presented to CCREDC Board on January 9, 2020. A motion was passed forwarding the application to the Type B Board recommending approval of the grant. The Type B Board unanimously passed a motion to grant

LiftFund \$100,000 on January 27, 2020.

The Corpus Christi Business and Job Development Corporation (Type A) has provided funding for a loan interest buy-down program for LiftFund, Inc. since 2004. Type A funds are used to pay part of the interest payments on a loan which in turn essentially lowers the loan interest rate as much as 7%. For example, a loan of 12% annual percentage rate (not atypical in today's financing environment) can be paid down to 5.5% using through the Type A sponsored LiftFund program. On a \$10,000 loan this can save a small business \$842 over the course of the loan and make loan payments manageable. The loan fund is required to create jobs with these loans.

ALTERNATIVES:

The City Council may choose to lower the amount Type B grant amount or not pass the ordinance. This would not provide more help to small businesses within the city.

FISCAL IMPACT:

This item will expend a one-time amount of \$100,000 of the Type B Incentive Economic Development funds. There are no funds budgeted for Small Business Incentives in FY2020, which is why this item also requests a budget amendment. As of December 31, 2019, there is an FY2020 Economic Development fund balance of \$459,443. This item will encumber \$100,000 and bring the available balance to \$359,443. The Economic Development fund balance increases monthly with sales tax revenue.

Funding Detail:

Fund: 1145- Type B Fund
Organization/Activity: NA
Mission Element: NA
Project # (CIP Only): NA
Account: 251850

RECOMMENDATION:

Staff recommends approval of a grant of \$100,000 to LiftFund Inc. for The Dream Makers Fund to be used as a revolving loan fund for small businesses in the city of Corpus Christi. This fund would help small businesses grow and help the economy of the city thrive.

LIST OF SUPPORTING DOCUMENTS:

Ordinance
Agreement