



City of Woodland

REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM
Public Hearing

TO: THE HONORABLE MAYOR AND
CITY COUNCIL

DATE: September 1, 2009

SUBJECT: Amendment to 2008-2009 Community Development Block Grant
Annual Action Plan

Report in Brief

A local small business in Woodland called Refrigeration Innovation, LLC, has been successful in developing electronic technology for use in the food storage and processing industry. Though the product has been patented and been in operation for the past five years, the business has not been able to receive financing to expand its operation because of the current tight credit environment. The firm is an excellent candidate for the City Microloan program because it fulfills the City's goals of encouraging innovative, agricultural-related companies. The Woodland Community College Small Business Development Center has made this request for Refrigeration Innovation for a business loan in the amount of \$30,000. Normally, this loan request could be funded through the Community Development Block Grant (CDBG) microloan program; however, the program activity was not included in last year's Action Plan due to a lack of demand.

Staff recommends that the City Council conduct a public hearing to receive community input and reinstate the microloan program by approving Resolution No. _____, amending the 2008-2009 CDBG Annual Action Plan.

Background

In 2004, the City of Woodland established a microloan business program using its Community Development Block Grant (CDBG) funds. The initial program was not fully developed until 2007 when guidelines and application materials were prepared. The first loan was approved in 2008. The program was strongly supported by the community because it was seen as an important way to encourage economic development, foster entrepreneurship, and create jobs for low-income people.

The Woodland Economic Development Strategy adopted in 2002 and the recently adopted Yolo County Comprehensive Economic Development Strategy both placed a high priority on assisting small businesses, particularly those that help expand the local biotech and high technology sectors.

In good economic times, not much interest was shown in the loan program and it was discontinued last year. There was continuing CDBG-funding support for the entrepreneurial training program at

the Woodland Community College Small Business Development Center (SBDC). That program is still operating under the direction of Ken Freeman who mentors a class every semester with about 10-15 students.

The federal requirements effectively limit the types of businesses that are eligible and narrow the field of applicants that can be considered. The business must have completed the entrepreneurial training class at the Woodland Community College or have completed an approved business plan under the guidance of the SBDC professional staff. In addition, the business must demonstrate that the loan will allow the company to create new jobs that are accessible to low and moderate income people. The credit analysis and loan underwriting are conducted by in-house redevelopment staff who have experience in small business financing. The interest rate is 4.0 % with a maximum loan amount of \$30,000.

If the City wishes to continue this program, the CDBG Annual Action Plan needs to be amended.

Discussion

No funds were allocated in the 2008-2009 CDBG Action Plan for the microloan program because of the lack of demand and proper administration of CDBG precludes funds being reserved for inactive projects.

However, staff is recommending that the Action Plan (Attachment I) be amended to revive this activity and allow a current loan request to be funded. This is a \$30,000 loan to a high technology business that produces electronic devices for the food refrigeration industry. This company received a patent for its innovative device about five years ago and has been manufacturing it on a small scale since then. However, it has recently received a large contract from a grocery outlet and it needs to ramp up production. The loan funds would be used for the injection molding equipment needed for the device. The business currently employs eight people and projects that at least four employees will be added within the next six months. It eventually expects to expand to twenty-five employees within two years. The newly created product is a wireless control that is already a standard specification on thousands of refrigeration units. Grocery outlets are attracted to it because it reduces energy usage and food losses due to over cooling or warming.

Fiscal Impact

The \$30,000 requested for the microloan program will be transferred from the series street lighting design project to this activity. This would not delay the series street lighting project since there are enough funds remaining in that project to allow engineering to complete the design and construction drawings necessary to solicit construction bids. In addition, the City has received \$580,000 in economic stimulus funds to construct the project.

The business loan will be paid back to the CDBG program at a 4% interest rate fully amortized over five years.

Public Contact

This draft Action Plan amendment was made available for public review and comment on August 4, 2009. Public notice was printed in the *Daily Democrat* and posted at City Hall. Comments that are received by September 5, 2009 will be incorporated into the draft document.

Alternative Courses of Action

1. Conduct a public hearing to receive community input and reinstate the microloan program by approving Resolution No. _____, amending the 2008-2009 CDBG Annual Action Plan.
2. Do not approve the 2008-2009 CDBG Action Plan amendment at this time and do not authorize a microloan activity.

Recommendation for Action

Staff recommends that the City Council approve Alternative No. 1.

Prepared by: Cynthia Shallit
Redevelopment Manager

Reviewed by: Barry Munowitch, AICP
Assistant City Manager

Mark G. Deven
City Manager

Attachment I: CDBG Annual Action Plan Amendment
Attachment II: Resolution

CITY OF WOODLAND
ACTION PLAN: Fiscal Year 2008-2009
AMENDMENT #1

Introduction

On April 15, 2008, the City of Woodland adopted the 2008-2009 Action Plan covering the period of July 1, 2007 through June 30, 2008. The City's Action Plan was approved by the U.S. Department of Housing and Urban Development on July 18, 2008. The Action Plan is a planning document required by HUD for localities receiving federal Community Development Block Grant (CDBG) and other formula grant program funds. The Action Plan outlines specific projects and activities that the City will carry out during the July 1, 2008 through June 30, 2009 fiscal year.

Proposed Amendment #1 to the 2008-2009 CDBG Action Plan

A portion of the public facility funds are being reprogrammed from the series streetlighting project to the microenterprise business loan program.

- 1) Program: Business Loan Program
 - Funding Amount: \$30,000
 - HUD Matrix Code: 18C Micro-Enterprise Assistance
 - Citation: 570.201(o)
 - National Objective: 570.208(a)(2)—Low/Mod Limited Clientele

2) Description:

CDBG funds will be used to supply capital to businesses that are either owned by, or will create jobs for, low and moderate-income individuals, that are not able to obtain capital through conventional means or other governmental programs. Applicants will only be eligible to receive a Microenterprise loan through this program after graduating from the Woodland Community College Small Business Development Center's (SBDC) Microenterprise Training Program or by preparing a Business Plan approved by the SBDC. Loan amounts will range from \$500 up to \$30,000.

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WOODLAND TO
AMEND THE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) 2008-2009
ACTION PLAN TO INCLUDE THE MICROLOAN PROGRAM**

WHEREAS, the City of Woodland (“City”) annually receives an allocation of Community Development Block Grant (CDBG) Funds from the Department of Housing and Urban Development (HUD);

WHEREAS, as part of the program requirements, an Action Plan is prepared to include all the activities and program expenditures for the next fiscal year;

WHEREAS, the Woodland City Council approved the 2008-2009 Action Plan on April 17, 2008

WHEREAS, public input is necessary for any changes to the Action Plan.

NOW, THEREFORE, BE IT RESOLVED, as follows:

Section 1: This City Council hereby finds and determines that the foregoing recitals are true and correct;

Section 2: This City Council hereby amends the Action Plan (shown in Attachment I to the Council communication) to include a microloan program as an eligible activity;

Section 3: This City Council hereby re-allocates \$30,000 from the previously approved series streetlighting project to the microloan program;

Section 4: This Resolution shall take effect from and after the date of its passage and adoption.

PASSED, APPROVED, AND ADOPTED this 1st day of September 2009 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Marlin H. Davies, Mayor

ATTEST:

APPROVED AS TO FORM:

Sue Vannucci, City Clerk

Andrew J. Morris, City Attorney