



Legislation Text

File #: 20-21, Version: 1

STRATEGIC PRIORITY: Economic and Neighborhood Vitality
AGENDA DATE: January 22, 2020
COUNCIL DISTRICT(S): All
DEPARTMENT: Office of Economic Development
EXECUTIVE: Michael Mendoza

SUBJECT

A public hearing to receive comments on Substantial Amendment No. 1 to the FY 2019-20 Action Plan for the City of Dallas Community Development Block Grant (CDBG) Business Revolving Loan Program to terminate the CDBG Revolving Loan Fund Program from the FY 2019-20 Action Plan; and, at the close of the public hearing, authorize **(1)** the final adoption of Substantial Amendment No. 1 to the FY 2019-20 Action Plan for the CDBG Business Revolving Loan Program; **(2)** establish appropriations in the Revolving Loan Fund-Phase Out Fund in an estimated amount of \$2,971,174.00; **(3)** the receipt of \$2,243,549.30 in funds from PeopleFund and the deposit of an estimated \$914,518.82 into the CDBG Program Income Fund, an estimated \$473,995.57 into the Public Private Partnership Fund (PPP) and \$401,632.58 loan repayment from the Neighborhood Loan Program into the corresponding fund based on original source of funds (i.e. CDBG Housing and Urban Development (HUD) Funds or PPP Funds) to the eligible fund; **(4)** transfer from the Revolving Loan Fund - Phase Out Fund an estimated \$453,402.33 and any interest due to the HUD CDBG Program Income Fund (of the corresponding current balance of the Public Private Partnership Funds transferred from PeopleFund to the City) to close the HUD CDBG RLF Program; **(5)** the set-up of a Business Loan Receivable for an estimated principal amount of \$624,692.00 of the outstanding loan portfolio from PeopleFund; and **(6)** amendments to the management contract with PeopleFund, authorized by Resolution No. 18-1374, previously on September 26, 2018 and the Chapter 380 Agreement with PeopleFund, authorized by Resolution No. 10-1238, previously on May 12, 2010, to allow PeopleFund to continue servicing the existing Business Revolving Loan Program and Small Business Loan Program portfolios on behalf of the City without originating any additional loans - Estimated Revenue: Revolving Loan Fund - Phase Out Fund (\$2,971,174.00); Estimated Cost Consideration: Not to exceed \$23,000.00

BACKGROUND

On June 12, 2019, City Council authorized the adoption of the FY 2019-20 Consolidated Plan Budget which included the City of Dallas CDBG Business Revolving Loan Program funded by program income estimated at \$156,000.00 to be retained by PeopleFund by Resolution No. 19-0886.

Since 1989, the City of Dallas has used a portion of its CDBG Funds to support the City of Dallas

CDBG Business Revolving Loan Program (BRLP), as approved by Resolution No. 89-0815. Initially, Southern Dallas Development Corporation (SDDC) was the sub-recipient to of CDBG BRLP. SDDC merged with PeopleFund in December of 2015 and was awarded a one-year contract, with four renewal options, to operate the CDBG BRLP as authorized under Resolution No. 16-1476, on September 14, 2016.

SDDC provided an estimated average of eight business loans per year and funded approximately 202 business loans totaling an estimated amount of \$20,270,565.00 since program inception. These loans have been used to leverage an estimated amount of \$42,439,502.00 in private investment and created/retained an estimated 2,029 jobs. Since the transition of the CDBG BRLP from SDDC to PeopleFund, there have been a total of five business loans, totaling \$372,500.00.

Historical loan production for the past four years:

<u>Program Year</u>	<u># of loans/amts</u>	<u>Jobs created/retained (two-years)</u>
2015/2016	1/\$75,000.00	9
2016/2017	2/\$126,000.00	3
2017/2018	2/\$171,500.00	11
2018/2019	no loans	5

Under the most recent contract, the City had the option to not renew the final term of the PeopleFund contract and opted to not continue the existing CDBG BRLP due to declining productivity.

The existing CDBG loan portfolio and accounts receivable consist of 11 loans totaling \$460,246.92 and a cash bank balance of \$1,305,277.05 as of November 30, 2019.

When PeopleFund merged with SDDC, they also acquired the Southern Dallas Small Business Loan Program (SDSBLP), which was authorized by Resolution No. 10-1238 on May 12, 2010, and funded by PPP Funds. Under this Program, SDDC originated 17 loans but no loans have been originated in the past four years. The existing SDSBLP loan portfolio and accounts receivable consist of 6 loans totaling \$176,045.14 and a cash bank balance of \$922,880.40 as of November 30, 2019. Due to declining productivity, the City has opted to not continue this program with PeopleFund.

All loan agreements for both programs will be assigned back to the City.

A portion of the SDSBLP repayment estimated in an amount of \$452,402.33 will be used to repay U.S. Department of Housing and Urban Development (HUD) for its portion of the outstanding loan portfolio. Those funds will then be available in the City's CDBG line of credit. The remaining estimated funds of \$473,995.57 will be returned to the PPP Fund.

City shall return all CDBG program income to HUD to also be placed in the city's line of credit. No general fund dollars will be used for the loan program. This action does not encumber funds.

This action also holds the public hearing and at the close of the public hearing, will authorize the final adoption of Substantial Amendment No. 1 to the FY 2019-20 Action Plan for the City of Dallas CDBG

Business Revolving Loan Program, to terminate the CDBG Revolving Loan Fund Program from the FY 2019-20 Action Plan and the amendments to the management contracts for the CDBG BRLP and the Chapter 380 Agreement with PeopleFund for the SDSBLP.

Federal regulations and the City's Citizen Participation Plan require a public hearing to authorize a substantial amendment and require that a public hearing be held with not less than a 30-day public review and comment period to allow for public comments and input with respect to any substantial amendment.

The City will enter into an agreement with PeopleFund to continue servicing the 13 outstanding loans for a flat fee of \$35.00 per loan per month until the later of (i) the date that all loans have been repaid, or (ii) March 1, 2028. PeopleFund will use program income to address the cost of the loan servicing; it will not result in any additional cost to the City.

ESTIMATED SCHEDULE OF TRANSITION

HUD - the Action Plan notice	December 2019
Transition Completed	January 2020

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On May 12, 2010, City Council authorized a Chapter 380 economic development grant agreement with Southern Dallas Development Corporation for the Southern Dallas Small Business Loan Program for the benefit of small businesses located in southern Dallas as recommended by the Small Business Working Team of the Mayor's Southern Dallas Task Force by Resolution No. 10-1238.

On September 14, 2016, City Council authorized (1) a one-year service contract beginning October 1, 2016, with four one-year renewal options, with PeopleFund, for the purpose of making and servicing loans to eligible businesses and creating and/or retaining jobs for low-to-moderate income persons, in accordance with HUD; (2) that any unexpended balances from the contract with the previous administrator, Southern Dallas Development Corporation, be rolled over to fund the CDBG Revolving Loan Program; and (3) that all program income be rolled back into the Business Revolving Loan Program by Resolution No. 16-1476.

On August 9, 2017, City Council adopted the FY 2017-18 HUD Consolidated Plan Budget which included program income estimated at \$165,000.00 to be retained by PeopleFund to carry out the CDBG Business Revolving Loan Program by Resolution No. 17-1171.

On September 27, 2017, City Council authorized the first of four twelve month renewal options to the contract with PeopleFund to administer the City of Dallas CDBG Business Revolving Loan Program, for a term of October 1, 2017 to September 30, 2018 and that any unexpended balances of program income to be rolled over to continue the Business Revolving Loan Program by Resolution No. 17-1538.

On June 27, 2018, City Council authorized the adoption of the FY 2018-19 Consolidated Plan Budget which included program income estimated at \$225,000.00 to be retained by PeopleFund to carry out the City of Dallas Community Development Block Grant Business Revolving Loan Program by

Resolution No. 18-0987.

On September 26, 2018, City Council authorized the second of four twelve month renewal options to the contract with PeopleFund to administer the City of Dallas Community Development Block Grant Business Revolving Loan Program, for a term of October 1, 2018 to September 30, 2019 and that any unexpended balances of program income to be rolled over to continue the Business Revolving Loan Program by Resolution No. 18-1374.

On June 12, 2019, City Council authorized the adoption of the FY 2019-20 Consolidated Plan Budget which included program income estimated at \$156,000.00 to be retained by PeopleFund to carry out the City of Dallas CDBG Business Revolving Loan Program by Resolution No. 19-0886.

On December 11, 2019, City Council authorized the preliminary adoption of Substantial Amendment No. 1 to the FY 2019-20 Action Plan for the City of Dallas CDBG Business Revolving Loan Program, to terminate the CDBG revolving loan fund program from the FY 2019-20 Action Plan and a public hearing to be held on January 22, 2020, to receive comments on Substantial Amendment No. 1 to the FY 2019-20 Action Plan by Resolution No. 19-1909.

FISCAL INFORMATION

Estimated Revenue: Revolving Loan Fund-Phase Out Fund (\$2,971,174.00) includes a Contribution Income (\$2,243,549.30) amount and a Business Loan Receivable (\$727,624.70) amount. Contribution Income will be transferred: CDBG Program Income (\$914,518.82), Public/Private Partnership Fund (\$927,397.90), To Be Determined (\$401,632.58), while loan funds (\$727,624.70) received by the City will exclude the agreed upon collection fee charges (not to exceed \$23,000.00).

COMPANY REPRESENTATIVE

PeopleFund

Gustavo Lasala, President and Chief Executive Officer