

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: December 10, 2008
TO: Board of Commissioners
FROM: Bruce A. Warner, Executive Director
SUBJECT: Report Number 08-141
Annual Certifications for Economic Development Administration

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution Nos. 6656, 6657

ACTION SUMMARY

This report and the accompanying resolutions requests that the PDC Board of Commissioners certify to the Economic Development Administration ("EDA") of the US Department of Commerce, that the Portland Development Commission ("PDC") is operating its Revolving Loan Fund ("RLF") programs in accordance with the applications and plans for EDA Grants 07-39-02093 and 07-39-02259.

During the federal fiscal year ended September 30, 2008, Grant 07-39-02259 preserved or created 100 jobs for currently active loans; the cost per job was \$12,489; private investment leveraged PDC active loans at a 4.5 to 1 ratio.

All loans made from Grant 07-39-02259 and Grant 07-39-02093 are made to small businesses deemed credit-worthy, but which do not qualify for full bank financing without a PDC subordinated loan. The balance of active loans, as reported to EDA as of September 30, 2008, is as follows:

| | <u>Loan Balance</u> |
|-------------------|---------------------|
| Grant 07-39-02093 | \$ 790,752 |
| Grant 07-39-02259 | \$ 1,032,006 |

PUBLIC BENEFIT

Adopting the resolutions will comply with EDA regulations and will continue the availability of approximately \$2,000,000 for citywide small business lending on a revolving fund basis.

This action will support the following PDC goals:

- Develop healthy neighborhoods
- Provide access to quality housing
- x Help businesses to create and sustain quality jobs
- Support a vibrant Central City (urban core)
- x Contribute to a strong regional economy

PUBLIC PARTICIPATION AND FEEDBACK

The certifications requested by this staff report constitute a purely administrative function with no new policy implications. No public participation is warranted in connection with PDC's continued administration of the RLF programs on behalf of the City of Portland.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

PDC passed Resolution No. 2790 on November 13, 1979. Under Resolution No. 2790, PDC assumed responsibility for administering the EDA RLF programs on behalf of the City of Portland. An interagency agreement was executed by PDC and the City of Portland regarding the administration of the EDA RLF programs ("Interagency Agreement").

The RLF programs are operated under terms of the federal EDA grants. The RLF loans must be administered in accordance with grant conditions.

The EDA RLF loan programs provide necessary funds to assist the Economic Development Department of PDC to achieve its responsibility for business retention and expansion. The RLF loans are loans made by PDC to businesses at a reduced interest rate and longer amortization term. The RLF loan programs further the objectives of the Commission by supporting new and existing businesses to create and/or retain jobs in the City. To date, a total of 141 businesses have been supported with \$10,288,768 of RLF loan funds.

FINANCIAL IMPACT

The EDA RLF loan program is self-supporting. All administrative and other costs incurred by PDC in administering the RLF program are reimbursed from program income of the RLF program. Combined program income, compared to combined program costs, are as follows for the fiscal year ending June 30, 2008.

| | <u>Program Income</u> | <u>Program Costs</u> |
|---------------|-----------------------|----------------------|
| FYE 6-30-2008 | \$ 140,709 | \$ 59,372 |

RISK ASSESSMENT

1. There is no legal risk from passing these resolutions. The resolutions are required both by EDA regulations published in the Federal Register, and by the Interagency Agreement between PDC and the City of Portland. A failure to pass these resolutions would clearly put PDC in violation of both EDA regulations and of the Interagency Agreement.
2. There is no financial risk from passing these resolutions, which merely certify that PDC has followed federal regulations in administering EDA grant funds.
3. There are no operational issues in passing these resolutions. PDC has been successfully administering the EDA grant funds since 1979. These funds are subject to standard PDC internal controls, and all new loans and any loan write-offs are approved by the Loan Committee, in accordance with usual PDC practice.
4. There should be no problems with public trust in approving these certifying resolutions. The public consistently rates small business lending among PDC's highest priorities. This is PDC's most flexible and longest term successful small business lending program.

WORK LOAD IMPACT

The workload involved in administering the RLF program has been anticipated and programmed into the allocation of resources in the FY 2008-09 budget. No additional staffing is anticipated to be necessary for the administration of the RLF program.

ALTERNATIVE ACTIONS

The annual certifications sought in connection with this staff report and accompanying resolutions are required under terms of 13 CFR Part 308.9 and EDA regulations.

PDC must provide required annual certifications in order to comply with federal EDA Grant conditions. Non-compliance may be deemed by the EDA as a violation of EDA Grant conditions. A sustained refusal to provide certifications may be deemed by the EDA to be a refusal to provide required administrative reports. The initial consequence would be a sequestration of available EDA Grant funds.

A continued failure to provide certifications would lead to an eventual cancellation of the EDA Grants, and the confiscation by the EDA of all RLF program assets. Furthermore, such actions would result in a default of PDC's obligations under the Interagency Agreement with the City of Portland.

CONCURRENCE

No concurrence is required from outside parties. Normal internal PDC procedures will suffice to pass the accompanying resolutions.

BACKGROUND

PDC has administered EDA Grants 07-39-02093 and 07-39-02259 since 1979. Resolution No. 2790, adopted November 13, 1979, authorized PDC to execute the Interagency Agreement with the City of Portland to administer these grants, on behalf of the City. The certifications requested by this report are required under 13 CFR Part 308.9 and EDA regulations. It is necessary to provide the required certifications to ensure compliance with both federal regulations and the Interagency Agreement between PDC and the City of Portland.

The Portland Development Commission Loan Committee serves as the RLF Loan Board and approves loans on behalf of the Commission, ensuring that each loan meets RLF program guidelines.