

**CITY COUNCIL  
COMMUNICATION:**

**02-472**

**AGENDA:**

SEPTEMBER 9,  
2002

**SUBJECT:**

28E AGREEMENT  
WITH THE  
CORPORATION  
FOR ECONOMIC  
DEVELOPMENT IN  
DES MOINES

**TYPE:**

**RESOLUTION**  
**ORDINANCE**  
RECEIVE/FILE

**SUBMITTED BY:**

RICHARD CLARK  
DEPUTY CITY  
MANAGER

**ITEM \_\_\_\_\_**

**OFFICE OF THE CITY MANAGER  
CITY OF DES MOINES, IOWA**

**SYNOPSIS —**

On the September 9, 2002 City Council Agenda is a resolution approving a 28E Agreement between the City of Des Moines and The Corporation for Economic Development in Des Moines (CED). Under the 28E Agreement, the City's Office of Economic Development will provide staffing for loan packaging, loan servicing, and administration and marketing activities for the Small Business Administration (SBA) 504 Loan Program. Under previous agreements, the CED split revenues received from the SBA 504 Program 50-50 with the City. The new agreement allocates 100 percent of the revenues to the City, with the City accepting the additional responsibility to effectively market the SBA 504 Program. The CED will continue to administer the City's Revolving Loan Fund (RLF), Loan Injection Program (LIP), and Micro Loan Program, which are funded from Community Development Block Grant (CDBG) funds. The 28E Agreement initial term is for a period of one year and automatically renews for consecutive terms of one year unless notice is given by either party to terminate the agreement at least 60 days prior to the end of the current year.

Terry Vorbrich with the City's Office of Economic Development will be the program manager for the SBA 504 Loan Program.

**FISCAL IMPACT —**

Over the past three years the SBA loan program has generated average gross revenues of about \$108,000 per year of which about \$54,000 per year has been paid to the City to help pay for operating expenses for the program. The balance of the revenue has been paid to the CED, which has used these funds to pay for program expenses and for deposit into their reserve accounts. With increased marketing and a more effective approach to administering the program, we project that gross revenues could increase by 50 percent, to about \$162,000 per year. These revenues will be available to pay program costs associated with loan origination, servicing, administration, marketing, contract staff support for the SBA 504 program, and the City's Economic Development program. Program expenses are projected to be about \$40,000 to \$50,000 per year, thus resulting in a net income of about \$112,000 or more per year. Because the City will now receive all of the fee revenue generated by the program, the City could realize an increase in net revenues of up to \$58,000 per year.

**RECOMMENDATION —**

**Approval.**

**BACKGROUND —**

Assistance to small business expansion is a key effort in the City's overall economic development strategy. The public-private partnership between the City and the CED complements the implementation of this strategy by providing direct financial assistance to growing businesses in the City of Des Moines. It provides the City's Office of Economic Development an entry to small businesses looking to expand and the opportunity to retain that expansion within the City of Des Moines.

The CED was incorporated in 1981 as a 501(C)(3) local, non-profit corporation. The CED is governed by a Board of Directors comprised of local community and business representatives. It is a Certified Development Corporation under the U.S. Small Business Investment Act of 1958, as amended. As such, it is certified to originate loans under the SBA 504 Loan Program within the City of Des Moines.

Since its inception in 1981, the CED has assisted 92 small businesses by approving \$21.4 million in funding through the SBA 504 Loan Program. The assisted business' projects have invested approximately \$53.6 million in building and machinery, and the creation or retention of 845 jobs within the City of Des Moines. As of July 31, 2002, the CED's 504 Loan portfolio consisted of 52 loans with outstanding balances totaling \$11.6 million.

