

February 25, 2021

TO: Mayor Julie Moore Wolfe & Members of the Decatur City Council

FROM: Scot Wrighton, City Manager

RE: Revolving Loan Fund Defederalization

For many years the Community Development Corporation of Decatur (CICD) has administered low-interest revolving loan funds (RLFs) to help small businesses and new start-ups. The revolving fund was first created using money from the U.S. Economic Development Administration (EDA), and as a consequence is subject to rules and audits of the Federal Government. The CICD has its own loan review committee and has made numerous loans over the years. Lately the CICD's RLF has not seen as much use of these loan funds because the low interest rate is not worth the cost of compliance with EDA loan rules, so some prospective loan recipients elect to seek project financing from alternative sources.

Recently the EDA elected to permit certain long-standing RLFs to "defederalize", meaning as long as the host local government agrees to certain general requirements,\* the Federal Government will end its traditional oversight. Theoretically, this could mean that the RLF's resources are more widely used and accessed in the future.

The city and the CICD are still researching the process for defederalizing the local RLF and how this change could enhance the support provided by the city and the CICD to local small businesses and start-up ventures, and to what extent the city can develop its own rules for issuance of RLF borrowing. Any change will require a formal agreement and resolution of participation between the city and the EDA, which must be subsequently approved by the City Council later in 2021. In the meantime, since the CICD has long served as the administrator of the RLF, I recommend that their executive director be designated as the city's authorized agent for purposes of developing and negotiating a "defederalization" agreement. The EDA requires that this designation be formalized by City Council resolution for this process to continue. The CICD Executive Director is Jim Seaberg.