AGENDA ITEM 2:00 p.m.

Special Meeting COUNCIL MEETING 2/20/07

B. RESOLUTION - Authorizing the City Manager or designee to negotiate and enter into a contract with Valley Small Business Development Corporation for loan administration to implement the Small Farmer Emergency Business Loan Program

***Action Taken*: Resolution No. 2007- 58 adopted**

RESOLUTION NO. 2007-58

A RESOLUTION OF THE COUNCIL OF THE CITY OF FRESNO ESTABLISHING A SMALL FARMER EMERGENCY BUSINESS LOAN PROGRAM AND AUTHORIZING CITY MANAGER TO NEGOTIATE AND EXECUTE AN AGREEMENT WITH VALLEY SMALL BUSINESS DEVELOPMENT CORPORATION TO IMPLEMENT PROGRAM

WHEREAS, small farmers constitute a vital segment of our local agricultural industry and our local economy; and

WHEREAS, the recent freeze experienced in the Central San Joaquin Valley destroyed crops and left many farmers without resources to replant crops; and

WHEREAS, on January 12, 2007, Governor Arnold Schwarzenegger proclaimed a state of emergency as a result of the winter freeze and its disastrous impacts; and

WHEREAS, small farmers have been especially susceptible to economic impacts of the freeze as they do not qualify for traditional loans because they are tenant farmers without resources to secure a loan or insurance; and

WHEREAS, the loss of these small farmers to the local agricultural industry and economy would be a significant detriment to the City of Fresno;

WHEREAS, Council desires to use Community Development Block Grant funds to establish a one-time loan program to assist these small farmers to survive this emergency disaster; and

WHEREAS, the Small Farmer Emergency Business Loan Program is an eligible use of CDBG funds as an interim economic development activity to address the state of emergency.

NOW, THEREFORE BE IT RESOLVED by the Council of the City of Fresno as follows:

Section 1. The Council finds that it is in the public interest and benefit to

Adopted 1/20/07
Approved
Effective

2007-58

establish a Small Farmer Emergency Business Loan Program (Program).

Section 2. The Program is hereby established to extend loans to small farmers meeting the criteria attached in Exhibit A.

Section 3. The City Manager is delegated authority to negotiate with and execute an agreement with the Valley Small Business Development Corporation to administer the Program on behalf of the City.

* * * * * * * * * * * * * * *

STATE OF CALIFORNIA)
COUNTY OF FRESNO) ss.
CITY OF FRESNO)

I, REBECCA E. KLISCH, City Clerk of the City of Fresno, certify that the foregoing resolution was adopted by the Council of the City of Fresno, at a special meeting held on the 20th day of February, 2007.

AYES	:	Dages, Duncan, Sterling, Xiong, Perea
NOES	:	Westerlund
ABSENT	:	Calhoun
ABSTAIN	:	None

Mayor Approval: N/A, 2007

Mayor Approval/No Return: N/A, 2007

Mayor Veto: N/A, 2007

Council Override Vote: N/A, 2007

REBECCA E. KLISCH
City Clerk

BY: Rebecca E Klisch
~~Deputy~~

APPROVED AS TO FORM

JAMES C. SANCHEZ
CITY ATTORNEY'S OFFICE

BY:

City of
FRESNO

EXHIBIT "A"

Councilmember Jerry Duncan
Councilmember Blong Xiong
Fresno City Council

February 6, 2007

To: Fresno City Council

From: Councilmember Jerry Duncan and Councilmember Blong Xiong.

Subject: **Agenda item: Discussion and direction for the establishment of a Small Farmer Emergency Business Loan Program for small farmers who live in the City of Fresno and suffered damage to their farm during the recent freeze.**

Colleagues, as we are all very aware of, the recent freeze that was experienced in the San Joaquin Valley was devastating to our economy. Our Ag industry and their employees were especially hard hit. To our community's credit, people have stepped up and are doing much to alleviate the hardship caused by this event.

There is, however, one important group of people in our City that has fallen through the cracks and there appears to be nothing currently in place to assist them. These folks are the operators of the small farms that we have throughout our City. They grow the quality strawberries and vegetables which are sold at road side stands and farmers markets. They are a significant contributor to our economy. These people work very hard to support their families but because of their small size and because they often lease their farmland rather than own it, they have not qualified for traditional assistance from state and federal sources, nor do they have any crop insurance.

As a result these small farmers are facing financial ruin or will be faced with not being able to continue their profession and support their families. To these fine, hard working citizens of our City, this is their Katrina. They need help in finding a way to get their farms back into production and they have nowhere to go.

What is the scope of this problem?

Based upon information supplied by University of California Cooperative Extension (UCCE) there are 334 of these farmers who are residents of the City of Fresno who have suffered serious freeze losses. They indicate most suffered crop losses at 75-85%.

In the absence of any existing emergency aid programs to help them, Councilmembers Jerry Duncan and Blong Xiong, with the full support of Mayor Autry are proposing a City of Fresno sponsored economic development program that will provide an emergency loan program to help these farmers get their land back into production.

We have been working with several groups in putting this proposal together and it is intended to not duplicate any existing program offered by any agency and have had extraordinary offers of assistance to get it going quickly. The implementation of this will be a team effort of these and other agencies. The lead department in the City will be our Economic Development Department.

These groups include:

1. University of California Agriculture Cooperative Extension
2. Valley Small Business Development Corporation
3. Fresno County Economic Opportunities Commission
4. National Hmong American Farmers, Inc.
5. Wells Fargo Bank

The objective is to move quickly to get this economic development loan program in place as fast as possible. In order for the affected farmers to begin there crop cycle, time is of the essence.

Please review the following synopsis of this proposal that was prepared with the assistance of Stan Tom of the Valley Small Business Development Corp. It provides fairly clear detail as to how this program will work and you can see that there are the necessary safeguards in place to insure accountability for the use of any funds used in this effort. While some of the micro level details continue to develop, those assisting the City have had extensive experience in this area and are well equipped to insure a smooth, effective effort.

If, in fact, there is the ability to have the final details developed with this effort before our next City Council meeting scheduled for February 27th, we would like to request the Council consider calling a special meeting, if necessary, so that this program can begin as soon as possible.

Attached to this report is a current freeze damage estimate report for our affected Fresno citizen farmers provided by University of California Cooperative Extension (UCCE).

PROPOSED WORK PLAN FOR CITY OF FRESNO SMALL FARMER EMERGENCY BUSINESS LOAN PROGRAM

Background

It is estimated that about 1,000 city residents operate small farms on leased land in and around the City of Fresno. Many of these residents depend on their farming income to support their households. These farms typically grow specialty crops, such as Asian vegetables, vegetables, berries, and strawberries. University of California Cooperative Extension (UCCE) has determined that 334 have suffered serious damage to their crops during the recent freeze. Currently, there are no State or Federal disaster relief programs that provide any financial assistance to these small farmers.

Emergency Small Farm Freeze Relief Loan Fund

1. Initially capitalized to $500,000. Sources of funds to be determined by City Staff with as much as possible coming from CDBG funding. In addition to a level of City support, Mayor Autry has already begun to personally seek additional funding though State of California freeze relief efforts, Governor Schwarzenegger and Assemblyman Mike Villines.
2. Maximum Loan Amount: $20,000
3. Use of Loan Funds: Replace damaged plantings and provides emergency financial assistance for current crop season. Eligible uses of funds include purchase of replacement plants, land preparation, supplies, fumigation, and harvest costs.
4. Term: Range from 4 years (48 months) to 10 years (120 months)
5. Interest Rate: 0%

6. Monthly Payment (P&I): Based on cash flow and the financial repayment ability of the borrower. Repayment of the loan starts 6 months after harvest. Payment options may include monthly, quarterly or annual payments.
7. Fees: Documentation Fee of $100.

Eligibility Requirements

1. Resident or farming operations within the City of Fresno
2. Currently operating a small farm with an eligible crop
3. Evidence of crop damage
4. Provide previous income tax returns
5. Meet Income Qualification

Minimum Underwriting Guidelines

The Loan Fund will utilize the following minimum underwriting guidelines and if instructed other program requirements.

1. Credit History – personal and business must show good paying habits.
2. Repayment Ability – historical and projected sources of income, includes business and personal
3. Operating Resources – must have adequate resources to operate business

Role of the Loan Administrator

Loan Administrator will answer loan and sources of funds inquiries; will provide technical assistance, pre-loan counseling, and loan packaging assistance to prospective loan applicants; will conduct outreach with participating community-based organizations and non-profits serving targeted population; will review borrowers' credit, analyze, and draft loan recommendations; will attempt to leverage loan fund with other sources of funds; and will service the loan portfolio.

Outreach and Marketing

Loan Administrator will conduct Loan Application workshops in neighborhoods or community sites to present information and answer questions regarding financial assistance available to small farms affected by the freeze. The workshop will describe the Emergency Small Farm Freeze Relief Loan Fund, underwriting requirements, loan package, loan processing, and related topics. The Loan Administrator will have bilingual staff to process loan applications at the workshop. The Loan Administrator will also present information from other agencies offering services or financial assistance to those affected by the freeze.

Required Documents

1. Loan Application
2. Letter Stating Need for Financial Assistance (how the freeze affected the farm)
3. Personal Financial Statement
4. 2 years of Business & Personal Income Tax Returns including W-2s
5. Business Summary – 2 – 5 pages (describe repayment ability)
6. Projected Crop Budget (based on historical data)

Loan Application Process

1. A Loan Application (2-page application) is submitted.
2. Credit Report is obtained from credit agencies.

CITY OF FRESNO
OCT. 12, 1988

3. Loan Administrator reviews Credit Report. If Credit is favorable and meets the minimum requirements of the loan program, additional information or documents may be requested. A letter will be sent to the applicant listing requested documents. Loan Administrator reviews submitted loan package (financial, business and personal information).

   If the loan package meets the minimum loan program requirements Loan Administrator drafts a loan write-up, disbursement instructions, and recommendation.

   If the loan package is not strong enough, Loan Administrator will contact the borrower. A decline letter will be sent listing the reasons for the decline.

4. Loan Committee or Credit Committee reviews the loan request, makes decision, and sets the terms and conditions of the loan.

5. If borrower is approved for a loan, a Commitment letter is sent to the borrower, listing the terms and conditions; and any required documents (such as insurance policies, lease agreements, and business licenses).

6. The borrower reads, signs, dates and mails back the letter. The borrower begins to gather and provide the requested documents.

7. Once the Commitment Letter is received, the Loan Administrator prepares loan documents – such as Loan Agreement, Promissory Note, and Disbursement Request and Authorization. Closing period ranges on average between 30 – 60 days.

Loan Committee

A five person loan committee will review the applications and will be comprised of representatives from small businesses, financial institutions, community-based groups, professional services, and other participating agencies. A pool of 10 loan committee members will be created and five will be selected at random to sit on the loan committee.

Loan Decision Making

The Loan or Credit Committee will utilize the "Financial Six Cs" as the first set of criteria to evaluate a Loan Package.

Character – The degree to which a borrower feels a moral obligation to pay his/her debts, measured by the credit and payment history.

Capacity to Pay – A subjective determination based upon an analysis of the borrower's financial statements and other information.

Capital – The amount of capital in a business that is equal to the total of capital from debt and equity. Lenders prefer low debt-to-asset and debt-to-worth ratios and high current ratios. These indicate financial stability.

Conditions - General economic, geographic and industry.

Confidence – A successful borrower instills confidence by addressing all the concerns on the other five C's. Their loan application sends the message that the company is professional, with an honest reputation, a good credit history, reasonable financial statements, good capitalization and adequate collateral.

Loan Documents