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Filed: 12-06-16

Sponsored by: Hosmer

First Reading: _____

Second Reading: _____

COUNCIL BILL NO. 2016-295

GENERAL ORDINANCE NO. _____

AN ORDINANCE

1 AUTHORIZING the Loan Committee to offer borrowers a one-time reduction of the
2 interest rate on all existing business-development loans to 2.75
3 percent under the "Commercial Loan Program." (Staff and the Loan
4 Committee recommend approval.)
5
6

7 WHEREAS, by Special Ordinance Number 26604, City Council renamed the
8 Small Business Development Loan Program to the Commercial Loan Program ("CLP");
9 and
10

11 WHEREAS, since 1984, the city has operated CLP, a program capitalized by the
12 federal Community Development Block Grant Program; and
13

14 WHEREAS, under the CLP, business-development loans are available in
15 connection with property acquisition and rehabilitation; and
16

17 WHEREAS, the City must use all CLP loans to further the United States
18 Department of Housing and Urban Development's priorities of either removing slum and
19 blight or creating jobs benefiting low-to-moderate income persons; and
20

21 WHEREAS, since 1984, the Loan Committee has made 228 CLP loans totaling
22 more than \$30,000,000, primarily to help further center-city revitalization efforts; and
23

24 WHEREAS, the CLP is currently funded through revolving-loan income and
25 currently has \$5,000,000 available to loan; and
26

27 WHEREAS, in 2015, City Council approved changes to CLP rules and
28 regulations to expand the boundaries for job-creation loans to the entire City, fix interest
29 rates for the life of loans, and reduced interest rates; and
30

31 WHEREAS, the 2015 changes did not impact pre-existing loans; and
32

33 WHEREAS, historically low interest rates continue to be available through
34 traditional bank financing; and
35

36 WHEREAS, federal regulations potentially increase costs to borrowers on CLP
37 loans; and
38

39 WHEREAS, in the last decade, the Loan Committee has struggled to make CLP
40 loans, the fund balance continues to grow, and CLP borrowers often pay off loans early
41 to take advantage of better rates; and
42

43 WHEREAS, the interest rate established prior to 2015, is not competitive in
44 today's market; and
45

46 WHEREAS, staff seeks City Council approval to offer borrowers a one-time
47 reduction in the interest rate applicable to their respective existing CLP business-
48 development loans now greater than 2.75 percent to hereafter equal 2.75 percent; and
49

50 WHEREAS, each borrower should have until May1, 2017 to apply for the
51 interest-rate reduction.
52

53 NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF
54 SPRINGFIELD, MISSOURI, that:
55

56 Section 1 - City Council hereby authorizes the Loan Committee to offer a one-
57 time reduction of the interest rate on existing business-development loans with interest
58 rates greater than 2.75 percent to hereafter equal 2.75 percent.
59

60 Section 2 - The application deadline to apply for the interest-rate reduction shall
61 be May 1, 2017.
62

63 Section 3 - This Ordinance shall be in full force and effect from and after
64 passage.
65

66 Passed at Meeting: _____
67

68 _____
69 Mayor
70

71 Attest: _____, City Clerk
72

73 Filed as Ordinance: _____
74

75 Approved as to Form: Dwight M. Donald, Assistant City Attorney
76

77 Approved for Council Action: Greg Burnett, City Manager

EXPLANATION TO COUNCIL BILL NO: 2016- 295

FILED: 12-06-16

ORIGINATING DEPARTMENT: Planning and Development.

PURPOSE: To authorize the Loan Committee to offer borrowers a one-time reduction of the interest rate on all existing business-development loans to 2.75 percent under the "Commercial Loan Program." (Staff and the Loan Committee recommend approval).

BACKGROUND INFORMATION: The City has operated a Small Business Development Loan Program since 1984, capitalized by the federal Community Development Block Grant Program. City Council changed the program name to the Commercial Loan Program ("CLP") by Special Ordinance No. 26604 in August of 2015.

Pursuant to the CLP, business-development loans are available for property acquisition and rehabilitation. All loans must be used to further the United States Department of Housing and Urban Development's priorities of either removing slum and blight area or creating jobs benefiting low-to-moderate income persons. Since the inception of the program in 1984, 228 loans have been made totaling over \$30 million, primarily to help further center-city revitalization efforts. The program is currently funded through revolving loan income, and there is currently \$5 million available to loan.

In 2015, City Council approved changes to CLP rules and regulations that, among other things, expanded the boundaries for job-creation loans to include the entire City, fixed interest rates for the life of the loan, and reduced interest rates to increase competitiveness. However, these changes did not impact loans already in existence at the time the Ordinance was approved.

Due to continuously low interest rates available through bank financing and the additional regulations on these loans due to the federal funding source, the City's CLP has struggled to make loans in the last decade and the fund balance continues to grow as many existing borrowers pay off their loans early in order to take advantage of better rates. In order to reduce payoffs made because our interest rate prior to the 2015, CLP amendment is not competitive in today's market, staff seeks City Council approval to offer borrowers a one-time loan reduction for all existing business-development loans to the current interest rate of 2.75 percent. The application deadline will be May 1, 2017.

This Ordinance supports the following Field Guide 2030 goals: Chapter 3, Economic Development; Major Goal 2, Aggressively use Economic Development Incentives to encourage investment in the community and to encourage job creation and retention; and Major Goal 5, Promote a strong private-sector led entrepreneurial environment.

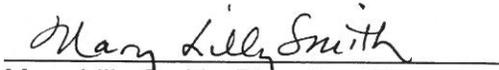
REMARKS: Staff and the Loan Committee recommend approval.

Submitted by:



Melissa Barton, Loan Officer

Recommended by:



Mary Lilly Smith, Planning Director

Approved by:



Greg Burris, City Manager