03

Office of the City Manager

CONSENT CALENDAR
September 15, 2026

To: Honorable Mayor and Members of the City Council

From: Paul Buddenhagen, City Manager

Submitted by: Eleanor Hollander, Economic Development Manager

Subject: Loan Administration Board Dissolution; Repealing BMC Chapter 3.72

RECOMMENDATION

1) Adopt a resolution authorizing the City Manager or their designee to assume direct administrative and operational oversight of the Revolving Loan Fund (RLF) program and the RLF Administrative Plan, upon dissolution of the Loan Administration Board (LAB); and
2) Adopt first reading of an ordinance repealing *Berkeley Municipal Code Chapter 3.72. Loan Administration Board* enabling legislation, thereby dissolving the Loan Administration Board.

SUMMARY

The Loan Administration Board (LAB) was established under Berkeley Municipal Code (BMC) Chapter 3.72 to oversee and approve business loans under the City's Revolving Loan Fund (RLF) program. The City of Berkeley's RLF program was established by a $500,000 grant awarded to the City from the federal Economic Development Administration (EDA) in 1980. In 2024, the RLF program was defederalized, and the RLF Administrative Plan was modified to allow for third party fund administration.[1] The final step to streamlining the administration of the loan program is to now dissolve the LAB which also aligns with broader City Council goals to consolidate and optimize board and commission structures. Since the LAB is codified under Chapter 3.72 of the Berkeley Municipal Code titled "Loan Administration Board", dissolving it requires both the attached resolution and a coordinating ordinance amendment to strike Chapter 3.72 from the Berkeley Municipal Code.

FISCAL IMPACTS OF RECOMMENDATION

Dissolving the Loan Administration Board (LAB) will result in modest administrative cost savings by eliminating staff commission secretary hours required for LAB meeting preparation, agenda management, Brown Act compliance, and minute-taking and posting on the web. Remaining RLF funds will continue to be deployed to eligible

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[1] City of Berkeley, Consent Calendar, Item 5, Adopt the updated Revolving Loan Fund (RLF) Administrative Plan and transfer RLF program administration to Working Solutions, a federally certified Community Development Financial Institution (CDFI), December 3, 2024.

Berkeley businesses by the fund's third-party administrator, Working Solutions, without impact on the General Fund.

CURRENT SITUATION AND ITS EFFECTS

In October 2024, the Revolving Loan Fund (RLF) Administrative Plan was modified by the Loan Administration Board to allow for the fund to be managed by a third-party administrator, after the RLF was granted defederalization by the federal Economic Development Administration (EDA) in April of 2024. Building on this operational flexibility, the City Council adopted an item on December 3, 2024, approving the LAB's updates to the RLF Administrative Plan and authorizing a contract with Working Solutions, a federally certified Community Development Financial Institution (CDFI), to handle full third-party loan origination, servicing, underwriting, and technical assistance.

Since this time, Working Solutions, the contracted third-party administrator, has taken over the fund management of the RLF and has reduced the need for the LAB to meet to consider new loans and make decisions related to existing loans. As a result, meeting frequency has declined sharply; over the past two years, the Board has met only once, with its most recent meeting occurring on October 1, 2024. Due to LAB qualification criteria stipulated under Berkeley Municipal Code Chapter 3.72 which requires members to possess specific professional expertise in law, business operations, commercial lending, and finance, prior to 2024, the Board struggled with sustained vacancies and quorum shortages.

With defederalization of the RLF complete and Working Solutions actively managing the RLF portfolio, the traditional oversight function of the LAB has been fully superseded. Staff resources previously spent serving as commission secretary, managing Brown Act compliance, agendas, and public notices for a redundant commission/board structure can now be reallocated entirely toward supporting other economic development activities including small business and commercial district support.

BACKGROUND

The City Council created the Loan Administration Board (LAB) via ordinance in 1987 and modified it in 1994 to provide oversight and make credit decisions regarding applications to the City's Revolving Loan Fund (RLF) in accordance with the RLF Administrative Plan. The LAB is a City of Berkeley Commission appointed by the Mayor and City Council and is tasked with providing oversite for the RLF program. Office of Economic Development (OED) staff serve as the secretary to the LAB commission, and the LAB meetings are open to the public and subject to the Brown Act. There are special criteria for the LAB members; of the nine seated commissioners, two must have demonstrated business expertise, three must have credit and banking experience, and one must be a lawyer.

Prior to 2024, the LAB was tasked with reviewing underwritten proposals for business expansion, working capital, and equipment purchases. In addition, the LAB was also tasked with outlining policy, guidelines and lending criteria articulated in the Berkeley RLF Administrative Plan based on federal Economic Development Administration (EDA) Terms and Conditions. Prior to defederalization, the final approval for all loans, including determination of the loan amount, rested with the LAB, informed by recommendations issued from a contracted third-party underwriter.

In recent years, the landscape of municipal micro-lending through revolving loan funds has shifted toward third-party community development finance institutions or CDFI partnerships for loan administration services. In this case, Berkeley is no exception. In 2024, the LAB approved a modification to the RLF Administrative Plan to allow for third party administration of the RLF fund, and the city advanced a contract with Working Solutions, a federally certified Community Development Financial Institution (CDFI), to provide fund management including loan origination, servicing, and technical assistance to Berkeley's existing and future RLF participants for a renewable ten-year term.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS
There are no identifiable environmental effects associated with the administrative dissolution of the Loan Administration Board.

RATIONALE FOR RECOMMENDATION
This action will improve efficiency, streamline administrative burdens, and align with best practices consistent with other neighboring jurisdictions. Eliminating the LAB structure for loan approvals in 2024 allowed staff in coordination with designated professional third-party underwriters to process and disburse small business loans significantly faster. This final step now achieves true administrative streamlining, by reducing administrative burden, this action allows staff to focus resources on direct small business technical assistance rather than commission secretarial duties. This step also brings Berkeley into alignment with regional best practices; many neighboring cities including San Francisco, and Oakland long ago transitioned the administration of their revolving loan fund programs directly to contracted CDFIs.

ALTERNATIVE ACTIONS CONSIDERED
Council could elect to retain the Loan Administration Board with modified quorum requirements or merge its duties into another existing commission. However, this would not achieve administrative streamlining or improve service to Berkeley businesses seeking swift access to capital.

CONTACT PERSONS
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Attachment:
1: Resolution: Loan Administration Board Dissolution
2: Ordinance Repealing Berkeley Municipal Code Chapter 3.72

RESOLUTION NO. ##,###-N.S.

DISSOLVING THE CITY OF BERKELEY LOAN ADMINISTRATION BOARD

WHEREAS, the Loan Administration Board (LAB) was established under Chapter 3.72 of the Berkeley Municipal Code to oversee, review, and approve business underwriting and applications for the City's Revolving Loan Fund (RLF); and

WHEREAS, in 2024, the RLF Administrative Plan was modified to allow for third party fund administration; and

WHEREAS, the City partnered with Working Solutions, a community development financial institution, to act as a third-party fund administrator to manage the RLF loan portfolio, including underwriting, servicing, and technical business outreach; and

WHEREAS, transferring full administrative and underwriting responsibilities to a specialized third-party administrator has significantly streamlined the loan application pipeline, improved financial efficiency, and increased privacy for local small business applicants; and

WHEREAS, the operational and decision-making duties originally tasked to the Loan Administration Board are now comprehensively and securely performed aligned with the RLF Administrative Plan via its partner third-party administrator; and

WHEREAS, the Loan Administration Board has not formally met since October 1, 2024; and

WHEREAS, the City Council desires to optimize municipal resources, reduce administrative redundancies, and modernize local economic programs by sunsetting boards and commissions that no longer serve a distinct operational purpose; and

WHEREAS, a corresponding ordinance formally repealing Berkeley Municipal Code Chapter 3.72 and thereby dissolving the Loan Administration Board is before the City Council for consideration.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that upon the effective date of the Loan Administration Board's dissolution , all remaining advisory or supervisory functions are consolidated into the oversight of the City Manager or their designees.

BE IT FURTHER RESOLVED that the City Manager or their designee is authorized to take all necessary structural and administrative actions to finalize the wind-down of the Loan Administration Board's activities.

ORDINANCE NO. [XXXX]-N.S.

REPEAL OF BERKELEY MUNICIPAL CODE CHAPTER 3.72 (LOAN ADMINISTRATION BOARD) TO DISSOLVE THE LOAN ADMINISTRATION BOARD

BE IT ORDAINED by the Council of the City of Berkeley as follows:

Section 1. That Berkeley Municipal Code Chapter 3.72 is hereby repealed in its entirety as follows:

~~Chapter 3.72 LOAN ADMINISTRATION BOARD~~

~~Sections:~~

- ~~3.72.010Establishment of Loan Administration Board.~~
- ~~3.72.020Membership--Eligibility.~~
- ~~3.72.030Conflict of interest.~~
- ~~3.72.040Exemptions.~~
- ~~3.72.050Terms of appointment and organization.~~
- ~~3.72.060Meetings.~~
- ~~3.72.070Duties and functions.~~

~~3.72.010 Establishment of Loan Administration Board.~~

~~A Loan Administration Board is hereby established. The board shall consist of nine members selected by the City Council in accordance with the Fair Representation Ordinance, Berkeley Municipal Code Sections 2.04.030 through 2.04.130. (Ord. 5811-NS § 1, 1987)~~

~~3.72.020 Membership--Eligibility.~~

~~In order to provide community balance, a business and credit orientation, and to facilitate coordination with the City, the Loan Administration Board shall be reflective of the following categories. The intent is that the Loan Administration Board membership have a sufficient business orientation and financial knowledge to make loan decisions.~~

~~A. The Loan Administration Board composition will attempt to reflect the proportion of minority and women representation found in the City of Berkeley.~~

~~B. At least two out of the nine Loan Administration Board members must be persons who operate a business in Berkeley.~~

~~C. In addition at least three out of the nine Loan Administration Board members must be persons who possess knowledge of and reasonable experience with business and/or credit analysis or decisions, or customary lending practices, or representatives of lending institutions (e.g. banks). At least one of these members must be present to constitute a quorum for a loan decision.~~

~~D. In addition at least one out of the nine Loan Administration Board members must be a person who possesses knowledge of and reasonable experience with business law. (Ord. 6249-NS § 1 (part), 1994; Ord. 5811-NS § 2, 1987)~~

~~3.72.030 Conflict of interest.~~

~~To prevent the appearance of a conflict of interest, and any conflict of interest, no person or organization which contracts with the City of Berkeley to package and/or process loans shall make application to the Loan Administration Board. In addition, lender representatives shall abstain from consideration and approval of loans that involve clients of their institutions. Applicable provisions of law and City policies regarding conflicts of interest shall govern operation of the Loan Administration Board. (Ord. 6249-NS § 1 (part), 1994; Ord. 5811-NS § 3, 1987)~~

~~3.72.040 Exemptions.~~
~~Members of the Loan Administration Board are hereby exempt from the residency requirements of the Berkeley Municipal Code Section 2.04.140. (Ord. 5811-NS § 4, 1987)~~

~~3.72.050 Terms of appointment and organization.~~
~~Terms of members appointed to the Loan Administration Board shall be as provided in the Berkeley Municipal Code Sections 2.04.070 and 2.04.075.~~
~~Said board shall organize by electing from its members one president, one vice-president and such other officers as may be necessary, who shall hold office for one year and until their successors are elected unless their terms as members of the board sooner expire. (Ord. 5811-NS § 5, 1987)~~

~~3.72.060 Meetings.~~
~~The board shall establish a regular time and place of meeting. All meetings shall be noticed as required by current statutes and the president shall see that minutes for each meeting are recorded, kept and maintained, and that copies thereof are transmitted to staff. (Ord. 5811-NS § 6, 1987)~~

~~3.72.070 Duties and functions.~~
~~The Loan Administration Board (LAB) is responsible for review and approval of business loan applications submitted under the South Berkeley revolving land fund, which is funded by the economic development administration, and which applications are restricted to business operations and property within the South Berkeley Title IX Target Area. In addition the Loan Administration Board may review and approve loan applications submitted under any other business and commercial development loan program to which the City Council delegates review and approval responsibility. (Ord. 6249-NS § 1 (part), 1994; Ord. 5811-NS § 7, 1987)~~

Section 2. Copies of this Ordinance shall be posted for two days prior to its final passage in the display case located near the walkway in front of the Maudelle Shirek Building, 2134 Martin Luther King Jr. Way. City Council shall take final action on this Ordinance within thirty (30) days of its first reading.

Section 3. This Ordinance shall take effect thirty (30) days after its final adoption.