

# City of Berkeley Revolving Loan Fund Administrative Plan

OFFICE OF ECONOMIC DEVELOPMENT  
CITY OF BERKELEY, CA  
10/1/2024

**CITY OF BERKELEY REVOLVING LOAN FUND ADMINISTRATIVE PLAN**

**EDA #07-39-02523**

**Approved by the Loan Administration Board,  
Adopted by Berkeley City Council Resolution No. 70,260–N.S.,  
Approved by the Economic Development Administration**

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**Defederalization of RLF Award #07-39-02523, approved by the US  
Economic Development Administration, April 18, 2024  
Administrative Plan Update Approved by the Loan Administration  
Board, October 1, 2024  
Adopted by Berkeley City Council Resolution No. [REDACTED]–N.S.**

## **TABLE OF CONTENTS**

<b>PART 1: REVOLVING LOAN FUND STRATEGY</b>	<b>Page 4</b>
A. TARGET AREA OVERVIEW	Page 4
B. THE BUSINESS DEVELOPMENT STRATEGY	Page 6
C. FINANCING POLICIES	Page 7
<b>PART 2: COVID-19 RESILIENCY LOAN PROGRAM</b>	<b>Page 8</b>
<b>List of Exhibits:</b>	<b>Page <u>9</u></b>

## **PART 1: THE REVOLVING LOAN FUND (RLF) STRATEGY**

The RLF is designed to address areas of economic distress in the City of Berkeley and help implement the City's economic development strategy for the Target Area as summarized below.

Small businesses and start-ups often are unable to access private capital for financing business expansion and improvements. Those who can meet private capital procurement requirements may do so at higher prices. In order to lessen this burden to local businesses, the RLF is designed to supplement private financing for tenant improvements and fixed assets such as equipment for businesses. Use of RLF funds in tandem with private financing can reduce the cost of private financing, thereby increasing the availability of private capital to businesses that are located in Berkeley.

### **A. TARGET AREA OVERVIEW**

#### **1. The Changing Economic Climate in Berkeley**

At the inception of the RLF in 1980, the Target (lending) Area was exclusively in South Berkeley, where many of the City's lowest income and minority residents were clustered. Though South Berkeley continues to be one of the economically depressed areas in the City, poverty and unemployment are somewhat less geographically concentrated in South Berkeley than they were in the 80s, 90s, and the aughts (00s).

Expansion of the Target Area in 2011 to the full City of Berkeley did not mean that the RLF ceased lending in South Berkeley, or ceased lending to retail businesses. In fact, the opposite occurred. Once the program had a larger target area, it netted more applicants to the loan program, and increased visibility of this viable business assistance resource. In order to promote small business growth and add jobs to the Berkeley employment base, the RLF continues to need the flexibility to consider loan requests from businesses throughout all of Berkeley that have the potential to create more and better-quality jobs.

This RLF Administrative Plan update stems from a regional strategy document, Building on Our Assets<sup>1</sup> that has been reviewed by the Economic Development Administration (EDA) and certified as a Comprehensive Economic Development Strategy (CEDs) and has been updated into a region-wide (Bay Area) CEDs.<sup>2</sup>

There are also several area plans that dictate the direction of economic development activity in the City of Berkeley. Within the boundaries of the Target Area there are specific area plans in place, including:

- Adeline Corridor Plan (2020)
- Southside Plan (2011)
- Berkeley General Plan (2003)
- South Shattuck Strategic Plan (1997)
- University Avenue Strategic Plan (1996)
- West Berkeley Plan (1993)
- Downtown Plan (1990)
- South Berkeley Area Plan (1990)
- Waterfront Master Plan (1986)

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<sup>1</sup>East Bay Economic Development Alliance, *Building on Our Assets, Economic Development & Job Creation in the East Bay*, A regional economic assessment, October 2011. See: <https://eastbayeda.org/wp-content/uploads/2020/04/Building-on-Our-Assets-Report-2011.pdf>

<sup>2</sup>For more on the region-wide CEDs update, see: <https://abag.ca.gov/technical-assistance>

All other areas that do not fall within the area plans specified fall within the jurisdiction of the City of Berkeley's General Plan's Economic Development and Employment Element.

## 2. Target Area Resources and Assets

The commercial areas within the Target Area are primarily developed with a mix of residential and business clusters/corridors. The South Berkeley area can be characterized as neighborhood commercial districts on arterial streets: Adeline Avenue, Shattuck Avenue, Sacramento Street/San Pablo Avenue have a mix of smaller retail and service-sector businesses. Additionally, some light industrial and food processing establishments also exist along San Pablo Avenue. Research and Development (R&D) firms are highly concentrated in, but not limited to, the West Berkeley area. In the past decade, West Berkeley has experienced continued growth in biotechnology, pharmaceuticals, environmental services and food processing. While there was a vested effort to attract growth in the previous (pre-2011) Target Area (South Berkeley), there was very little success in doing so. The 2011 Target Area Expansion provided an opportunity to assist these growing sectors in their development, while continuing to assist traditional retail businesses along the south Berkeley commercial corridors.

The expansion of the Target Area continues to possess a number of resources and potential opportunities for synergistic economic development and growth, including:

- Availability of commercial zoned vacant or underutilized parcels along major traffic corridors,
- Numerous commercial districts with unique tenant mixes;
- Organized merchant associations in many districts of the city;
- Recent and planned public improvements along major corridors and BART stations;
- A high degree of community involvement and support for economic development and revitalization efforts;
- Commitment of a significant amount of City and federal resources, including the recent development projects and public improvements around the Downtown Berkeley and Ashby BART stations, transportation enhancements along San Pablo Avenue and University Avenue; and
- Availability of high quality educational and job-training resources through the neighboring University of California, the Berkeley Community College (Peralta District), and the City's First Source employment program and other local employment training programs.
- Unique to the City of Berkeley, the neighboring University of California, Berkeley and the Lawrence Berkeley National Laboratories are major draws for high tech businesses, many of which have ongoing business relationships with both the City and the University.

## 3. Implementation Programs and Activities

The City is implementing the following supportive programs in the Target Area:

- a) Business retention and attraction programs specific to unique commercial districts the Target Area

- b) Proactively engaging with financial institutions to access private capital for business expansion and attraction
- c) Encouraging participating businesses to utilize the RLF in tandem with private financing
- d) Providing a list of additional resources to assist borrowers in applying for financing
- e) Distributing information on local employment and business assistance programs
- f) Informing business owners on upcoming development of key properties, relevant capital improvement programs specific to the commercial area.

## **B. THE BUSINESS DEVELOPMENT STRATEGY**

### **1. Objectives of the Business Development Strategy**

The RLF is designed to assist in achieving the following economic development objectives and benefits for the Target Area:

- Provide financing mechanisms through which public investment will stimulate simultaneous private investment in the revitalization of commercial districts within the Target Area that otherwise would not have occurred;
- Provide a programmatic framework for the effective rehabilitation and conservation of commercial or industrial facilities;
- Provide incentives for the retention, expansion, and location of firms that will promote increased employment opportunities for residents, present a stronger non-residential tax base, and provide more opportunity for local participation in economic activities;
- Increase minority enterprise development;
- Increase women-owned business development;
- Link RLF borrowers with the City's First Source Employment program to increase local hires;
- Increase the growth potential of local businesses;
- Establish linkages with the surrounding commercial area's existing economy to ensure the RLF Funds are not used as a substitute but instead as a supplement for private investment;
- Generate additional tax revenues (from increased sales etc.) for the City of Berkeley;
- Assist firms in meeting local environmental standards; and
- Encourage the development of vacant land and the rehabilitation of dilapidated or vacant buildings for commercial purposes.

### **2. Targeted Sectors**

The City has targeted the following industry clusters in the Target Area for business assistance:

- Healthcare, including pharmaceuticals, medical devices, biotechnology and healthcare services;
- Worker Owned Cooperatives;
- Environmental, including environmental technology and environmental services;
- Business services, including locally serving professional services, business related services, technical services, finance, and real estate services;
- Light manufacturing, including food processing; and
- Retail Trade.

### 3. Types of Business Assistance

The Office of Economic Development (OED) assists businesses in the Target Area with a full range of local economic development activities, including:

- Attracting new businesses to the City of Berkeley in the targeted sectors by identifying and marketing vacant sites and buildings in close collaboration with the commercial real estate community.
- Assisting new businesses in obtaining permits and financing. Assistance is provided to existing businesses to expand, including assistance with financing through the RLF and other available financing.
- Referral of new and existing businesses interested in business planning to community business counseling resources such as SCORE Easy Bay and the Alameda County Small Business Development Center (SBDC).
- Providing assistance in obtaining qualified employees that are also local residents through the City's First Source Employment Program.
- Providing technical assistance to businesses interested in the worker cooperative model as a succession plan.

### **C. FINANCING POLICIES**

RLF loans may be made to qualifying businesses for tenant improvements, fixed assets such as equipment and machinery, working capital, and real estate transactions. Loan funds may also be used to finance the conversion of a qualifying business to worker ownership if the applicant can demonstrate that (1) the business would close, downsize, or be significantly harmed if the business does not convert to a cooperative, and (2) jobs would be retained or gained through the conversion.

RLF Award Number 07-39-0253 (granted in September 1980) was approved for defederalization by the U.S. Economic Development Administration on April 18, 2024. See Exhibit B for defederalization approval. Administration of current and future RLF loans including origination and servicing are permitted to be assigned and performed by a third-party administrator, provided there is a provision to continue to grow the capital base of the RLF fund so it may continue to "revolve" and serve clients in the Target Area, and continue to carry out the economic development purposes of the Public Works and Economic Development Act of 1965 or PWEDA.

## **PART 2: COVID-19 RESILIENCY LOAN PROGRAM (RLP)**

### *COVID-19 Resiliency Loan Program Borrower Description:*

Small businesses, non-profits, cooperatives, and other business firms located in Berkeley, CA that are suffering substantial economic injury as a result of the COVID-19 pandemic are now eligible for low-interest "COVID-19 Resiliency Loans" for working capital. Berkeley business, including current RLF borrowers that have been financially impacted as a direct result of the COVID-19 pandemic may qualify for a *COVID-19 Resiliency Loan* to help meet financial obligations and operating expenses which could have otherwise been met by the enterprise had the disaster not occurred.

The COVID-19 Resiliency Loan Program will supplement the existing RLF Program subject to the following guidelines, criteria, and terms:

*COVID-19 Resiliency Loan Program Guidelines:*

- Allocated \$814,000 of available EDA funds to the COVID-19 Resiliency Loan Program which will be part of the City of Berkeley's existing RLF program.
- The maximum loan amount from COVID-19 Resiliency Loan Program seed funds will be set at 25% of the RLP capital base.
- The remaining funding for this loan program shall be transferred to a third-party organization selected by the City Manager and/or his/her designee for the purpose of making loans to qualified businesses and organizations in Berkeley.
- Loans shall be reviewed and approved by a third-party organization selected by the City Manager and/or his/her designee.
- Loans shall be serviced by a third-party organization selected by the City Manager and/or his/her designee.
- The requirement for loan applicants to leverage additional capital is removed for loans funded with COVID-19 Resiliency Loan Program dollars. (Currently, loans in the traditional RLF portfolio are required to leverage a minimum of two private dollars for every RLF dollar loaned).

*COVID-19 Resiliency Loan Program Criteria:*

- Loan Applicants are to demonstrate that the applying entity (business or nonprofit) in good standing in the City of Berkeley.
- Loan Applicants are to provide a completed California Tax Return and/or Certified Public Accountant prepared financials and/or an IRS Form 990 showing positive earnings (Profit).
- Loan Applicants are to demonstrate that receipt of a City of Berkeley COVID-19 Resiliency Loan has the potential to create or save existing jobs.
- For City of Berkeley COVID-19 Resiliency Loan applicants, the existing RLF requirement to demonstrate a declination from a traditional lender is waived.

*COVID-19 Resiliency Loan Program Terms:*

- Payments shall be made to a third-party organization selected by the City Manager and/or his/her designee.
- The loan interest rate for COVID-19 Resiliency Loans shall be between 1% and 7% depending on loan amount and risk level as determined by a third party loan reviewer (*the current rate for "standard" RLF loans is the prime interest rate + 2 points*).
- Five (5) Year Repayment Period.
- Additional deferrals and payment term modifications may be granted by approval on a loan by loan basis, subject to the approval of the third-party organization selected by the City Manager and/or his/her designee.

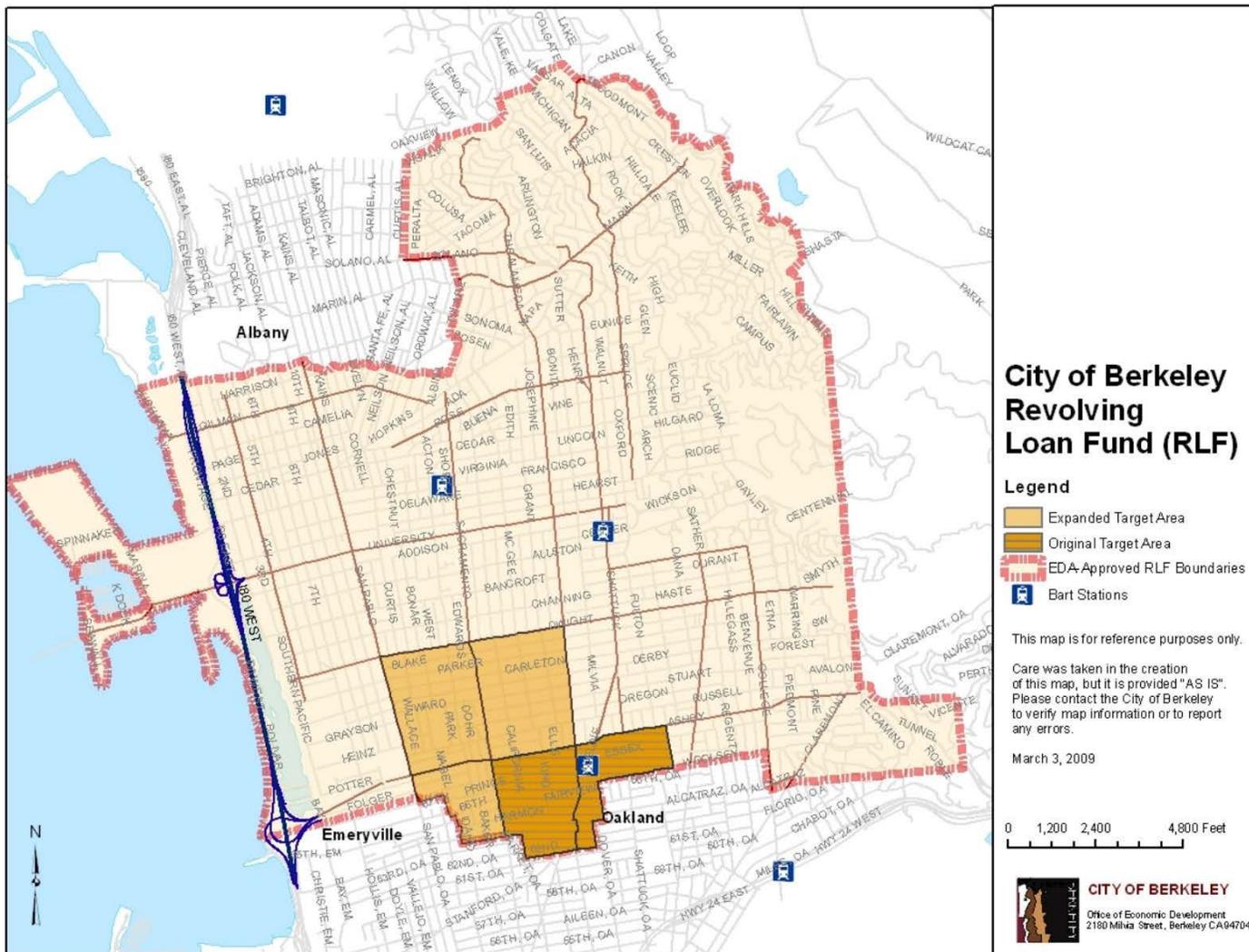
**List of Exhibits**

Exhibit A	Map of Target Area	Page 10
Exhibit B	Defederalization Approval by the U.S. EDA	Page 11

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Exhibit A

# Map of Target Area



## Exhibit B

### AGREEMENT TO RELEASE THE EDA FEDERAL INTEREST IN A REVOLVING LOAN FUND AWARD

THIS AGREEMENT is between the United States Department of Commerce, Economic Development Administration (EDA) and City of Berkeley (Recipient).

WHEREAS, EDA, pursuant to its authority under the Public Works and Economic Development Act of 1965 (PWEDA) (42 U.S.C. § 3121 *et seq.*), awarded to Recipient one or more grants to capitalize a Revolving Loan Fund (RLF) bearing EDA award number(s) 07-39-02523 (the Award).

WHEREAS, EDA retains a federal interest in the Award and Recipient has submitted a written request that EDA release its federal interest in the Award consistent with the requirements of the Reinvigorating Lending for the Future Act (Pub. L. 116-192), attached hereto as Appendix A (the Request).

WHEREAS, EDA and Recipient agree that the current value of the RLF capital base is \$1,103,611.87, the federal investment rate is 100%, and the federal share of the RLF capital base is \$1,103,611.87 (the Award Funds).

WHEREAS, EDA has determined that 1) more than seven years have passed since the final EDA disbursement to Recipient of funds under the Award, 2) Recipient has complied with the terms and conditions of the Award, and 3) Recipient proposes to use the Award Funds for one or more activities that continue to carry out the economic development purposes of PWEDA.

WHEREAS, EDA agrees herein to release its federal interest in the Award and Recipient agrees herein to use Award Funds for one or more activities that continue to carry out the economic development purposes of PWEDA.

NOW THEREFORE, EDA and Recipient agree as follows:

1. EDA's Release. EDA agrees to release its federal interest in the Award. EDA's reversionary interest in the Award will cease to exist as of the effective date of this agreement.
  - a. Recipient's use of Award Funds no longer needs to comply with, among other things, the following authorities:
    - i. OMB regulations at 2 CFR part 200, including the Compliance Supplement at Appendix XI, except that the Award Funds must appear in the Schedule of Federal Expenditures (SEFA) covering the fiscal year of release, and audited as required pursuant to 2 CFR part 200, subpart F.
    - ii. EDA regulations at 13 CFR chapter III, including the RLF-specific regulations at part 307, subpart B (including the requirement at 13 CFR § 307.14 to submit Form ED-209 RLF Financial Report to EDA).

- iii. The terms and conditions attached to the Award, including the Department of Commerce's Standard Terms & Conditions, the EDA RLF Standard Terms & Conditions, and any Special or Specific Award Conditions.
    - iv. The EDA-approved RLF plan or any related document governing administration of the Award.
  - b. This release of the EDA federal interest in the Award does not extend to or include a release of any other entity's interest in the RLF capital base, including another federal agency's interest in the RLF capital base. More specifically, if Community Development Block Grant funds from the U.S. Department of Housing and Urban Development (HUD) or funds from the U.S. Department of Agriculture (USDA) were used as local share under the Award, this release of the EDA federal interest does not extend to or include a release of any HUD or USDA federal interest in the RLF capital base. If Recipient seeks a release of another entity's interest in the RLF capital base, including another federal agency's interest in the RLF capital base, Recipient must negotiate such a release with the other entity and EDA will not participate in that negotiation.
- 2. Recipient's Use of Award Funds. Recipient agrees to use Award Funds for one or more activities that continue to carry out the economic development purposes of PWEDA.
  - a. Recipient shall not use Award Funds to construct schools, community centers, municipal buildings, or otherwise use Award Funds to carry out activities outside of the economic development purposes of PWEDA, nor shall Recipient use Award Funds to pay general costs of government.
  - b. Recipient shall not transfer Award Funds to a natural person, for-profit entity, or other entity ineligible for award under sections 3(4) and 209 of PWEDA (42 U.S.C. § 3122(4) and § 3149). For the sake of clarity, Award Funds may be used to contract with for-profit entities for goods and services for one or more activities that continue to carry out the economic development purposes of PWEDA and to operate an RLF that makes loans to for-profit organizations.
  - c. Award Funds must be used in a manner consistent with EDA's non-relocation policy. Specifically, Recipient shall not use Award Funds to induce the relocation of existing jobs within the U.S. that are located outside of a jurisdiction to within that jurisdiction in competition with other U.S. jurisdictions for those same jobs.
  - d. Award Funds must be used in accordance with section 602 of PWEDA (42 U.S.C. § 3212). Specifically, Recipient shall ensure that all laborers and mechanics employed by contractors or subcontractors on projects assisted by Award Funds shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor as provided by section 602 of PWEDA or as it may be amended in the future.
  - e. Recipient shall use Award Funds in accordance with applicable federal, state, and local law, including applicable non-discrimination law. Recipient may not use Award Funds for any purpose that would be prohibited by the Establishment

Clause of the U.S. Constitution if the Award Funds were expended directly by the Federal Government.

- f. Recipient is not required by the terms of this Agreement to seek EDA approval or permission to use Award Funds for one or more activities that continue to carry out the economic development purposes of PWEDA but that differ from the activities described in the Request, attached hereto as Appendix A.
  - g. Recipient shall provide timely and accurate responses to EDA inquiries regarding Recipient's use of the Award Funds. Following the release of EDA's federal interest, EDA remains interested in working with Recipient to promote Recipient's RLF or other activities that continue to carry out the economic development purposes of PWEDA.
3. Enforcement. In the event that EDA determines that Award Funds have been used in a manner inconsistent with this agreement, EDA may require Recipient to return the misspent portion of the Award Funds to the Federal Government, which may include the establishment of a debt with the U.S. Department of the Treasury.
  4. Indemnification. To the extent permitted by law, Recipient agrees to indemnify and hold the Federal Government harmless from and against all liabilities that the Federal Government may incur as a result of releasing EDA's federal interest in the Award.
  5. Governing Law; Severability. This Agreement is governed by applicable federal law, if any, and if there is no applicable federal law by state law. The terms of this Agreement do not limit the rights EDA, its designees, successors, or assigns are entitled to under applicable federal or state law. In the event that any provision or clause of this Agreement conflicts with applicable law, such conflict shall not affect other provisions of this Agreement that can be given effect without the conflicting provision, and to this end the provisions of this Agreement are declared to be severable.
  6. Entire Agreement. This Agreement contains the entire understanding of EDA and Recipient with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect to such matters.
  7. Authority. Recipient represents that (a) it has the power and authority to execute and perform this Agreement, (b) the execution and performance of this Agreement by Recipient have been duly authorized by all necessary corporate or other actions, (c) Recipient has duly and validly executed this Agreement, and (d) this Agreement is a legal, valid and binding obligation, enforceable against Recipient.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, EDA and Recipient have caused this Agreement to be duly executed by their respective officers as of the date indicated.

**DEPARTMENT OF COMMERCE,  
ECONOMIC DEVELOPMENT  
ADMINISTRATION**

By: **SHEBA PERSON-  
WHITLEY** Digitally signed by SHEBA  
PERSON-WHITLEY  
Date: 2024.04.18 06:24:14  
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\_\_\_\_\_  
Sheba Person-Whitley  
Regional Director  
Seattle Regional Office

**4/18/2024**

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Date

**CITY OF BERKELEY**

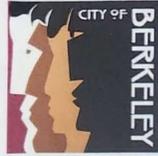
By: **Anne Cardwell** Digitally signed by Anne  
Cardwell  
Date: 2024.04.25 11:38:34  
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Anne Cardwell  
Deputy City Manager

**4/25/24**

\_\_\_\_\_  
Date

Appendix A:

Public



Office of the City Manager

April 9, 2024

To: U.S. Department of Commerce Economic Development Administration  
From: Anne Cardwell, Deputy City Manager, City of Berkeley  
Subject: Authorizing the City to request de-federalization of the Berkeley Revolving Loan Fund from EDA and to use such award funds for the continuation of a Berkeley Revolving Loan Fund

Dear Mr. Wessbecher,

On behalf of the City of Berkeley, I to request de-federalization of the Berkeley Revolving Loan Fund (RLF) from the EDA and to continue to use the award for the continuation of a RLF. The Berkeley RLF was created from an EDA grant received on September 24, 1980 and has provided over \$2,6 million in critical funding for 43 businesses, organizations and cooperatives through the past 40 years resulting in 225 jobs saved and 103 created.

The EDA retains a federal interest in the award and the City is submitting a written request that EDA release its federal interest in the award consistent with the requirements of the Reinvigorating Lending for the Future Act.

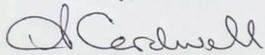
The City is requesting the de-federalization of the RLF from EDA to reduce the reporting burden and requirements for the City's RLF. The federal government has pulled many levers to alleviate these burdens, and one of those levers was the Reinvigorating Lending for the Future Act, an amendment to the Public Works and Economic Development Act (PWEDA) of 1965. In order to be eligible for de-federalization the EDA has established certain criteria that must be met before consideration. The EDA has determined that 1) more than seven years have passed since the final EDA disbursement of funds to the City under the award, 2) the City has complied with the terms and conditions of the Award, and 3) the City proposes to use the award funds to carry out the economic development purposes of PWEDA; and

De-federalization of these resources would also allow the City to use the RLF to leverage this asset to utilize additional financial resources, thus maximizing the value and impact of this federal investment.

2180 Milvia Street, Berkeley, CA 94704 • Tel: (510) 981-7000 • TDD: (510) 981-6903 • Fax: (510) 981-7099  
E-Mail: [manager@berkeleyca.gov](mailto:manager@berkeleyca.gov) Website: <http://www.berkeleyca.gov/manager>

Thank you for your consideration of our requests. We look forward to working with you and your staff to finalize this de-federalization request.

Sincerely,



Anne Cardwell  
Deputy City Manager  
City of Berkeley

CC:

Eleanor Hollander  
Manager  
Office of Economic Development

Kieron Slaughter  
Chief Strategist, Economic Innovation  
Office of Economic Development

Berkeley Loan Administration Board