

The Inglewood Redevelopment Agency of the City of Inglewood, California held a regular meeting on Tuesday, April 22, 2003, in the Council Chambers in City Hall of said City.

Chairman Dorn called the meeting to order at the hour of 2:37 p.m. The Secretary announced the presence of a quorum as follows:

Present: Chairman pro tem Price, Members Dunlap, Morales and Johnson;
Absent: Mayor Dorn.

It was moved by Member Johnson and seconded by Chairman pro tem Price that the minutes of the meeting held March 18, 2003 be approved as recorded. The motion was carried by the following roll call vote:

Ayes: Member Johnson and Chairman pro tem Price;
Noes: Member Dunlap;
Absent: Chairman Dorn;
Not Voting: Council Member Morales.

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RESOLUTION APPROVING PRELIMINARY LEGAL AND FINANCIAL WORK ON BEHALF IN CONNECTION WITH PROPOSED ISSUANCE OF BONDS.

Staff report dated April 22, 2003 was presented recommending adoption of a resolution approving preliminary legal and financial work on behalf of the Agency in connection with the proposed issuance of bonds and authorizing execution of consulting agreements with underwriting firms of Sutter Securities Incorporated and Backstrom McCarley Berry and Company, LLC and the bond counsel firm of Orrick, Herrington and Sutcliffe LLP.

This matter was held to the meeting of April 29, 2003.

Bond counsel requested Council's implied consensus to move forward with the process and was granted the go ahead until Council reconvenes with a more conclusive report.

Chairman pro tem Price declared the meeting recessed at the hour of 3:00 p.m.

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Mayor pro tem Price again called the meeting into joint session with the Redevelopment Agency at the hour of 7:01 p.m. with a quorum present.

131.8

PUBLIC HEARING HELD – HUD SECTION 108 LOAN REPROGRAMMING APPLICATION.

The City Clerk/Secretary announced that the next scheduled matter was a continued joint public hearing to consider a reprogramming application for the Housing and Urban Development (HUD) Section 108 Funds, that notice of this hearing has been given in the time, form and manner as required by law, the affidavit was on file and no communication was received on the matter.

The City Administrator/Executive Director presented staff report dated April 22, 2003 submitting background information.

Mayor/Chairman pro tem Price ordered the staff report dated April 22, 2003 received and filed.

Hilda Kennedy, Economic & Business Development Director, commented that the purpose of the hearing is to receive input and authorize staff to: 1) Reprogram 2.5 million dollars in HUD Section 108 loan funds for the senior citizen housing complex being proposed, 2) Reprogram 5 million dollars to establish a revolving loan fund and 3) Submit applications to HUD for an additional 5 million dollar loan. She further commented that the purpose of the proposal for a loan fund is to better leverage Section 108 funds that the City has

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received authorization to create a return on its investment with those monies. The proposed loan fund would require each borrower to provide a 3% commitment fee that includes application and commitment fees as well as a closing fee, which can be used for program income and general fund purposes. In addition, the program would require a 1.5% spread over cost of funds for HUD that could be used for CDBG areas. In addition, she noted that one of the critical components of the program is its conservative underwriting guidelines, which means that the business has to be loan ready. The borrower would have to be able to get conventional financing so that the City can ensure that it will be able to pay the loan back. It requires 10% borrower equity up to 40% in 108 loan funds and 50% private investment. Applicants must demonstrate sufficient cash flow and meet projected monthly debt service. Finally, she commented that the Redevelopment Manager would be able to respond to inquiries concerning reprogramming funds as it relates to the proposed senior center project.

Barron McCoy, Redevelopment Manager, commented that part of tonight's request to Council was reprogramming of 2.5 million dollars currently earmarked out of the first 5 million dollar allocation of Section 108 funds. He commented that the 2.5 million dollars is earmarked for the D-3 site and the Agency is in the process of designing a new senior citizen facility located at Locust and Queen Street in conjunction with other housing. He further commented that staff was requesting reallocation of 2.5 million dollars toward the senior citizen construction project and noted that it is anticipated that 2.5 million dollars won't be needed for the D-3 site based upon negotiation for deal points of the development. Additionally, he commented that the use of Section 108 funds for construction of the project is an eligible CDBG use and the fund could be used for construction of the senior center.

Council Member/Member Morales commented on the 2.5 million dollars to be reprogrammed for the senior center and inquired about funds not being used for what they were originally slated for and asked if the 2.5 million dollars was extra money.

Barron McCoy commented that the deal points out that the D-3 proposal hasn't been presented to Council but as the proposal was negotiated by staff and the developer, the funds won't be needed for that use. He noted that the funds could be allocated for the D-3 site.

Council Member/Member Dunlap inquired since the 2.5 million dollars allocated for the D-3 site would not be needed for the site, what would be needed and commented that she felt it was premature to make that assessment since Council has not been presented with the proposed plan or negotiations. She requested information regarding the financial parameters of the proposed negotiations on the site and more input regarding the disposition and development agreement.

Mark F. Weinberg, City Administrator/Executive Director, commented that it was possible to address some of the funding sources relative to the proposed project but could not discuss the details relative to the dollar amount.

Barron McCoy commented that staff is negotiating with the Bakewell Company to do a mixed use project at the site that the Agency currently owns at Florence and La Brea. In addition, he commented that the proposed project would consist of approximately 60,000 square feet of retail space with 54 residential units. In addition, it was noted that during negotiations, the developers performance was examined and analyzed by the Agency's economist and it was determined that subsidy provided to the project would be warranted toward the residential component and that source would come from the Agency's 20% monies or low and moderate income housing funds. He noted that this would be an eligible activity for that use if approved by Council.

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Council Member/Member Dunlap commented that she was not referring to housing, rather commercial - retail and inquired if assistance was requested. She further commented that when the project was presented to Council, not a nickel of set-aside funds were to be used for that project; it was all market housing and none was represented as affordable housing. She noted that this was not on track.

Barron McCoy commented that he was suggesting that the value of the property would offset the subsidy for the retail portion.

Council Member/Member Dunlap expressed her concern regarding grants being considered requested clarification. She inquired if the City could use funds obtained through the federal government to pay for improvements on Agency owned property that will be placed in the hands of private owners.

Barron McCoy commented that as of today, no collective decision by the Council has been made that the land for the senior center will be transferred to any private entity. He added that the City would actually own the senior center facility as negotiated and contemplated.

Council Member/Member Dunlap commented that the City does not own the senior center complex today and has no intentions of owning it in the future. She pointed out that it is owned by the Agency which is a state agency and the City is not allowed to maintain the property once it has been developed and she did not see how it could be said that the property would not be sold or given away to a private owner.

Barron McCoy concurred that the Agency does not own and maintain properties for the long term and reiterated that the Agency does not convey property to private owners.

Council Member/Member Dunlap commented that she did not feel that this could be done and pointed out that this had been done with parking structures and now the senior center and she felt it was a misuse of funds and requested some legal clarification. In regards to the 5 million dollars allocated for the Crenshaw Imperial site, she commented that the funds should still be earmarked for that purpose.

Council Member/Member Johnson expressed concern regarding money earmarked for the Imperial-Prairie area and noted that the area still needs more development. She inquired how funding could be secured to make sure the area gets the attention it deserves.

Hilda Kennedy commented that the reason the program is being proposed is because the Imperial-Prairie and Prairie areas need economic revitalization and this is an opportunity to leverage funds received from HUD in order to provide investment in the area and receive return on the investments. She also commented that Council could prioritize projects on how funds are expended or loans expended. Finally, she noted that this program does not preclude the City from looking at the Crenshaw-Imperial area.

Council Member/Member Johnson inquired what initially drove the change in the Section 108 loan, if there was an element in this program to assist those individuals who could not qualify for conventional loans, if there was anything to prevent the city from doing not a total allocation but a smaller amount on a probationary period to review later to see where we stood and see if this is a draw to bring in new businesses and the time span involved regarding the process.

Hilda Kennedy commented that several months ago, Council authorized the Economic and Business Development Department to contract with CDIC to assist in identifying mechanisms to spur investment in the city. She further commented that the current program in place does not offer assistance for persons unable to qualify for conventional loans but there are other programs in place and the city has partners who are non-traditional lenders.

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Mark F. Weinberg commented that relative to the issue of a probationary period of allocation, the city can redirect funds at anytime as long as funds have not been committed for loan purposes.

Hilda Kennedy commented that staff had been in discussion with HUD and officials in Washington, D.C. and received the information that the CDBG program is in jeopardy. Bill Lowenstein from OMB (Office of Management and Budget) was available to verify those concerns.

Bill Lowenstein suggested if Council does not move forward now, the money may not be there on October 1, 2003. He further commented that this has been in discussion for three weeks and OMB has asked Congress to eliminate the program. He pointed out that Secretary Martinez is appealing that decision. Additionally, he commented that once the City has the ten million dollars, it can set precedence for the programs and the policy still lies with Council. He further commented that the city can redirect all CDBG funds coming in. HUD has new guidelines also and the City may have HUD looking over its shoulders. He also noted that if block grant funds are used to repay business loans, HUD will want to see how the money is being managed.

Council Member/Member Johnson expressed her concern regarding the urgent nature of matters presented to Council and asked about timing in this specific process.

Hilda Kennedy commented that when this was proposed, staff had no clue that OMB would be presenting this information and noted that the only urgency is continuing to revitalize the community.

Council Member/Member Johnson asked for an explanation of the matching fund aspect.

Hilda Kennedy commented that staff had been in discussion with banks who are members of the federal home loan banks who will provide matching funds to private investment for borrowers interested in participating in this program. Through federal home loan banks, local banks can get CRA credit for low and moderate income communities and in creating partnerships larger lending pools are created.

Council Member/Member Johnson inquired if HUD was aware that the city was contemplating going with revolving loans.

Hilda Kennedy commented that the city has to submit an application requesting funds be reprogrammed and submit an application for an additional 5 million dollars and include staff report, minutes indicating actions Council takes along with program guidelines.

Council Member/Member Johnson inquired about the availability of funds and effectiveness of the application for the additional 5 million dollars in reference to earlier comments of Bill Lowenstein.

Bill Lowenstein commented that the money is there this year and this fiscal year will not be affected.

Mayor /Chairman pro tem Price inquired how this loan was different from others the City has in place and what kind of interest it has generated. He also requested a comparison of this program with the other two programs and the interest generated by the Grow Inglewood Fund and its success.

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Hilda Kennedy commented that this program is targeted for midsize and larger businesses that are interested in expanding and because of the interest rate which is below market rate and term of lending that is the great draw. She informed that there are two businesses currently interested in this investment tool and one of those two businesses is interested in consolidation.

Hilda Kennedy commented that this program is different because others are geared towards smaller businesses particularly the Micro Loan Program. The Grow Inglewood Fund is geared toward larger businesses but the interest rates are not as interesting as this program and the terms are well over 20 years. She further commented that the Grow Inglewood Fund has been successful and invited staff person Richard McNish to elaborate upon those successes.

Richard McNish discussed the Grow Inglewood Fund noting that the SBA 7-A Loan Program amounts can range from 35 thousand to 1 million dollars and contains a real estate component, renovation real estate, acquisition, refinancing of existing real estate and equipment. He noted that one business purchased its building on Prairie Avenue and expanded its business which cost approximately seven hundred thousand dollars. Another business on Manchester received thirty five thousand dollars to provide working capital for its travel agency and two auto repair businesses are currently in underwriting.

Mayor/Chairman pro tem Price inquired if there were any defaults.

Richard McNish responded no. In addition, he noted that the Micro Loan Program is different in that it can involve start up businesses. There are two loans that have gone left and staff is working on modifying the collection and monitoring procedures to increase the efficiency of the portfolio management. The City has loans paying current and one that was paid off a year ago. He noted that the default rate is 45 to 50 percent.

Mayor/Chairman pro tem Price inquired about the number of jobs generated.

Richard McNish commented that Grow Inglewood created an excess of 20 jobs and the Micro Loan Program considerably less.

Further discussion included use of terminology in the staff report, future projects, loan management and impact of use of funds for public sector improvements.

Council Member/Member Dunlap requested a full status report on all loans received by different businesses, what the loans were used for, jobs created and default loans. Additionally, she commented that Council needs to know what safeguards are in place. She also commented that it was her belief that the best use of the 5 million dollars for District 4 is what was originally planned.

Council Member/Member Johnson inquired if any other alternatives were looked into other than the revolving loan.

Hilda Kennedy commented that the reason that this program was chosen was to leverage funds and create an additional revenue source for the City. She also commented that the other program contacted the developer at the Crenshaw-Imperial site and the Agency staff has had conversation with them but there was no active movement. The city wants to utilize funds to spur economic development efforts and create a win-win situation.

Richard McNish commented that there were some difficulties in facing development projects, therefore the city ventured to create incentives through the loan program and combined lending which reduces the price of the project over the life of the loan..

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Mayor /Chairman pro tem Price inquired if there were any persons present who wish to address the Council/Agency on this matter.

Paul Russell commented that he was pleased that this was an open discussion between Council Members and staff and that there was an exchange of dialogue. He commented that he was concerned about senior center redevelopment and inquired about the rent of \$5,000 a month payment by the City to the Agency to rent the center. In addition, he commented that he disapproved of shuffling money back and forth and publishing a list of new businesses that didn't exist. He also expressed his concern regarding the reprogramming of funds and the D-3 site.

Diane Sambrano commended Council for its first open meeting and exchange. She discussed the senior center project and money being accounted for. She also referred to comments made regarding difficulty finding land, taking money from one place and moving it to another and doing market research. In regards to the senior center, she inquired if the City was playing shell games and co-mingling funds. She expressed her displeasure with the number of jobs created and commented that the Crenshaw-Imperial area needed to be revitalized.

Jascha Smulovitz Florentyna, Fresh Pasta Factory, 400 Warren Lane, commented that the loan program has helped to expand his business with reasonable rates. He added that this program was feasible.

Council Member/Member Dunlap commented that she would like some additional information and was hopeful that her colleagues agreed. She requested that the public hearing be continued and that a full report on current loan programs the City now has, businesses created and job titles. She also requested more information regarding staff's statement concerning that the D-3 site no longer needed the HUD 108 funding and funding for the senior center. She commented that the most critical issue was funding for the senior center and expressed her hope that legal counsel address concerns relating to the Agency mentioned earlier.

Council Member/Member Johnson concurred with Council Member/Member Dunlap and requested that the information be brought back to Council. She expressed her concerns about the Crenshaw-Imperial area and securing funds, protecting those funds, and a potential pilot program.

Council Member/Member Morales commented that he agreed with his colleagues and noted that there was not enough information to move on the matter. He commented that he needed additional time to look at why reprogramming was necessary and inquired will the Crenshaw-Imperial area be developed if the money is taken away.

Mayor /Chairman pro tem Price commented that this was an exciting use of the funds but the majority of Council is not convinced it is the best move at this time and suggested staff meet with each Council Member to discuss the matter.

Mark F. Weinberg summarized concerns and commented that he would feel comfortable getting a sense from the Council whether conceptually this kind of program makes sense. After further discretion, he pointed out that there is not a sense of urgency in this matter but there are things occurring in Washington D.C. regarding the elimination of certain projects.

Mayor/Chairman pro tem Price commented that additional information was needed even though he was supportive of the project.

Council Member/Member Johnson commented that she was supportive of this process as long as money was protected that was earmarked and she's willing to continue dialogue and move forward.

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Hilda Kennedy commented that if Council could move forward with approving the program as a loan program and earmarking funds for the 4th district that would provide staff with an opportunity to move forward in getting the funds leveraged and getting some activity in those areas.

Council Member/Member Dunlap requested a copy of the original application regarding the intent of the 5 million dollars for the Crenshaw-Imperial area and referred to language regarding loan amount.

By consensus of Council/Agency the public hearing was continued to May 20th 2003.

There being no further business to be presented, Mayor/Chairman pro tem Price declared the meeting adjourned at the hour of 8:17 p.m.

City Clerk/Secretary

Approved this _____ day of _____, 2003

Mayor/Chairman pro tem

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