



## CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 9/27/2016

District D

Item Creation Date: 7/28/2016

HCD16-76 Houston Business Development Inc. Agreement of  
Resolution

Agenda Item#:

### **Summary:**

**AN ORDINANCE APPROVING AND AUTHORIZING AN AGREEMENT OF RESOLUTION BETWEEN THE CITY OF HOUSTON (CITY) AND THE HOUSTON BUSINESS DEVELOPMENT, INC. (HBDI), RELATING TO THE CITY'S SECTION 108 LOAN GUARANTEE ASSISTANCE PROGRAM, TO PROVIDE FOR THE RESOLUTION OF HBDI'S SECTION 108 SMALL BUSINESS LOAN BALANCE IN EXCHANGE FOR THE PROVISION OF BRIDGE FINANCING FOR FUTURE ECONOMIC DEVELOPMENT PROJECTS IN PARTNERSHIP WITH THE CITY; CONTAINING VARIOUS FINDINGS AND OTHER PROVISIONS RELATING TO THE FOREGOING SUBJECT; AND DECLARING AN EMERGENCY.**

### **Background:**

The Housing and Community Development Department requests Council approve the authorization of an Agreement of Resolution between City of Houston and HBDI regarding the remaining Section 108 Loan balance.

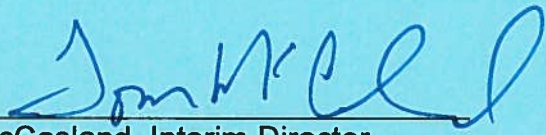
In January 2007, City Council approved City of Houston Ordinance 2007-141 providing additional EDI funds to support the City's Section 108 notes in the amount of \$8,890,000. HBDI was awarded and successfully deployed \$8,290,000 through small business loans, creating jobs for low- to moderate-income residents of the Houston area. Due to underperforming loans, HBDI has difficulty maintaining its minimum payments under the current Amended and Restated Subrecipient Promissory Note, which has an outstanding balance of \$1,540,646.47.

At the time EDI funds were awarded, HBDI and the City held a mutual understanding that EDI funds could be used as a loan loss guarantee in the event a small business could not fully repay its loan. However, EDI regulations limit how the loan loss reserve can be used and this reserve is not available to service the current outstanding balance. As a result, HBDI will likely fail to repay unless additional assistance is provided.

Formerly known as the City of Houston Small Business Development Corporation, HBDI has been a strong partner for over 29 years and has served as a vital instrument of the City to carry out HCDD's economic development mission.

In return for the proposed Agreement of Resolution of its Section 108 Loan balance, HBDI will provide bridge loans totaling \$1,540,646.47. These will provide gap funding for economic development projects in partnership with the City. Over the next five years, the City will propose projects under the HBDI's guidelines and receive priority consideration.

This item was reviewed by the Housing and Community Affairs Committee on September 20, 2016.



Tom McCasland, Interim Director

**Prior Council Action:**

3/9/11, (O), 2011-183

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