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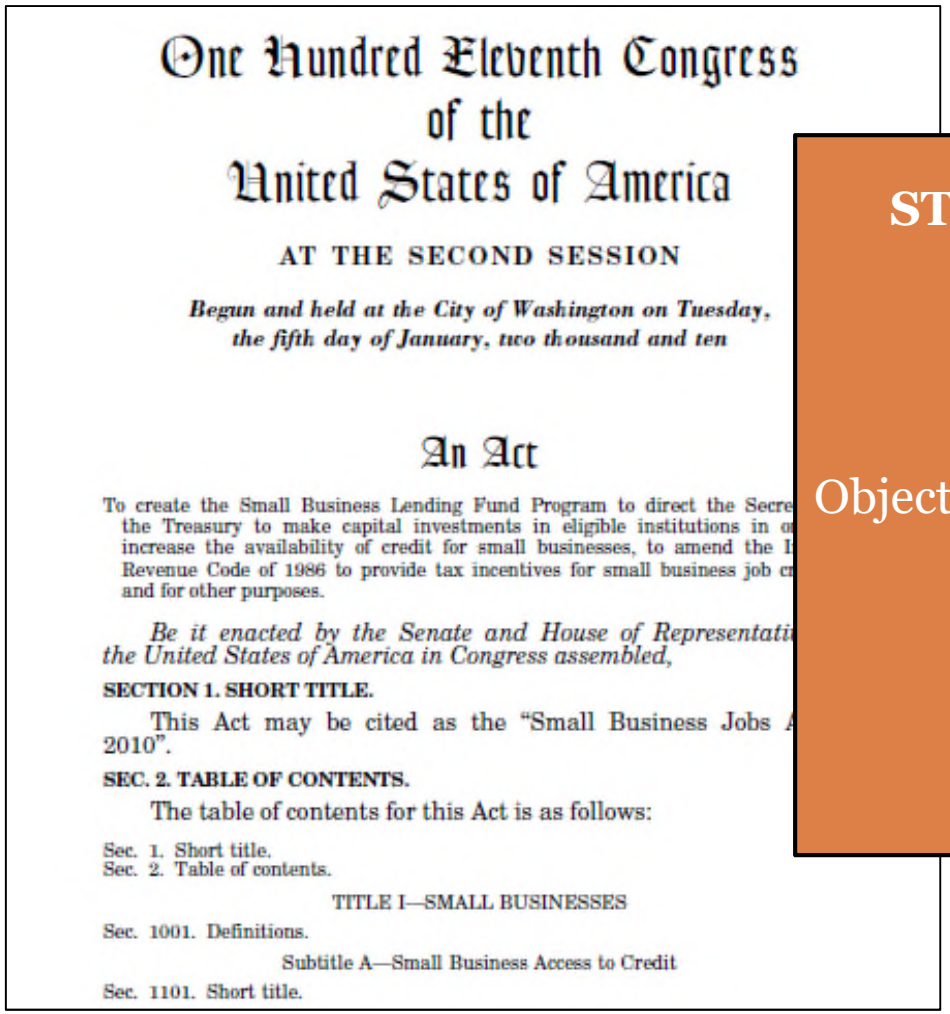
SSBCI and GARJA

February 12, 2020

Holly Hunt, SSBCI and GARJA Program Manager

Georgia State Small Business Credit Initiative

State Small Business Credit Initiative Act



One Hundred Eleventh Congress
of the
United States of America

AT THE SECOND SESSION

Begun and held at the City of Washington on Tuesday, the fifth day of January, two thousand and ten

An Act

To create the Small Business Lending Fund Program to direct the Secre
the Treasury to make capital investments in eligible institutions in o
increase the availability of credit for small businesses, to amend the I
Revenue Code of 1986 to provide tax incentives for small business job cr
and for other purposes.

*Be it enacted by the Senate and House of Representati
the United States of America in Congress assembled,*

SECTION 1. SHORT TITLE.

This Act may be cited as the "Small Business Jobs A
2010".

SEC. 2. TABLE OF CONTENTS.

The table of contents for this Act is as follows:

Sec. 1. Short title.
Sec. 2. Table of contents.

TITLE I—SMALL BUSINESSES

Sec. 1001. Definitions.

Subtitle A—Small Business Access to Credit

Sec. 1101. Short title.

STATE SMALL BUSINESS CREDIT INITIATIVE ACT OF 2010

Enacted Sept. 27, 2010

Objective: To strengthen state programs that leverage private lending to help finance small businesses and manufacturers that are credit-worthy, but not getting the loans they need to expand and create jobs.

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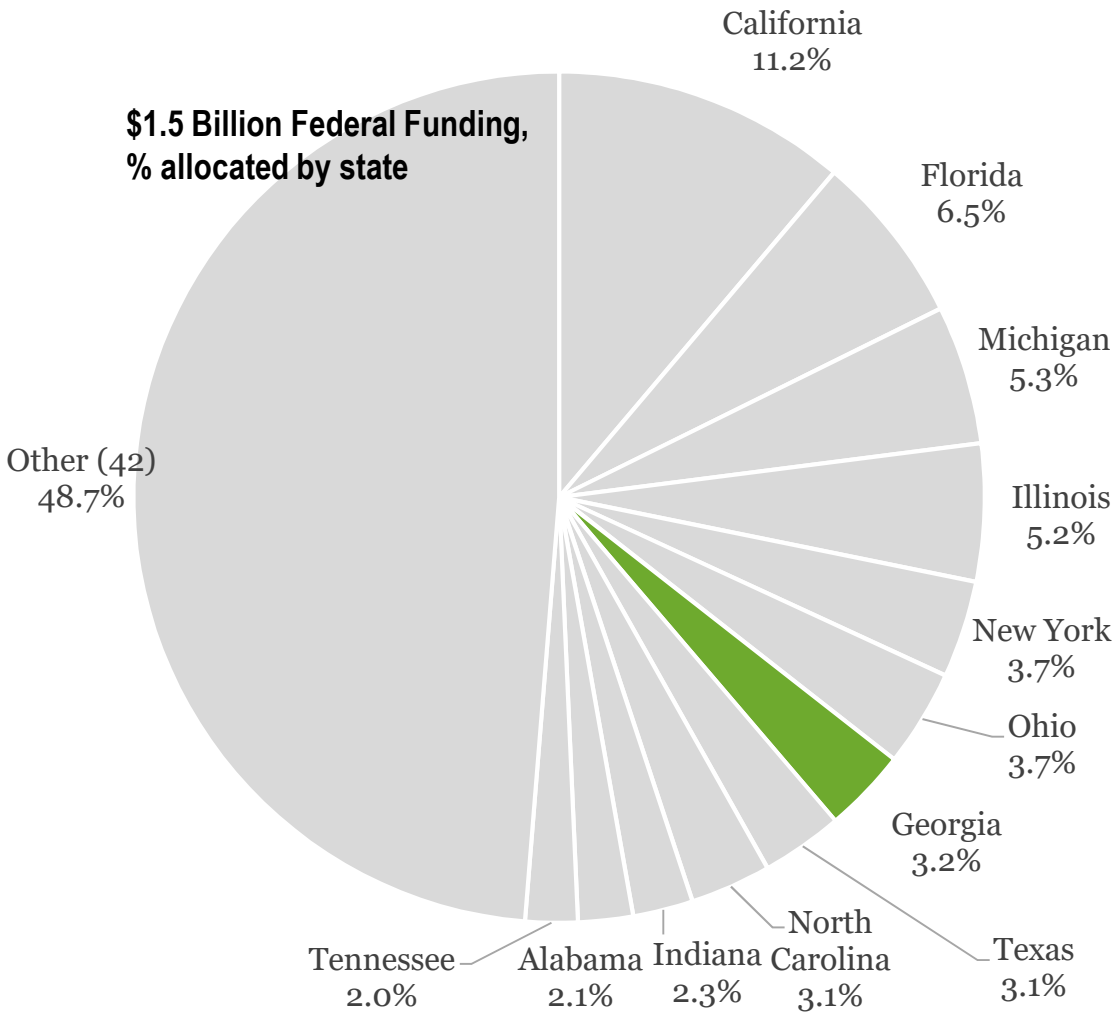
SSBCI Allocations by State



Georgia allocation
$48,024,748

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SSBCI Program Execution

As of December 31, 2019

Enrolled Loans	586
SSBCI Investment	$64,406,260
Private Investment	$340,230,640
Jobs Created	2,971
Jobs Retained	2,688
Counties Served	79
Participating Lenders	57

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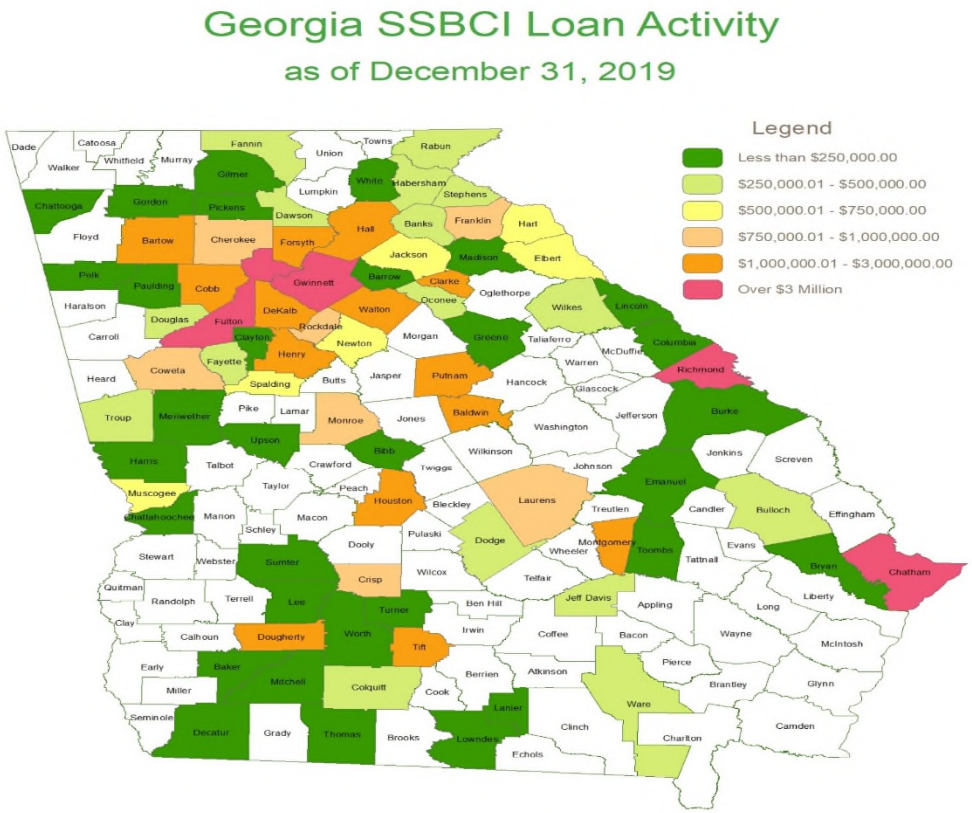
SSBCI Program Execution



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STATE SMALL BUSINESS CREDIT INITIATIVE

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Georgia's SSBCI Program: Sustainability Plan

The Treasury program ended on March 31, 2017. To sustain Georgia's SSBCI program, Georgia now offers the current programs:

Georgia Small Business Credit Guarantee

To guarantee financiers' loans to small businesses that employ thousands of Georgians.

Georgia Loan Participation Program (LPP)

To assist Georgia's private financial institutions in providing capital to small-to-mid-sized employers.

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SSBCI Advantages

- Lenders
  - Credit enhancements
  - Delegated lending
  - Potential for Community Reinvestment Act (CRA) credit
  - Streamlined process
  - Increased loan portfolio
- Small Businesses
  - Access to affordable capital
  - Establish banking relationships
  - Stronger financial condition

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SSBCI General Eligibility Criteria

- Eligible Business Purposes Include:
  - Start-up costs,
  - Working capital,
  - Business procurement, e.g., franchise fees,
  - Equipment and inventory, and
  - Purchase, construction, renovation, or tenant improvements for a place of business.
- Refinancing is not eligible; However, renewals are eligible under certain conditions.
- Passive real estate investments are not eligible. Must be Owner Occupied.

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Georgia Loan Participation Program (LPP)

- Georgia LPP can be used to purchase a portion of a loan by an approved lender to a small business borrower in Georgia.
  - LPP can purchase up to 25% of the loan originated by the approved lender.
  - LPP can purchase a participation in loans ranging from $10,000 to $20,000,000 from approved lenders.
  - **Maximum participation** purchased is **currently** $250,000.
- Georgia LPP may be used for interim bridge financing, including SBA 504.
- SSBCI is in second lien position behind the lender.
- No fees!

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Small Business Credit Guarantee (SBCG)

- The SBCG Program provides a 50% loan guarantee.
  - SSBCI funds are leveraged with private capital from eligible lenders (banks, credit unions, and CDFIs).
  - Initial fee equal to 2% of the guarantee amount in addition to an annual fee in an amount of .5% of the outstanding guarantee for each subsequent calendar year.
  - Current maximum amount is a $200,000 guarantee on a $400,000 loan.
  - Excellent for working capital line of credit loans.

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Georgia Funding for CDFIs

- Community Development Finance Institutions (CDFIs) are private institutions certified by U.S. Treasury to provide credit and financial services to underserved markets/populations.

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Georgia Funding for CDFIs

- Georgia operated a CDFI companion loan program specifically designed to increase access to capital for Georgia's underserved small businesses.
  - For example, this program supported small businesses located in low- and moderate-income communities, as well as minority- and women-owned businesses.
  - Principal and interest repayments remained at the CDFI as revolving loan funds, administered by the financial institution on behalf of DCA.
  - CDFIs now have collectively $20 million in revolving SSBCI loan funds to deploy in their respective lending areas for small business lending.
  - Access to Capital for Entrepreneurs (ACE), Albany Community Together (ACT!), Georgia Cities Foundation (GCF), Small Business Assistance Corporation (SBAC), and Southwest Georgia United (SWGAU).

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Project: Clarke County, Grantswen Properties, LLC, The Sign Brothers, LLC

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Project: Clarke County, Grantswen Properties, LLC, The Sign Brothers, LLC

Funding	Amount
South State Bank	$ 828,750
SSBCI GA LPP (15%)	$ 146,250
Owner Equity	$ 85,115
Total Project	$1,060,115

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Project: Sparrow Hill Inn, Monroe, GA

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Project: Sparrow Hill Inn, Monroe, GA

Helping Small Business Owners Bring Bed and Breakfast and Small Event Venue to Historic Monroe, Georgia Downtown District

- ***Joy Gilliam and Kimberly Mayfield***, co-owners of ***Sparrow Hill Inn.***

Funding	Amount
Local Bank	$348,000
DCA DD RLF	$ 63,000
Borrower Equity	$ 73,000
GCF/SSBCI	$216,000
Total Project Cost	$700,000

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Georgia Agribusiness and Rural Jobs Act Program

Georgia Agribusiness and Rural Jobs Act (GARJA)

- Investment tax credit enacted by General Assembly in 2017 session.
- Intended to provide access to capital for Georgia businesses in some of the state's most rural areas.

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Georgia Agribusiness and Rural Jobs Act (GARJA)

- Program launched in February 2018 with objective to deploy $100 million of capital investment by June 30, 2020 supported with $60 million in tax credits.
- After extensive application process to participate, approval of participants and capital raise, program lending began July 1, 2018.
- **First performance reports due to DCA in July 2020.**

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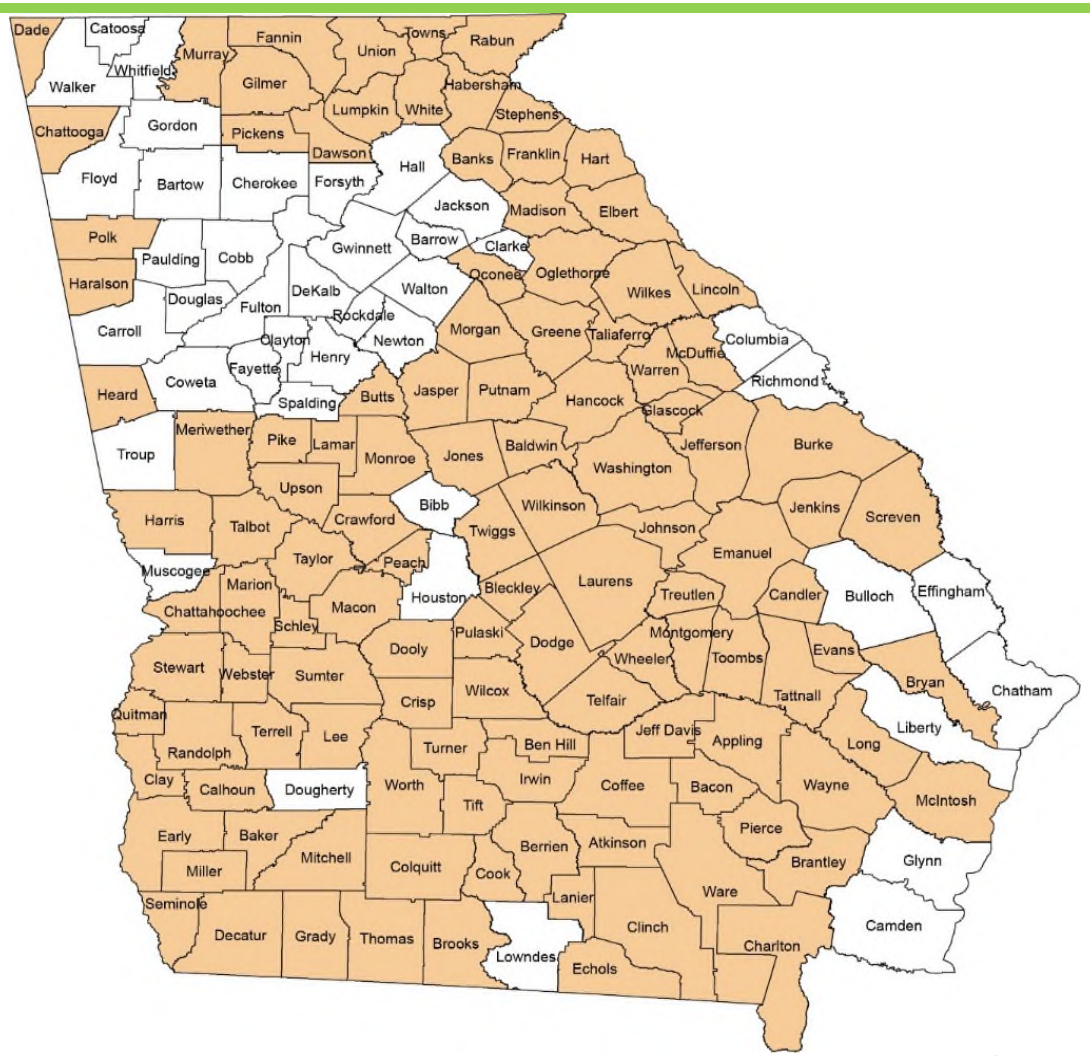
GARJA – ELIGIBLE COUNTIES



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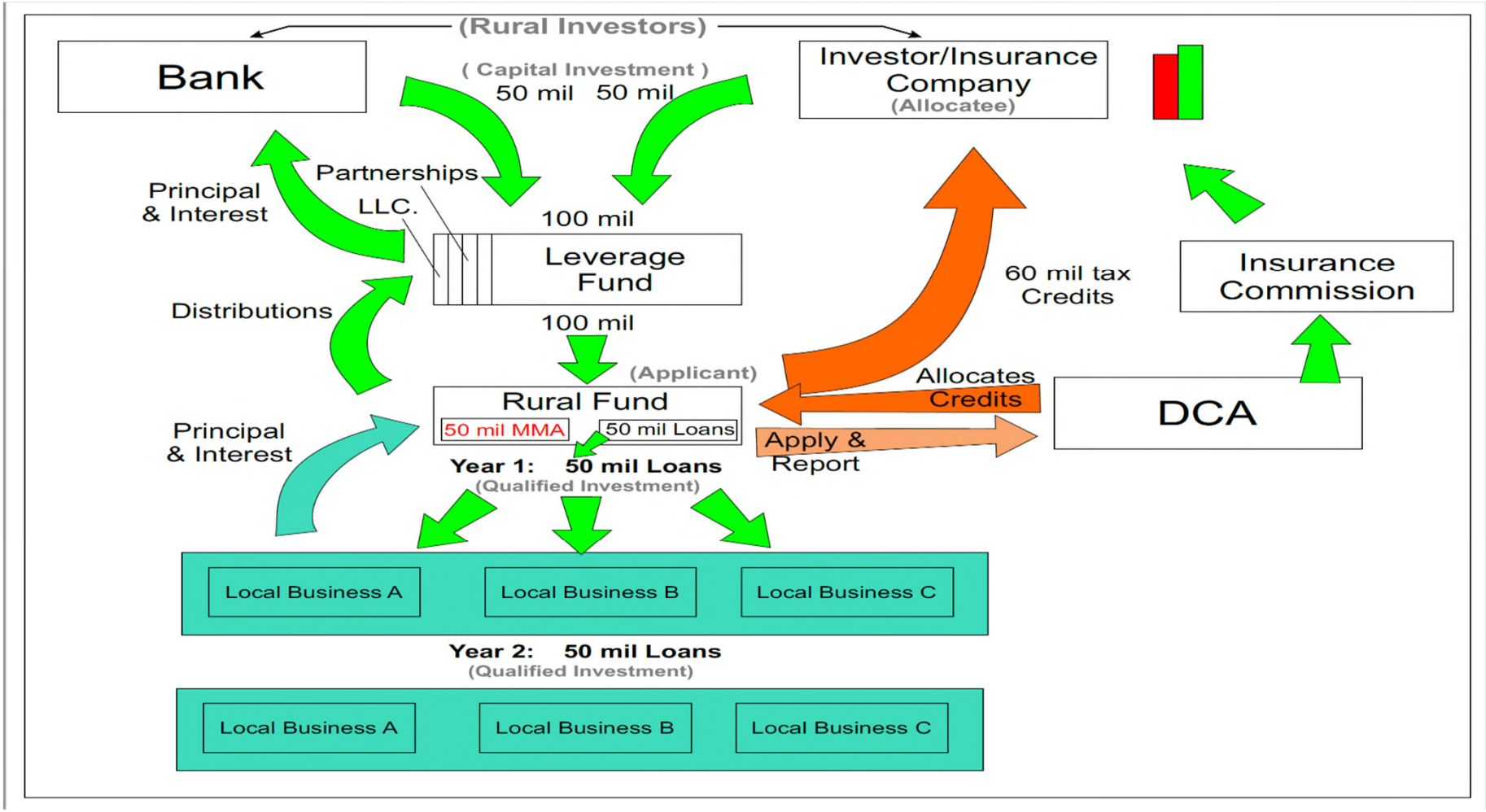
GARJA Funds Flow



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How does the GARJA Program work?

- Investment Companies created Rural Funds to participate in the investment program created by GARJA.
- The state approved five Rural Funds to participate in the GARJA Program.

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How does the GARJA Program work?

- Each Rural Fund raised $20 million (total of $100 million).
- Each Rural Fund must now deploy this capital in the form of loans or equity investments to support business expansion and local job growth in rural Georgia counties.
- At least 10% of the capital investments must be initially invested in eligible businesses engaged in agribusiness.

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How may GARJA funds be used?

- Investments may be in the form of term loans, line of credits or equity investments to support business expansion.
- Loans to eligible businesses through the GARJA Program must have a term of at least one year.
- Maximum loan is $6.5 million by statute.
- Businesses may use the proceeds of the investments to purchase equipment, hire additional employees, expand a facility or product line, and more.

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How does a business qualify?

The business may be eligible to receive GARJA funding if:

- The business has fewer than 250 employees.
- The business is in one of the following industry sectors:
  - Agricultural
  - Manufacturing
  - Health Care
  - Technology
  - Transportation.
- The business is located in a Georgia county that has less than 50,000 people.

For a complete listing of eligible NAICS *codes* and eligible counties, please visit dca.ga.gov and search GARJA.

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GARJA Project – Danimer Scientific

Southeast Community Development Fund X, L.L.C. / Advantage Capital

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GARJA Project – Danimer Scientific

Southeast Community Development Fund X, L.L.C. / Advantage Capital

- Danimer Scientific in Bainbridge is doing its part to help promote greater prosperity in rural Georgia. Producing biodegradable and compostable polymers to replace plastics made from petrochemicals, Danimer is expanding rapidly to meet today's sustainability needs. With a recent investment through the GARJA program, the company is hiring many dozens of new employees over the next few years, most from the surrounding areas, as it increases production.
- Three out of every four new positions will be accessible to those with a high school degree or equivalent, helping to grow the local workforce and keep people in Decatur county with good jobs and opportunity.

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GARJA Project – Danimer Scientific

Southeast Community Development Fund X, L.L.C. / Advantage Capital

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GARJA – Holton Cattle & Consulting – Camilla

Stonehenge GA Rural Fund, LLC / Stonehenge Capital

Lane Holton

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GARJA - Holton Cattle & Consulting - Camilla

Stonehenge GA Rural Fund, LLC / Stonehenge Capital

- Lane Holton and his family have been raising cattle for over 40 years, purchasing calves and raising them over 60 to 90 days to be sold to the feedlots in Kansas, Texas, Oklahoma and other western states. In addition, the Company acquires calves on behalf of large clients and prepares the cattle for shipping to the western feedlots, earning a consulting fee.
- During the late 2000 recession, the Company shifted to only providing consulting services as capital dried up to fund purchasing cattle on their own behalf.
- Even as the economy recovered and access to capital improved, growth capital in rural Georgia remained very limited beyond local bank support.
- Through the Mitchell County Economic Development team, Holton Cattle & Consulting approached Stonehenge Capital seeking capital to restart its "owned-cattle" business that would smooth out the consulting volatility and increase the Company's margins.
- Stonehenge invested both senior debt and equity into Holton Cattle & Consulting that provided the Company the patient capital it needs to redevelop its large owned-cattle operation.

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GARJA – Hellman-Chang – Dawsonville

Georgia Rural Investment Fund, LLC / Affordable Equity Partners

Holly Hunt, Eric Chang, Dan Hellman, Walker Smith

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GARJA - Hellman-Chang- Dawsonville

Georgia Rural Investment Fund, LLC/ Affordable Equity Partners

- Hellman-Chang, co-owned by Dan Hellman and Eric Chang, is a boutique manufacturer of high-end furniture that was located in Brooklyn, NY. Hellman-Chang sells approximately 500+ furniture pieces annually through showrooms across the United States. Each piece is made by local artisans and custom made to order.
- Due to high real estate costs and wage pressures in New York, Dan and Eric decided they needed to relocate the business.
- After locating a property to purchase in Dawson County, GA, they learned they would not be able to obtain traditional bank financing because of the "non-value add" building improvements they were going to require.
- Through the assistance of the Dawson County Chamber and Economic Development team, Georgia Rural Investment Fund, LLC (GRIF) was able to provide both a term loan for building purchase and renovations and revolving line of credit for any unfunded building improvements, cash shortages during the relocation and on-going working capital needs to fund growth.
- When you visit their website, it now proudly indicates:

"Born in Brooklyn / Grown in Georgia".

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GARJA – Hellman-Chang – Dawsonville

Georgia Rural Investment Fund, LLC / Affordable Equity Partners

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GARJA Program Rural Fund Contact Information

If you have an opportunity that you believe qualifies, contact one of the investment companies below.

Advantage Capital
Reid Hutchins
rhutchins@advantagecap.com
518.743.0060

Community Capital
Ryan Barton
rbarton@c9cap.com
319.389.6439

Affordable Equity Partners
Cyle Reissig
creissig@aepartners.com
404.841.2227

Enhanced Capital
Doug Beekman
dbeekman@enhancedcapital.com
202.531.0404

Stonehenge Capital
Jon Dangar
jbdangar@stonehengecapital.com
404.372.9844

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For more information

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Questions?

- Georgia Agribusiness and Rural Jobs Act (GARJA)

- State Small Business Credit Initiative (SSBCI)

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