GEORGIA DEPARTMENT OF COMMUNITY AFFAIRS

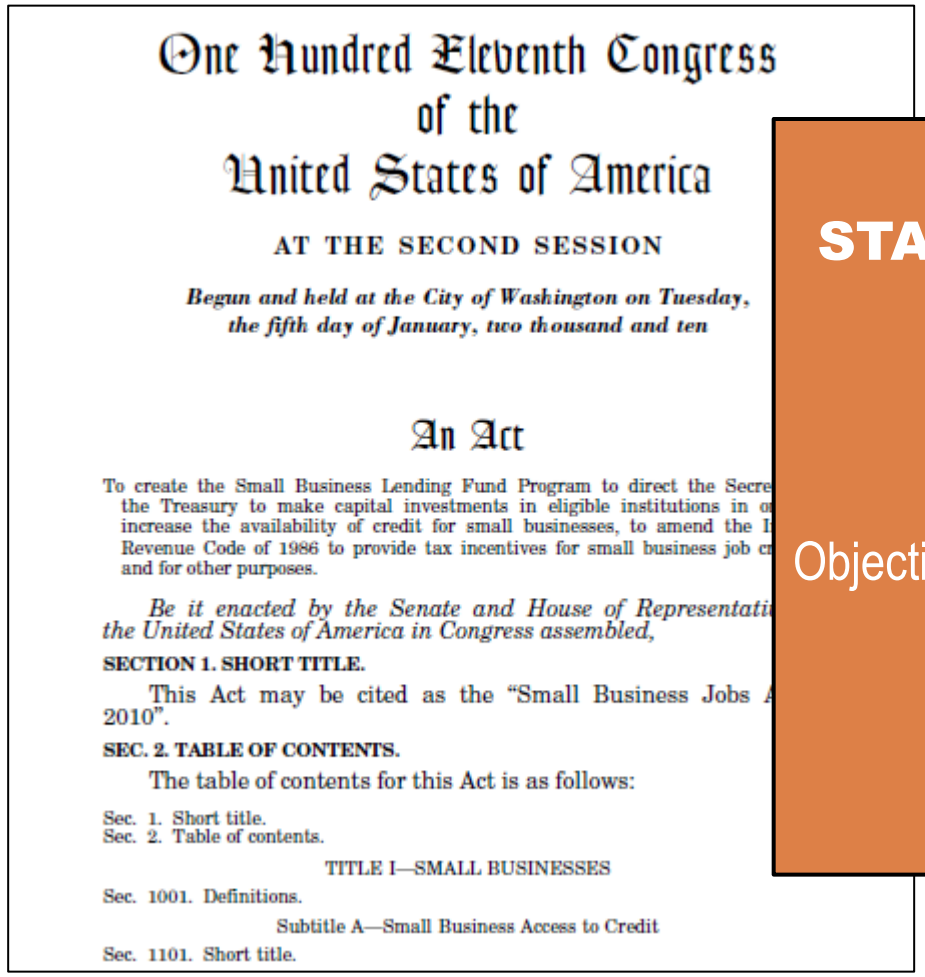
Georgia State Small Business Credit Initiative

Georgia Department of Community Affairs

June 14, 2019

SIDEBAR CONFERENCE - ATLANTA

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

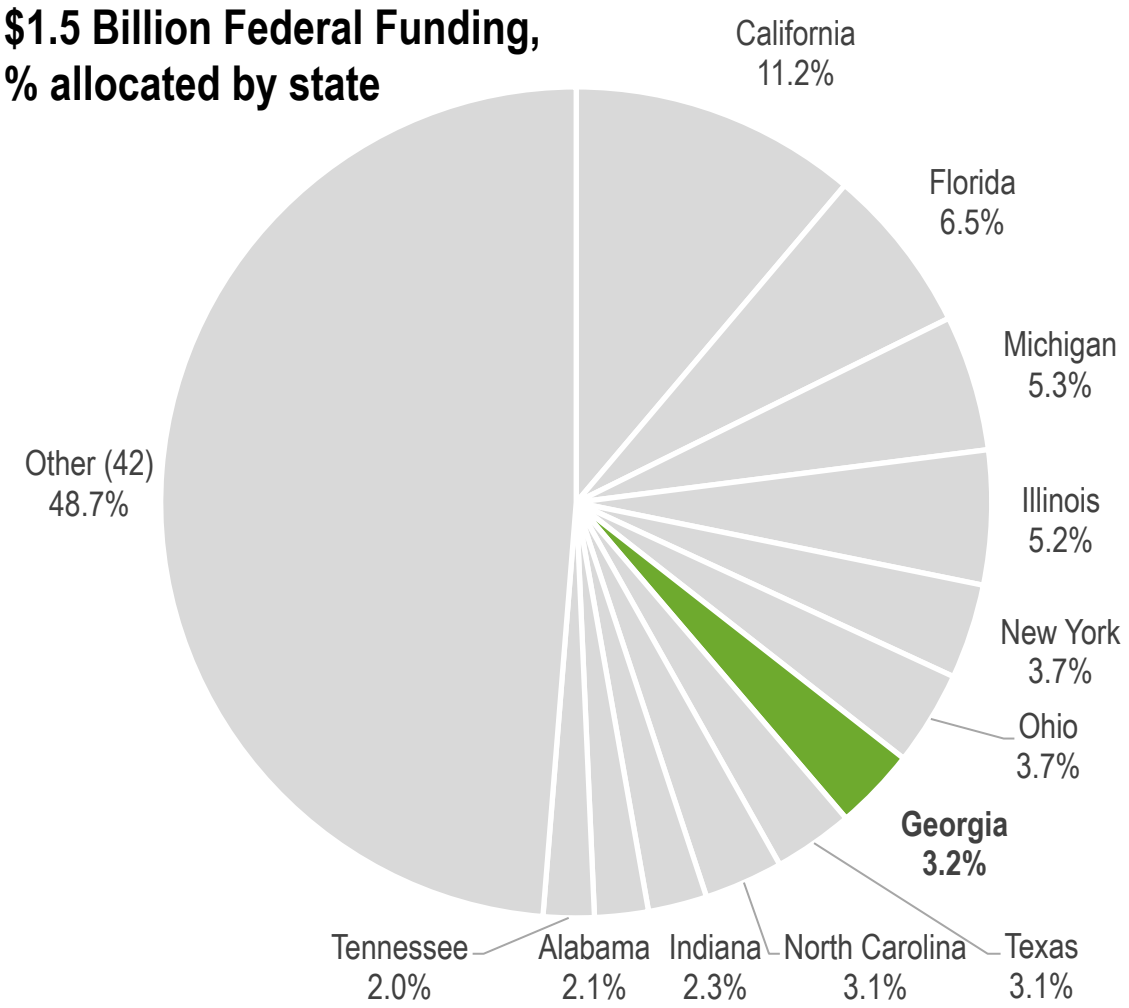
Sec. 1101. Short title.

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 creditworthy, but are not getting the loans they need to expand and create jobs.

SSBCI Allocations by State

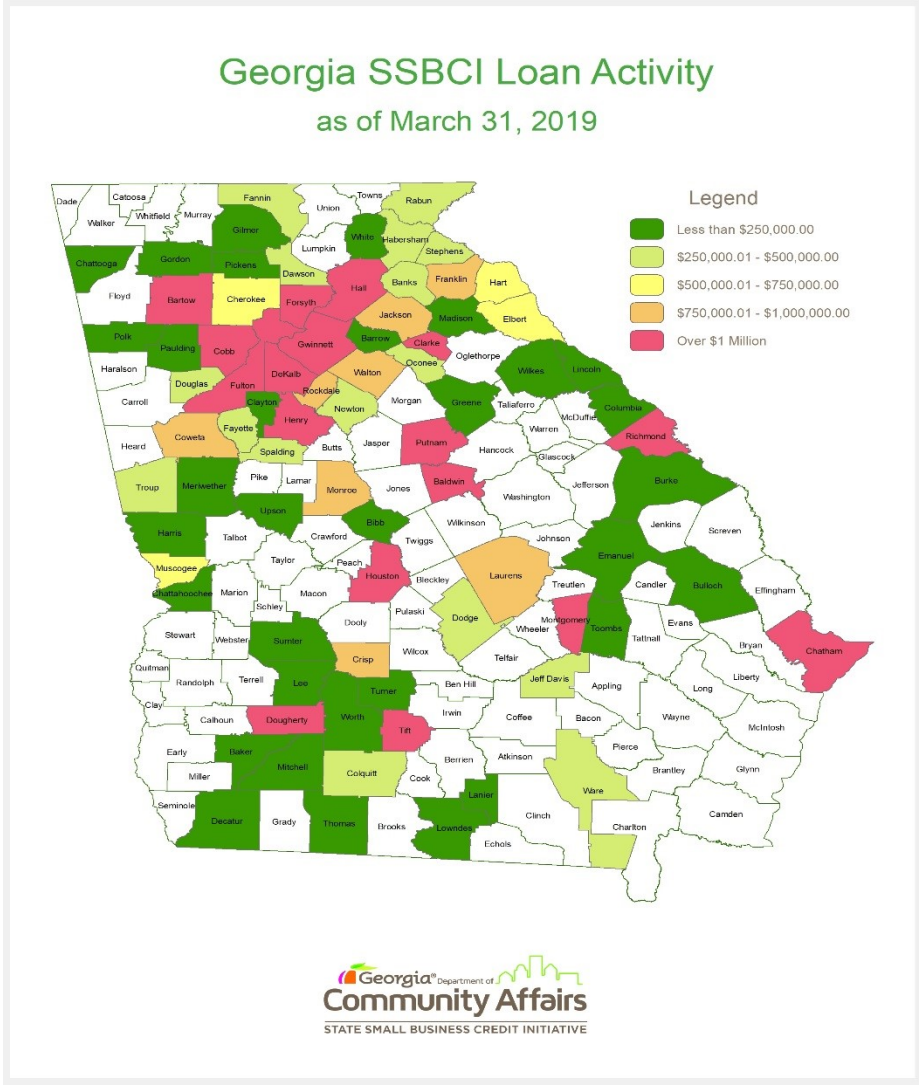


Georgia allocation
$48,024,748

SSBCI Program Execution

As of March 31, 2019

Enrolled Loans	577
SSBCI Investment	$64,281,443
Private Investment	$337,463,495
Jobs Created	2,908
Jobs Retained	2,493
Counties Served	78
Participating Lenders	56



Georgia's SSBCI Program: Sustainability Plan

To sustain Georgia's SSBCI program, current plans are to continue to deliver the following:

Georgia Small Business Credit Guarantee

$10.8 million

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

Fund as many small businesses as possible, and thereby sustain jobs

Georgia Loan Participation Program (LPP)

$17.2 million

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

Generate interest/funding necessary to sustain program operations

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
  - New/expansion market opportunities
  - Expertise
  - Establish banking relationships
  - Stronger financial condition

SSBCI General Eligibility Criteria

- Business purposes eligible to use loan proceeds 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.

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.

Small Business Benefits	Administrative Considerations
• Availability of capital from a qualified lender for borrowers • No additional fees	• Enables SSBCI support for mid-sized companies who create jobs for Georgians

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, qualified private lenders, 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.

Small Business Benefits	Administrative Considerations
• Availability of capital from a qualified lender for borrowers • Ideal for working capital financing	• By securing smaller loan amounts, the SBCG reaches more small businesses, enabling job creation

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.
- 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).

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

The purpose of this funding was to provide for a construction/permanent loan to purchase and renovate a 9,600 sq. foot office/warehouse facility in Bogart, Georgia (Clarke County) that will enable The Sign Brothers to better meet the demands of their growing business. Grantswen Properties, LLC (EPC) will own the property being purchased and will lease 75% of the total space to the operating company/guarantor, The Sign Brothers, LLC. The Sign Brothers needed additional space for the design, printing, manufacturing and installation equipment, as they manage the entire process of their production of signs for their customers. They provide architectural signs, banners, monuments, vehicle graphics and wraps, yard signs and many other options.

The Georgia SSBCI program is participating in this project with a total amount of $146,250, which is 15% of the lender's total loan amount. **This project will help to create 5 new jobs and retain over 16 existing jobs in the area.**

Total Project Costs: $1,060,115

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

Project: Monroe, GA Bed & Breakfast

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***, a bed and breakfast and small event venue in the downtown district of Monroe, Georgia vision was to create a mix of traditional Southern style with a modern touch.
- Their vision became a reality when they teamed together on the **$700,000 project** which was made possible using a variety of funding tools: by leveraging the private funding of **a local bank in the amount of $348,000**, a **$63,000 low-interest rate loan from the Department of Community Affairs Downtown Development Revolving Loan Fund** and **$73,000 of their own equity.** The Georgia State Small Business Credit Initiative Program (SSBCI) was able to provide a loan in the amount of **$216,000 from the Georgia Cities Foundation CDFI funding provide by SSBCI.**
- If not for the SSBCI funding piece the project would not have been able to go forward. The SSBCI program assisted in leveraging over **$484,000 in private funding and owners equity.** The project resulted in the **creation of 15 jobs for the local community.**

Other Examples of SSBCI Loans

- Griffin, GA: SBA 504 with EPC/OC structure. $1,054,178 TPC.
  - Construction of 16,000 sf of owner occupied commercial building/shop.
  - EPC will own RE; OC will operate outdoor advertising services company that provides vinyl wraps (signage) for tractor trailers and box trucks in addition to repairs and welding services.
  - Bank loan = $945,970; SSBCI = $236,492.50 (25%) Participation
- Commerce, GA: $170,000 loan request with (15%) $25,500 participation.
  - Borrower to purchase office space they currently rent for H&R Block office.
- Milledgeville, GA: $250,000 SBCG loan with $125,000 Guaranty. Working capital line of credit for local IT and data protection service.
  - Purchase hardware and software when needed

For more information

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COMMUNITY AND ECONOMIC DEVELOPMENT

Georgia® Department of
Community Affairs