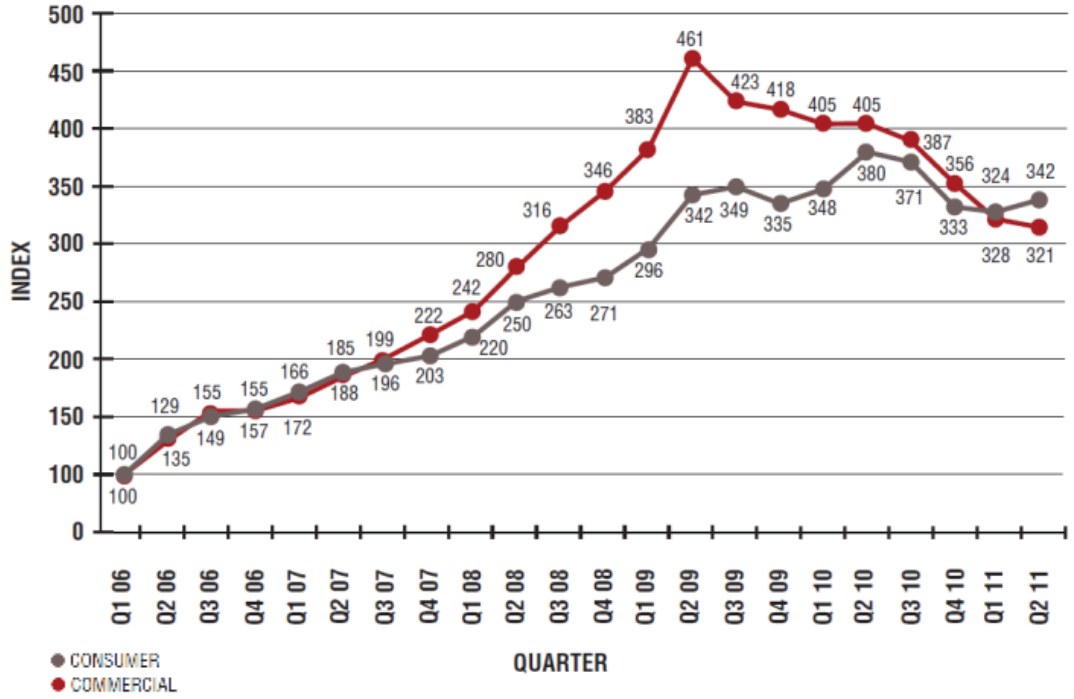
GEORGIA DEPARTMENT OF COMMUNITY AFFAIRS

Georgia State Small Business Credit Initiative

Georgia Department of Community Affairs

Background: 2010 Economic Environment

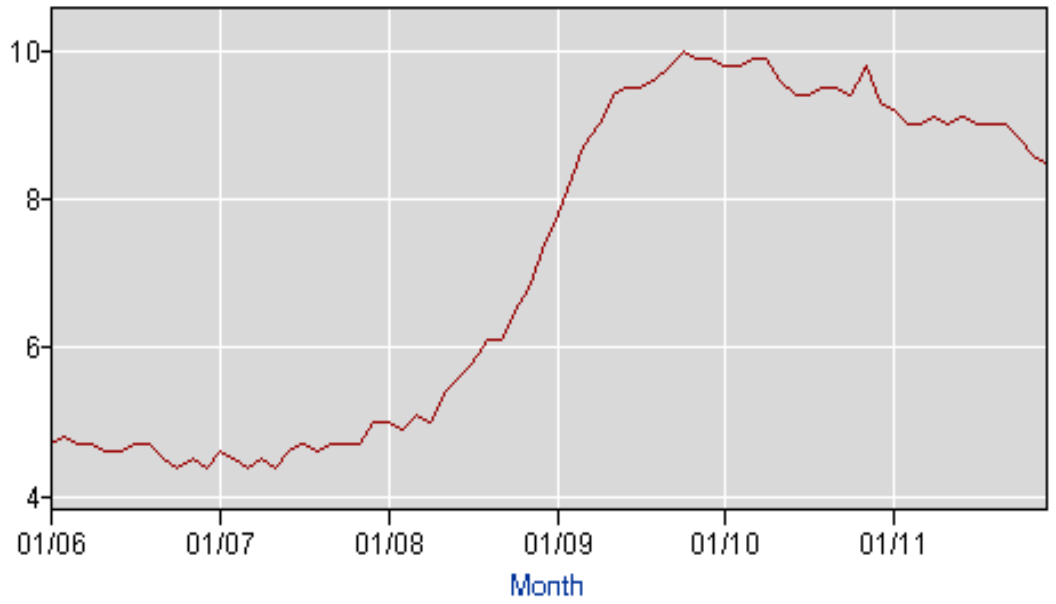
Small Business/Consumer Quarterly Petitions for Bankruptcy



Note: Small Business is defined as a commercial entity of fewer than 100 employees.

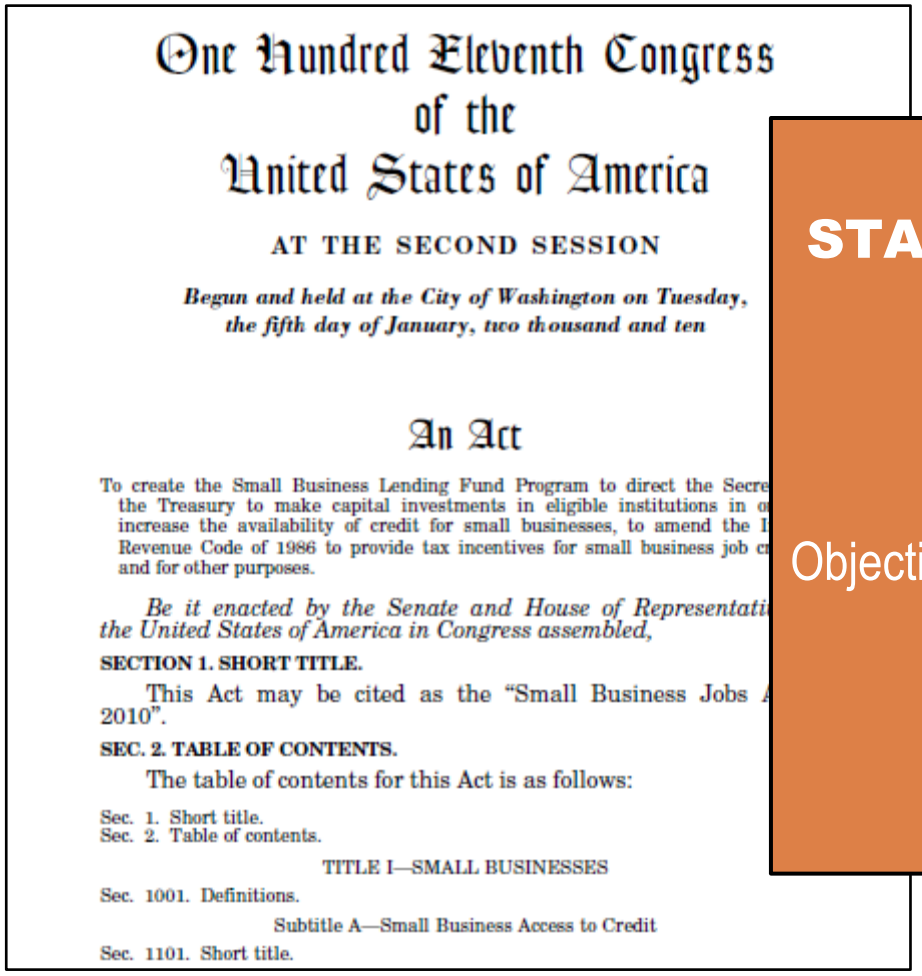
Source: Equifax Commercial Information Solutions

Unemployment Rate



Source: U.S. Department of Labor, Bureau of Labor Statistics

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

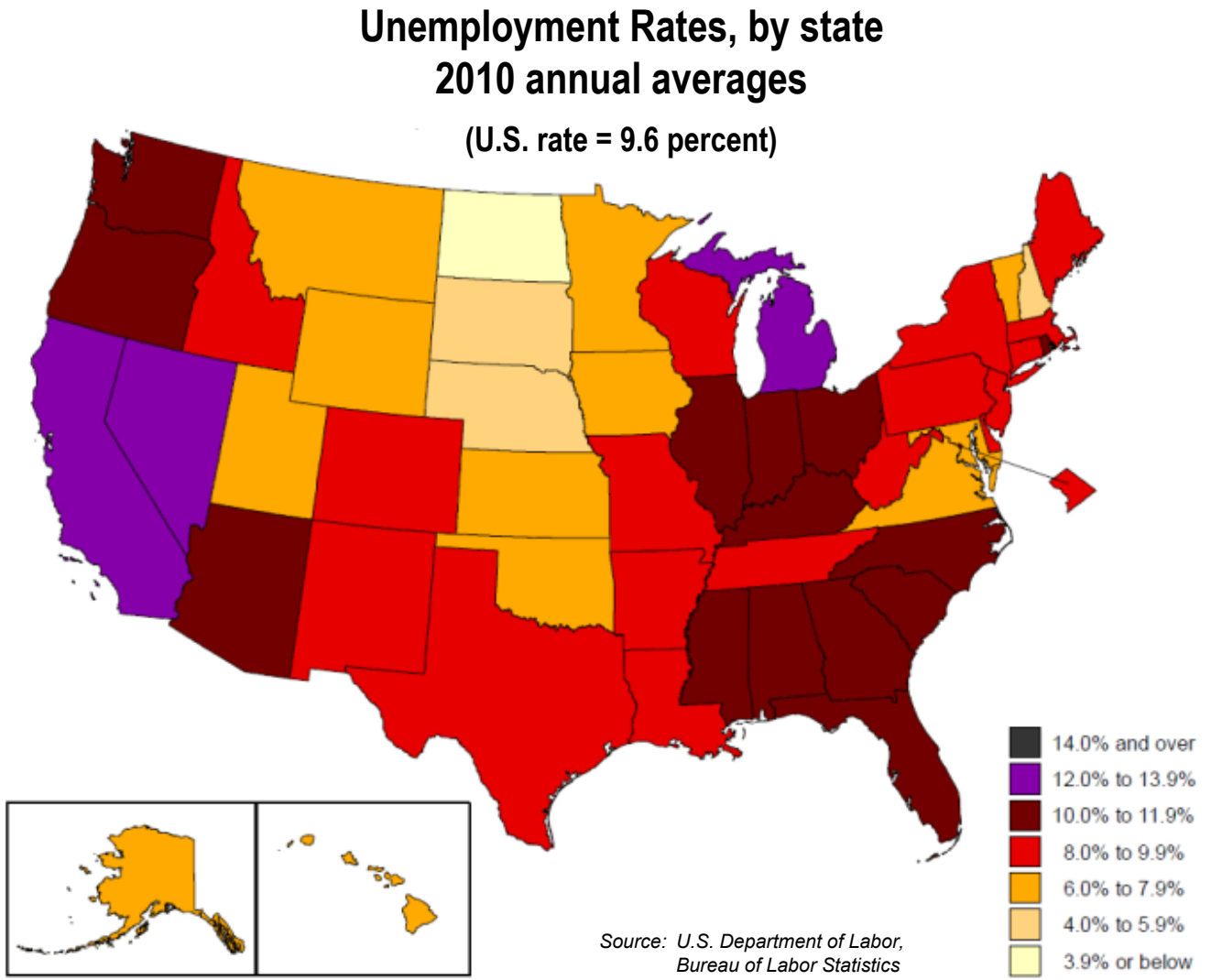
Sec. 1101. Short title.

STATE SMALL BUSINESS CREDIT INITIATIVE ACT OF 2010

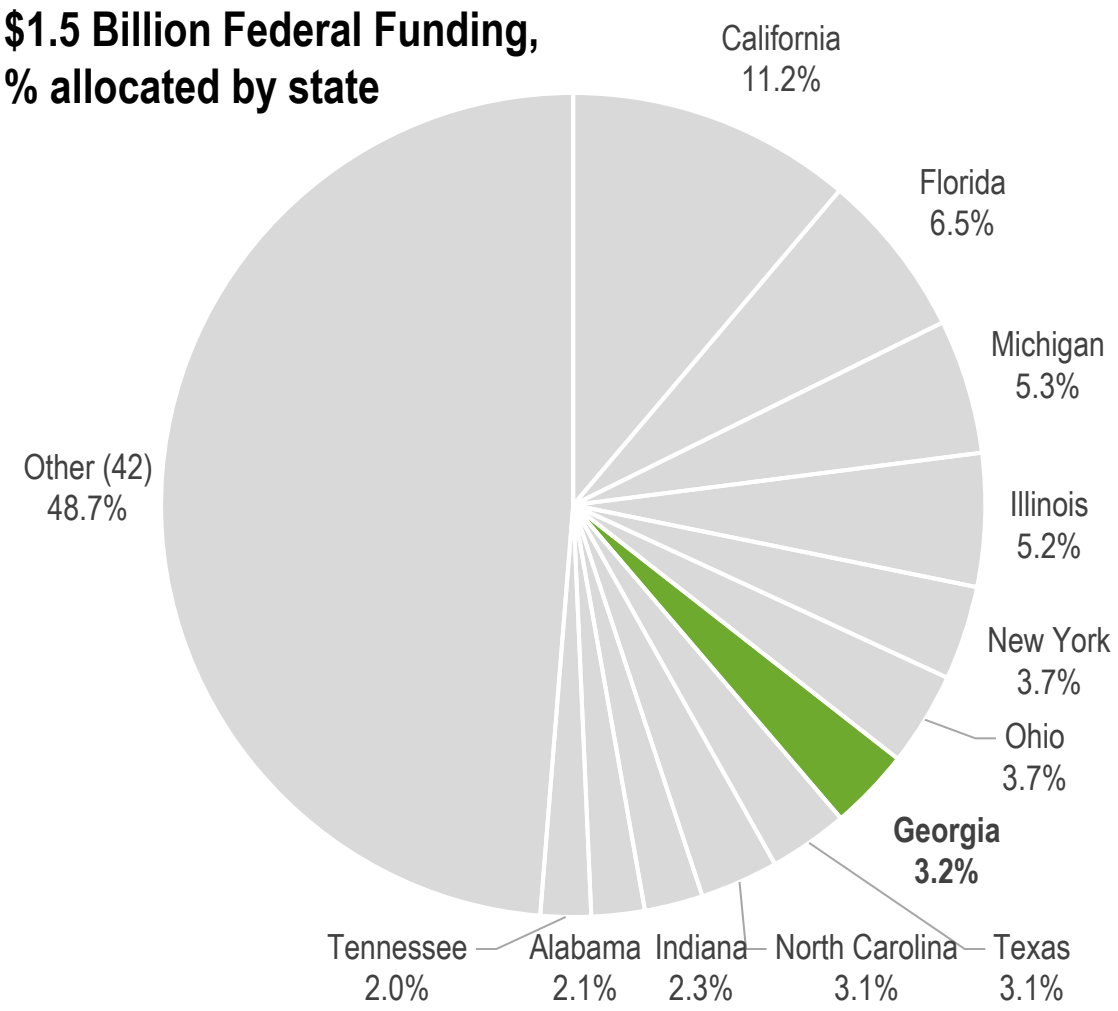
Enacted Sept. 27, 2010

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 Allocation Methodology



SSBCI Allocations by State



Georgia allocation

$47,808,507

Governor Deal's Executive Order

THE STATE OF GEORGIA

EXECUTIVE ORDER

BY THE GOVERNOR:

WHEREAS: The State of Georgia is committed to helping small businesses expand and create jobs; and

WHEREAS: Georgia businesses need access to credit and capital in order to grow and hire new employees; and

WHEREAS: The federal State Small Business Credit Initiative (SSBCI) was created by Congress pursuant to HR 5297 and was signed into law by the President on September 27, 2010; and

WHEREAS: Georgia received an SSBCI allocation of $47,808,507 to help private lenders provide new credit for small businesses and entrepreneurs through state-level programs; and

WHEREAS: SSBCI requires that states designate a particular agency or department to implement the state's SSBCI-eligible programs and that all such agencies or departments be legally enables to implement and participate in SSBCI; and

WHEREAS: **The Georgia Department of Community Affairs (DCA) through the Georgia Housing and Finance Authority (GHFA) has experience developing and managing state and federal economic development programs**; and

WHEREAS: GHFA has the statutory powers to receive SSBCI funds and to engage in lending, indirect credit enhancement for enterprises through financial institutions and other economic activities (see O.C.G.A. § 50-26-18).

NOW, THEREFORE, PURSUANT TO THE AUTHORITY VESTED IN ME AS GOVERNOR OF THE STATE OF GEORGIA, IT IS HEREBY

ORDERED: **That DCA through GHFA is designated as the state's agency to implement the state's SSBCI-eligible programs.**

IT IS FURTHER

ORDERED: That DCA is authorized to submit the application to the Treasury to create performance driven programs to facilitate the deployment of Georgia's portion of the SSBCI funds.

IT IS FURTHER

ORDERED: That DCA is authorized to accept the SSBCI allocated funds on behalf of the State and to enter into an allocation agreement with the Treasury to assist Georgia's private financial institutions pursuant to the approved application.

This 23rd day of June, 2011.

Nathan Deal

GOVERNOR

Department of Community Affairs Resources

- DCA administers more than 20 programs which require credit due diligence, e.g.,
  - Downtown Development Revolving Loan Fund
  - Regional Enterprise Business Assistance (REBA)
  - OneGeorgia Equity and EDGE
  - CDBG Employment Incentive Program
- GHFA is a financing authority, created by statute and merged with DCA in 1996

- Holly Hunt
  - 23 years experience in community banking
  - 6 years as CFO of a CDFI in North Georgia
  - Organizing CFO of 3 de novo banks in Georgia
  - Co-chair of U.S. Treasury committee on SSBCI Best Practices for Underserved markets
  - One of seven state representatives on U.S. Treasury committee for SSBCI sustainability

- John Kingery
  - 15 years experience in banking and business finance
  - 20 years of DCA experience in credit underwriting
  - Credit training at First National Bank of Atlanta
  - Economic Development Finance Professional

Georgia SSBCI Program: Business Plan

Credit initiatives available to private lenders to expand small business lending:

Georgia Funding for CDFIs

$20 million

To provide capital to Georgia's private financial institutions in order to capitalize small -to-mid-sized employers

Georgia Small Business Credit Guarantee

$17.8 million

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

Georgia Capital Access Program

$2 million

To develop a risk reserve funding pool with borrower/lender fees matched with SSBCI funds

Georgia Loan Participation Program (LPP)

$8 million

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

SSBCI Advantages

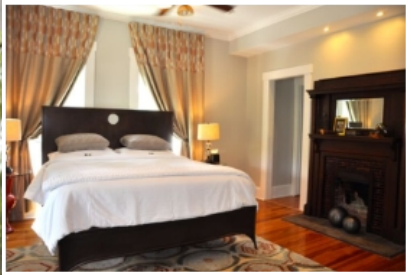
- Lenders
  - Credit enhancements
  - Delegated lending
  - Potential for Community Reinvestment Act (CRA) credit
  - Streamlined process
  - Increased loan portfolio
- Small Businesses
  - Access to affordable capital
  - New/expansion market opportunities
  - Expertise
  - Establish banking relationships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

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 operates a CDFI companion loan program specifically designed to increase access to capital for Georgia's underserved small businesses.
  - For example, this program supports small businesses located in low- and moderate-income communities, as well as minority- and women-owned businesses.
  - Principal and interest repayments remain at the CDFI as revolving loan funds, administered by the financial institution on behalf of DCA.

Small Business Benefits	Administrative Considerations
• Availability of capital from a qualified lender for borrowers • Technical assistance	• Capital can be deployed quickly • Capital is exhausted, thus program "sustainability" is entirely the responsibility of CDFIs

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**.

Project: Atlanta, 200 Peachtree

Restoring the original Davison's building in Atlanta created jobs and saved an historic landmark.

The original Atlanta Davison's Department Store (which later became Macy's) closed its doors in 2003. With its soaring ceilings, stately marbled floor and magnificent chandeliers, the building had been a downtown landmark since it was built in 1927. Although the top five floors of the building were rehabilitated to office space in 2005, the bottom three floors remained vacant.

In 2008, a partnership purchased these three floors and invested $30 million to renovate the main floor to its former splendor for special events. Recently, Access to Capital for Entrepreneurs (a Community Development Finance Institution serving north Georgia) and Peach State Federal Credit provided financing for an additional $11 million in renovations, using $2.7 million in SSBCI funding. The loan helped finance additional offices, conference and event space, and event amenities for the lower floors, retaining 12 employees and creating 26 new jobs.

Total Project Costs: $11,820,000

Funding	Amount
Peach State FCU	$8,730,000
SSBCI \ CDFI	$2,790,000
Owner Equity	$ 300,000

Small Business Credit Guarantee (SBCG)

- The SBCG Program provides a 50% loan guarantee.
  - Additional features allow an enhanced loan guarantee (up to 80%).
  - SSBCI funds are leveraged with private capital from eligible lenders (banks, credit unions, qualified private lenders, and CDFIs).

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 • Administrative cost and labor is significant

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.
  - LPP can purchase up to 25% of the loan originated by the approved lender.
  - LPP can purchase a participation ranging from $100,000 to $5,000,000 in loans from approved lenders.

- Georgia LPP may be used for interim bridge financing, including SBA 504.

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 • Generates higher yield to sustain program and fund SSBCI administration

Project: Putnam County, Aalto Scientific

Rock Eagle Technology Park development site for Project -Ground Breaking

APRIL 2014 GROUND BREAKING

SITE VISIT NOVEMBER 2014

Aalto Scientific and Audit MicroControls in Rock Eagle Technology Park (Putnam County)

The purpose of this funding was to assist Aalto Scientific and Audit Micro Systems to construct a new medical supply manufacturing facility at Rock Eagle Science Technology Park in Putnam County, Georgia. The manufacturing facility will be 92,000 sq. ft. And will be part of two structures built on 26.26 acres that was acquired by the company. They will be **the first company to build in the Rock Eagle Technology Park.** This project will allow Aalto Scientific to triple manufacturing capacity and customer support via a site transition from Carlsbad, CA to the State of Georgia.

The Georgia SSBCI program is participating in this project with a total amount of $1,750,000 split between two of our programs the GA-LPP and the GA-CDFI. It is expected that within a **5 year period this project will help to create and retain over 1,000 jobs in the area.**

Total Project Costs: $9,893,407

Funding	**Amount**
SSBCI \ GA-LPP	**$1,250,000**
SSBCI \ GA-CDFI	**$ 500,000**
Lead Bank	**$4,946,704**
2nd Participating Bank	**$2,207,363**
Owner Equity	**$ 989,340**

SSBCI General Eligibility Criteria

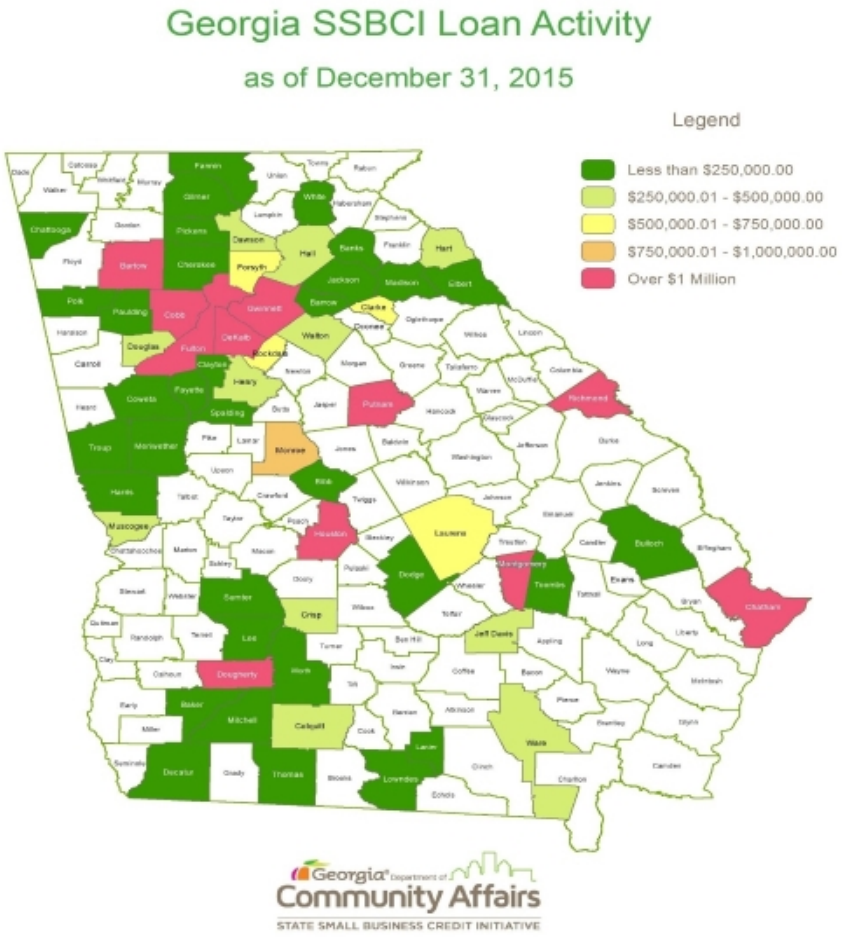
- Business purposes eligible to use loan proceeds include:
  - Start-up costs,
  - Working capital,
  - Business procurement, e.g., franchise fees,
  - Equipment and inventory, and
  - Purchase, construction, renovation, or tenant improvements for a place of business.
- Refinancing is not eligible; however, renewals are eligible under certain conditions.
- Passive real estate investments are not eligible.

NOTE: SSBCI assumes a second lien position behind the lender.

SSBCI Program Execution

As of December 31, 2015:

Enrolled Loans	331
SSBCI Investment	$32,926,178
Private Investment	$175,074,166
Jobs Created	1,731
Jobs Retained	1,281
Counties Served	60
Participating Lenders	44



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

$12.8 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)

$15 million

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

Generate fees/funding necessary to sustain program operations

For more information

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Georgia® Department of
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