

G. SUNY Albany Working Capital (X228)

March 23, 2011

- Grantee:** The Research Foundation of State University of New York (the “Research Foundation”)
- ESD Investment:** A grant of up to \$96,700 for working capital costs to establish a character-based micro lending pilot program in the Capital Region.
- Project Location:** 1400 Washington Avenue, Albany, Albany County
- ESD Incentive Offer Accepted:** November 9, 2010
- Project Completion:** December 2012
- Grantee Contact:** Robert O. Webster, Ph.D., Associate Vice President for Research
1400 Washington Avenue, MSC 312
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Phone: (518) 437-4550 Fax: (518) 437-4560
- Project Team:**
- | | |
|--------------------|-----------------|
| Origination | Suzanne Pollard |
| Project Management | Linda Dillon |
| Affirmative Action | Helen Daniels |

Project Description:

Background

The Research Foundation of State University of New York is a private, 501(c)(3) not-for-profit educational corporation that administers externally funded contracts and grants for and on behalf of the State University of New York. The Research Foundation is a separate, not-for-profit corporation, and as such is not supported by state appropriated tax dollars, nor does it receive support services provided to New York State agencies. The Research Foundation provides the administrative flexibility to respond quickly to the special demands of externally funded contracts and grants in a manner that facilitates their scientific or technical execution. Since 2009, the Research Foundation has managed over 140 contracts with 14 New York State agencies for the provision of over \$93 million in educational, research and training services.

Encouraging the formation and growth of small businesses and entrepreneurship is an important strategic goal of New York State, especially in low-income populations where traditional forms of capital are scarce and poor credit is a barrier to accessing capital. Such populations also typically lack access to business ownership training and strong mentorship support necessary to achieve business success.

The Social Entrepreneur Pilot Program (“SEP”) is a micro-lending program that combines the resources of the Research Foundation, the University at Albany’s Schools of Social

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Welfare and Business, the New York Small Business Development Center (“SBDC”) and the State Employees Federal Credit Union (“SEFCU”) to address specific needs of underserved entrepreneurs. SEP provides access to capital using criteria referred to as character-based lending. This non-traditional form of lending assesses an individual’s creditworthiness based on the careful observation of the personality of the entrepreneur in terms of relevant expert knowledge, entrepreneurship, good knowledge of the relevant market, the ability to handle crisis and the social context of the entrepreneur.

To support the implementation of the project, ESD offered the Research Foundation a \$96,700 working capital grant which was accepted on November 9, 2010. Grant funds will be used to support the cost to hire a Project Coordinator. Funds will also be used for two intern supervisors, curriculum materials, printing costs, the costs associated with renting space for training, and administrative indirect costs. The project will begin in January 2011 and is expected to be completed by December 2012.

The Project

The project involves the implementation and administration of the first phase of the SEP in the capital region of New York State. The project will be administered and implemented by the Research Foundation and project participants include the University at Albany’s Schools of Business and Social Welfare and SBDC. A Project Coordinator will be hired by the Research Foundation in consultation with SBDC. Two intern supervisors from the Schools of Business and Social Welfare will provide oversight and supervisory support for project interns (to be selected by the Schools of Business and Social Welfare). SBDC staff will provide further in-kind support and project oversight.

This first phase of the SEP will support low income individuals and will utilize character-based lending as the underwriting criteria and primary qualifier to determine a potential entrepreneur candidate’s ability to repay a business loan including examination of the candidate’s credit report, participation in a mentoring program, letters of recommendation and commitment to transparency in business operations.

Candidates approved to enter the SEP will participate in a ten-week training program to learn the key components of becoming a small business owner including business planning, legal issues, marketing and financial management.

Mentorship will be provided to candidates by the Program Coordinator and interns from the Schools of Business and Social Welfare to assist candidates with the development of their business model, business start-up tasks, business plan and financial planning. Candidates will also receive training to address social needs as they relate to becoming a business owner including the identification of community resources, developing coping strategies and preparing for change. Each candidate completing the ten-week training program will also receive assistance with the development of a business plan and financial projections to be submitted with a financing application.

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Upon completion of the project, it is anticipated that 110 entrepreneurial assessments will have been completed, 50 candidates will be admitted to the SEP, 30 candidates will have completed training and 30 candidates will apply for funding.

In addition to the resources provided by the Research Foundation, the University at Albany's Schools of Business and Social Welfare and the SBDC, the State Employees Federal Credit Union has committed up to \$2.5 million in available business loans for the project conditional upon the receipt of implementation funds for phase one costs.

Upon completion of the project, the Grantee will furnish a final report, describing the impact and effectiveness of the project, including the number of assessments conducted, the number of candidates admitted to the SEP, the number of candidates trained and the number of candidates applying for funding.

Financing Uses	Amount	Financing Sources	Amount	Percent
Project Coordinator	\$53,295	ESD Grant	\$96,700	100%
Intern Supervisors (2)	25,000			
Curriculum Materials	2,500			
Printing	4,214			
Training Site	2,900			
Indirect Costs	8,791			
Total Project Costs	\$96,700	Total Project Financing	\$96,700	100%

Financial Terms and Conditions:

1. The Grantee will be obligated to advise ESD of a material adverse change in its financial condition prior to disbursement.
2. Up to \$96,700 will be disbursed to the Grantee in three installments as follows:
 - a) an initial advance of 50% of the grant (\$48,350) upon contract execution and hiring of a Program Coordinator, assuming that all project approvals have been completed and funds are available;
 - b) a second disbursement of an amount equal to 40% of the grant (\$38,680) upon the submission of documentation of \$48,350 in eligible project expenditures and completion of Task 2 (per Exhibit A-1 Tasks & Timeline), provided Grantee is otherwise in compliance with program requirements, and;
 - c) a third disbursement of an amount equal to 10% of the grant (\$9,670) upon the submission of documentation of \$48,350 in eligible project expenditures and completion of Task 3 (per Exhibit A-1 Tasks & Timeline), provided Grantee is otherwise in compliance with program requirements.

Payment will be made upon presentation to ESDC of an invoice and such other documentation as ESDC may reasonably require. Expenses must be incurred on or after November 9, 2010, to be considered eligible project costs. All disbursements

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must be requested by December 14, 2012.

3. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$96,700, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Grantee and the State of New York. In no event shall the total amount of any assistance to be so reallocated exceed the total amount of assistance approved by the Directors.

Statutory Basis – Urban and Community Development Program:

This project is authorized under Sections 5(4) and 16-d of the New York State Urban Development Corporation Act (the “Act”) and satisfies the eligibility criteria for an Urban and Community Technical Assistance grant as set forth in the Act and the rules and regulations for the Urban and Community Development Program. No residential relocation is required as there are no families or individuals residing on the site.

Additional Submissions to the Directors:

Exhibit A-1 Tasks & Timeline