

FOR CONSIDERATION

November 18, 2010

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT: Statewide – Small Business Revolving Loan Fund Program

REQUEST FOR: Finding Pursuant to 10 (g) of the New York State Urban Development Corporation Act (the “Act”); Determination of No Significant Effect on the Environment; Authorization to Make Loans; and Authorization to Take Related Actions

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I. Project Summary

Borrowers: Community Based Lending Organizations (“CBLOs” or the “Organizations”) as set forth on attached Schedule A

Loan Amounts: See attached Schedule A

ESD\* Investment: Up to a total of \$25,000,000, funded entirely by a dedicated New York State appropriation for the Small Business Revolving Loan Fund program (the “Program”)

\* New York State Urban Development Corporation doing business as Empire State Development Corporation (“ESD” or the “Corporation”)

Project Location: Statewide

Proposed Project: ESD will make low-interest unsecured Program loans to each CBLO that will leverage the CBLO’s non-Program funding in an amount not less than the ESD Program loan amount, and the CBLO will lend such Program and non-Program funds to eligible small and minority/women-owned businesses located within New York State (the “State”) that generate economic growth and job creation within the State but that are unable to obtain adequate credit or adequate terms for such credit.

Anticipated  
Funding

Source: Dedicated State 2010-2011 Budget Year appropriation to ESD of \$25 million for the Small Business Revolving Loan Fund Program

ESD Project No.: X256-X269, X289-X293, X295 (20 Projects)

|               |                    |                 |
|---------------|--------------------|-----------------|
| Project Team: | Origination        | Huey-Min Chuang |
|               | Project Management | Sharon Rutter   |
|               | Legal              | Richard Dorado  |
|               | Affirmative Action | Helen Daniels   |
|               | Finance            | Sheila Robinson |
|               | Environmental      | Soo Kang        |

II. Project Cost and Financing Sources

| <u>Financing Sources and Uses</u> | <u>Amount</u>       | <u>Percent</u> | <u>Rate/Term</u> |
|-----------------------------------|---------------------|----------------|------------------|
| ESD loans to CBLOs (maximum)      | \$25,000,000        | 50%            | *                |
| CBLOs matching funds (minimum)    | <u>25,000,000</u>   | <u>50%</u>     | N/A              |
| Total Project Funding             | <u>\$50,000,000</u> | <u>100.0%</u>  |                  |

\* 1% per annum interest rate, 7 year term; 10% of ESD loan principal will be forgiven to cover first 10% of loan losses of the ESD-funded portion of the nonprofit CBLOs loans to small and minority/women-owned businesses;

III. Project Description

A. Background

The Small Business Revolving Loan Fund (the “Program”) is a \$25 million fund designed to create economic activity by providing greater access to capital for main street everyday small businesses. The Program targets small businesses and minority/women-owned businesses located in the State, that generate economic growth and job creation within the State, but that are unable to obtain adequate credit or adequate terms for such credit (collectively “Eligible Businesses”). Governor Paterson’s Small Business Task Force identified this vital need and initially proposed the creation of this program. The 2010-11 State Budget established an appropriation of \$25 million in State funds that will leverage at least an additional \$25 million in non-Program matching funds from participating CBLOs.

ESD issued to community development financial institutions and other community-based lending organizations, small business lending consortia, certified development companies, providers of United States Department of Agriculture business and industrial loans, United States Small Business Administration loan providers, credit unions, and community banks (collectively, “Community Based Lending Organizations” or “CBLOs”) a Request for Proposals (“RFP”),

pursuant to Section 16-t of New York State Urban Development Corporation Act (the “Act”) and the to the rules and regulations for the Program, seeking proposals for Program participation. ESD will provide low-interest loan capital to each selected CBLO, which the CBLO will combine with the CBLO’s non-Program lending funds, for loans to Eligible Businesses. Each CBLO Program loan to an Eligible Business shall consist of funds in a ratio of not less than 1:1 of the CBLO’s non-Program funds to Program funds. The Program will expand the lending capacity of CBLOs and at the same time stimulate economic growth, job creation, and job retention generated by Eligible Businesses throughout the State.

## B. The Project

In response to the August 30, 2010 RFP, ESD received 23 submissions requesting over \$32.9 million in funding. Pursuant to the competitive RFP process, twenty CBLOs have been selected by staff to be recommended for Program loans. Submissions were evaluated based on the respondents’ organizational capacity and stability; track record of small business lending in underserved communities; business strategy for increasing small business lending in the State; and ability to demonstrate the need of service in underserved communities, population, geographic service area, and other similar criteria. Based on the RFP process and assessments of geographic and administrative capacity of the RFP respondents, and in accordance with application of the Program rules and regulations, it is not practicable to make all of the Program loans to community development financial institutions.

CBLOs are awarded loans the proceeds of which will be used by the CBLOs to make loans to Eligible Businesses under two tracks: Track A represents Eligible Business micro loans of \$25,000 or less; and Track B represents Eligible Business loans over \$25,000. These lending levels refer to total principal of loans, including up to 50% of Program funds and not less than 50% non-Program funds. CBLOs could apply for Program funds under both tracks. In most cases, ESD will not make to any CBLO a loan of more than \$2 million for Track A and not more than \$5 million for Track B, although ESD reserves the right to make higher awards for CBLOs with substantial Eligible Business loan capacity. Pursuant to the current Program RFP solicitation, Track A Program funding will aggregate \$7.25 million, and Track B Program funding will aggregate \$17.75 million, together accounting for \$25 million in Program funding. The term of an ESD Program loan to a CBLO will generally be for seven years, unless an extension is granted. All Program loan funds should be deployed by the CBLO within 24 months of ESD’s disbursement to the CBLO of the Program loan proceeds. ESD reserves the right to make reallocations of funds after the initial awards if selected CBLOs do not meet the Program performance requirement as set forth in the Program loan agreement. ESD reserves the right to make reallocations between Track A and Track B depending on lender performance and small business demand.

CBLO loans to Eligible Businesses can be used for working capital, acquisition and/or improvement of real property, acquisition and/or improvement of machinery and equipment, and the refinancing of debt obligations. Refinancing of debt obligations is subject to the following criteria: Eligible Business loans cannot refinance an outstanding loan already in the portfolio of the CBLO; the refinanced loan must provide a tangible benefit to the Eligible Business that is approved by the Corporation in writing; and the aggregate principal of all Eligible Borrower

refinancing loans in the CBLO's Program loan portfolio cannot be greater than twenty-five percent (25%) of the principal amount of the Corporation's Program loan to the CBLO.

#### IV. Statutory Basis

The Program is authorized pursuant to Section 16-t of the Act. No residential relocation is required because there are no families or individuals will be displaced by the Project, thereby satisfying the requirements of Section 10(g) of the Act.

#### V. Environmental Review

ESD staff has determined that the projects described in Schedule A constitute Type II actions as defined by the New York State Environmental Quality Review Act ("SEQRA") and the implementing regulations of the New York State Department of Environmental Conservation. No further environmental review is required in connection with the authorization.

#### VI. Affirmative Action

ESD's Non-Discrimination and Affirmative Action policy will apply. The Grantee is encouraged to include minorities and women in any job opportunities created by the Project and to solicit and utilize Minority and Women-owned Business Enterprises for any contractual opportunities generated in connection with the Project.

#### VII. ESD Financial Assistance Subject to Availability of Funds and Additional Approval

The provision of ESD financial assistance is contingent upon the availability of funds and the approval of the State Division of the Budget.

#### VIII. Additional Submissions to Directors

Resolutions  
Schedule A – Project Summaries (20)  
New York State Map

November 18, 2010

Statewide – Small Business Revolving Loan Fund Program – Finding Pursuant to 10 (g) of the New York State Urban Development Corporation Act; Determination of No Significant Effect on the Environment; Authorization to Make Loans; and Authorization to Take Related Actions

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RESOLVED, that on the basis of the materials presented to this meeting, a copy of which is hereby ordered filed with the records of the Corporation (the “Materials”), relating to the Small Business Revolving Loan Fund Program (the “Project”), the Corporation hereby determines pursuant to Section 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the “Act”), that there are no families or individuals to be displaced by the project; and be it further

RESOLVED, on the basis of the Materials, a Determination of No Significant Effect on the Environment is made with respect to the Project in accordance with State Environmental Quality Review Act and the implementing regulations of the New York State Department of Environmental Conservation; and be it further

RESOLVED, on the basis of the Materials, the Corporation is authorized to enter into loan agreements and related documentation with the borrowers named in the Materials and provide them loan funding, not to exceed in aggregate \$25 million entirely funded by State appropriations eligible to fund the Project; and be it further

RESOLVED, that the Chairman and Chief Executive Officer of the Corporation or his designee(s) be, subsequent to the making of the loan, and each of them hereby is, authorized to take such actions and make such modifications to the terms of the loan as he or she may deem necessary or appropriate in the administration of the loan; and be it further

RESOLVED, that the provision by the Corporation financial assistance is expressly contingent upon: (1) the approval of the Public Authorities Control Board, if applicable; (2) receipt of all other necessary approvals; and (3) the availability of funds and the approval of the State Division of the Budget; and be it further

RESOLVED, that the Chairman and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take all actions as he or she may in his or her sole discretion consider to be necessary or proper to effectuate the foregoing resolutions.

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