

FOR CONSIDERATION

October 20, 2010

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Statewide – Community Development Financial Institution Assistance Program – Community Development Financial Institutions Program (Grants)

REQUEST FOR: Findings and Determinations Pursuant to Section 16-o, and 10 (g) of the Act; Authorization to Make Grants and to Take Related Actions

I. Project Summary

Grantees: Federally certified Community Development Financial Institutions (See Schedule A attached)

Contacts: See Schedule A attached

ESD* Investment: Up to a total of \$2,990,000 in grant assistance to be used as described on the attached schedules.

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

Project Locations: See Schedule A attached

Proposed Project: The Community Development Financial Institution (“CDFI”) Assistance Program (the “Program”) will help to strengthen and expand the capacity of CDFIs to provide technical and financial assistance to small businesses, minority- and women-owned business enterprises and to minority and women entrepreneurs (collectively “M/WBEs”).

Anticipated
Appropriation

Sources: Community Development Financial Institutions Program (“CDFI”)

ESD Project No.: X498-X499, X501-X511, X513-X527 (28 projects)

Project Team:	Project Management	Marion Samuels
	Legal	Richard Dorado
	Affirmative Action	Denise Ross
	Environmental	Soo Kang

Regional Council: The Regional Councils have been made aware of their respective projects.

II. Project Cost

See Schedule A attached.

III. Project Description

A. Background

In 1994, the U.S. Government established a program known as the Community Development Financial Institutions Fund (the “Fund”), administered by the U.S. Department of Treasury. The Fund’s purpose is to facilitate the flow of lending and investment capital into distressed communities and to targeted populations that have traditionally had difficulty accessing the mainstream financial services industry. Each organization certified by the Fund as a CDFI is required to demonstrate that it serves these markets.

The term CDFI is applied by the federal government to credit unions and economic development organizations that provide access to capital for low-income communities and disadvantaged populations. CDFIs provide vital services to the communities they serve, but the lending process and labor-intensive pro-bono technical assistance they provide make it difficult for them to be self-sustaining from operating income alone. The Fund provides limited technical and financial assistance, but CDFIs in general are in need of additional grant support to fulfill their missions.

In an effort to enhance the impact of CDFIs in New York State, ESD has provided grants over the last twelve funding cycles to support these organizations, approving a total of \$17,216,193 in grants to forty-eight different CDFIs statewide that allowed continued support for the CDFIs to substantially increase both the quality and quantity of services. Over the last three calendar years, CDFI grantees closed over \$47 million in loans to approximately 2,300 businesses, an average of \$20,000 per loan.

The CDFIs are currently eligible for funds allocated in the 2010-11 and 2011-12 New York State budgets totaling \$2,990,000. The funds will support New York's Small Business Lending programs in response to the changing economic climate and in support of the integral role small businesses play throughout the State. In particular, these grants will allow recipient organizations the opportunity to initiate or expand small business lending programs in underserved areas, and to provide the technical assistance necessary to help budding entrepreneurs secure the financing they need and use it profitably.

Through the New York Contract Reporter, direct mailing, and ESD's website, NYS Federally-Certified CDFIs were invited to reply to the CDFI Request for Proposals ("RFP"). Of the 82 Federally Certified organizations located in New York State, 30 CDFIs (collectively the "Organizations", individually the "Organization") submitted proposals to provide assistance to eligible businesses. Twenty-eight of these organizations are now being considered for funding. Proposals were evaluated primarily on each organization's ability to demonstrate institutional capacity, including loan portfolio volume and performance, and an assessment of the applicant's past performance, including lending services and utilization of previous ESD grants, if any.

B. The Project

ESD will make grants to the Organizations, as set forth in Schedule A, for the purpose of enhancing the Organizations' capacity to provide technical and financial assistance to small businesses and M/WBEs. These businesses represent a significant segment of the business communities served by CDFIs, but often lack access to traditional financial services for a variety of reasons. CDFIs attempt to bridge this gap through the provision of micro and small business loans and intensive technical assistance.

Approximately 50% of ESD's funding will be used to fund the provision of technical assistance to the Organizations' clientele. It is widely accepted in the community development field that technical assistance is a crucial component of any small business lending program, and CDFIs are in fact required to offer these services in order to maintain their federal certification. Because technical assistance programs are labor-intensive and generate little or no direct income, CDFIs are generally reliant upon grant funding to support these activities, and the proposals received by ESD reflect this need. The technical assistance offered by these Organizations has been and will continue to be especially valuable to small businesses confronting ongoing economic challenges. ESD's technical assistance funds are leveraged by the Organizations to support additional grant funding toward loan-related services.

Approximately 30% of ESD's funding will be used for loan capital, lines of credit and loan loss reserves. Grants for these lending services will enable CDFIs to take on additional credit risk while improving financial health. Loan loss reserves also help recipient organizations leverage additional loan capital from banks and other funding sources. In addition, 16 of the 28 Organizations are recipients of funds from the \$50 million ESD Small Business Revolving Loan Fund ("SBRLF") which will enhance their lending capacity.

A maximum of 10% of ESD's grant funds will be used to support the Organizations' administrative services and operating expenses.

The remaining 10% of grant funds will be used for the development of the Organizations' institutional capacity. This initiative includes support for training of CDFI staff and for software upgrades to support lending and portfolio management.

ESD will enter into an agreement (no longer than 18 months) with each Organization that will stipulate the manner in which Program funds may be disbursed. In addition, each Organization will provide ESD with progress reports detailing the impact of technical assistance provided, deployment of loan capital and all expenditures and outcomes during the project period to ensure appropriate usage of funds.

The attached Schedule A provides more detailed descriptions of each recommended project. The grant amounts for each Organization were determined after consideration of a number of factors, including each applicant's performance under previous Program grants, institutional capacity and need, and the merits of the proposed project. Together, these 28 projects will lead to improved access to capital for Small Businesses and M/WBEs throughout New York State.

C. Financial Terms and Conditions

ESD may reallocate the project funds to other forms of assistance, at an amount no greater than the amount approved for each Organization under this project, and/or to another project of the Organization, and/or other organizations determined eligible under the Program, if ESD determines that the reallocation of the assistance would better suit the needs of the Organization 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.

IV. Statutory Basis

The Community Development Financial Institution Program is authorized pursuant to Section 16-o of the New York State Urban Development Corporation Act and is in the 2010-2011 and 2011-2012 New York State budgets. No residential relocation is required as there are no families or individuals residing at the Project Locations.

V. Environmental Review

Unless otherwise noted on a project summary, 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 for the New York State Department of Environmental Conservation. No further environmental review is

required in connection with the projects.

VI. Affirmative Action

ESD's Non-discrimination and Affirmative Action policy will apply. The Organizations are 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 Employment Enforcement Policy

ESD's Employment Enforcement Policy will not apply since the projects will not directly create or retain jobs.

VIII. 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.

IX. Additional Submissions to Directors

Resolutions

New York State Map

Schedule A-Project Summaries (28)

October 20, 2011

Statewide – Community Development Financial Institution Assistance Program –
Community Development Financial Institutions (Grants) – Findings and Determinations
Pursuant to Section 16-o and 10 (g) of the Act; Authorization to Make a Grants and to
Take Related Actions

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, relating to the Community Development Financial Institution Assistance Program – Community Development Financial Institutions (the “Projects”), 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 from the project area; and be it further

RESOLVED, that the President and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to make grants for a total amount not to exceed Two Million Nine Hundred and Ninety-Nine Thousand Dollars (\$2,999,000) from the Community Development Financial Institutions Program for the purposes, and substantially on the terms and conditions, set forth in the materials presented to this meeting, with such changes as the President and Chief Executive Officer of the Corporation or his designee(s) may deem appropriate, subject to the availability of funds and the approval of the State Division of the Budget; and be it further

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

RESOLVED, that the provision of ESD financial assistance is expressly contingent upon: (1) the approval of the Public Authorities Control Board, if applicable, and (2) receipt of all other necessary approvals; and be it further

RESOLVED, that the President 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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