

FOR CONSIDERATION

October 22, 2009

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT: Statewide – Community Development Financial Institution Assistance Program – Community Development Financial Institutions Program & Minority and Women-owned Business Development and Lending Program (Grants)

REQUEST FOR: Findings and Determinations Pursuant to Sections 16-c, 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 attached Schedule A)

Contacts: See attached Schedule A

ESD* Investment: Up to a total of \$3,800,000 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 attached Schedule A

NYS Empire Zones
(or equivalent): See attached Schedule A

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: \$2,775,000 from Community Development Financial Institutions Program (“CDFI”) and \$1,000,000 from Minority and Women-owned Business Development and Lending Program (“MWBDL”)

ESD Project No.: W694-W705, W707-W713, W716-W717, W719-W724, W726-W728, W730-W741, W744, W747-W748, W750-W751, W761 (48 project numbers representing 31 total projects funded out of two funding sources)

Project Team:	Project Management	Marion Samuels
	Legal	Richard Dorado
	Affirmative Action	Laverne Poole
	Environmental	Soo Kang

II. Project Cost

See attached Schedule A.

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 their communities, but their very small average loan size and the 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 for their missions.

In an effort to enhance the impact of CDFIs in New York State, ESD has provided grants over the last eleven years to support these organizations, approving a total of \$13,416,193 in grants to forty-eight different CDFIs statewide that allowed continued support for the CDFIs to substantially improve both the quality and quantity of services. This year’s funding has been increased to \$3,800,000 as a result of Governor Paterson's March 2009 enhancements to New York's Small Business Lending programs in response to the current economic climate and in support of the integral

role small businesses play throughout the State. With this initiative, ESD will include in its CDFI funding support for small business services of \$2,000,000 and will increase support to minority and women-owned business enterprises, minority and women entrepreneurs (collectively “M/WBEs”), from \$1,495,000 to \$2,000,000. The increased funding will allow the CDFIs to substantially improve both the quality and quantity of the services they provide to their communities. In particular, these grants will allow recipient organizations 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 will use it profitably.

Thirty-three CDFIs (collectively the “Organizations”, individually the “Organization”) submitted proposals to provide assistance to eligible businesses and thirty-one are now being recommended for funding. Proposals were evaluated primarily on the basis of demonstrated institutional capacity, including loan portfolio volume and performance, and on an assessment of the applicant’s past performance, 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 form a significant segment of the business communities served by CDFIs, but for a variety of reasons they often lack access to traditional financial services. 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. Although 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.

In addition to technical assistance programs, approximately 30% of ESD’s grant funds will be used for loan capital, lines of credit and/or loan loss reserves. Grants for loan capital, lines of credit and loan loss reserve funds will enable CDFIs to take on additional credit risk while at the same time improving the financial health of the Grantees. Loan loss reserves also help recipient organizations leverage additional loan capital from banks and other funding sources. Ten percent 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. The remaining 10% of ESD’s grant funds will be used to support the Organizations’ administrative services and operating expenses (maximum 10% of the grant amount).

ESD will enter into an agreement with each Organization that will stipulate the manner in

which Program funds may be disbursed. In addition, each Organization will provide ESD with reports on the progress, expenditures and outcomes, such as TA and deployment of loan capital of the project for a period of time appropriate to the Organization's use of the 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 thirty-one 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 New York State Minority and Women-owned Business Development and Lending Program was approved by the State Legislature in the 1986-1987 Capital Projects Budget and is authorized pursuant to Section 16-c of the New York State Urban Development Corporation Act (the "Act"). The Community Development Financial Institution Program is authorized pursuant to Section 16-o of the Act and is in the 2008-2009 and 2009-2010 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 projects, and to solicit and utilize Minority and Women-owned Business Enterprises for any contractual opportunities generated in connection with the projects.

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
Schedule A-Project Summaries (31)

October 22, 2009

Statewide – Community Development Financial Institution Assistance Program –
Community Development Financial Institutions – Minority and Women-owned Business
Development and Lending Programs (Grants) – Findings and Determinations Pursuant to
Sections 16-c, 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 – Minority and Women-owned Business Development and Lending Programs projects (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 Chairman and Chief Executive Officer-Designate 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 Seven Hundred and Seventy-Five Thousand Dollars (\$2,775,000) from the Community Development Financial Institutions Program and One Million Dollars (\$1,000,000) the Minority and Women-owned Business Development and Lending 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 Chairman and Chief Executive Officer-Designate 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 Chairman and Chief Executive Officer-Designate 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 Chairman and Chief Executive Officer-Designate 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.

* * *