City of Des Moines
Business Financial Assistance
Loan Programs

City Council Workshop
April 15, 2019

Office of Economic Development
Presentation Outline

• Background Overview
• Changing Environment
• Transition Actions
• Sample Projects
• Questions
Historical Background

• 1980 City of Des Moines establishes city-wide direct loan programs to assist business development as part of its economic development strategy
  – Programs funded under CDBG Plan

• 1981 City of Des Moines, Department of Urban Development, submits application to SBA to establish a city-wide certified development company to offer 504 loans in City of Des Moines

• City hires staff with commercial lending background to administer programs
The Corporation for Economic Development in Des Moines (CED)

- June 9, 1981 established as Iowa non-profit corporation
- January 28, 1982 -- SBA approves application for Certified Development Company (CDC) authorized to originate and service loans under the SBA 504 Loan Program
- 28E Agreement – City provides staffing and office space, CED administer CDBG funded Small Business Loan Programs
- December 1986 IRS 501(c)4 tax exempt
SBA 504 Loan Program
Small Businesses’ Window to Wall Street

- Up to 90% financing of eligible costs
- Low down payment requirements
- 10, 20 & 25 year maturities
- Fixed rate over term of loan
  - Rates tied to 10-year T-Bill Yields
City Business Loan Programs

- **Des Moines Action Loan Fund (DMALF)**
  - $200,000 maximum loan, not to exceed 20% of project costs
  - One job per $5,000 of loan funds

- **Revolving Loan Fund (RLF)**
  - $50,000 maximum loan, not to exceed 50% of project costs
  - One job per $10,000 of loan funds

- **MicroLoan**
  - $10,000 maximum loan
  - five or fewer employees

- **Loan Injection Program (LIP)**
  - $50,000 maximum loan, not to exceed 10% of project costs
  - Used only in conjunction with SBA 504 Loan
City Business Loan Programs

CDBG requirements

• 51% of created and retained jobs filled by individuals in low-moderate income households

• Demonstrate financial gap and of lack of financing alternatives – “but for” criteria

• Construction over $2,400 must comply with Davis-Bacon Act, as amended

• If real estate involved, must have historical review by City staff and SHPO

• Located within City of Des Moines
City Business Loan Programs
Approval Process

• OED staff markets programs, determines eligibility, underwrites the loan and makes recommendations to approving body

• City Council approves applications under Des Moines Action Loan Fund

• CED Loan Committee approves applications under 504 Loan Program, Revolving Loan Fund, MicroLoan and Loan Injection Program
Changing Environment

- SBA Regulation Changes
- State Banking Law Changes
- Realignment of City Resources
- Market Conditions
  - Historic Low Interest Rates
  - Full employment
  - Expansion Lending Alternatives
504 Loan Approvals
2000-2018
City Loan Applications Reviewed and Approved 2000 - 2018
CED Transition

*Change in Process not Availability*

- Co-locate with Neighborhood Development Corporation (NDC)
  - Contract with NDC for CDC Management
  - City will no longer provide staffing services or location
- Contract with private company for credit origination & underwriting services
- CED expands market area state-wide
- OED staff
  - Referral source & disseminate 504 information
  - Administer City Small Business Direct Loan Programs
- Requires US Small Business Administration (SBA) approval
City Council Actions
April 22, 2019 Agenda

• Termination of existing Professional Services Agreement and 28E Agreement effective June 30, 2019
  – 60 day notice required to change agreements

• Approval of new 28E Agreement with CEDDM for Loan Committee review
  – Approval of applications RLF, MicroLoan and LIP
  – Recommendation to City Council on DMALF application
SBA 504 Loan Program

- Since 1982
- 297 Projects
- $54.5 million in approved 504 loans
- $144.1 million project investments
- 2,223 jobs created and retained
Small Business Loan Activity

• Since 2000
  – 183 application reviewed
  – 86 projects approved
  – $2.67 million in loans funded
MicroLoan
Future Considerations
City Direct Loan Programs

• Allocation of City Resources
  – OED Staffing – level and expertise
  – Funding Sources & Associated Requirements
  – Funding Levels

• Program design
  – Loans vs Grants
  – Geographic areas of focus
    • i.e. City-wide or designated Neighborhood Commercial Nodes
  – Eligible uses
  – Leverage
  – Job requirements
  – Community Match
  – Other City Objectives