Department of Economic Opportunity

• Formed in 2011 by Governor Scott
• Merger of three agencies
DEO Mission Statement

The Florida Department of Economic Opportunity promotes economic opportunities for all Floridians through successful workforce, community, and economic development strategies.
DEO Business Lines

• Division of Strategic Business Development

• Division of Workforce Services

• Division of Community Development
Division of Strategic Business Development

Florida’s 5-year statewide economic development plan

• Strategies to promote business formation and expansion
• Policies and programs for economic diversity
• Rural job and business development
• Foreign investment planning
• Identify business trends
• Strategies for talent development
Division of Workforce Services

• Workforce program development
  • Provides guidance, oversight, training, and federal technical assistance

• Labor market information
  • Produces, analyzes and distributes labor statistics

• Unemployment compensation services
  • Provides temporary wage replacement benefits to qualified individuals who are out of work through no fault of their own
Division of Community Development

• Bureau of Housing and Community Development
  – Rural and urban small business assistance and economic development

• Bureau of Community planning
  – Comprehensive planning

• Bureau of Economic Development
  – Provides grants
    Infrastructure
    Economic development
    Housing rehabilitation
    Revitalization
  – Assistance programs for low-income Floridians
The Small Cities Community Development Block Grant (CDBG) Program is a federal program. The national objectives of the CDBG Program are to:

- Benefit low- and moderate-income persons
- Prevent or eliminate slum or blight
- Address urgent community development needs

Program is competitive funding up to $750,000 based on population to support:

- Economic Development
- Neighborhood Revitalization
- Commercial Revitalization
- Housing Rehabilitation
Bureau of Community Planning

The Comprehensive Plan

• Map Series
  – Future land use map
  – Future transportation map
  – Conservation map

• Five Year Schedule of Capital Improvements

• Data and analysis
Bureau of Economic Development

• Technical assistance to communities and businesses

• Administers grant programs.

• Offers access to capital and tax credits programs for businesses
Rural Programs

• Rural Areas of Economic Development (REDI)
• Rural Areas of Critical Economic Concern (RACEC)
• Rural Community Development Revolving Loan Fund
• Rural Infrastructure Fund
Community Development Programs

- Community Contribution Tax Credit Program
- New Markets Development Program
- Enterprise Zone Program
- Brownfield Areas Loan Guarantee Program
Business Programs

- Black Business Loan Program
- Rural Jobs Tax Credit Program
- Urban Jobs Tax Credit Program
- Florida’s State Small Business Credit Initiative - SSBCI
What is SSBCI?

Created as part of the Small Business Jobs Act of 2010, the State Small Business Credit Initiative (SSBCI) is managed by the U.S. Treasury Department to help states either strengthen existing loan and equity programs or create new programs.

| SSBCI is: A loan and venture capital program designed to **leverage** private capital for Florida's small businesses. | SSBCI is not: *a Grant!* |

**Leverage:**  
**Goal:** 10 to 1 leverage
Small Business Jobs Act of 2010

• $1.5 billion available from the U.S. Department of Treasury to establish or strengthen state programs that increase access to private capital for small businesses

• Florida was allocated $97.6 million and is expected to leverage over $976 million in private capital to lend to small businesses
SSBCI Funds Allocation

$97.6MM

$87MM

$43.8MM

Venture Capital

Loan Support

- Loan Guarantees
- Loan Participations

$10MM

CAP
Why are Credit Enhancements Needed?

New reality

- Increased pressure on lenders
- Increased regulatory focus on “prudent lending”
- Stringent compliance rules
- Deterioration in collateral values
- Credit scores negatively affected
- Tighter “credit box”

= Need for “credit-enhancements”
Loan Parameters

Targeted Loan Amounts
• Loans up to $5 million

Loan Types
• Term loans
• Lines of credit

Organization Types
• Corporations
• Sole proprietors
• LLCs
• Not-for-Profit
Eligible Borrowers

Target: Small business unable to find financing for start up or expansion

- Businesses located and legally authorized to do business in Florida
- Small Business with up to 500 employees
- For profit and not-for-profit businesses are eligible
Eligible Borrower Examples

The list of eligible companies is exhaustive. Some examples include, but certainly are not limited to:

– Business Services
– Contractors
– Distributors
– Exporters
– Service Companies
– Trucking Companies
– Wholesalers
Ineligible Borrowers

Additionally, the company cannot participate if it is:

- a business engaged in activities that are **prohibited by federal law** or applicable law in the jurisdiction where the business is located or conducted. (Included in these activities is the production, servicing, or distribution of otherwise legal products that are to be used in connection with an **illegal activity**, such as **selling drug paraphernalia** or operating a motel that knowingly permits **illegal prostitution**); or

- a business engaged in **gambling enterprises**, unless the business earns less than 33% of its annual net revenue from lottery sales.
Other Ineligible Borrowers

The company cannot participate if it is:

– a business engaged in speculative activities that develop profits from fluctuations in price rather than through normal course of trade, such as wildcatting for oil and dealing in commodities futures, unless those activities are incidental to the regular activities of the business;

– a business that earns more than half of its annual net revenue from lending activities;

– a business engaged in pyramid sales, where a participant’s primary incentive is based on the sales made by an ever-increasing number of participants.
Eligible Loan Proceeds Use

• Proceeds must be used for a business purpose

• *Examples*: working capital, purchase and/or construction of owner-occupied real estate, purchase of equipment, lines of credit, receivables, inventory, trade cycle financing

• Refinancing of debt currently held with a non-affiliated financial institution is permitted
Eligible Loan Proceeds Use Examples

The loan/investment proceeds must be used for a “business purpose.” A business purpose includes, but is not limited to:

- Startup costs
- Working capital
- Business procurement
- Franchise fees
- Equipment
- Inventory
- Owner-occupied real estate
- Purchase, construction renovation or tenant improvements of an eligible place of business that is not for passive real estate investment purposes
Ineligible Loan Proceeds Use

The loan/investment proceeds may not be used to:

– acquire or hold **passive investments** such as commercial real estate ownership, purchase of securities; or financing lobbying activities,

– repay delinquent federal or state **income taxes** unless the borrower has a payment plan in place with the relevant taxing authority; or

– repay **taxes** held in trust or escrow, e.g. payroll or sales taxes; or

– reimburse funds owed to any owner, including any **equity injection** or injection of capital for the business’ continuance; or

– support unguaranteed portions of SBA-guaranteed or other **federally guaranteed loans**.
Florida Venture Capital Program

Via the Florida Venture Capital Program, Florida Opportunity Fund provides equity investments and convertible debt instruments to emerging Florida companies (or companies locating in Florida) with perceived long-term growth potential.

Emphasis will be toward transactions within Florida's targeted industries, which include:

- Aviation & Aerospace
- Information Technology
- Clean Tech
- Life Sciences
- Financial & Professional Services
- Advanced Manufacturing
- Homeland Security & Defense
Capital Access Program (CAP)

A CAP is a form of loan portfolio insurance that can provide up to 100% coverage on charged-off loans by creating a matching funds reserve account.
How Does a Cap Work?

STATE

Provides a matching contribution

- Originating Lender
- Originating Lender’s Reserve Fund
  - Portfolio protection
  - Up-front insurance premium
Loan Participation Programs (LPP)

Regular Participation

Permits the purchase of a portion of the loan originated by the lender.

- Typical loan participation will be between 20-80% of the loan amount.
- Loan amount generally range from $250,000 to $5,000,000.
- Maximum loan term permitted is five (5) years.
Loan Participation Programs (LPP)

504 Bridge Loan Participation

Permits the purchase of the second mortgage originated by the lender on an interim basis, until SBA take-out.

- Typical loan participation is 100% of second mortgage note
- Minimum $250,000 loan amount; maximum $5,000,000.
- Typical term between 3 to 18 months (until SBA take-out)
How Lenders Benefit from LPP

Lenders can:

• Mitigate risk through obtaining a subordinate participation
• Use participations to supplement lending limit cases
• Make loans where values do not meet minimum internal or regulatory standards
Loan Guarantees (LGP)

Provides a lender with a partial guarantee as the credit enhancement required to ultimately approve a loan.

- Typical guarantee will be between 20-80% of the loan amount
- Loan amount generally range from $250,000 to $5,000,000.
- Maximum loan term permitted is five (5) years.
- Interest rate is determined by the lender
How Lenders Benefit from LGP

Lenders can:

• Mitigate risk through obtaining loan insurance on a portion of the loan

• Receive full benefit of interest payments

• Guarantee may shore up a loan weakness
What Types of Lenders Can Participate?

• Lenders types may include:
  – Qualified public depositories
  – Federally insured bank and credit unions
  – Community development financial institutions

• Lenders must demonstrate sufficient commercial lending experience, and financial and managerial capacity to participate
## Some Differences with SBA...

<table>
<thead>
<tr>
<th>SBA</th>
<th>SSBCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Only for-profit businesses qualify</td>
<td>✓ Non-profits qualify</td>
</tr>
<tr>
<td>✓ “Personal liquidity test”</td>
<td>✓ No restrictions on personal liquidity</td>
</tr>
<tr>
<td>✓ Only US Citizens / LPRs are eligible</td>
<td>✓ No citizenship requirement</td>
</tr>
<tr>
<td>✓ SOP for underwriting and servicing</td>
<td>✓ No SOP</td>
</tr>
<tr>
<td>✓ Guarantee up to 90%</td>
<td>✓ Guarantee up to 80% (typically 50%)</td>
</tr>
<tr>
<td>✓ No leverage requirement</td>
<td>✓ No collateral requirement</td>
</tr>
<tr>
<td>✓ No time limit to deploy funds</td>
<td>✓ Until 2017 to deploy allocation</td>
</tr>
<tr>
<td>✓ Uniform product in all states</td>
<td>✓ Varies from state to state</td>
</tr>
</tbody>
</table>
SSBCI Advantages to Florida’s Small Businesses, Lenders & Investors

SSBCI advantages to Florida's **small businesses** include:

- Access to debt and venture capital financing that may not otherwise be available
- A flexible and non-bureaucratic source of capital
- Limits exposure to losses

SSBCI advantages to Florida's **lenders and investors** include:

- Ability to approve a loan that might otherwise be declined
- Provides a non-competitor participant on loans and investments
- No cost to the small business lender or investor
What’s In It For Me?

• CDFI’s are eligible as lender participants

• CDFI’s may be eligible borrowers

• CDC’s may be eligible borrowers

• Shared knowledge about the program furthers “trusted advisor” status increasing good will
Questions?
Marianne Arbulu
Development Representative III
(850) 491-1822
Marianne.Arbulu@deo.myflorida.com

Contact:

David Rodriguez
Manager
Capital Programs
Enterprise Florida, Inc.
(407) 956-5682
www.eflorida.com/ssbci
ssbci@eflorida.com

Brook Pace
Small Business Coordinator
Bureau of Economic Development
(850) 717-8519
www.floridajobs.org
Brook.pace@deo.myflorida.com
Thank you