

SOUTH FLORIDA REGIONAL PLANNING COUNCIL REVOLVING LOAN FUND PROGRAM

Growing South Florida's Economy One business at a time

EXECUTIVE SUMMARY

The South Florida Regional Planning Council (SFRPC) is a regional planning and public agency whose mission is to work with South Florida's public, private, non-profit, and civic leadership to create a better future for South Florida. The SFRPC serves three counties: Miami-Dade, Broward, and Monroe ; 71 municipalities; and more than 4 million residents. Continuous, often-times rapid, population growth has been a significant factor in the changing character of South Florida.

The SFRPC is one of eleven regional planning councils in Florida. The SFRPC has statutory responsibilities related to local government comprehensive plans, developments of regional impact, and intergovernmental permits and grant application review. The SFRPC works with local governments, school boards, area residents, and other private, non-profit and public stakeholders to identify issues of concern, opportunities for improvement, and solutions.

In addition, the SFRPC provides administrative and staff support for several regional partnerships. These partnerships and programs include the Florida Gold Coast Clean Cities Coalition, Eastward Ho! Brownfields Partnership, South Florida Regional Business Alliance, Coordinating Council of Broward, The State Road 7 / U.S. 441 Collaborative, the Local Emergency Planning Committee and the South Florida Economic Forecasting Partnership. One of the program areas the SFRPC is particularly proud of is our Revolving Loan Fund Programs.



The SFRPC manages four Revolving Loan Funds (RLFs) which were originated and operated by other economic development agencies in the region. These RLFs are funded through the U.S. Department of Commerce Economic Development Administration (EDA). In addition, the SFRPC has partnered with the U.S. Department of Environmental Protection to offer an "Eastward Ho! Brownfields Cleanup Revolving Loan Fund" that provides resources for returning to productive economic use properties with real or perceived environmental contamination.

The EDA revolving loan programs offer low-interest rate loans to small and medium size businesses that are not entirely served by conventional lenders. Loans range from \$50,000 to \$300,000 and are available to profitable businesses for business expansion and job creation. This program was created to meet an identified need in the region for lower equity loans for firms that need start up and expansion capital but lack existing banking relationships.

Through the careful screening of loan applicants and creative loan structuring, the SFRPC-RLF program has reduced the reluctance of conventional



lenders to meet the credit needs of higher risk, but creditworthy, business enterprises within our region. The SFRPC-RLF success can be measured by the performance of our loan portfolios. When the SFRPC accepted these previously established RLFs from three different economic development agencies in Miami-Dade County, the loan portfolios had severely high default rates of more than 52%. The SFRPC Loan Administration Board and Council staff have regained control of the loan portfolios and turned them into successful programs again. The program currently has a lending base of \$7.5 million with \$5.1 million in outstanding loans.

Since 2002, the RLF program has serviced more than 82 loans and provided funding to 38 businesses. The portfolio default rate has gone from 52% to 2%. Additionally, the program has created and retained more than 1,200 jobs since the initial transfer of the RLFs to the SFRPC. The SFRPC has also developed working partnerships with banks, businesses consulting firms, and other loan fund organizations to better serve the financial and technical assistance needs of our region's businesses. A newly developed Entrepreneurial Institute will help augment existing efforts and create new opportunities for the region's entrepreneurs.

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PROGRAM DESCRIPTION:

The South Florida Regional Planning Council (SFRPC) is a regional planning and public agency whose mission is to work with South Florida's public, private, non-profit, and civic leadership to create a better future for South Florida; identify short and long term challenges and opportunities which are



regional in scope; and create and implement strategies and action plans to achieve South Florida's desired future.

The SFRPC serves three counties: Miami-Dade, Broward, and Monroe; 71 municipalities; and over 4 million residents. Continuous, oftentimes rapid, population growth has been a significant factor in the changing character of South Florida. In 2005, Miami-Dade was the 8th largest county in the United States with 2.4 million residents; Broward was the 15th largest with 1.8 million residents. According to recent official projections, Miami-Dade, Broward, and Monroe counties are expected to grow by more than 1.3 residents in the next 25 years.

The SFRPC is one of eleven regional planning councils in Florida. Created by Florida Statute and intergovernmental agreement, the SFRPC has statutory responsibilities related to local government comprehensive plans, developments of regional impact, and intergovernmental permits and grant application review. In addition, the SFRPC works with local governments, school boards, area residents, and other private, non-profit and public stakeholders in a variety of program areas to identify issues of concern, opportunities for improvement, and solutions.

The SFRPC is governed by a unique public / private sector board comprised of 19 voting members. Two-thirds of the board members are county and city elected officials. The remaining members are appointed by the Governor. Additionally, the board has 3 ex-officio members representing the Florida Department of Transportation, South Florida Water Management District, and the Florida Department of Environmental Protection.

In addition, the SFRPC provides administrative and staff support for several regional partnerships. These partner-

ships and programs include the Florida Gold Coast Clean Cities Coalition, Eastward Ho! Brownfields Partnership, the South Florida Regional Business Alliance, Coordinating Council of Broward, The State Road 7 / U.S. 441 Collaborative, and the Local Emergency Planning Committee. One of the program areas the SFRPC is particularly proud of is our Revolving Loan Fund Programs.

Revolving Loan Programs

The SFRPC initially accepted a Revolving Loan Fund (RLF) that was originally established by the Dade County Economic Research Foundation. This loan fund was transferred to the Council in 2002. Since that initial transfer the SFRPC has accepted three additional loan funds, each originated by other entities. The SFRPC-RLF program now manages 4 Revolving Loan Funds, each of which is funded through the U.S. Department of Commerce Economic Development Administration (EDA). In addition, the SFRPC has partnered with the U.S. Department of Environmental Protection to offer an "Eastward Ho! Brownfields Cleanup Revolving Loan Fund" that provides resources that can be used to return to productive economic use properties with real or perceived environmental contamination.

The EDA revolving loan programs offer low-interest rate loans to small and medium size businesses that are not entirely served by conventional lenders. Loans range from \$50,000 to \$300,000 and are available to profitable businesses for business expansion and job creation.

To be eligible for a loan with the SFRPC, the business must be located within Miami-Dade, Broward and Monroe counties and have been denied financing by a conventional lender. The funds can be used to buy equipment, finance inventory, renovate or buy space, or provide needed working capital.

The Financing Strategy

Our financing strategy is to make general business development loans that meet the credit needs of businesses not entirely served by conventional lenders and, at the same time, encourage the conventional lending community to complete project financing by allowing RLF funds to fill the gap.

A credit gap continues to exist in the region. It exists because conventional lenders prefer lower risk, well collateralized loans as opposed to higher risk, thinly collateral-

ized loans. Lenders prefer to lend to applicants they know. They routinely expect strong collateral coverage, which requires a larger equity injection than many borrowers are able to meet. They avoid smaller loans, due to high transaction costs in relation to the risk and return, making an exception for their good deposit applicants with whom they have strong relationships.

Through careful screening of loan applicants and creative loan structuring, the SFRPC-RLF program has reduced the reluctance of conventional lenders to meet the credit needs of higher risk, but creditworthy, business enterprises. Lower interest rates and longer terms improve a borrower's cash flow. The SFRPC helps entrepreneurs by lending in partnership with a bank so that the overall cost to the borrower is reduced and a long-term relationship with a private bank is established.

Financing Niche

There is a need in our area for loans with lower equity requirements, loans in the \$25,000 to \$300,000 range, start-up capital, expansion capital, and loans that can service firms without existing banking relationships, e.g., firms that began with owner equity only. The gap exists not because the firms are poor investments but because they are not the preferred investment of the banks.

Its role as a Development Finance Organization servicing the region is to provide to small and medium-sized businesses credit that:

- a. Is reasonably priced;
- b. Is matched to the useful life of the asset financed;
- c. Conserves cash for continued growth; i.e. low equity;
- d. Allows for a reasonable return on equity in line with industry norms; and
- e. Generates acceptable public benefit such as job creation and leveraging of private investment.

PROGRAM HISTORY:

The South Florida Regional Planning Council Revolving Loan Fund Programs (SFRPC-RLF) were first established with several public and private agencies before being transferred to the SFRPC. The RLFs were created as a result of the devastation of Hurricane Andrew, which on August 24, 1992, ravaged large tracts of Miami-Dade County. Hurricane Andrew stands as one of the most damaging and costly natural disasters in the history of the United States, surpassed only by Hurricane Katrina in 2005. Many businesses, especially in the southern areas of the county, faced insolvency after commercial and industrial buildings, agricultural land and tourist facilities were destroyed by the hurricane. One of the worst affected communities,

Florida City, lost 80% of its tax base. In addition to a deterioration of property values, tax revenues, and residential communities, the area faced the threat of the relocation of many businesses and of permanent job loss.

Although recovery from Hurricane Andrew is no longer the most urgent economic development priority for the South Florida region, Miami-Dade County continues to have a stubbornly high unemployment rate, the highest of Florida's largest metropolitan areas. However, as the regional economy grows, the SFRPC Revolving Loan Fund has served as an instrument to strengthen and achieve the stated goals of the SFRPC Comprehensive Economic Development Strategy (CEDS).

The SFRPC knows that the best economic development plan for the region is to develop its small and medium size businesses. The SFRPC focuses its economic development activities on technical assistance and capacity building, enhanced coordination, communication, and infrastructure development. In our judgment, these activities provide the greatest long term return on investment and are the best use of limited resources.

SUCSESSES:

The SFRPC-RLF business loans are generally made to small businesses, including those in their first year of business. Particular focus is given to those small businesses relocating, expanding, or currently doing business in the State and Federal Empowerment Zones and Brownfields Target Areas. All types of legal business entities are targeted whether sole proprietorship, partnership, S-Corporation, C-Corporation, or a Limited Liability Corporation.

These targeted businesses generally need financing and technical assistance. Their needs are identified through past and present small business outreach programs, referrals from Small Business Development Centers, as well as local commercial Small Business Administration lenders and by the local economic development corporations.

The overall goal of the SFRPC revolving loan programs is to create private sector jobs within the regional economy. Additionally, the strategy is to diversify and strengthen the economic base, and stimulate private investment. Since assuming the existing four EDA-RLF programs between the years of 2002 to 2008, the SFRPC has loaned more than \$6.7 million of the base capital to 38 of the region's d businesses and entrepreneurs including loans that have successful been repaid. These programs have helped retain and create more than 1,200 jobs and have increased private/public project investment by more than \$15.2 million. This investment represents a two to one ratio in funding leverage.

The SFRPC-RLF success can be measured by the performance of our loan portfolios. When SFRPC accepted these previously established RLF's from three different Economic Development agencies in Miami-Dade County, the loan portfolios had severely high default rates of over 52%. The SFRPC Loan Administration Board and Council staff was able to regain control of the loan portfolios and turn them into successful programs again. At the most recent EDA reporting period ending September 30, 2007, the SFRPC had a default rate of 2% in regards to outstanding loans versus loans in default. According to the 2002 EDA-RLF's Performance Evaluation report, the average default rate for RLF programs is between 9% and 11.2%. The SFRPC default rate is extremely low, in part, because borrowers are given customized payment methods; are monitored closely to allow for quick assistance if they run into trouble; and as needed, are provided with technical assistance to help strengthen their business.

The SFRPC targets firms involved in a broad cross section of commercial sectors including small manufacturing firms. As a rule, our portfolio cannot exceed 25% in loans to start-up companies. Given the inherent risk associated with start-up companies, high quality secondary sources of repayment must be pledged by the company principals or other appropriate guarantors. The SFRPC successful businesses ranges from companies such as an interior design firm launching their first furniture line; a rapidly growing information technology services company; and the largest grower of bean and alfalfa sprouts in Florida.

Businesses who receive financing through the RLF program can also access additional support and technical assistance by participating in the SFRPC's small business mentoring program. The mentoring program consists of 15 free hours of mentoring from a business consulting firm that specializes in organizational development, training and institutional design for small and large businesses. The mentoring program includes a review of the company's financials, organizational structure, and overall operation techniques. A report with findings and recommendations is then prepared for the business owner. The mentoring program has assisted more than 10 businesses with their reorganization needs during the last two years.

BUSINESS HIGHLIGHTS:

AAJ Computer Services, Inc. DBA AAJ Technologies is



an information technology staffing and software development company that has grown its revenues of \$2.3 million in 2003 to more than \$6 million in 2007

with the assistance of the SFRPC-RLF. AAJ Technologies, a Microsoft Gold Certified Partner, employs more than 50 individuals and provides technology services to local and international companies of all sizes. In June 2007, Microsoft honored AAJ Technologies for the third year in the row with three Microsoft Manager's Excellence Awards. Additional awards for outstanding service and business growth include "Business of the Year" by the South Florida Business Journal in 2006 and "The Gateway to Opportunities Award" from the Florida Regional Minority Business Council in 2004.

Cecil Designers Unlimited - Florida-based interior



designer Cecil N. Hayes has been hailed in the pages of *Architectural Digest* as among the leading 100 architects or designer in the world. Ms. Hayes founded her business in a small storefront in 1975

and launched her interior design business. Over time her business evolved into what would become "Cecil's Signature Collection" a line of custom made furniture featuring an assortment of unique, handcrafted works of art. Today, the company's elite clientele includes celebrities Wesley Snipes and Samuel L. Jackson.

Cecil Designers Unlimited came to the SFRPC following rejection of her business proposal by conventional lenders who classified Cecil's work as an artistic venture and failed to recognize the entrepreneurial / business potential of her work. With the funds from the RLF, Cecil Designers Unlimited was able to launch its first line of unique furniture. Today, the company has a staff of 15 employees and generates gross revenues of more than \$2 million per year. In addition to having been featured in several national magazines and listed as one of the 100 top interior designers by *Architectural Digest* magazine, they have been recognized by the Designers and Decorators Guild receiving

its “Distinguished Designer of the Year Award” and “African American Achievement Award, 2004”. They were also recognized by the Design Center of the Americas with its “Visionary in Design Award” in 2002.

Leasa Industries Company, Inc. was established in 1977 in one of Miami-Dade County’s poorest neighborhoods. It has grown to be the largest grower of bean and alfalfa sprouts and one of the largest manufacturers of tofu



in the State of Florida. The company’s products are available throughout Florida, Georgia, Alabama, South Carolina, Tennessee, the Caribbean and even Alaska. Leasa employs more than 90 employees and hires from within an empowerment zone in Miami-Dade County known as Liberty City. Many of their employees are mothers on welfare and ex-convicts from the community who the company assists in their efforts to create a better quality of life. This company has been recognized nationally for their accomplishments and involvement in the community. SFRPC-RLF was able to assist Leasa with working capital after the development of their new 30,000 square foot facility. The company has gross revenues of more than \$7 million per year today.

THE IMPACT OF SFRPC- RLF:

- a. The RLF financing program has positively impacted South Florida by strengthening the local economy through loans to existing and start-up businesses that are unable to obtain conventional financing. These investments have led to increased sales tax revenue, job creation, and diversification of the economy.
- b. The RLF financing strategy is proactive in nature and scope and is designed to stimulate private investment. RLF funds are used to leverage private dollars at a minimum rate of \$2 of private investment for every \$1 dollar from the RLF. Since inception of the RLF, the private/public project investment is more than \$15.2 million.
- c. The SFRPC-RLF provides a unique public source of capital and technical assistance to communities who face a distinct competitive disadvantage in their ability to attract higher levels of private capital investment in facilities and equipment. The Goals of the SFRPC-CEDS and the RLF include diversification and expansion of employment opportunities to ensure the creation of jobs with better pay and benefits for the region’s workforce. In doing so, we seek to lower the unemployment rate and increase per capita income for the region. Throughout the SFRPC program areas it works to

address quality of life issues, including education, transportation, access to services, and safety in order to make South Florida a more attractive location for domestic and international talent and businesses. The SFRPC uses economic development resource agencies and programs to involve small and minority businesses in the development and expansion of permanent job opportunities. The RLF helps reduce poverty levels in disadvantaged areas by encouraging the retention of local businesses and providing job-training opportunities.

- d. The impact of the RLF is based on demand and performance. The SFRPC-RLF has a current lending base of \$7.5 million and \$5.1 million in outstanding loans. Since 2002 it has created and retained more than 1,200 jobs and collected more than \$2 million in bad debts created by other agencies.

Private Investment Leveraging Ratio

RLF program guidelines require that RLF funds be used to leverage private investment of at least two dollars for every dollar of RLF investment. This leveraging requirement applies to the portfolio as a whole rather than to the individual loan. Private investment is classified as leverage in capital invested by the borrower or others, or financing from private entities such as banks. Since inception of the RLF, the private and public dollars have leveraged more than \$15.2 million.

Borrower Equity

For each individual loan the equity requirement will generally range from 10-20% of the total project cost. Businesses are required to invest their funds into the project at a level which is based upon: 1) whether the business has adequate equity, generally determined to be defined as debt-to-net worth ratio, which is 4:1 or less; 2) the overall strength of the business; 3) collateral coverage; and, 4) availability of cash to put into the project. These elements are all considered when the RLF Board determines the level of equity required for each project. For working capital loans the equity requirement may be in the form of net working capital in the business equal to 10-20% of the total working capital need.

Exceptions are made on a case-by-case basis depending upon the particular project. It is the SFRPC’s general philosophy that existing equity or previous cash injection into the business indicates a reasonable level of commitment to the business; therefore consideration is given to existing owner’s equity in determining new equity required as a result of the project being financed.

Below is a list of the “Best Practices” which have been developed by SFRPC staff to facilitate and guide the implementation of the revolving loan fund program.

Best Practices for Supporting Small Business Development

Goal: Provide increased access to capital and technical assistance to emerging entrepreneurs and small and medium size businesses that are not eligible for conventional financing for business and job retention and expansion.

- Establish an effective network of key financial institutions who agree to refer otherwise credit-worthy small businesses who do not qualify for conventional financing to the SFRPC and RLF.
- Promote services available through the universities, small business development centers, and private agencies; coordinate efforts on potential joint projects.
- Attend all small business forums, expos and workshops to inform businesses located in the region regarding the availability of alternative financing by the SFRPC.
- Assist member counties in facilitating ongoing business retention programs.
- Aggressively market public sector loan programs available through the SFRPC-RLF to various non-government organizations (NGO) that provide smaller loans to growing small businesses, economic development organizations and regional lending institutions;
- Develop and provide technical assistance:
 - Coordinate and/or sponsor training programs. (*In partnership with Broward Community College and Metro Broward Capital Corporation for the Entrepreneurial Institute at Metro Broward*)
 - Identify new and/or alternative sources of technical assistance funding. (*SFRPC Mentoring Program*)
 - Promote partnerships on projects to leverage limited technical assistance capacity. (*Partnered with Minority Business Development Council, Florida Atlantic University Small Business Development Center and other accounting business development firms*)
 - Referred potentially eligible businesses to SBDC and MBDC for counseling to improve their chances of obtaining public and/or private financing;

Indicators of Success:

- **Increased capital base in the Region as a whole** - The SFRPC increased the region's RLF capital base by allowing the funds to be used by all business located in the region not just Miami-Dade county;
- **Number of Loans Processed** - Screen, package and service over 82 loans for small business clients;
- **Default Rate** - Default rate of 2% over national average of 9% to 11.2%.

- **Value of Loans Processed** - The program currently has a lending base of \$7.5 million with \$5.1 million in outstanding loans. The average RLF loan is around \$200,000.
- **Private funds leveraged** - 2 to 1 leverage ratio.
- **Repayment** - The SFRPC has been successful in collecting more than \$2 million dollars in loans that was considered uncollectible by previous organization.
- **Jobs** - Created more than 1,200 jobs since 2002.

PARTNERSHIPS:

Broward County Cultural Arts Division and the South Florida Regional Planning Council Artist Micro-Credit Loan Program

There is a significant economic development component to the creative arts and cultural activities we are fortunate to enjoy in South Florida. Artists who are involved in the creative industries are a vital component of the region's job creation and retention efforts. An ongoing partnership between the Council and Broward County has led to the creation of two new programs that will help support and expand this aspect of South Florida's economy and cultural diversity.

In addition to creating an *Artist as an Entrepreneur Institute (AEI)* to assist artists seeking best practices and tools related to operating their unique enterprises, the Broward County Cultural Division and the Council are working together to create a micro-credit revolving loan fund for Broward-based artists. The Artist Micro-Credit Loan Program is designed to assist artists at all stages of their careers in the advancement of their work and careers. A premise of the program is that "gaps" exist in traditional lending markets and that some creditworthy artists, and their artistic businesses, cannot qualify for financing. This program provides financial assistance from \$1,000 to \$5,000 to eligible artists and arts-related businesses who cannot obtain funding from conventional sources. The South Florida Regional Planning Council administers this program.

New Partnerships Enhance Opportunities for Business Owners

A number of new partnerships to support the region's businesses are now underway. The Council, in collaboration with public and private business professionals, is spearheading the development of a new partnership and busi-

ness resource called the "Business Providers Consortium." As envisioned, this Consortium will serve as a technical assistance resource and clearinghouse of information for businesses at all levels of development.

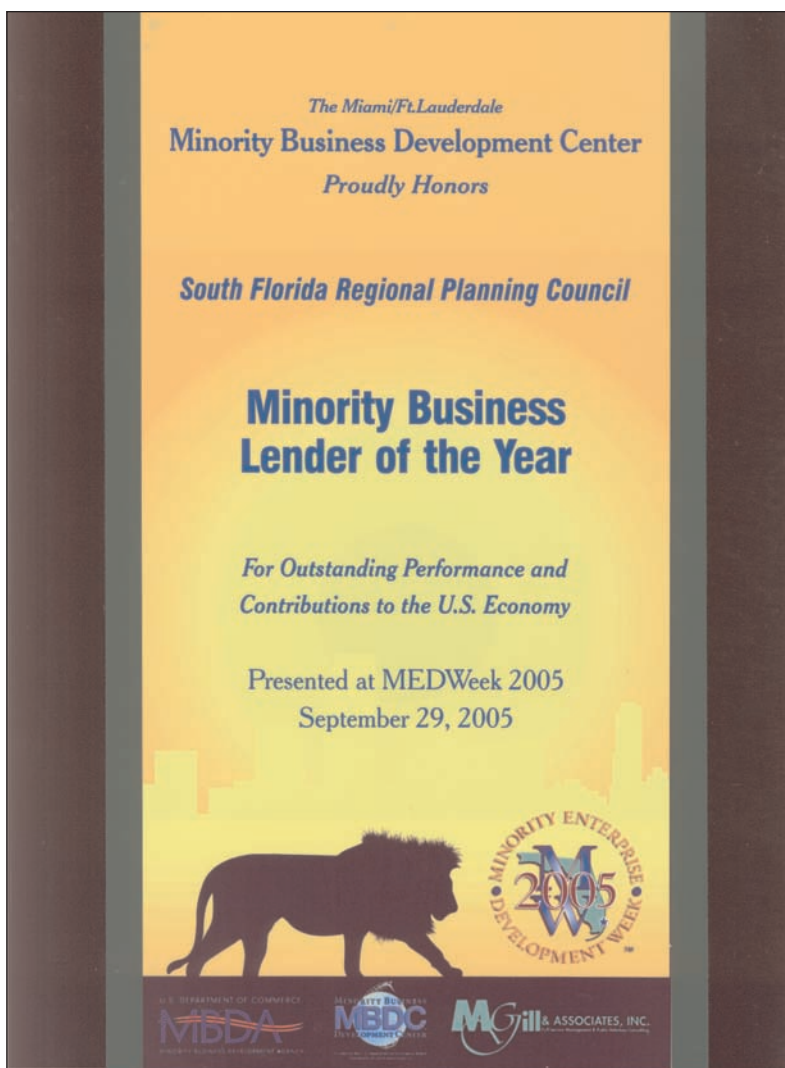
The Council, Acción USA, and MetroBroward Capital Corporation have also banded together to create the Broward Comprehensive Capital Resource Alliance (BCCRA) - a one-stop shop for emerging companies seeking loans. Traditionally, each organization has targeted a specific market. For example, Acción USA specializes in micro loans of up to \$25,000 and finances startups; MetroBroward Capital Corporation offers loans from \$25,000 to \$100,000 to businesses that have been operating for at least one year; and the Council offers loans from \$50,000 to \$300,000 to businesses that cannot obtain conventional financing. Because of this innovative partnership, these organizations are now able to offer a wider range of financial products and reach a broader client base, better serving the financial and technical assistance needs of the region's entrepreneurs.

The Entrepreneurial Institute at MetroBroward (The Institute) was formed in collaboration with Broward Community College and the South Florida Regional Planning Council. The partnership represents a collective response to the repeated requests from prospec-

tive and existing entrepreneurs for a one-stop resource that would provide "real world" and "hands on" advice, coaching, technical assistance and education for starting, growing/funding and maintaining a competitive small business. For the past two years the Institute has sponsored the "Safari to Success" gala that honors three successful businesses in the region in the areas of Business Expansion, Business Innovation, and Entrepreneurial Spirit. The Safari to Success gala is well attended by the local dignitaries, bankers and community leaders with more than 400 people in attendance at each event.

DESCRIPTION OF PROPOSAL PRESENTATION:

The proposal will be presented by one presenter providing the audience with handouts that include information on the South Florida Regional Planning Council and the various programs provided by the Council including the Revolving Loan Fund. In addition, the conference attendees will view a video that will highlight the Council revolving loan fund and its successes.





SOUTH FLORIDA REGIONAL PLANNING COUNCIL

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