

# Support Communities and Economic Development through Capital Access Programs

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As we assess the U.S. economy, there are more signs of weakness than pockets of strength which suggest the seven-year recovery is weakening. In fact, some areas of the economy such as nonresidential investment and corporate earnings indicate outright declines, according to the most recent 2016 Chapman University Economic Forecast. Although perhaps too early to call for a recession, it now appears that the current recovery is in its latter stages. On the surface, California's economy is growing more rapidly than the overall U.S. economy which also has benefited from a measurable resurgence in community and economic development projects over the last few years as a result of new frontiers in public finance.

With the demise of redevelopment agencies in the state, there is one agency within the Governor's Office of Business and Economic Development (GO-Biz) leading the economic development charge and empowering small business growth and expansion across the state – the California Infrastructure and Economic Development Bank (IBank).

IBank is the state's municipal bank and for all intents and purposes has supplanted redevelopment agencies since Governor Brown's order to shutter them. IBank was formed/created in 1994 to finance public infrastructure and private development. The bank has broad authority to issue tax-exempt and taxable revenue bonds. It provides financing to public agencies together with a variety of credit enhancement vehicles to support and encourage small business growth, as well as new innovation and company expansion which ultimately creates new jobs in California.

Of particular interest for economic developers, commercial banks, credit unions and non-bank community development financial institutions (CDFIs) however, is the plethora of capital access programs utilized to spur economic development and infrastructure financing. These include the Infrastructure State Revolving Fund (ISRF) Loan Program, California Lending for Energy and Environmental Needs (CLEEN) Center, and the Bond Financing Program. Since its inception and through 2016, the IBank has financed nearly \$37 billion in infrastructure and

private development throughout the state promoting a healthy climate for job creation, a huge economic contributing factor to California's strong and vibrant economy.

These same programs also help institutional lenders deploy capital and investment dollars to support small businesses and their access to credit focusing on underserved communities and neighborhoods.

IBank's delivery system for these programs is its network of non-profit Financial Development Corporations (FDC) all of which were created through legislation and which have authority to leverage public dollars to support a lender's credit or bond risk including farm loan transactions.

The California State Loan Guarantee Program is perhaps IBank's core small business assistance program offering lenders a loan

guarantee of up to \$2.5 million to support almost any type of small business loan transaction including export assistance. In return, the business agrees to create new jobs, retain existing employees, and help to increase the local community tax base. Over the previous five years, the FDCs have leveraged \$296

million in public dollars in guarantee issuance supporting the deployment of over \$418 million in new bank/private investment capital to small businesses across the state while creating thousands of new jobs and first-time business entrepreneurs.

The future capacity of California's capital access programs is quite strong, but in many cases underutilized. These programs are solid economic development tools which can assist in creating and bringing new wealth and prosperity to communities, whether an organization is a public sector conduit or community development lender seeking to deploy its investment capital.

California leads the nation in innovation and economic development opportunities, now and into the foreseeable future. Its family of FDC corporations are the boots on the ground actively seeking new partnerships and community collaborations to help deploy capital investment to support new and existing businesses, company expansion and the creation and retention of new jobs.

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To learn more about these programs, contact Mike Ocasio at [mocasio@sbfdoc.com](mailto:mocasio@sbfdoc.com)