Spurring Job Creation Through Private-Public Partnerships

By Bridging the “Financing Gap” with Economic Development Programs
Economic Development Challenges of 2010

• Some Businesses are prepared to move forward with investments; however,

• Bank’s may be reluctant to provide business financing because of perceived credit and collateral risks.

• Good projects exists these “grey areas” of perceived risks that can be stimulated through public-private partnerships and...

• Utilization of “gap financing” programs such as Georgia Cities Foundation, DDRLF, Life Sciences Fund, Employment Incentive Program, etc.
The Banking Challenges which can be Addressed Through Gap Financing

• Need to protect, build & conserve capital
• Need to increase reserves
• Need to lower risks
• Lower real estate values (less collateral)
The State takes “informed risk”

• Public financing for economic development is most typically “gap financing” (some incentive deals excluded)

• State E.D. programs take risks many private lenders will not take, or will not take alone

• However, as stewards of taxpayer resources, the state must invest the limited funds available for economic development in VIABLE projects that will actually create jobs and investment

IT’S A DELICATE BALANCE!
CREDIT INDICATORS:

- Sales Trends
- Profitability
- Management
- Cash Flow Trends
- Working Capital Adequacy
- Capitalization
- Industry Conditions
- Years in Business

- Business Plan
- D&B Rating
- Equity Injection into project
- Bank Participation in project
- Cash reserves/lines of credit
- Personal credit of principals
Public/Private Financing Expands Credit

SOLVENCY

Solid Credit

GREY AREA

HIGH RISK

PROFITABILITY

GREY AREA
Loan to Creditworthy Businesses

SOLVENCY

×

×

PROFITABILITY
Funding the Grey Area: Look for Other Positive Attributes

- Strong Management
- Access to Capital
- Marketplace Opportunities
- Targeted Industry
- Strong Commitment by Local Leadership
Funding the Grey Area:

• “Fine-tune” the project
• Strengthen funding commitments
• Identify alternative funding sources
• Incorporate special conditions to mitigate risk
Additional Information

• Brian Williamson, Assistant Commissioner for Community Development and Finance
  ▪ 404-679-1587 or brian.williamson@dca.ga.gov

• Joanie Perry, Director, Office of Economic Development Services
  ▪ 404-679-3138 or joanie.perry@dca.ga.gov

• www.dca.ga.gov/economic/Financing/index.asp