

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!

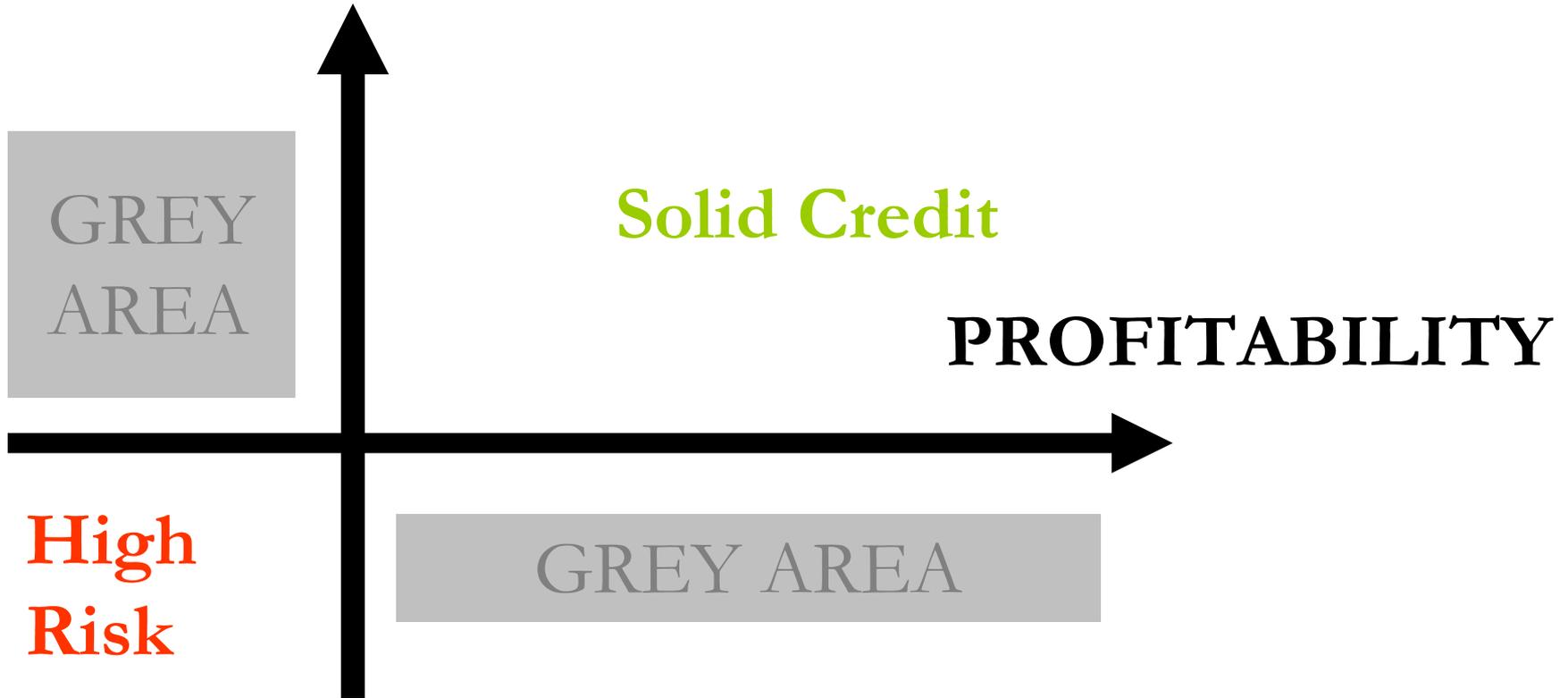
CREDIT INDICATORS:

- 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



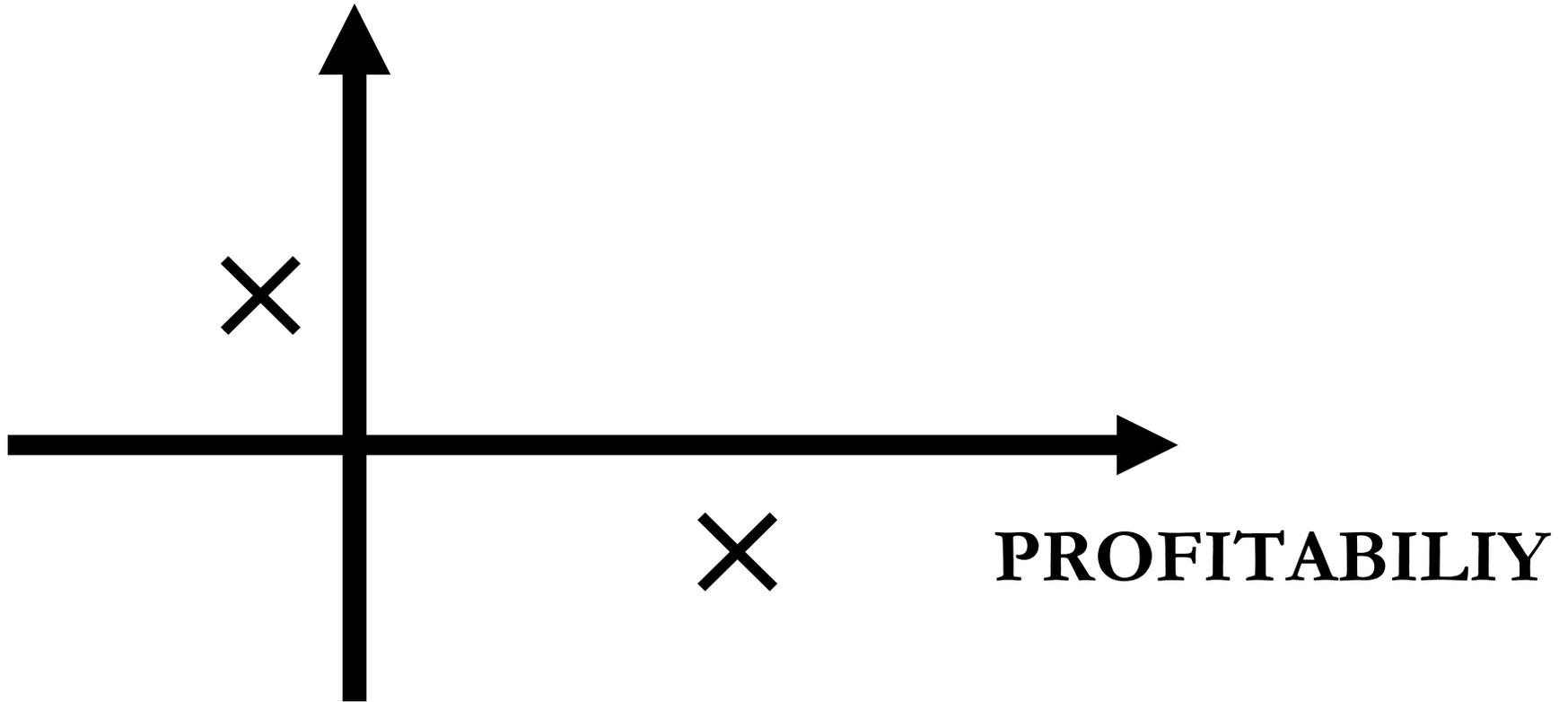
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Loan to Creditworthy Businesses



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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**
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- www.dca.ga.gov/economic/Financing/index.asp