


# COUNCIL COMMUNICATION

	Number:	<b>24-408</b>	Meeting:	<b>October 7, 2024</b>
	Agenda Item:	<b>28</b>	Roll Call:	<b>24-1356</b>
	Submitted by:	<b>Cody Christensen, Development Services Director</b>		

## AGENDA HEADING:

Approving and authorizing the execution of the City of Des Moines Small Business Impact Loan program.

## SYNOPSIS:

The intent of the Small Business Impact Loan program is to encourage the establishment, stabilization, expansion, and scaling of small businesses within the City of Des Moines. These small dollar, short-term Small Business Impact Loans will have minimum loan amount of \$5,000 and a maximum loan amount of \$20,000. Depending on the size of the loan and scope of the project, repayment periods will range from three (3) to five (5) years. Interest rates will be fixed at two (2) points under prime at the time of loan origination. Applicants must demonstrate lack of access to traditional funding due to limited credit history or lack of collateral.

Small Business Impact Loan requests for business enterprises in vacant and/or underutilized commercial properties will be prioritized. A scoring preference will be given to certified Targeted Small Businesses, socially or economically disadvantaged persons as defined by US Small Business Act, and businesses eligible for LGBT Business Enterprise (LGBTE) certification through the National LGBT Chamber of Commerce (NGLCC). Approved borrowers will be required to utilize technical assistance provided by the Office of Economic Development (OED) small business staff and connect with one (1) or more small business-focused community organizations (One Economy Financial Development Corporation, Evelyn K. Davis Center for Working Families, Iowa Center for Economic Success, etc.) for additional support.

## FISCAL IMPACT:

Amount: \$100,000

Funding Source: Fiscal Year (FY) 2024-2025 Operating Budget, Page 52, S743, CM025033, Economic Development Enterprise

## ADDITIONAL INFORMATION:

- Eligible uses include:
  - Tenant improvements
  - Equipment/fixtures/furnishings purchases

- Professional design services (site plan/building permit drawings, etc.)
  - Inventory
  - Working capital
  - Gap financing
  - Real estate acquisition
  - Building renovations
  - Exterior site improvements
  - Website development/design
  - Marketing projects/campaigns
- Only applicants with a primary business location within the Des Moines city limits (or proposing to locate within the Des Moines city limits) are eligible to apply.
  - Project locations within an existing or proposed InvestDSM Special Investment District are ineligible for Small Business Impact Loan funding consideration.
  - Project locations within Priority Small Business Development Corridors, as defined by OED, will receive priority scoring.
  - Project locations within a low- or moderate-income census tract will be given priority scoring.
  - For projects impacting physical real estate (building/site enhancements, etc.) property owner, or business tenant with written permission from property owner may apply.
  - Applicant must demonstrate lack of access to traditional funding sources (bank denial letter, etc.).
  - Small businesses with fewer than 10 full time equivalent (FTE) employees will be prioritized with an eligibility cap of 20 FTE employees.
  - Applicant must demonstrate ability to repay Small Business Impact Loan by submitting cash flow projections and business financial history documentation (existing businesses) or a business plan (new or expanding businesses).
  - Preference will be given to for-profit business enterprises, though non-profit organizations may be considered depending on the proposed funding use and anticipated community impact.
  - Scoring preference will be given to small businesses impacted by a City construction project within the last three (3) years as defined by the City's Capital Improvement Program (CIP).
  - Job retention and/or creation is required for Small Business Impact Loan eligibility.
  - Ineligible business types include, but may not be limited to:
    - Liquor and tobacco stores
    - Adult entertainment and product stores
    - Pawnshops

- Check cashing/payday loans
  - Car dealerships
  - Gas stations
  - Car washes
  - Gaming/gambling parlors
  - Chain stores
  - Home-based businesses (unless the purpose of the loan is to support opening a brick-and-mortar location)
  - Salvage operations
  - Businesses/properties with primarily outdoor storage uses
  - Charter schools
  - Religious institutions
  - Self-storage facilities
- An ad-hoc committee of City staff representing various departments, including Development Services, Neighborhood Services, Civil & Human Rights, Legal, and City Manager's Office, will score applications and recommend funding.
  - Initial rounds of this program will be scored competitively in batches received by a set deadline. Small Business Impact Loans will be approved, and funds will be awarded according to application score, available funding, and capacity of the applicant to undertake the planned activities.
  - All Small Business Impact Loan borrowers will be required to sign a repayment contract.
  - The use of funds for which a Small Business Impact Loan application has been submitted cannot begin prior to approval of the application.
  - City Manager is authorized to approve changes to the program's administrative rules.

**PREVIOUS COUNCIL ACTION(S): NONE**

**BOARD/COMMISSION ACTION(S): NONE**

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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