

COUNCIL COMMUNICATION

	Number:	25-383	Meeting:	October 20, 2025
	Agenda Item:	33	Roll Call:	25-1412
	Submitted by:	Cody Christensen, Development Services Director		

AGENDA HEADING:

Reauthorization of Small Business Impact Loan Program and Program Policy.

SYNOPSIS:

Recommend reauthorization of Small Business Impact Loan Program and Program Policy.

FISCAL IMPACT:

Amount: \$300,000

Funding Source: Fiscal Year (FY) 2025-2026 Operating Budget, Page 52, S743, CM025033, Economic Development Enterprise

ADDITIONAL INFORMATION:

- The Small Business Impact Loan Program provides small-dollar, short-term loans ranging from \$5,000 to \$20,000 to support the establishment, stabilization, and expansion or scaling of small businesses within the City of Des Moines. Interest rates are fixed at prime at the time of loan origination, with repayment periods of three (3) to five (5) years depending on loan size and project scope. The loans are intentionally modest in size to minimize risk while addressing critical business startup or growth needs. Unlike grants, these dollars are repaid with interest and revolve back into the City's Impact Loan fund, multiplying their impact over time.
- The Program began as a pilot during the 2024-2025 fiscal year when \$100,000 was authorized to the Program, and the City made six (6) loans that collectively utilized all of the authorized funds, reflecting the demand for the Program. Loans were made to a mix of Des Moines-based small businesses that mirror the demographic, geographic, and entrepreneurial diversity of the city. Loan amounts ranged from \$14,000 to \$20,000, with an average loan size of \$16,667. All borrowers are actively repaying their loans.
- This fiscal year, \$300,000 is being requested for allocation to the Program to continue its administration and allow the Program to operate on a rolling, versus deadline, basis, which is congruent with how businesses traditionally secure lending and how other similar revolving loan funds operate.

- Revolving loan funds are widely recognized as a best practice in economic development and are successfully used by many peer cities across the country. Other communities have seen strong repayment rates and lasting benefits from similar programs, and Des Moines is positioned to achieve the same. Successful small businesses lead to fewer vacant storefronts, stronger neighborhood vitality, and improved access to goods and services for residents. Entrepreneurs supported through these programs hire locally, enhance the tax base, and help create the vibrant, mixed-use commercial corridors that City Council has historically prioritized through multiple policy initiatives. While every investment carries risk, the City has repeatedly demonstrated through its strategic investments in parks, housing, infrastructure, libraries, and businesses that calculated, community-focused investments yield tangible, long-term returns.
- The Small Business Impact Loan Program is designed to fill a financing gap that traditional lenders often leave unaddressed – it intentionally does not compete with the private lending market as banks typically do not lend at the Program’s \$5,000 to \$20,000 range. Applicants must demonstrate lack of access to credit/lending from a traditional lender to be eligible for the Program. Many of Des Moines’ smallest and most locally rooted entrepreneurs are denied conventional credit and lending not because their business ideas and operations lack merit, but because they don’t meet rigid collateral, credit history, or business longevity requirements. These systemic barriers often affect first-time entrepreneurs and minority-owned businesses in particular. Unlike private lenders, the City’s role is to stimulate and invest in economic growth that strengthens local commercial corridors, activates neighborhoods, creates and retains jobs, and expands economic opportunity where the market falls short.
- Approved borrowers are required to participate in technical assistance with the City’s Office of Economic Development small business staff and to engage with at least one (1) community-based business development organization throughout the duration of their loan repayment, such as One Economy Financial Development Corporation, the Evelyn K. Davis Center for Working Families, or the Iowa Center for Economic Success. This pairing of financing with required technical support and quarterly check-ins helps improve repayment rates and long-term business outcomes. Further, by helping businesses build a repayment history, the Program also positions them to become more bankable in the future.
- Eligible uses of funds include:
 - Tenant improvements
 - Equipment/fixtures/furnishings purchases
 - Professional design services (site plan/building permit drawings, etc.)
 - Inventory
 - Working capital
 - Real estate acquisition
 - Building renovations
 - Exterior site improvements
 - Website development/design

- Marketing projects/campaigns
- Gap financing. This includes filling in funding gaps if businesses receive a “partial denial” of a loan request from a bank/credit union. For example, if a business is requesting a \$50,000 loan, but a bank/credit union is only willing to lend \$30,000 of this amount, the City could make up the \$20,000 difference through the Small Business Impact Loan Program.
- 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. Business locations must be “brick and mortar” (home-based, pop-up, or mobile businesses are not eligible, unless the purpose of the loan is to support opening a brick-and-mortar location).
- Project locations within an existing or proposed InvestDSM Special Investment District are ineligible for Small Business Impact Loan funding consideration.
- Project locations within a low- or moderate-income census tract will be given priority consideration.
- Businesses eligible to become certified Targeted Small Businesses as defined by the State of Iowa, socially or economically disadvantaged persons as defined by the U.S. Small Business Act will be given priority consideration.
- For projects impacting physical real estate (building/site enhancements, etc.) property owner or business tenant with written permission from property owner may apply.
- Applicants must demonstrate lack of access to traditional funding sources (bank denial letter, etc.)
- Small Business Impact Loan funds will not be considered for operational costs such as rent, utilities, or payroll, existing debt obligations, or self-performed work (“sweat equity”).
- Small businesses with fewer than 10 full-time equivalent (FTE) employees will be prioritized, with an eligibility cap of 20 FTE employees.
- Applicants 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).
- Job retention and/or creation are 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, pop-up, or mobile businesses (unless the purpose of the loan is to support opening a brick-and-mortar location)
 - Junk/salvage operations
 - Businesses/properties with primarily outdoor storage uses
 - Schools (business/trade schools as defined by Chapter 134 of City Code may be eligible depending on the project)
 - Religious institutions
 - Self-storage facilities
- City staff will convene a standing committee to review applications monthly and recommend funding.
 - Applications will be reviewed and approved on a rolling basis until funds are exhausted. Small Business Impact Loans will be approved, and funds will be awarded according to application strength, available funding, and capacity of the applicant to undertake the planned activities.
 - If funding for the Program is exhausted while a complete application has already been submitted, reviewed, and ultimately approved for funding, applications can be “held” at the discretion of staff. Funds can then be disbursed immediately to said held applications upon replenishment of funds into the Small Business Impact Loan program.
 - All Small Business Impact Loan borrowers are required to sign a repayment contract and a personal loan guarantee as a condition of receiving funding.
 - Projects must begin within one (1) year of the approval of the financial assistance contract execution.
 - City Manager can approve changes to the Program’s administrative rules.

PREVIOUS COUNCIL ACTION(S):

Date: October 7, 2024

Roll Call Number: [24-1356](#)

Action: [Approval](#) of Small Business Impact Loan Program and Program Policy. ([Council Communication 24-408](#)). Moved by Gatto to adopt. Second by Voss. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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