



## Linked Deposit Program

# ANNUAL REPORT TO THE GOVERNOR AND THE LEGISLATURE

Program Year 2018

### **Executive Summary**

The Linked Deposit Program (LDP) was created to encourage and assist New York State manufacturers and small businesses to undertake investments that improve performance and competitiveness, leading to a stronger economy for New York State. LDP is an important component in lowering the cost of capital for small businesses, and is one of several Empire State Development (ESD) initiatives that are helping to ensure New York State's businesses continue to thrive and grow.

### **Overview**

The LDP "linked loan" provides businesses with affordable capital based on interest rates that are supported by state deposits. Under LDP, eligible businesses can obtain loans from commercial banks, savings banks, savings and loan associations, farm credit institutions and the New York Business Development Corporation at an interest rate lower than the prevailing rate on such loans, thereby making borrowing less expensive. Most eligible businesses qualify for up to a 2 percent interest rate reduction, while others like agricultural firms, technology and innovation businesses, MWBE and Empire Zone certified businesses and those businesses located in highly distressed areas qualify for up to a 3 percent reduction.

Since the program's inception in 1994, LDP has lowered the interest rate for over 5,680 loans, resulting in \$1.93 billion in bank lending and leveraging \$4.03 billion in new capital investment by businesses across New York State.

### **2018 Highlights**

- During 2018, LDP processed 161 applications and approved 147 loans for deposit, totaling more than \$68.53 million which will generate \$130.85 million in private sector capital investment.
- LDP activity realized a substantial increase from 2017 to 2018, applications received increased by 44 percent, applications approved increased by 37 percent and the total dollar amount approved increased by 40 percent.
- As a result of receiving LDP assistance in 2018, borrowers anticipate creating 537 full-time positions and retaining 457 over the next four years.
- There are currently 70 lenders participating in LDP.

The following pages provide an overview of 2018 program results including information regarding borrowers, projects, employment and other relevant program facts.

**I. 2018 Program Performance Details:**

**1. Types of Firms Receiving Linked Loans**

Manufacturing Firms	69
Agricultural Firms	12
Service Businesses	<u>66</u>
<b>Total:</b>	<b>147</b>

Linked Deposit assistance supports these businesses in their various industries so that they can improve and expand their operations which is critical to their success.

**2. Linked Deposit Loan Utilization**

Building Improvements	1
Buyouts	11
Equipment Purchases	75
Expansions	37
Real Estate Purchases	6
Renewed Deposits	<u>17</u>
<b>Total Number of Approved Projects:</b>	<b>147</b>

**3. Geographic Distribution of Participating Firms**

	<u>Approved Projects</u>	<u>Linked Deposit Assistance</u>
Capital Region	13	\$ 4.32M
Central New York	24	\$12.95M
Finger Lakes	56	\$24.20M
Long Island	0	\$ 0.00M
Mid-Hudson	2	\$ 1.85M
Mohawk Valley	10	\$ 3.70M
New York City	0	\$ 0.00M
North Country	5	\$ 5.09M
Southern Tier	7	\$ 2.28M
Western New York	<u>30</u>	<u>\$14.14M</u>
<b>Total Approved Projects 2018:</b>	<b>147</b>	<b>\$68.53M</b>

#### 4. Loan Amounts

<b>Number of Loans</b>	<b>Loan Amounts</b>	<b>Totaling</b>
22 Loans	Between \$25,000 and \$99,999	\$ 1,409,741
38 Loans	Between \$100,000 and \$199,999	\$ 5,562,220
67 Loans	Between \$200,000 and \$999,999	\$29,002,118
11 Loans	Between \$1,000,000 and \$1,999,999	\$14,556,000
9 Loans	for \$2,000,000	<u>\$18,000,000</u>
<b>Total:</b>	<b>147 Loans</b>	<b>\$68,530,079</b>

#### 5. Approximate Number of Jobs Created or Retained as a Result of LDP

NYS total jobs at time of application (147 approved projects)	3,323
NYS jobs to be created (projections made by applicant)	537
NYS jobs to be retained (projections made by applicant)	457

#### 6. Types of Lenders Making Linked Loans

Commercial Banks	58
Savings Banks	9
Savings and Loan Associations	1
Farm Credit Institutions	1
New York Business Development Corporation	<u>1</u>
<b>Total Participating Lenders:</b>	<b>70</b>

#### 7. Minority and Women Owned Enterprises (MWBES) LDP Activity

To date LDP has provided assistance on three hundred and thirty-four (334) loans to minority and/or woman owned firms for a total of \$112.31 million, of which six (6) reached their lifetime maximum, which is currently \$2 million per borrower. In 2018, thirteen women owned businesses received LDP's reduced interest rate on loans totaling \$6.61M.

#### 8. Small Business Participation

Since the program's inception the majority of businesses assisted by LDP are small businesses, which are defined as companies with 100 or fewer employees. During 2018, 99.3 percent (146 of 147) of the loans approved benefited small businesses and they received 99.7 percent (\$68.34 million) of the total \$68.53 million committed by LDP.

#### 9. Businesses Eligible for the 3 Percent Interest Rate Reduction

Of the 147 loans approved during 2018, 42 were eligible for the up to 3 percent interest rate reduction. This includes 22 loans for projects located in highly distressed census tracts, 12 loans to agricultural businesses, 4 loans for

technology and innovation companies, 3 loans to Empire Zone certified businesses, and 1 loan to a certified MWBE that borrowed to fulfill a government contract. All were approved for the up to 3 percent reduction for the total loan amount of \$20.85 million. Some of these businesses and loans qualified in more than one category and some businesses also received assistance on more than one loan. The remaining eligible companies and projects qualified for the up to 2 percent interest rate reduction.

#### **10. Current Interest Rates**

The average four-year certificate of deposit (CD) rate for 2018 was considerably higher than 2017. In 2018, the average rate was 1.23 percent, compared to .77, the average for 2017. Even though the program allows for up to a 3 percent reduction, borrowers can only realize a reduction based on the lender's four-year CD rate, which at times lessens the subsidy borrowers can obtain.

#### **11. Average Deposit Amount**

The average deposit for 2018 was \$417,138, 8 percent lower than the 2017 average of \$452,299.

#### **12. Amount of Money on Deposit for Linked Loans**

LDP amount on deposit as of 12/31/18:	\$179,232,301 (438 deposits)
Total deposits authorized 2/11/94 – 12/31/18:	\$1,934,081,983 (5,685 deposits)

#### **13. Funding**

\$560 million is authorized for this program. Of that amount, \$516 million has been committed to the program from OSC and public authorities.

As of December 31, 2018, \$179.23 million is being utilized on deposit, with seven deposits pending for \$1.14 million and \$24.62 million approved and scheduled for deposit as loans close during 2019, leaving approximately \$311.27 million available to fund new projects.

#### **14. Statement of Cost\* of LDP to the State and to the Public Authorities**

Office of the State Comptroller (OSC)	\$2,870,864.79
Department of Taxation and Finance	<u>\$175,788.27</u>
<b>Total Cost of LDP for 2018:</b>	<b>\$3,046,653.06</b>

\*Cost is determined by calculating the difference between the average rate on other short-term investments and the average rate of return on funds invested in Linked Deposit CDs.

## II. Additional Information:

### 1. 2018 Promotional and Outreach Activity

- In 2018, Empire State Development's Division of Small Business & Technology Development staff conducted extensive outreach to promote LDP which included participation at numerous small business and MWBE trade shows as well as conducting presentations at these events.
- Empire State Development's Division of Small Business & Technology Development's senior management conducted outreach to banks to enroll new lenders and conducted numerous presentations to MWBEs and small businesses.
- Senior management also met with executives of the Department of Financial Services to coordinate outreach strategies to the banks they supervise.
- Numerous emails promoting LDP were sent to newly certified MWBEs, with a total of 848 MWBE firms contacted.
- LDP staff coordinated with ESD's ten regional offices located throughout the state to refer potential borrowers to the program.
- Numerous promotional emails were sent to over 600 LDP bank contacts.

### 2. Increasing Program Activity in 2019

#### • Minority and Women Owned Business Activity

To increase minority and women owned firm's participation in LDP, outreach will be intensified, and staff will enhance their efforts by:

- ✓ Conducting more webinars for certified MWBEs, for a total of 6 webinars annually, sponsored by the Division of Minority and Women's Business Development (DMWBD);
- ✓ Increase staff attendance at MWBE and small business events;
- ✓ Educate LDP's economic development partners throughout the State on the benefits of the program for our MWBEs;
- ✓ Conducting outreach to government agencies and staff that interface with MWBEs statewide, to reach and assist more firms;
- ✓ Continue to send and increase the number of introductory emails sent to newly certified firms.

#### • Mid-Hudson, Long Island and New York City Regions

LDP is underutilized in the Mid-Hudson, Long Island and New York City regions; LDP staff and Empire State Development's Division of Small Business & Technology Development's senior management will generate more activity in these regions by:

- ✓ Conducting outreach to banks there, to educate their staff on how LDP can assist them and help their clients to grow their businesses;
- ✓ Enroll more lenders in these regions by contacting all the banks that do not

- currently participate in LDP, which will increase activity in those regions;
- ✓ Reaching out to economic development partners there to strengthen collaborative efforts to promote LDP and assist more businesses;
- ✓ Foster more collaboration with the Department of Financial Services to increase communications with the banks they supervise;
- ✓ Mobilize staff to attend more trade shows and conduct more presentations in these regions;
- ✓ Contact the Chambers of Commerce to educate their members on how LDP can assist them to grow their businesses.

- **The Effort to Increase LDP's Maximum Allowance**

The total amount a company can realize LDP's interest rate reduction on is currently \$2 million, the maximum individual loan amount is also \$2 million, both limits are set in LDP statute. ESD is seeking a legislative change that will increase the lifetime cap to \$5 million and is also seeking to remove the current \$2 million loan limit as well.

In 2018, 16 companies maxed out their assistance and there are currently 89 borrowers in total that have reached their lifetime maximum. Most of them have added employees, demonstrating the effectiveness of the program and how it supports the growth of the economy.

Businesses that have reached the maximum are no longer able to utilize LDP and experience increased borrowing costs when attempting to expand or improve their operations. An increase to the lifetime maximum would allow these businesses to utilize the program again and further invest in their business.

### III. **How to Request Linked Deposit Assistance**

Businesses may contact the Linked Deposit Program office at 518-292-5261 for further information or any one of the participating lenders to inquire if their business is eligible, and if their project qualifies for an interest rate subsidy. Lenders make the credit decision and submit the application on behalf of the borrower. The list of participating lenders, the LDP application and other relevant program information can be found on the ESD website at: <http://esd.ny.gov/BusinessPrograms/LinkedDeposit.html>.



**Empire State  
Development**

**LINKED DEPOSIT PROGRAM**  
Albany, NY 12245  
(518) 292-5261  
Linkeddeposit@esd.ny.gov  
[www.esd.ny.gov](http://www.esd.ny.gov)