



## **Linked Deposit Program**

# **ANNUAL REPORT TO THE GOVERNOR AND THE LEGISLATURE**

Program Year 2019

### **Executive Summary**

The Linked Deposit Program (LDP) assists New York State manufacturers and small businesses to undertake investments that improve their 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. Eligible businesses can obtain LDP 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, certified minority women owned enterprises (MWBE) and those businesses located in highly distressed areas may qualify for up to a 3 percent reduction.

Since the program's inception in 1994, LDP has lowered the interest rate for over 5,800 loans, resulting in \$2 billion in bank lending and leveraging \$4.14 billion in new capital investment by businesses across New York State.

### **2019 Highlights**

- During 2019, LDP processed 183 applications and approved 168 loans for deposit, totaling more than \$74.19 million which will generate \$121.30 million in private sector capital investment.
- LDP activity increased from 2018 to 2019; applications received and approved both increased by 14 percent and the total dollar amount approved increased by 8 percent.
- As a result of receiving LDP assistance in 2019, borrowers anticipate creating 453 full-time positions and retaining 389 over the next four years.
- There are currently 69 lenders participating in LDP.

The following pages provide an overview of 2019 program results including information regarding borrowers, projects, employment and other relevant program facts.

## **I. 2019 Program Performance Details:**

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

Agricultural Firms	22
Manufacturing Firms	60
Non-Profit	2
Retail	5
Service Businesses	<u>79</u>
<b>Total:</b>	<b>168</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	9
Equipment Purchases	95
Expansions	36
Real Estate Purchases	8
Renewed Deposits	17
Working Capital	<u>2</u>
<b>Total Number of Approved Projects:</b>	<b>168</b>

### **3. Geographic Distribution of Participating Firms**

	<b><u>Approved Projects</u></b>	<b><u>Linked Deposit Assistance</u></b>
Capital Region	28	\$ 9.47M
Central New York	21	\$10.38M
Finger Lakes	42	\$17.53M
Long Island	0	\$ 0.00M
Mid-Hudson	4	\$ 3.63M
Mohawk Valley	18	\$ 4.83M
New York City	0	\$ 0.00M
North Country	9	\$ 5.68M
Southern Tier	7	\$ 3.52M
Western New York	<u>39</u>	<u>\$19.15M</u>
<b>Total Approved Projects 2019:</b>	<b>168</b>	<b>\$74.19M</b>

#### 4. Loan Amounts

Number of Loans	Loan Amounts	Totaling
32 Loans	Between \$10,000 and \$99,999	\$ 1,735,213
28 Loans	Between \$100,000 and \$199,999	\$ 4,201,203
88 Loans	Between \$200,000 and \$999,999	\$40,289,842
16 Loans	Between \$1,000,000 and \$1,999,999	\$19,959,445
4 Loans	for \$2,000,000	<u>\$ 8,000,000</u>
<b>Total:</b>	<b>168 Loans</b>	<b>\$74,185,703</b>

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

NYS total jobs at time of application (168 approved projects)	3,949
NYS jobs to be created (projections made by applicant)	453
NYS jobs to be retained (projections made by applicant)	389

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

Commercial Banks	57
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>69</b>

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

To date LDP has provided assistance on three hundred and forty-four (344) loans to minority and/or woman owned firms for a total of \$114.96 million, of which eight (8) have reached their lifetime maximum, which is currently \$2 million per borrower. In 2019, 10 women owned businesses received LDP's reduced interest rate on loans totaling \$2.66M.

#### 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 2019, 98.2 percent (165 of 168) of the loans approved benefited small businesses and they received 96.6 percent (\$71.64 million) of the total \$74.19 million committed by LDP.

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

Of the 168 loans approved during 2019, 59 were eligible for the up to 3 percent interest rate reduction. This includes 31 loans for projects located in highly distressed census tracts, 22 loans to agricultural businesses and 6 loans for

technology and innovation companies. All were approved for the up to 3 percent reduction for the total loan amount of \$33 million. Some businesses and loans may qualify in more than one category and some businesses may also receive 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 2019 was slightly higher than 2018. In 2019, the average rate was 1.31 percent, compared to 1.23, the average for 2018. 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 2019 was \$413,244, just slightly lower than the 2018 average of \$417,138.

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

LDP amount on deposit as of 12/31/19:	\$174,095,219 (445 deposits)
Total deposits authorized 2/11/94 – 12/31/19:	\$1,973,993,689 (5,813 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, 2019, \$174.1 million is being utilized on deposit, with twenty-three deposits pending for \$7.76 million and \$28.93 million approved and scheduled for deposit as loans close during 2020, leaving approximately \$305.47 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)	\$3,319,944.27
Department of Taxation and Finance	<u>\$271,460.49</u>
<b>Total Cost of LDP for 2019:</b>	<b>\$3,591,404.76</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. 2019 Promotional and Outreach Activity**

- In 2019, Empire State Development's Division of Small Business & Technology Development staff promoted LDP at small business and MWBE trade shows and conducted numerous presentations at these events.
- Empire State Development's Division of Small Business & Technology Development's senior management and staff conducted outreach and presentations, striving to enroll new lenders and increase activity among existing lenders.
- LDP was marketed through numerous emails and webinars to MWBEs and small business reaching over 4,000 contacts.
- LDP staff coordinated with ESD's ten regional offices located throughout the state to refer potential borrowers to the program.
- Several presentations and meetings were held with LDP lenders located downstate to promote the program and to increase activity in this area of New York State.
- Numerous promotional emails were sent to over 600 LDP bank contacts.

### **2. Increasing Program Activity in 2020**

- Mid-Hudson, Long Island and New York City Regions  
Linked Deposit management and staff will continue their outreach to banks, small businesses and MWBE firms in the Mid-Hudson, Long Island and New York City regions to improve activity in these underserved areas.
- Continuing Effort to Increase Lifetime and Loan Amount Maximums  
Empire State Development will continue to seek a legislative change to increase the lifetime maximum to \$5 million and to remove the current \$2 million loan limit as well.

In 2019, 13 companies maxed out their assistance and there are currently 98 borrowers that have reached their lifetime maximum. Most added employees, demonstrating the effectiveness of the program and how it supports the growth of the economy. An increase to the lifetime maximum would allow these businesses to utilize the program again and further invest in their operations.

- Community Development Financial Institution (CDFI) LDP Participation  
CDFIs have a proven track record for providing financing and technical assistance to businesses located in low-income areas and to small and MWBE firms. ESD is seeking a legislative change to allow CDFIs to participate in LDP, to borrow funds from banks at a reduced rate, then lend those monies to MWBE firms and small businesses also at a reduced rate. Allowing CDFIs to participate in LDP would help lower the cost of borrowing and deliver greatly needed assistance to our MWBE and small business community.

### 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**

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