

FOR CONSIDERATION

December 21, 2023

TO: The Directors

FROM: Hope Knight

SUBJECT: Procurement of Administration Services for the New York Forward Loan Fund 2 Program

REQUEST FOR: Authorization and Ratification of Fee Agreement with Calvert Impact Lead Servicer, LLC and to Take Related Actions

CONTRACT NEED AND JUSTIFICATION

I. Contract Summary

Contractor: Calvert Impact Lead Servicer, LLC (the “Lead Servicer”)

Scope of Services: New York Forward Loan Fund 2 Administrator

Contract Term: Through completion of work referenced in the Fee Agreement

Contract Amount: Not to exceed Eight Hundred and Fifty Thousand Dollars (\$850,000)

Funding Source(s): FY 2022-2023 New York State Budget – Special Revenue Funds – Federal Miscellaneous Operating Grant Fund State Small Business Credit Initiative Account for programs and activities authorized pursuant to the New York State Urban Development Corporation Act, Economic Development Law, or Public Authorities Law including any services and cost associated with administration of such programs and activities, subject to the limitations imposed by federal funding requirements for program funding, contract expenditures, expenses, sponsorships, administrative costs, and investments to support the U.S. Department of Treasury (“Treasury”) State Small Business Credit Initiative (“SSBCI”).

II. Background

New York Forward Loan Fund 2 (“NYFLF 2” or the “Program”), approved by the Directors in March 2023, is a program through which up to \$45 million of New York State’s SSBCI allotment is to be matched by a like amount of private capital in order to incentivize lending, by Community Development Financial Institutions (“CDFIs”), to targeted small businesses and nonprofit entities. The Program has been structured in order to provide, through a specified recycling mechanism, a reasonably expeditious means of achieving lending leverage that is several times the amount of the sums that are to be provided by New York State and the private capital lender.

The terms of the loans that are to be made to the qualified small business borrowers and nonprofit entities will range from short term to 36, 48, 60 months, and shall be for principal amounts of up to \$150,000. The loan proceeds will be used for working capital, including payroll, operating and emergency maintenance, property taxes, utilities, rent and supplies. Refinancing of an existing loan from a CDFI is not permitted. The small business borrower will be required on application to set forth its anticipated use of funds. The product terms are standardized across the program and there is, accordingly, no negotiation of terms between the originating CDFI lender and the potential borrower. In addition, the CDFI lender may, if it deems that it is commercially reasonable to do so, take a lien against a borrower's collateral. In reaching such a determination, the CDFI may consider other existing obligations of the borrower, the value of the potential collateral, and the expense of perfecting a lien on such collateral. The overall goal of the Program is to offer affordable credit to small businesses while gaining as much private leverage as possible from New York State's federally funded SSBCI dollars over the eight to nine years of the Program, building the CDFI market and performance track record along the way. The following core, strategic objectives drive the Program's design.

Given the Program's scope and urgency, and as contemplated in the March 2023 Director's materials, ESD is relying on a trusted partner, Calvert Impact Lead Servicer, LLC ("Calvert"), to administer the Program. Calvert has proven experience administrating and processing a high volume of loan applications and has displayed effective and efficient administration in working on the original New York Forward Loan Fund program ("NYFLF").

III. Contractor Selection Process

Due to the nature of the federal SSBCI funding, the Program had to be administered through an entity that has been approved by SSBCI. Fortunately, staff had previously worked with Calvert on NYFLF, and was aware that Calvert was approved by SSBCI as a partner for that program. Additionally, it must be noted that this is a very unique program, designed exclusively by Calvert, with a goal of maximizing, through the above-mentioned recycling process, the lending leverage that is to emanate from the sums that are to be provided by New York State (through its SSBCI allotment) and the private capital lender. Since Calvert prepared the core documents through which this complex program was formulated and did so in contemplation of the precise manner in which the funds furnished by the public and private capital lenders were to be administrated, there is no realistic means by which some other vendor can perform the services that are set forth, in detail, in the subject Fee Agreement. Furthermore, Calvert, as the originator of New York Loan Forward 2, has not only developed the latter's overall structure but has assumed the responsibility of coming forth with a duly qualified private capital lender (the "Warehouse Lender") that is willing and able to furnish the matching funds that form an essential part of that Program. While the negotiations by and between Calvert and the prospective Warehouse Lender are ongoing and have not to date been completed, a Calvert affiliate has agreed, in the interim, to provide the first tranche of the required private lending capital, in the sum of \$15,000,000.00, thereby ensuring that at least the first third of the Program, which in all instances requires the existence of matching private lending capital funds before any of the monies to be provided by ESD may be utilized, can now move forward.

Finally, inasmuch as NYFLF was highly successful and Calvert's work was highly satisfactory, it was determined that utilizing Calvert as a single source would provide several key advantages: a highly skilled vendor with experience in the previous iteration of this program, quicker and more efficient program startup and administration, and elimination of the possibility of competitively selecting a vendor that would not be approved by SSBCI. Staff are not, moreover, aware of another vendor that could provide

the level of expertise and commitment shown by Calvert. Nor are they aware that another vendor would or could come forth with the interim financing that will enable the agency to initiate expeditiously, pending the consummation of the loan that is to be provided by the Warehouse Lender, the Program.

IV. Scope of Work

Administer the Program, including providing marketing, communications, legal and fund administration services as summarized below:

- Translation of SSBCI Program guidance into a fully compliant Loan Participation Program, including robust program design conversations and Q&A with Treasury;
- Plan to develop reporting infrastructure and systems for data collection, including new software development.
- Conduct CDFI outreach and education through weekly calls to align on program details.
- Will coordinate the program launch, managing communications, marketing, and CDFI preparedness.
- Will finalize CDFI underwriting, approvals, and implement new systems infrastructure.
- Will manage the closing and disbursement of the Warehouse Loan, including diligence with a national bank.
- Ensure legal compliance and smooth operability through a warehouse line review and documentation.
- Handle entity registration, compliance, and structure the initial Bridge Lending facility.
- Develop and negotiate template program documents for standardization and compliance.
- Set up and configure CRF Connect and CRF Exchange for application and loan purchase submissions.
- Build the SSBCI data warehouse, provide technology integrations, and train stakeholders.
- Finalize and implement loan sale, QC processes, document capture, and retention processes.
- Design and deploy automated emails, form customizations, and CX optimization.
- Collaborate with the marketing team for website embed, training, and testing.
- Integrate and deploy API connections between technology systems and stakeholders.
- Implement a payment remittance process and refine fund reporting for program compliance.

V. Contract Term, Price, and Funding

The price of the contract is set at a not-to-exceed price of \$850,000.00. The funding source is federally funded SSBCI assistance allocated to ESD pursuant to the 2022-2023 New York State Budget – Special Revenue Funds – Federal Miscellaneous Operating Grant Fund State Small Business Credit Initiative Account for programs and activities authorized pursuant to the New York State Urban Development Corporation Act, Economic Development Law, or Public Authorities Law.

VI. Responsible Party

Pursuant to State Finance Law Section 139-j and 139-k and the Corporation's policy related thereto, staff has; a) considered proposed contractor's ability to perform the services provided for in the proposed contract; and b) consulted the list of offerers determined to be non-responsible bidders and debarred

offerers maintained by the New York State Office of General Services. Based on the foregoing, staff considers the proposed contractor to be responsible.

VII. Non-Discrimination and Contractor & Supplier Diversity

Pursuant to New York State Executive Law Article 15-A, ESD recognizes its obligation under the law to promote opportunities for maximum feasible participation of New York State certified Minority and Women-owned business Enterprises (“MWBEs”) in the performance of ESD projects. However, as a condition of accepting these funds, ESD has agreed to meet a federal SEDI goal of 41.39%. Due to the federal government’s preemption of New York State Executive Law 15-A relative to this allocation, ESD is not permitted to set its own MWBE goals in addition to the federal SEDI goal.

VIII. Environmental Review

ESD staff has determined that the authorization to enter into a Fee Agreement for third-party NYFLF2 administrator services constitutes a Type II action as defined by the New York State Environmental Quality Review Act and the implementing regulations of the New York State Department of Environmental Conservation. No further environmental review is required in connection with this authorization.

IX. Requested Action

The Directors are requested to (1) make a determination of responsibility with respect to the proposed contractor; (2) authorize and ratify the Corporation’s entrance into the Fee Agreement with Calvert Impact Lead Servicer, LLC for an amount not to exceed \$850,000.00.

X. Recommendation

Based on the foregoing, I recommend approval of the requested actions.

XI. Attachments

Resolution

December 21, 2023

NEW YORK STATE URBAN DEVELOPMENT CORPORATION d/b/a EMPIRE STATE DEVELOPMENT
Procurement of Administration Services for the New York Forward Loan Fund 2 Program -
Authorization and Ratification of Fee Agreement with Calvert Impact Lead Servicer, LLC to Provide
Administration Services and to Take Related Actions

BE IT RESOLVED, that upon the basis of the materials presented to this meeting (the "Materials"), a copy of which is hereby ordered filed with the records of the Corporation, the Corporation hereby finds Calvert Impact Lead Servicer, LLC to be responsible; and be it further

RESOLVED, that the Board does hereby authorize and ratify the Fee Agreement with Calvert Impact Lead Servicer, LLC in an amount not to exceed EIGHT HUNDRED AND FIFTY THOUSAND DOLLARS (\$850,000.00) for the purposes and services, and substantially on the terms and conditions, set forth in the Materials; and be it further

RESOLVED, that the President and Chief Executive Officer of the Corporation or her designee(s) be, and each of them hereby is, authorized to take such action and execute such documents as may be necessary or appropriate to carry out the foregoing resolution.

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