

City of Chicago



Office of the City Treasurer Treasurer Stephanie D. Neely

REQUEST FOR PROPOSALS

for Community Development Financial Institutions (CDFIs) and Community-Based
Lenders
to participate in the City's Small Business Development Fund Program

Issued: May 20, 2010

The Office of the City Treasurer of Chicago (the "Treasurer's Office") is seeking proposals from community financial institutions to receive a grant for the purpose of providing micro loans to small businesses in Chicago.

Background

The Treasurer's Office is committed to providing responsive and effective services to support the economic vitality of Chicago's small businesses. On July 29, 2009, the Chicago City Council passed an ordinance presented by the Treasurer's Office to revise the existing Small Business Development Fund program ("SBDF"). The revised program authorizes the Treasurer's Office to grant funds to qualified community financial institutions for the purposes of increasing the supply of necessary capital to small business owners located in Chicago. Funds are to be used to establish or replenish a revolving loan pool. The total amount allocated by the Chicago City Council to the SBDF program money is \$3.2 million.

Award Amounts

Applicants can request between \$75,000 and \$750,000. The Treasurer's Office will grant the requested amount or a portion of the requested amount at the Treasurer's Office discretion. The grant award will be transferred to the lender within 10 days of the grant agreement closing.

A maximum of 7% of the total awarded amount can be set aside for technical and administrative assistance related to loan applications.

Requirements

I. Applicant Eligibility

This is a competitive request for proposal (“RFP”) process open to all community-based lenders and CDFIs providing small business financial services located in Chicago. All RFP applicants must submit the answers to the following questions, and include required documentation. This information will be used to determine the eligibility of applicants to be considered for participation in the SBDF.

1. Provide proof of licensure, accreditation, or certification from a state or federal body allowing operation as a community lender.
2. Provide the address of a lending office in the City.
3. Provide proof of small business lending activity in Chicago over the past two years, including communities served, loan volume (# and \$), average interest rate, and loan losses.
4. Provide a statement of financials for the previous year.
5. Provide a detailed structure of the proposed SBDF revolving loan program (or of the existing small-business loan program to which SBDF funds will be added), including underwriting criteria, revolving loan structure, escrow requirements, collateral requirements, use of interest earned, and repayment arrangements of corpus back to City on termination.
6. Provide details on your organization’s plan to use the 7% (maximum allowed) set aside amount for administrative costs?
7. Provide the details of technical assistance, as well as loan processing services and procedures offered to clients, as provided by your organization?
8. Complete the Economic Disclosure Statement and Affidavit, per attached.

II. Targeted Small Businesses

The SBDF fund is for the sole use in supporting access to capital for borrowers that fall into the following four categories:

1. Minority/Women-Owned Businesses – a minimum of 51% minority or woman ownership, and in operation for at least three years;
2. Emerging Businesses – in operation less than three years with insufficient collateral to qualify for a standard bank loan;
3. Veteran-Owned Small Business – a Veteran, Service-Disabled Veteran, or Reserve Component Member owned Small Business; and
4. Standard Small Businesses – in operation for at least three years and a net worth less than \$5 Million.

III. Outreach

All selected lenders receiving SBDF funds are required to make it known that they are participants in the SBDF program, and that they are able to make loans to qualified borrowers. This should be done through community and media outreach.

IV. Sustainability

The loan pool should be maintained as a solvent revolving loan pool.

V. Rapid First Loan Placements

Qualified lenders must make SBDF program funds available for loans to small businesses within 15 working days of the lender's receipt of SBDF monies from the City.

VI. Prompt underwriting of loan applicants

Applications for loans shall reach final decision within 10 days of underwriting.

VII. Loan Size

The SBDF ordinance allows for loans to be made in the range from a minimum of \$500 to a maximum of \$150,000 per qualified business. The minimum and maximum loan size that will be offered by a qualified lender should be specified in the proposal and justified based on past financial statements.

In the agreement signed between qualified lenders and the Treasurer's Office the minimum and maximum loan amount will be specified, unless justified otherwise, the range to be offered in the current economic climate is \$5,000 to \$35,000.

VIII. Collaboration

Partners agree to work in collaboration with the City Treasurer's Office to successfully execute this program.

Considerations for Selection of Qualified Lenders

Following the close of the RFP period, the Treasurer's Office will review the information provided by each applicant and will determine whether any applicants fulfill the City's general criteria for the SBDF Program. Each qualified lender will be reviewed by a committee consisting of city representatives specializing in small businesses. Due to limited funds not all qualified lenders will receive SBDF funds.

Reporting Requirements

All lenders receiving SBDF funds are required to comply with various program goals and reporting requirements. A lack of compliance will result in the Agreement being terminated, with the corpus of SBDF grant funds to be returned to the Treasurer's Office within 10 working days of the termination.

Each lender receiving SBDF funds will be required, under the Agreement, to collect data monthly, which is to be submitted quarterly to the Treasurer's Office, as well as an Annual Report, due within one year of Agreement execution. Quarterly reports will be due on the last business day on the month in January, April, July, and October. Lenders may also be asked to provide interim information as needed. Reporting is required for two years. A lack of compliance with reporting requirements will result in the Agreement being terminated, with the corpus of SBDF grant funds to be returned to the Treasurer's Office within 10 working days of the termination.

Data collection will include indicators on economic development (e.g. job and revenue growth, jobs retained). A detailed reporting guide will be provided to lenders.

Subcontracting

Lenders may not subcontract or outsource any lending or grant responsibilities without prior notification to and written approval from the Treasurer's Office.

Grant Timeline

Completed proposal will be accepted starting May 21, 2010 until June 18, 2010. During that time any questions and clarification regarding the grant application process can be directed to the City Treasurer's RFP contact. All applications must be received in the Office of the City Treasurer by 4:30pm on June 18, 2010. No late proposals will be considered. Proposals will be reviewed by a committee City Department representatives working in the small business community. Participants will be notified via e-mail or hard mail the result of the selection process.

Role of the Office of the City Treasurer

The Treasurer's Office shall not be a participant to any underwriting, loan approval, or loan processing, and the City shall not be the lender. The Office is solely the administrator of this program, and is responsible for 1) RFP submission review and qualified lender selection (with the involvement of other City departments in the discretion of the Office); 2) notification to potentially qualified lenders; 3) drafting, negotiating and executing an Agreement with qualified lenders (with the advice and counsel of the City's Law Department); 4) transfer of SBDF funds to fully-qualified lenders; 5) collecting quarterly and annual reports; 6) organizing data collection; 7) assisting Agreement compliance; and 8) reporting to City Council.

Process

The City reserves the right to modify or terminate this solicitation at any stage if the City determines this action to be in its best interest. The receipt of proposals or other documents at any stage of either this RFP or the bidding process will in no way obligate the City to enter into any contract of any kind with any party.

All selected partners must comply with the Chicago campaign finance ordinance, Chapter 2-164 of the Chicago Municipal Code.

Contact

Direct questions and final proposal submission to:

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Response to this RFP is required by June 18, 2010 at 4:30pm. Please submit all supporting documentation with the proposal. Electronic submissions are acceptable. Proposals received after the closing date will not be considered.