

# City of South Bend Opportunity Fund Request For Proposals

April 16, 2024



City of South Bend  
*Indiana*

# South Bend Opportunity Fund (SBOF) Overview



# Vision

- The City desires to facilitate lending to small businesses that lack access to traditional loans. This is intended to create a thriving community where small businesses can access funding to help them succeed.
- The Opportunity Fund is designed to be inclusive and expansive by enabling a wide range of businesses to scale up and to be financially successful.



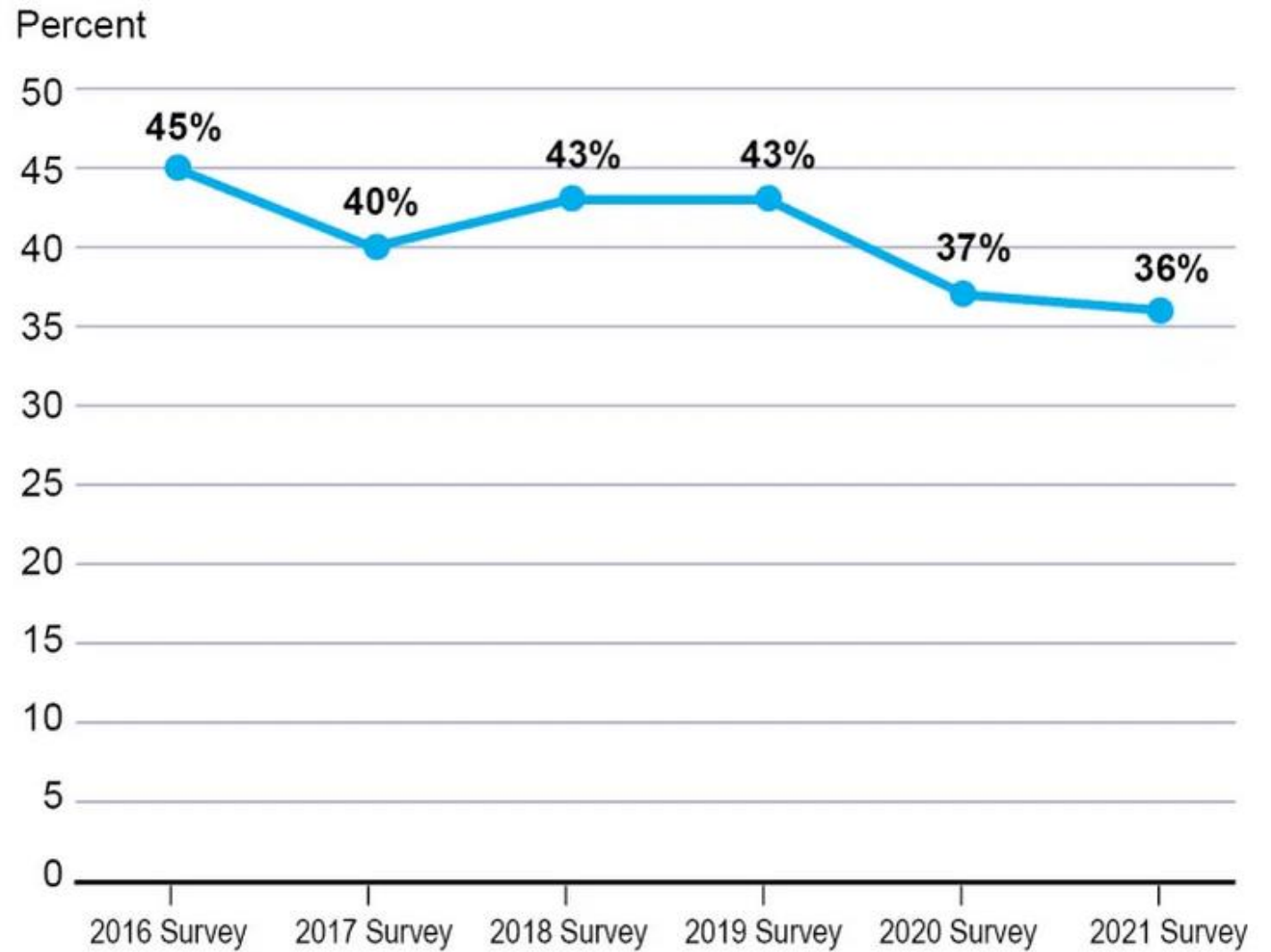
# SBOF Objective

- Facilitate the growth and participation of local small businesses by providing business support, resources, and finance opportunities.
- Support small businesses' growth and create an ecosystem where local businesses can provide greater contributions to community and economic development.
- The Opportunity Fund has two primary goals:
  - Provide **low-interest loans** to qualified small businesses that otherwise would have challenges accessing financing; and
  - Provide or refer applicants to a **small business coaching** program to increase the likelihood of their financial success.



# Businesses Applying for Credit

- The pandemic had a large economic impact by forcing businesses to scale back and also by reducing credit requests from those businesses. 2020 and the following year reported a significant decrease in small businesses seeking financing opportunities.



Source: Federal Reserve Bank of Cleveland – Access to Credit for Small and Minority-Owned Businesses (2022)



# Unmet Financing Needs

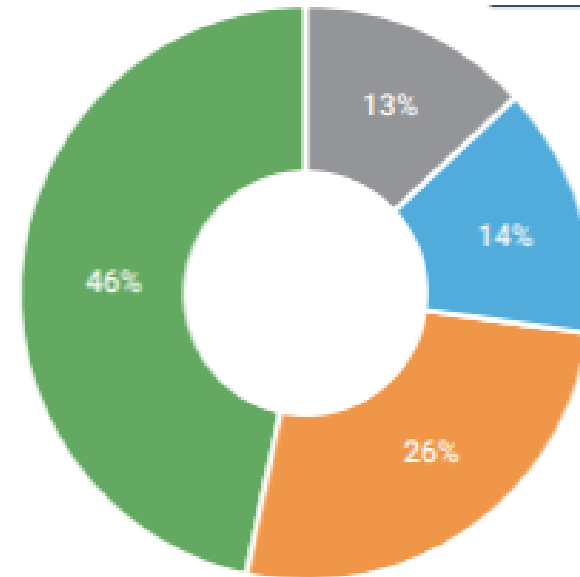
- The chart on the right provide additional context as to why credit was not pursued, and cite strict lender requirements, being denied previously,

Of the 66% of firms that are nonapplicants—that is, firms that did not apply for financing in the prior 12 months—more than half needed funds but chose not to apply.

TOP REASONS FIRMS DID NOT APPLY FOR FINANCING<sup>1,2</sup> (% of nonapplicants)

N=6,538

- Had sufficient financing
- Debt averse
- Discouraged
- Other



54% of nonapplicants needed funds but chose not to apply



# Unmet Financing Needs

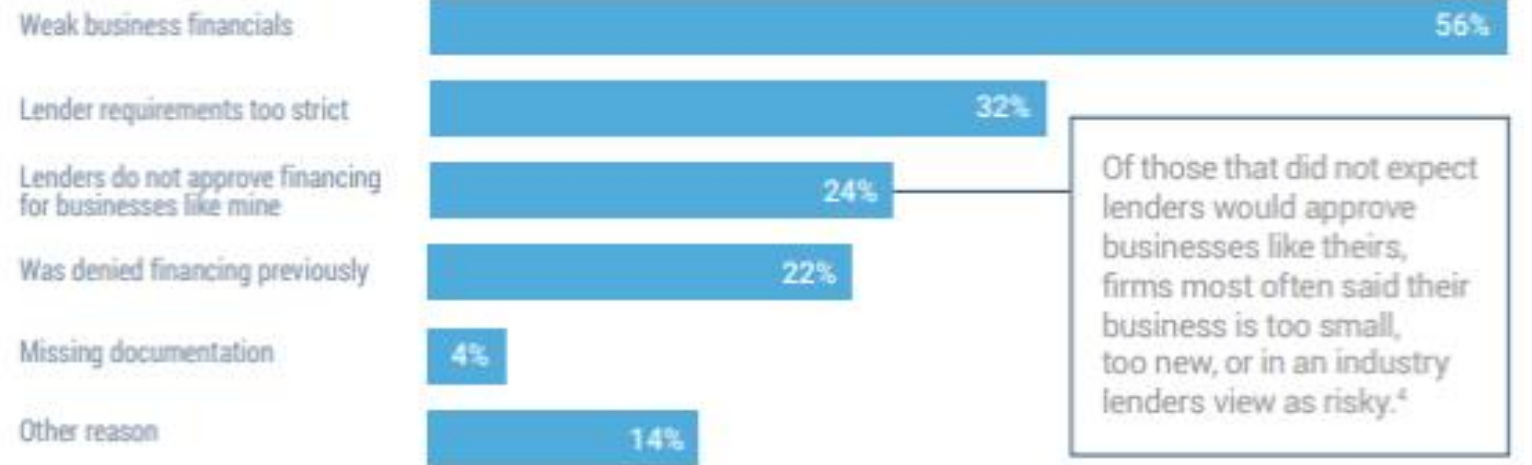
- Small businesses which did not seek financing cited various reasons.

While discouraged firms most often cited weak business financials as a reason their firm would not be approved for financing, others believed lenders are too strict or that lenders do not approve businesses like theirs.

## REASONS DISCOURAGED NONAPPLICANTS DID NOT EXPECT TO BE APPROVED<sup>1,2</sup>

N=900

(% of discouraged nonapplicants)



# Opportunity Fund

The goal of the Opportunity Fund is to provide loans with below market rates for small businesses within the City of South Bend.

- Loans will have a target interest rate of 5%
- Award funds will primarily be used for administrative costs and to serve as a loan loss reserve.
- RFP Respondents are expected to provide their own capital for the issued loans.
- RFP Respondents will provide business coaching, either directly or through a partner, for program participants.





# Tenets of the Opportunity Fund

- Provide professional, one-on-one business coaching as a free service for program participants. Coaching should be relevant for the stage in which the business operates.
- Systematically track data and outcomes for program participants and loan recipients.
- Provide coordinated business support between the City, the small business lender, and the small business coach. It is preferred that the lender and the coach be the same organization but is not required.
- Prioritize sustainability efforts to ensure the viability of the program by mindfully balancing credit risk while providing access to small businesses that may not qualify for credit through conventional lenders.



# Program Design Submission

- RFP Respondents should propose a program plan that details their approach to offering small loans with below-market interest rates and providing business coaching to small businesses in South Bend.
- Since loan rates are impacted by a variety of factors, including credit risk, the City expects the Opportunity Fund to provide funds to develop a loan loss reserve for the partner organization(s) to offset some of the credit risk associated with lending to smaller businesses.
- If the organization is only experienced in either coaching or lending, partnerships are encouraged with other organizations with complementary expertise to provide a more robust proposal for small business support.
- The selected partner(s) will engage in the following program activities:
  - Lending, Coaching and Marketing Community Outreach



# Roles and Responsibilities:

Lender

Business Coach

The City of South Bend



# Responsibilities of the Lender

- Design and implement the Opportunity Fund lending program in partnership with the City
- Review loan requests by small business applicants to approve or deny loans, as well as work with a loan applicant to modify a request when appropriate
- Own all management functions of the Opportunity Fund lending program including, but not limited to, underwriting, determining appropriate loan collateral, and procuring guarantors to secure the loans
- Manage loan collection and repayment
- Adhere to legal requirements with regards to lending, such as Reg B and Fair Lending regulations; and
- Adhere to reporting requirements determined by the City in relation to administering the Opportunity Fund.



# Responsibilities of the Business Coach

- Provide coaching to small businesses receiving loans through the Opportunity Fund
- Provide coaching to small businesses that do not yet qualify for a loan through the Opportunity Fund but have potential to qualify in the future
- Coach Opportunity Fund participants on, among other things, business formation, developing financial literacy, and steps to improve a business credit profile
- Customize coaching sessions that "meet the businesses where they are," providing training that is relevant to the current stage of the business
  - This may include virtual meetings, but the City prefers in-person sessions



# Responsibilities of the City of the South Bend

- Provide program oversight to ensure the program aligns with the goals of the City
- Conduct evaluations and formal reviews of the selected partner(s) in relation to administering the Opportunity Fund
- Implement program process improvements or modifications as needed in coordination with selected partner(s); and
- Provide feedback to the Opportunity Fund selected partner(s) on loans applications.
- Conduct marketing and outreach efforts separately and in conjunction with the selected partner(s) to promote the program
- Provide referrals of small businesses to program when appropriate; and
- Assist selected partner(s) in the intake process and continued communication with small business owners.



# Marketing and Community Outreach

- Conduct marketing and outreach efforts separately and in conjunction with the City to promote the Opportunity Fund
- Work with the City and community organizations to recruit businesses to participate in the Opportunity Fund
- Ensure that marketing and outreach efforts are targeted to small businesses, with a focus on those in underserved communities and those that lack access to traditional sources of capital, including minority-owned businesses
- Collaborate with the City on the Opportunity Fund website



# Request for Proposals Overview





# RFP Timeline

Date	Item
Mar. 22, 2024	RFP Posted
Apr. 16, 2024	Informational Webinar for RFP
Apr. 19, 2024	Partnership interest email due to the City by 11:59 PM EST
May 14, 2024	All RFP Respondent questions due to the City at <a href="mailto:OpportunityFund@southbendin.gov">OpportunityFund@southbendin.gov</a>
May 21, 2024	RFP Submission Due by 11:59 PM EDT
June – July 2024	Selected organization notified of selection
Aug.– Sept. 2024	Contract signed with organization
Fall 2024	Contract Begins



# Proposal Evaluation Criteria

Criteria	Weight
Proposed Program Design	35 Points
Experience in Small Business Loans, Microlending, and Coaching	25 Points
Organizational Capability	20 Points
Experience in Community Engagement	15 Points
Unique Features of the Organization	5 Points



# Submitting Applications

Ideal RFP Respondent will demonstrate:

- ❑ A comprehensive approach to successfully operate the Opportunity Fund
- ❑ Organizational and financial capacity to run the Opportunity Fund
- ❑ Thorough understanding of program responsibilities and parameters
- ❑ Demonstrated expertise in financial lending and/or coaching
  - Financial counseling, lending, coaching, business assistance, programming, etc.
- ❑ Excellent, proven strategies and dedication to community engagement and outreach



# RFP Program Funding

- RFP Respondents are expected to use their own funds when issuing loans
- RFP Respondents are required to submit a detailed budget in their proposals, including the plan to apply the loan interest income.
- Loan interest income should be reinvested to grow the funds available to lend while also offsetting potential losses unless the applicant can describe a more appropriate use for the income.
- Eligible uses of program funds includes:
  - Facilitating small business lending through risk mitigation;
  - Providing business coaching;
  - Marketing the small business support; and
  - Covering administrative expenses and overhead.



# RFP Overview

- Enter a partnership with the City to implement the Opportunity Fund programming and services
- The selected organization will serve as the lender and provide business coaching, either directly or through a partner as provider of the Opportunity Fund
- A \$1,000,000 contract for 3 years of operations with a maximum of \$500,000 provided the first year of the program
- Conduct marketing and outreach efforts separately and conjunction with the City to promote the Opportunity Fund program.



# Thank You!

Questions? Contact us at  
[Opportunityfund@southbendin.gov](mailto:Opportunityfund@southbendin.gov)



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