

THE BIRMINGHAM STRONG FUND: \$2.4 MILLION BRIDGING LOAN FUND

Launched on March 16th, [The Birmingham Strong Fund's](#) small business relief is part of a multi-phase response to support small businesses, workers, and the Birmingham community in light of the COVID-19 Crisis. At the expiration of the loan period, the loans are expected to evolve into a revolving loan program for small businesses housed within the Birmingham Business Resource Center. The explicit purpose of the fund is to provide a bridge loan into the SBA's Program, stabilizing operations and payroll until additional capital can arrive. We profiled it as a model city fund.

Capitalization: The City council approved \$1 million of city money, with another \$200,000 approved from the City's Office of Innovation and Economic Opportunity, to seed the fund. It has since garnered \$1.2 million in matching funds from the private and civic sectors, creating a \$2.4 million emergency loan fund.

Rationale: The city proposed a multi-phase stimulus package to stabilize the Birmingham economy, protect Birmingham workers, and stimulate Birmingham businesses. They wagered that if the city put in \$1.2 million, they could raise an additional \$1.2 million in matching private and philanthropic funds.

Logistics of running the fund

Administration: This loan fund is administered by the [Birmingham Business Resource Center](#), a local nonprofit focused on business development. There is a loan advisory committee composed of representatives from the City's Department of Innovation and Economic Opportunity, the Community Foundation of Greater Birmingham, and private sector partners who donated to the fund.

Application process: All the necessary information is available on the website and forms are provided after emailing an inquiry. Documents are sent via DocuSign, a secure transfer program. The Application is comprised of two submissions: (1) Applicants complete an email-based application after an initial inquiry; (2) Applicants + Guarantors (anyone with 20% or more ownership of the business) must submit personal financial statements.



Downtown Birmingham, AL. Image Credit: [Wikipedia](#).



Promotion: Birmingham launched the Birmingham Strong website and automatically started collecting business data. Within the first 72 hours, 600 businesses had logged on, 70% of which were minority or women owned. In addition to the website, the city conducted a concerted media strategy focused on reaching business license holders, small business ecosystem builders, churches and nonprofits.

Loan sizing: loans come in four sizes: \$10,000; \$15,000; \$20,000; and \$25,000. These are zero interest for 180 days, with various interest terms following. They are detailed below.

Allocation criteria: The amount allocated is based upon five criteria: Business impact on neighborhood and community; Adaptability, innovation and responsiveness to COVID-19; Fiscal strength and operational stability; Historic contributions to the City of Birmingham as an employer and business; Ability to maintain operations and make payroll while limiting staff reductions.

Distribution Time: The first window for loan applications closed on March 27th at midnight. Businesses will begin to be notified on April 3rd if their loan application was approved. If approved, loan documents will be signed, and checks distributed starting April 6th.

Reporting: The city is collecting reporting on: the demographics of ownership for loans distributed; the breakdown of loan types by geography and neighborhood; the qualitative and quantitative impact of the loan on staff size, maintenance of operations, etc. (bank statements, etc.); the rate of return after the 180-day period; and the average sales tax maintenance for companies that applied and received versus those that applied and were denied an emergency loan.

Results so far: As of April 2, 2020, the Birmingham Strong fund had received 255 applications requesting a total of \$5.2 mm. This exceeded the fund's capacity by over 200%

Who is eligible?	Required on Application	Loan terms
<ul style="list-style-type: none"> For-profit businesses with less than 50 employees. Must have been operating for at least one year. Must reside in the City of Birmingham and have a City of Birmingham business license. 	<ul style="list-style-type: none"> Federal tax returns for the past two years (unless the business is only one year old). 12/31/2019 Year-end financial statements (balance sheet and income statement). Interim financial statements dated within the last 90 days. Supporting documents to statement of need outlined in the application. Copy of 2019 Birmingham Business License. Current bank statement. 	<ul style="list-style-type: none"> Four loan sizes, one loan per business. Loan repayment period: Zero-interest for 180 days. Loan repayment structure: <ul style="list-style-type: none"> \$25,000: 3% interest after 180 days. \$20,000: 3.5% interest after 180 days. \$15,000: 4.0% interest after 180 days. \$10,000: 5.0% interest after 180 days.

Next Steps

The Birmingham Strong Small Business Relief fund was intended to provide bridge loans to businesses until they could apply to state and federal relief. They do not plan to increase the fund, but may create a separate fund focused on startups that are currently struggling. Right now they have set up a call center that is reaching out to every small business their local business database and informing them about the PPP and EIDL, and, if their bank is not lending PPP funds, directing them to handful of local banks which are—and which are also lending to new customers.