Colorado Access to Capital Report

Prepared for:

Colorado Office of Economic Development and International Trade

COLORADO
Office of Economic Development & International Trade

Prepared by:

Council of Development Finance Agencies

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Overview

About the Report

The *Colorado Access to Capital Report* was prepared by the Council of Development Finance Agencies (CDFA) on behalf of the Colorado Office of Economic Development and International Trade (OEDIT). The report investigates innovative small business finance programs from across the United States and offers suggestions for new programs or opportunities to improve Colorado's existing business finance climate for small and medium sized businesses (SMBs). CDFA recommends these suggestions be assessed by Colorado stakeholders in the context of the Colorado state funding environment and the geographic impact of the programs relative to differing geographic needs and capital absorption capabilities. These considerations are beyond the scope of this analysis. CDFA is hopeful that this report will add to the already existing ongoing conversation about how to best support capital access in Colorado to promote economic vitality across the state.

The report analyzes existing Colorado programs, key characteristics of successful small business finance programs, and recommendations of programs that can create a diverse SMB finance toolbox capable of sufficiently supporting Colorado's 14 targeted industries. Those targeted industries include:

- Advanced Manufacturing
- Aerospace
- Bioscience
- Creative Industries
- Defense & Homeland Security
- Electronics
- Energy & Natural Resources
- Financial Services
- Food & Agriculture
- Health & Wellness
- Infrastructure Engineering
- Technology & Information
- Tourism & Outdoor Recreation
- Transportation & Logistics

The report is divided into two main sections:

> *Section A: Financing Tools and Best Practices* summarizes types of financing tools and characteristics of managing successful small business finance programs. It covers topics such as marketing, financial sustainability, and ways to demonstrate public and private ROI.
>
> *Section B: Recommendations for Financing Programs in Colorado* summarizes the financing programs currently available statewide and looks at the quantity of programs by type of financing tool and Colorado's 14 targeted industries. It then provides recommendations on ways to improve access to financing for SMBs. Where applicable, the recommendations include objectives, financing details, cost estimates of implementation, keys to success, potential barriers to success, and recommended partners.

The Appendices include overviews of several different types of financing programs from other states as well as those currently available in Colorado.

Approach

The *Colorado Access to Capital Report* was guided by the following objectives:

- Evaluate existing programs in order to determine financing mechanisms utilized and businesses served.
- Identify model programs that fill gaps in OEDIT's small business finance in order to better support OEDIT's 14 key industries.
- Recommend model programs for OEDIT to implement including what industries each program supports, cost estimates to implement programs, and noted opportunities of model programs that may improve existing programs.
- Identify barriers to solutions being successful.

To complete the *Colorado Access to Capital Report*, CDFA analyzed over 35 existing Colorado small business finance programs (outlined in Appendix B). This information was gathered by reviewing background materials on each program and performing phone interviews with program managers. Sources of the programs that CDFA reviewed include OEDIT, Colorado Housing and Finance Authority (CHFA), as well as Certified Development Companies (CDC) and Community Development Financial Institutions (CDFIs) in Colorado (outlined in Appendix C).

Programs available through CDCs or CDFIs that were limited to geographic areas not inclusive of the entire state (such as Pikes Peak Regional Development Corporation's El Paso County Business Loan Fund Program) were not reviewed. Some organizations that serve Colorado, but are located out of state are not included in the report. Other programs excluded include capital for housing, broadband deployment, energy production, traditional production agriculture, and debt and equity for later stage or larger companies which are assumed to have favorable access to capital via private sector financial tools.

To complete the objectives of the report, CDFA collected information about dozens of small business finance programs from around the country. This information was assembled by reviewing background materials on each program and referencing CDFA's existing State Financing Program Directory. In addition, CDFA provided recommendations for programs that could fill the gaps in Colorado's small business lending toolbox to further drive investment into Colorado's 14 key industries.

Acknowledgements

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- Colorado Office of Economic Development and International Trade
- Colorado Housing and Finance Authority
- Colorado Lending Source
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- Colorado Enterprise Fund

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The Council of Development Finance Agencies is a national association dedicated to the advancement of development finance concerns and interests. CDFA is comprised of the nation's leading and most knowledgeable members of the development finance community representing public, private and non-profit entities alike. For more information about CDFA, visit www.cdfa.net or e-mail info@cdfa.net.

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The report is intended to provide accurate and authoritative information. The authors are not herein engaged in rendering legal, accounting, or other professional services, nor do they intend that the material included herein be relied upon to the exclusion of outside counsel. Those seeking to conduct complex financial deals using the tools mentioned are encouraged to seek the advice of a skilled legal/consulting professional. Questions concerning CDFA's engagement on this project should be directed to info@cdfa.net.

Section A: Financing Programs and Best Practices

Access to Capital Programs

The availability of capital for businesses to start, expand, and pursue projects is critical for creating more jobs with meaningful wages. Some programs support these efforts by increasing access to capital markets for local businesses to foster a resilient economy while others finance large-scale investment or provide incentives for job creation or relocation. Development finance agencies at all levels recognize the importance of providing several programs across the development finance spectrum and coordinating with their local partners when building an economic development strategy.

Development finance agencies provide a wide variety of financing options to spur economic development, build infrastructure, and unlock capital access for business and industry. The financing programs they offer could include direct or indirect support, and they are often used to leverage greater private sector financing into a project or business. In addition, their programs sometimes redirect public money for private purposes. No matter the type of program structures, routine monitoring, due diligence, and transparency are essential. In particular, programs where loans are guaranteed (rather than directly financed or have access to collateral) must be constantly monitored to prevent overextension so that reserves are sufficient to serve as default backstops and surprise calls are not placed on public sources of revenue.

Some of the most common financing program structures for providing access to capital to SMBs include:

Capital Access Program

A Capital Access Program (CAP) is a loan portfolio insurance program that enables small businesses to obtain credit to help them grow or expand their business. This insurance is created through contributions from the lender and borrower into a reserve fund held by the lender. These contributions are typically between 2 and 7 percent of the loan value. Of the 27 states that use capital access programs, a 2:1:1 contribution is the norm—whereby the state matches the combined contribution of the lender and borrower, which are equal. The CAP reserve fund acts as cash collateral on the loan and may be used to cover losses on all loans in the lender's CAP portfolio. The loans are originated and serviced by the lender, and the lender may make claims to withdraw in the case of losses or defaults.

The success of a CAP relies on lenders enrolling in the program. A Treasury report on best practices using federal State Small Business Credit Initiative (SSBCI) funding revealed that $250 million of an initial $291 million was reallocated to other programs after CAPs did not spur enough interest among banks. This experience is true in Colorado. The state reallocated money from the SSBCI funded CAP to other SSBCI programs due to banks having difficulty navigating the federal regulatory requirements of the SSBCI program. A state-specific CAP in Colorado has seen much more success with lenders participating.

Appendix A provides details about the Capital Access Program in Oregon, and Appendix B provides details about the Capital Access Program in Colorado.

Collateral Support Programs

Collateral support programs (CSPs) provide cash to lending institutions to improve the collateral coverage of a borrower. CSPs reduce private lender risk, which encourages the private lenders to make loans and make further capital for small businesses available. CSPs are flexible tools that can be tailored to meet a state's economic development strategy. Oftentimes, the fee structure can be designed to encourage early release of collateral, for example, by charging borrowers an annual fee for the state's collateral support.

CSP can be used for a variety of purposes including working capital, start-up costs, inventory, commercial real estate construction, asset purchases and acquisition, or construction of owner-occupied buildings. The cash collateral can provide the lender coverage for all or a portion of the otherwise creditworthy borrower's shortfall.

A state's liability is limited to the assets pledged as collateral support. In the event of default, the lender has a first position lien on the cash. Lending institutions find the program attractive because it provides a source of deposits in addition to providing collateral.

Appendix B includes descriptions of three collateral support programs in Colorado.

Early Stage

Early stage finance, also known as innovation finance, focuses on growing economic innovation through investment in development of new technology, new businesses and industries, and entrepreneurial activity. Early stage finance includes angel, seed, and venture capital.

- *Angel:* Angel investors and angel funds provide equity capital for companies that are too small to attract venture capital, but too big to rely on family or friends. Angel investments typically range between $50K to $1M as well as hands-on technical assistance.
- *Seed*: Seed capital is an equity investment into a new business venture or product line to help them scale and grow. This type of financing is often provided when traditional lending sources are not available and is usually tied to a high rate of return (15 to 30 percent) on the investment. Typical seed investments are in the $1M-$5M range, though vary depending on the investor and industry.
- *Venture:* Venture capitalists or venture funds provide equity capital and often take a role in the management of a growing company. Venture capital is different than seed capital because venture capitalists typically do not invest in companies until they are somewhat established. This type of financing is aimed at companies needing $5M or more.

The early stage finance industry is largely managed by the private sector. Investment companies and individual investors collaborate in order to bring available capital into the market and to finance projects. However, over the past several years, public agencies have increasingly invested resources into developing and supporting early stage capital programs. This growth in public sector involvement in the early stage finance industry has opened up opportunity and capital access considerably.

Appendix A includes examples of Early Stage programs from Iowa and Maine, and Appendix B includes descriptions of five Early Stage programs in Colorado.

Linked Deposit

Linked deposit programs (LDPs) provide businesses with access to affordable capital by offering loans at reduced interest rates. These programs use "linked" state or local deposits to buy down the interest rate for borrowers.

Once a borrower is approved for a loan, the linked governmental partner will make a deposit with the lender at an amount significant enough to create a lower interest rate on the loan for a set period of time. The interest rate on the borrower's loan is then usually 2 to 3 percent lower than the bank's traditional rate. During that period in which the interest rate is lowered below market rate, the lender will pay the linked partner at a reduced interest rate on its deposit. In the end, the lender pays less for the deposit than it receives, and thus can charge less for the loan that it makes. The borrower is able to pay less interest on the loan, and the linked governmental partner receives less interest on the deposit.

Linked deposit programs are typically made stronger when a variety of financial institutions – such as credit unions, savings banks, commercial banks, and other institutions – elect to participate. This creates a deeper pool of capital and thus can increase economic activity.

Appendix A includes examples of Linked Deposit programs from Ohio and Oklahoma. At this time, Colorado does not offer a Linked Deposit program.

Loan Guarantee

Loan guarantees allow risk to be shifted from a private lending institution to a third party participant—such as a state economic development agency. This guarantee reduces private lender risk, which encourages private lenders to make loans and open up additional capital for small businesses. The third party must be willing and able to repay the borrower's obligations to the lending institution in the event of default or loss. Often loan guarantees are backed up by reserve funds administered by the third party or are structured as a promise to pay with the "full faith and credit" of the third party.

There are many varieties of loan guarantee programs, and each has different rules, regulations, and characteristics. In some cases, a percentage of the loan is guaranteed through phases of the project and aspects of the guarantee expire as soon as the loan matures. In other instances, such as financing in distressed communities, the guarantee is only necessary during the start-up phase. As the project and the community undergo development, lending risks are relieved, and the guarantees become less crucial. Eventually, lending in the community is no longer considered risky, and capital becomes more readily available.

Loan guarantees are a win-win for government and lending institutions if the projects are successful and both parties achieve a return on their investment. Entities that employ guarantee programs usually partner with established lending institutions with a history of supporting economic development. Most programs have a limit on the amount that can be guaranteed, and monitoring is required to be sure that the third party has a diverse portfolio that is not overexposed to a single entity or industry.

Appendix A includes examples of Loan Guarantee programs from Georgia and Wisconsin, and Appendix B includes details from two Loan Guarantee program in Colorado.

Mezzanine

Mezzanine financing can be used to help finance small businesses that do not qualify for a loan through a traditional lending institution. Mezzanine funds occupy a middle tier of risk in the economic development finance spectrum, less risky than equity or venture capital, but more risky than senior bank debt. Mezzanine programs are not as common in the public sector due to the high risk nature of this type of lending, though a few notable programs exist as outlined in Appendix A.

Mezzanine financing is often used for companies that have moved beyond the start-up stage, but do not have the footing to attract additional lenders. Borrowers are required to demonstrate proven cash flow, strong management and operations, a business plan and growth potential.

Mezzanine funds can be used for working capital during periods of high growth, expansion costs, as well as real estate and equipment purchases. The loan rate and terms depend on the use of the funds; working capital and equipment costs are shorter term (from 5-7 years) while real estate loans have terms of 15 years or more. Debt can be repaid at the end of the term and carry interest rates from 10 to 15 percent. Community development loans are typically in smaller amounts ($50K to $500K), while loans for larger businesses could end up being several million dollars.

Appendix A includes examples of Mezzanine programs from Oregon and Texas. At this time, Colorado does not offer a Mezzanine program.

Microenterprise

These are capital programs that exist to serve the smallest businesses in a community. These businesses, often referred to as microenterprises, are defined as small businesses with less than five employees, a capital need of less than $35K, and an average loan amount of $7K. The Association for Enterprise Opportunity estimates that there are nearly 28 million microenterprises across the country. These small businesses play a significant role in the economy employing approximately one of every six private sector employees.

Microenterprises require a tailored financing approach. Because of their small size and entrepreneurial nature, they are perceived by lenders as having a high level of risk. This is an ideal space for development finance agencies to create targeted programs to support gaps in capital available to specific industries or type of business, such as a minority or women owned business. The federal government and many development finance agencies have developed proven programs to provide financing and support for microenterprises.

Appendix A includes examples of Microenterprise programs from Maryland and North Carolina, and Appendix B provides details about three Microenterprise programs in Colorado.

Revolving Loan Fund

A revolving loan fund (RLF) is a gap financing measure primarily used for development and expansion of small businesses. It is a self-replenishing pool of money, utilizing interest and principal payments on old loans to issue new ones. While the majority of RLFs support local businesses, some target specific areas such as healthcare, minority business development, and environmental cleanup.

Establishing a revolving loan fund provides access to a flexible source of capital that can be used in combination with more conventional sources. Often the RLF is a bridge between the amount the borrower can obtain on the private market and the amount needed to start or sustain a business. For example, a borrower may obtain 60 to 80 percent of project financing from other sources.

Quality RLFs issue loans at market or otherwise competitive and attractive rates. Many RLF studies have shown that access to capital and flexibility in collateral and terms is more important to borrowers over lower than market interest rates. RLF programs should be built on sound interest rate practices and not perceived as free or easy sources of financing. RLFs must be able to generate enough of an interest rate return to replenish the fund for future loan allocations. With competitive rates and flexible terms, a RLF provides access to new financing sources for the borrower, while lowering overall risk for participating institutional lenders.

Appendix A includes examples of Revolving Loan Fund programs from Alaska and Maine, and Appendix B provides details about two Revolving Loan Fund programs in Colorado.

Best Practices for Managing Access to Capital Programs

Providing access to capital programs to support SMBs requires the implementation of several best practices to ensure the proper allocation of funds given the parameters of lending partners or capitalization sources. This section outlines several best practices including program oversight, business lifecycle coverage, building partnerships, and diversifying risk.

Program Oversight

Each financing program offered should be governed by a set of transparent key performance indicators (KPIs) to monitor progress, investments, and economic development progress. Commonly used KPIs or metrics considered include: (a) quality jobs supported, (b) private capital leveraged, (c) geographic coverage, (d) participating lenders, and (e) industry coverage. For development finance agencies that offer multiple programs across several industry sectors, a diverse set of key performance indicators are often employed and vary from program to program. Regularly reporting on progress in meeting KPIs and metrics is considered a best practice along with establishing timelines for analysis and evaluation of programs.

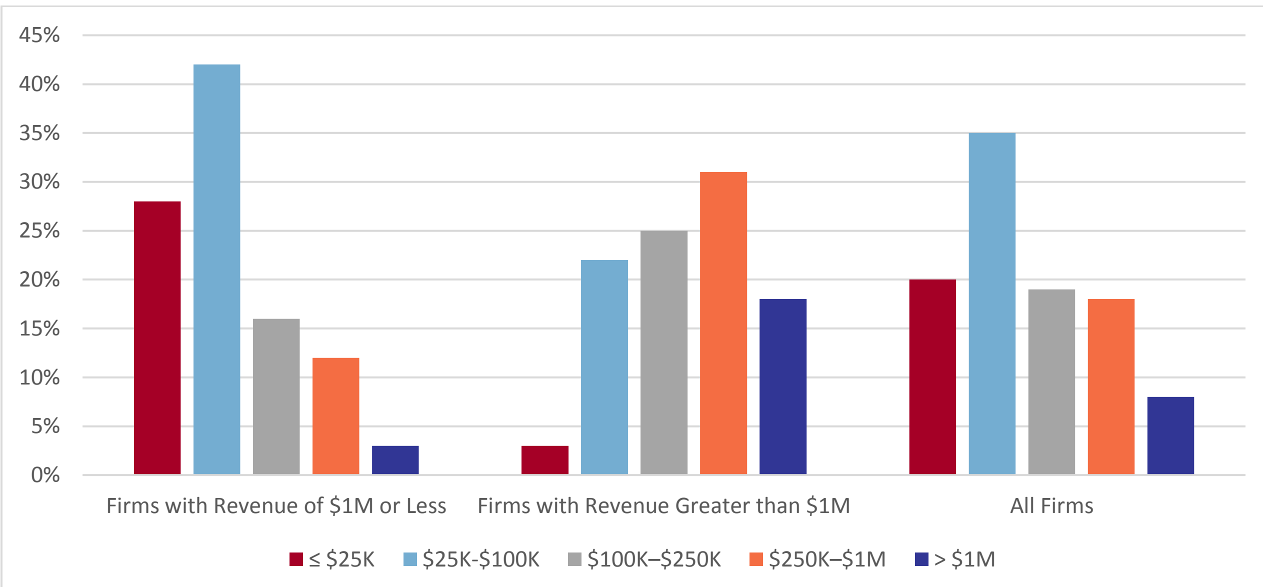
In addition, development finance agencies should have standardized operating procedures that govern the use of each financing program or tool along with the staffing roles and responsibilities. These procedures should be aligned with recognized economic development strategies in a region, the program’s objectives, and the organization’s mission. Furthermore, it is important to remember that procedures should be evaluated on a routine basis to ensure they continue to be relevant, applicable, and line with the identified priorities.

Business Lifecycle Coverage

Each stage of the business life cycle requires different business strategies and capital sources. For example, a business will require a different strategies as it encounters commercialization, market entrance, business development, and sustaining market share. As a business matures, operations and priorities will change and so will their capital needs. To ensure the success, a development finance agency should offer a diversity of financing programs that can meet the needs of a business at each stage of the lifecycle.

In addition, development finance agencies should conduct a survey of the available financing programs offered in their region to consider where there might be gaps in the market. Businesses often cite difficulties to access financing when they have persistent credit gaps, are a smaller-revenue company (annual revenues of $1M or less), or if they are a women or minority owned business. A development finance agency can leverage their financing capacity by creating programs that fill the needs of the businesses primed for growth in their region or jurisdiction. For example, as Figure 1 shows, businesses with $1M in revenue or less are most often seeking financing in the $25K-100K range, and a development finance agency could establish a program to meet those needs specifically.

Figure 1: Financing Sought by Business Size

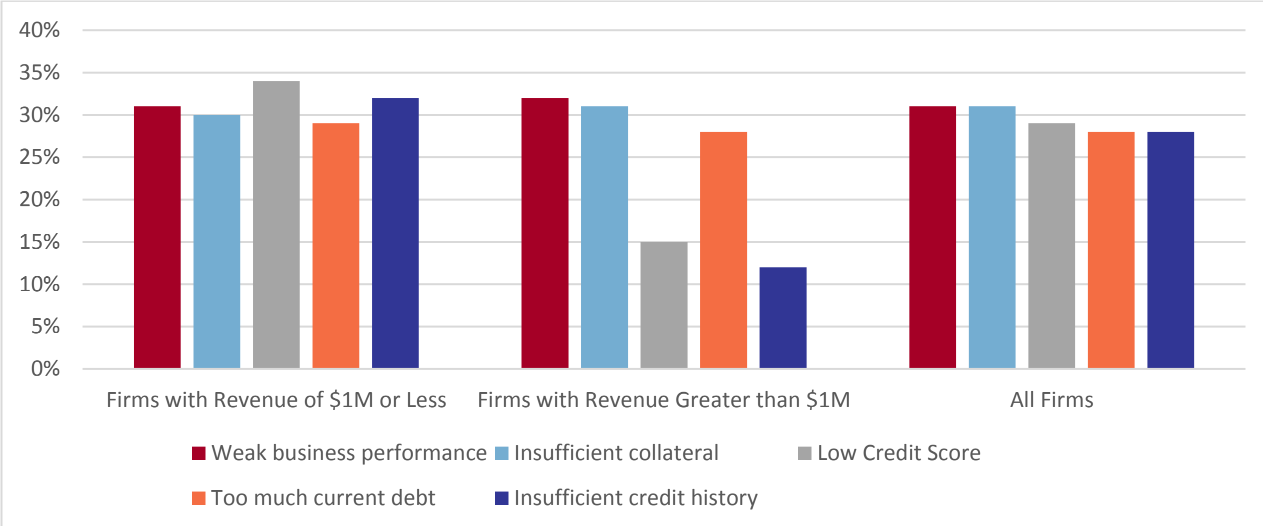


SOURCE: SMALL BUSINESS CREDIT SURVEY: REPORT ON EMPLOYER FIRMS 2016, PUBLISHED APRIL 2017

Building Partnerships

Building partnerships within the lending industry is an essential best practice. Successful development finance agencies create programs that complement private lenders by filling the gaps created by product limitations on the size or types of loans, the eligibility of borrowers, eligibility of use of funding, or the type of lender. Private lending institutions are often governed by limiting policies—either internal or regulatory—that determine the types of businesses that can qualify for financing. Building partnerships with each lending institution in a region will help to illuminate specific financing challenges or limits and can guide the development of potential new programs. Figure 2 outlines the most common reasons that businesses are denied financing. Development finance agencies should survey their local partners to understand the most common challenges locally and seek to create programs that help to mitigate those concerns. Oftentimes, development finance agencies can create programs that help to make more borrowers qualify for financing through creative partnerships.

Figure 2: Reasons for Credit Denial by Size of Firm



SOURCE: SMALL BUSINESS CREDIT SURVEY: REPORT ON EMPLOYER FIRMS 2016, PUBLISHED APRIL 2017

Diversifying Risk

In order to complement existing programs at traditional lending institutions, development finance agencies often need to create programs that can be more flexible, take on additional risk, or be willing to accept second positions on repayment. Diversifying these risks across a portfolio of programs is essential to long term success and growth. Development finance agencies should have established and transparent policies for charging interest and fees for each program offered. Interest and fees earned can be used to fund loan losses, pay operating expenses, and/or provide capital for new programs.

Having a higher risk tolerance often means that development finance agencies can serve a wider selection of business and projects capable of delivering employment and investment opportunities in a region. Sometimes this higher risk tolerance comes with higher loss rates. Development finance agencies should evaluate their risk tolerance at the programmatic level and also across their full portfolio to ensure the sensible use of public resources, to maintain loan to value ratios, and to maintain the assets of a program for the long term.

To the extent possible, programs should be designed to consider various aspects of sustainability. Program structures vary in the level of risk they can absorb and the amount of financing offered. Structuring programs that address of a variety of business types in a variety of industries will help to build a more resilient portfolio. Programs that can absorb a lot of risk should be balanced with those that are more conservative.

Section B: Recommendations for Financing Programs in Colorado

Colorado has nearly every tool in the development finance toolbox. Several different financing programs are available to support businesses in Colorado's 14 targeted industries as well as across the business lifecycle.

Early stage capital is a particular strength in the state with targeted financing or grant programs for seven of the key industries (advanced manufacturing, aerospace, bioscience, electronics, energy and natural resources, infrastructure engineering, and technology and information). Collectively known as Colorado's advanced industries, this group benefits from Advanced Industries Accelerator programs, which are designed to promote growth and sustainability in these industries by helping accelerate commercialization, encourage public-private partnerships, increase access to early stage capital and create a strong ecosystem that increases the state's global competitiveness. Colorado also offers the Advanced Industries Investment Tax Credit and the Venture Capital Authority, which are additional financing tools and capacity for helping to drive investment into these industries, and has served as important complements to the state's success in this area.

Figure 3. Strength of Colorado Access to Capital Programs by Industry

The fewest number of financing programs are available to businesses in the defense and homeland security industry and the financial services industry. While there are few programs targeted for these industries, these businesses also rarely face access to capital challenges from private lending institutions or are oftentimes ineligible for public sector financing programs.

A mezzanine finance program is the only financing tool that is not implemented in Colorado. This is not unusual as only a handful of states operate this type of program. Further, there are limited microenterprise finance programs, capital access programs, and revolving loan fund programs. While there are some areas with fewer programs, all-in-all, there are no clear gaps in access to capital in Colorado.

Figure 4. Colorado Access to Capital Programs by Type

	Capital Access Program	Collateral Support Program	Early Stage	Linked Deposit	Loan Guarantee	Mezzanine	Micro Enterprise	Revolving Loan Fund	Other
Advanced Manufacturing	■	■■■	■■■■■		■■■	□	■■■	■	■■■■■■■■
Aerospace	■	■■■	■■■■■		■■■	□	■■	■	■■■■■■■■
Bioscience	■	■■■	■■■■■		■■■	□	■■	■	■■■■■■■■
Creative Industries	■	■■■	■■		■■■	□	■■■	■■	■■■■■■■
Defense & Homeland Security	■	■■■	■■		■■■	□	■■	■	■■■■■■■
Electronics	■	■■■	■■■■■		■■■	□	■■■	■	■■■■■■■■
Energy & Natural Resources	■	■■■	■■■■■		■■■	□	■■	■	■■■■■■■■
Financial Services	■	■■■	■■		■■■	□	■■■	■	■■■■■■■
Food & Agriculture	■	■■■	■■		■■■	□	■■■	■	■■■■■■■
Health & Wellness	■	■■■	■■		■■■	□	■■■	■	■■■■■■■
Infrastructure Engineering	■	■■■	■■■■■		■■■	□	■■■	■	■■■■■■■■
Technology & Information	■	■■■	■■■■■		■■■	□	■■■	■	■■■■■■■■
Tourism & Outdoor Recreation	■	■■■	■■		■■■	□	■■■	■	■■■■■■■
Transportation & Logistics	■	■■■	■■		■■■	□	■■	■	■■■■■■■

Figure 5. Colorado Access to Capital Programs by Business Lifecycle

	Start-Up	Growth	Established	Expansion	Mature
Advanced Manufacturing	16	14	15	16	15
Aerospace	16	14	15	16	15
Bioscience	16	14	15	16	15
Creative Industries	14	14	16	16	16
Defense & Homeland Security	12	11	14	14	14
Electronics	17	14	15	16	15
Energy & Natural Resources	16	14	15	16	15
Financial Services	13	12	13	13	13
Food & Agriculture	13	12	15	15	15
Health & Wellness	13	11	14	14	14
Infrastructure Engineering	17	14	14	15	14
Technology & Information	17	14	15	16	15
Tourism & Outdoor Recreation	14	13	15	15	15
Transportation & Logistics	13	12	15	15	15

Recommendations

Colorado has a thriving small and medium business environment. Even though Colorado is one of the best states for SMBs, there are areas that would benefit from changes or improvements to the financing toolbox. Across the spectrum of financing, Colorado implements nearly all of the major financing tools. Without more robust data from private organizations—both lenders and businesses—it is difficult to assess to what extent the needs of small businesses are being met by the tools currently offered.

Recommendations include:

- Formalize a Lenders Network
- Establish a Loan Participation Program
- Consider a Linked Deposit Program
- Explore Opportunities for an ESOP Program

Each recommendation provides an objective, identifies potential partners and structures, outlines potential costs and barriers, and notes keys for success. Implementing these recommendations may require additional financing support public sources in order to initially launch a program. Financial support needed from the State should be viewed as a one-time investment in the health of the economy and not as an ongoing expense.

Formalizing a lenders network and exploring ESOP opportunities could be implemented with little to no cost by establishing a more robust marketing/communications strategy as it relates to information about available financing programs. Routine communication along with coordinated meetings or networking events would provide awareness of programs available and would help to promote growing businesses within the 14 targeted Industries.

Recommendations Summary

	Formalize a Lenders Network	**Establish a Loan Participation Program**	**Consider a Linked Deposit Program**	**Explore Opportunities for an ESOP Program**
Objective	Establish a source of first-hand insight. Increase awareness of sources of capital. Develop a forum for: ▪ Industry Trends ▪ Legislative Events ▪ Best Practices ▪ Industry Needs	Establish a program to incentivize lenders to increase loan sizes.	Lower interest rate for borrowers to help them attaint market rate loans from traditional lending institutions.	Provide support for ESOP formations. ESOP benefits include: ▪ Retain businesses owned by retirees ▪ Capital source for business expansion, acquisitions, and other business related activities
Partners	Possible partners include: ▪ Institutional Lenders ▪ Non-Profit Lending Organizations ▪ CHFA ▪ Local Governments	Possible partners include: ▪ CHFA ▪ Non-Profit Lending Organizations ▪ Smaller Institutional Lenders	Possible partners include: ▪ CHFA ▪ Smaller Institutional Lenders ▪ Depository Institutions	Possible partners include: ▪ Depository Institutions ▪ State Treasurer
Cost to Implement	Minimal	$10 Million	Varies	Varies
Structure	Regularly occurring meetings with a focused topics per meeting.	Subordinate, loan participation.	Deposits are made with lending institutions to lower interest rates for the term of the loan.	Possible structures include loan or incentives along with an educational outreach program
Barriers to Success	Buy-in and engagement.	Some lenders prefer collateral support over loan participation.	Lenders participating in the program.	Awareness of ESOP benefits
Keys to Success	Monthly or bimonthly meetings. Reassess frequency after initial year.	Market the program to smaller lenders.	Outreach to lenders. Developing flexible policies.	Work with experienced ESOP professionals when designing a program. Conduct survey on potential interest.
Ideal Borrowers	n/a	Established businesses with needs of $250,000 or more.	New businesses or established businesses that do not qualify for market rate loans.	Business owners looking to sell or transition ownership.

Formalize a Lenders Network

During the interview phase of this project, one of the largest concerns presented was the lack of connection between lenders and SMBs. Lenders often stated that there are not enough qualified businesses to finance. SMBs perceived that there is no one lending to their businesses. This disconnection is due in part to lenders being unaware of the programs available at the state to support more risky borrowers. The solution would be to bring together members of the lending community and formalize a Lenders Network.

Objective

Expand lenders' awareness of programs available throughout Colorado, including program requirements, eligibility, and application process. Share knowledge of trends in the industry, recent and upcoming legislative events, and knowledge of the industry.

Structure

The state's lenders, from community banks to larger deposit banks, should be convened for regular meetings. These events should discuss the business capital market in the state and best practices in providing loans to SMBs. Meetings of this group should achieve two primary outcomes. First, some of the group's activities should focus on education regarding loan enhancement options. Second, the group should encourage discussion of loan and business types not served by commercial lenders and identify mutually beneficial partnerships and market opportunities with non-profit lending organizations. This convening would help lenders better understand the programs available to SMBs and provide expanded access to capital to this segment.

Cost to Implement

The funding for establishing the network is minimal beyond the cost of daily operating expenses. Meeting expenses could be limited by identifying partner organizations s to share the costs or take on some of the administrative tasks.

Keys to Success

In order for the Lenders Network to be ongoing and formal, an organization will need to take the lead on convening the lenders. The organization that assumes the responsibility of leading the meetings should plan on monthly or bimonthly meetings to start and build momentum. Topics for discussion could include collateral, common problems with potential borrowers, new regulation concerning business capital, reviewing profiles of successful businesses, and economic opportunities in the state. In addition, meetings should be offered in different regions of the state to reach the greatest number of lenders.

Barriers to Success

Scheduling, attendance, participation, and buy-in from stakeholders are vital. Scheduling should be far enough in advance for participants to make time commitments. Attendees should be diverse, representing broad viewpoints, various professional roles, and different regions of the state. Participants should be invited to several meetings to build a robust and reliable network. Most importantly, getting buy-in from the stakeholders about the potential benefit of the network will be needed for ongoing collaboration.

Recommended Partners

A wide array of lenders should be encouraged to participate in these meetings. Community banks, credit unions, non-profits, local governments, and other lenders providing business capital should participate. The group should not be limited to for-profit providers but should include any lender active in the state including CDFIs and CDCs. Broad participation is preferable for generating better distribution of programs and business activity. Business organizations, associations, and other groups representing targeted borrowers may be beneficial to invite on occasions to provide a perspective on borrowers' needs.

Establish a Loan Participation Program

Loan Participation Programs (LPP) help SMBs access capital by helping smaller institutions that may not have the capital assets sufficient to make larger loans or that want to spread out the risks associated with a particular transaction. Nearly every state with a LPP has structured the program as subordinated loan participations, meaning that the state makes a loan to the borrower alongside the lending institution and takes a second position for repayment. This structure has the advantage of not only increasing the collateral value supporting the lender's share of a loan but also reducing the lender's overall exposure should the loan go into default. A LLP could be a valuable tool in Colorado and establishing a program of this nature should be evaluated by the appropriate stakeholders. The program could be structured in such a way to be made available to any eligible borrower within the 14 key industries and be targeted towards larger deals above $250,000. The program should be tailored to involve multiple lenders across multiple regions of the state so that a variety of SMBs could benefit from the additional lending capacity.

Objective

Establish a LPP to incentivize lenders to increase the size of their loans to SMBs.

Structure

LPPs can be structured in various ways. One structure is the purchase transaction structure, whereby a state purchases a participation in a loan that is issued by a financial institution lender. The other is the co-lending structure, whereby a state makes a loan alongside a loan from a lending institution. Typically the state's loan is subordinate to the lender's loan in terms of collateral priority. The purchase transaction structure is typically favored over the co-lending structure because it generally requires fewer resources to manage. Application and origination fees are recommended to cover the cost of program operations. Most LPPS are structured to have a state maximum participation of 50 percent and loans up to a maximum of $1.5 million. Loan terms are typically a maximum of 15 years. LPPs are ideal for targeting loan sizes about $250,000 with typical loans between $500,000 and $2 million.

Cost to Implement

The cost to implement a LPP can vary. Compared to similar states, an initial funding of approximately $10 million in state resources would allow for a sustainable program and make it possible to begin supporting loans in the $1 million range. After an initial appropriation, a properly operated LPP can be a self-financing program that does not need additional funding from the state. Three tranches over a three-year period could lessen the financial burden and allow for adoptions to the program size.

Keys to Success

Seeking input from lenders during the program design process will help create a program that specifically meets lenders' needs. Collaborating with the lending community will also serve as a way to market the program before launch. The insight from stakeholders can help to determine the design of the LPP, especially with regard to fee structure, master agreements, and liquidation procedures. They may prefer a program to reduce overall credit limits or to reduce high loan-to-value exposure.

Flexibility in the program can be beneficial. A 25 percent participation by the state will attract lenders while providing enough credit support. Language included in the participation agreement that could allow lenders to purchase all of the State's participation after a set time can enhance the attractiveness of the program to lenders. This buy-back would also help recirculate funds for the state to participate in additional opportunities and make the program more sustainable.

Barriers to Success

Lenders will need to participate in the program in order for linked deposits to be made. Statewide outreach will be necessary to establish interested lenders from a variety of institutions. Further, establishing policies without buy-in or input from the lending community will limit interest in the program. Leveraging the work of the Lenders Network could be a valuable outreach tool for establishing a LDP.

Recommended Partners
Given CHFA's background with operating similar programs, the State might consider the LPP to be housed within CHFA. CHFA would oversee the monitoring and reporting on behalf of the State, along with verifying the borrower and eligibility for individual loans. CHFA would also be responsible for marketing the programs and involving multiple lenders, including CDFIs and community banks.

Consider a Linked Deposit Program

Linked deposit programs (LDPs) provide businesses with access to affordable capital by offering loans at reduced interest rates. These programs use "linked" state or local deposits to buy down the interest rate for borrowers. Once a borrower is approved for a loan, the linked governmental partner (such as OEDIT) makes a deposit with the lender at an amount significant enough to create a lower interest rate on the loan for a set period of time. The interest rate on the borrower's loan is then usually 2 to 3 percent lower than the bank's traditional rate. During that period in which the interest rate is lowered below market rate, the lender will pay the linked partner at a reduced interest rate on its deposit. In the end, the lender pays less for the deposit than it receives, and thus can charge less for the loan that it makes. The borrower is able to pay less interest on the loan, and the linked governmental partner receives less interest on the deposit.

Objective
Lower interest rate for borrowers to help them attain market rate loans from traditional lending institutions.

Structure
Existing LDPs often have minimum and maximum deposit limits depending on the lending institution and the policies developed around the types of businesses that can qualify in the program. Other state programs vary from a minimum $200,000 deposit to a $2 million maximum. Policies should be established that determine eligibility requirements addressing Colorado's key industries, minimum or maximum size of the business (based on employees or revenue), whether or not other available financing has been received, etc. The policies should be flexible to allow for the most number of lenders across the state to participate.

Cost to Implement
The cost to implement a LDP can vary. Existing state resources may be able to be used to make linked deposits with lenders. Alternatively, the state could consider appropriating funds to initiate the first round of deposits. A properly managed LDP can be a self-financing program that does not need additional funding from the state over time.

Keys to Success
Linked deposit programs are typically made stronger when a variety of financial institutions – such as credit unions, savings banks, commercial banks, and other institutions – elect to participate. This creates a deeper pool of capital and thus can increase economic activity.

Seeking input from lenders during the program design process will help create a program that specifically meets lenders' needs. Collaborating with the lending community will also serve as a way to market the program before launch. The insight from stakeholders can help to determine the design of the LDP, especially with regard to fee structure, master agreements, and liquidation procedures.

Barriers to Success
Lenders in the current market tend to prefer the collateral support model to subordinated loan participations if given the choice. Even though LPPs offers similar benefits to credit support programs, the LPP model requires sharing the loan with other partners. The LPP is better suited for larger deals consisting of multiple lenders. The program allows for smaller lending institutions such as CDFIs to participate in a transaction that may be beyond their legal or internal lending limit. A collateral support program can be understood as credit enhancement for the borrower whereas a LPP as credit enhancement for the lender.

Recommended Partners
Given CHFA's background with operating similar programs, the State might consider the LDP to be housed within CHFA. CHFA would oversee the monitoring and reporting on behalf of the State, along with verifying the borrower and eligibility for individual loans. CHFA would also be responsible for marketing the programs and involving multiple lenders, including CDFIs and community banks.

Explore Opportunities for an ESOP Program

The final recommendation is for the state is to explore the opportunities to encourage the formation of Employee Stock Ownership Plans (ESOPs). An ESOP can be used to finance ownership transition, raise new equity capital, refinance outstanding debt, or acquire productive assets. ESOPs can also be used to increase cash flow by making plan contributions in stock instead of cash.

ESOPs can be very beneficial from the state's perspective. ESOPs offer one of the greatest alternatives to business owners looking to sell their business to out of state or international buyers. Establishing an ESOP means that local jobs and business revenue and profit stay in the local community. This is of particular concern as it is estimated that approximately 12 million aging business owners will be looking to sell in the next 10-15 years.

Objective
Explore how the state could support the implementation of ESOP programs or work with lenders to make the financing of transitioning to an ESOP more attractive.

Structure
The creation of ESOPs is very complex based on the company's interest for the plan. Most often ESOPs are used in conjunction with achieving short- or long-term ownership transition goals, but in some situations the tax advantaged structure creates improved cash-flow to service debt, which can be used to meet multiple corporate finance objectives.

In a leveraged ESOP, a lender provides capital to a trust representing the employees. The loan is subjected to the same standards as a direct loan to the company. The loan funds are used either to pay down exiting debt, finance expansion, or to buy stock for the workers from present owners The ESOP can be used to purchase existing shares from present owners using credit which is wholly secured by and repaid from future profits. A company repaying an ESOP loan essentially gets to exclude the principal and interest from taxes.

Colorado may find that credit enhancement on bank loans to ESOP is a beneficial form of access to capital. This program could also be used as a tool to help business retention within the state, particularly for businesses that have at least 25 employees. Indiana created a $50 million linked deposit program in which the state makes deposits into banks that make loans to ESOPs. Colorado could work with lending institutions already involved in existing linked deposit programs to expand capacity or create new programs specifically geared toward an ESOP model. Funds could be secured from state appropriations, unused capacity from other loan programs, or the terms of existing linked deposit programs could be broadened to allow for this type of lending. The program could be structured to support businesses needing small loans to conduct a feasibility analysis on the potential for an ESOP structure or for succession planning, or larger loans to address the costs associated with transitioning to ESOP.

Cost to Implement
The cost to implement a program will depend on the structure of the program.

Keys to Success
The State should work with lending institutions and business associations or local chambers of commerce to assess the needs of business owners hoping to sell. Providing educational materials about ESOPs will be a good first step in helping to keep business in Colorado with information connecting business owners to a network of expert advisors. To develop a financing program that encourages more ESOPs, private equity and traditional lending

institutions should be interviewed to assess the barriers to financing ESOPs in Colorado and how to structure a program to mitigate these challenges. OEDIT may be able to establish programs to help business owners learn about ESOP models, provide a loan program in coordination with local banks to finance the costs associated with ESOP feasibility analyses, or explore other incentives that could assist employees and business owners to transition to an ESOP structure.

Barriers to Success

Estimates for establishing an ESOP are in the range of $80,000. This initial cost and lack of awareness of ESOP benefits may be challenging. In Iowa, the State established programs to encourage ESOPs and help with the cost of implementation. The Iowa Economic Development Authority received appropriations of $500,000 to establish a financial assistance program for businesses interested in ESOP. Up to $25,000 per applicant is available to cover 50 percent of the cost of conducting a feasibility study by an independent professional. Colorado should consider an education plan in addition to a financing plan to increase the awareness of ESOP benefits and opportunities.

Recommended Partners

Ideal partners will depend on the final structure of the new program. A wide variety of partners could be interested in an ESOP program including community banks, depository institutions, non-profit lenders, private equity firms, ESOP feasibility analysts, business associations, or chambers of commerce.

Appendix A: Model Financing Programs

Appendix A includes descriptions of access to capital programs from several different states. This information was assembled by conducting phone interviews with appropriate stakeholders, reviewing background materials on each program, and referencing CDFA's existing State Financing Program Directory. Programs featured include:

Capital Access Program	*Oregon Capital Access Program*
Early Stage	*Innovation Fund Tax Credit Program (Iowa)* *Maine Economic Development Venture Capital Revolving Investment Program*
Linked Deposit	*ReEnergize Ohio* *Oklahoma Small Business Linked Deposit Program*
Loan Guarantee	*Entrepreneur and Small Business Development Loan Guarantee Program (Georgia)* *Small Business Guarantee (Wisconsin)*
Mezzanine	*Business Loan Program (Texas)* *Small Business Expansion Program (Oregon)*
Microenterprise	*Microenterprise Loan Program (North Carolina)* *Rural Business Energy Efficiency Improvement Loan Fund (Maryland)*
Revolving Loan Fund	*Microloan Revolving Loan Program (Alaska)* *Regional Economic Development Revolving Loan Fund (Maine)*
Other	*Employee Stock Ownership ESOP (Iowa)* *Loan Insurance Program (Maine)*

Capital Access Program

Oregon Capital Access Program

Business Oregon

CAP helps lenders (banks and credit unions) make more commercial loans to small businesses and provides capital for start-up or expansion. The program is designed for non-profit and for-profit businesses seeking funds for most business purposes. The Oregon Capital Access Program is considered one of the best in the nation because of the strength of Business Oregon and the flexibility of the program to collaborate with banks.

Type of Financing	Capital Access Program
Industries Addressed	Adv. Manufacturing, Aerospace, Bioscience, Creative Industries, Defense & Homeland Security, Electronics, Energy & Natural Resources, Financial Services, Food & Agriculture, Health & Wellness, Infrastructure Engineering, Technology & Information, Tourism & Outdoor Recreation, Transportation & Logistics
Partners	Banks, Credit Unions.
Amount	Any amount
Rates	Set by lender
Terms	Set by lender
Eligibility Criteria	All types of loans and lines of credit are eligible. Lenders build a loan-loss reserve each time they enroll a loan. Contributions to the loan-loss reserve account are matched by Oregon Capital Access Program.
Other Details	Business Oregon contributes to Lender's loan loss reserve account (maximum contribution of $35,000 per borrower).
Website	http://www.oregon4biz.com/How-We-Can-Help/Finance-Programs/CAP/

Early Stage

Innovation Fund Tax Credit Program

Iowa Economic Development Authority (IEDA)

The Innovation Fund Tax Credit was created to stimulate venture capital investment in innovative Iowa businesses. Individual investors receive tax credits equal to 25% of an equity investment in a certified Innovation Fund. In turn, those certified Innovation Funds make investments in promising early-stage companies that have a principal place of business in Iowa. The Innovation Fund Tax Credit addresses an important gap in the landscape of businesses finance resources in Iowa and helps to drive investment in a growing business sector.

Type of Financing	Early Stage - Venture Capital
Industries Addressed	Adv. Manufacturing, Bioscience, Technology & Information, Aerospace,
Partners	Investors Venture Capital Firms
Amount	Maximum investment of $1 million per fund.
Eligibility Criteria	Investors must invest in the form of cash to purchase equity or near-equity in an Innovation Fund. Fund must be certified by the Iowa Economic Development Authority (IEDA) Board before investments made in the fund can be eligible to receive a tax credit.
Additional Details	Innovation Fund tax credit certificates may be transferred no more than once.
Website	https://www.iowaeconomicdevelopment.com/innovationcredit

Early Stage

Maine Economic Development Venture Capital Revolving Investment Program

Finance Authority of Maine (FAME)

This program is designed to allow the state to invest as an equal partner with others in eligible private venture capital funds to support emerging and early-growth businesses in Maine. It is intended to utilize experienced professional fund managers to increase the probability of successful investments in recipient companies. The Maine Economic Development Venture Capital Revolving Investment Program is a model approach and encourages established venture capital funds in the state to continue to make investments in Maine's high-growth businesses to retain jobs.

Type of Financing	Early Stage - Venture Capital
Industries Addressed	Bioscience, Creative Industries, Electronics, Energy & Natural Resources, Financial Services, Health & Wellness, Technology & Information, Tourism & Outdoor Recreation,
Partners	Venture Capital Firms.
Amount	Maximum investment of $1 million per fund.
Eligibility Criteria	Available to established venture capital funds that have a strategy for the creation and retention of jobs in Maine through: ▪ Investments in Maine high-growth businesses ▪ A marketing and technical assistance plan ▪ Appropriate monitoring of their investments ▪ A technical assistance program to assist the businesses in which they invest ▪ A process for complying with proposed measurement and goals
Website	https://www.famemaine.com/business/programs/equity-capital/maine-economic-investment-program/

Linked Deposit

Oklahoma Small Business Linked Deposit Program

Oklahoma Department of Commerce

The Oklahoma Small Business Linked Deposit Program allows qualifying Oklahoma small businesses to receive private loans through financial institutions at a reduced interest rate. This is achieved by providing low-interest certificates of deposit into financial institutions. The interest savings are then “passed on” to participating borrowers. The Oklahoma Small Business Linked Deposit Program is unique in that it focuses on a specific segment of businesses in the state and helps to leverage further investment.

Type of Financing	Linked Deposit
Industries Addressed	Adv. Manufacturing, Aerospace, Bioscience, Electronics, Energy & Natural Resources, Financial Services, Infrastructure Engineering, Technology & Information, Tourism & Outdoor Recreation, Transportation & Logistics
Partners	Financial institutions
Amount	Maximum of $1 million
Rates	Certificates of deposit are placed at up to 3% below the comparable U.S. Treasury rate. The lender must reduce its rate to the borrower by at least 3%.
Terms	Varies by financial institution
Eligibility Criteria	Any small business organized for profit, with less than 200 employees, and less than $4 million in gross annual receipts.
Other Details	Industrial Parks are also eligible for this program. Qualifying industrial parks are eligible for a maximum loan of $6 million.
Website	https://apps.ok.gov/treasurer/Linked_Deposit/index.html

Linked Deposit

ReEnergize Ohio

Treasurer of Ohio

The ReEnergize Ohio program provides small businesses with an interest rate reduction on new or existing small business loans to support energy-efficient upgrades. The ReEnergize Ohio linked deposit program ties investment in energy efficiency upgrades to access the lower interest rate which helps to incentivize banks and businesses to make these investments a priority.

Type of Financing	Linked Deposit		
Industries Addressed	Adv. Manufacturing, Aerospace, Bioscience, Creative Industries,	Defense & Homeland Security, Electronics, Energy & Natural Resources, Food & Agriculture,	Infrastructure Engineering, Technology & Information, Transportation & Logistics
Partners	Banks		
Amount	Maximum of $550,000		
Rates	Typically 3% interest rate to the borrower		
Terms	4 years		
Eligibility Criteria	Ohio Small Businesses with less than 150 employees with offices exclusively located in Ohio. At least 50% of the proceeds must be used for energy efficient upgrades, the other 50% can be used for other business expenses.		
Other Details	Businesses are eligible to apply the interest rate reduction to multiple loans, but the Treasurer of Ohio will only contribute a maximum of $550,000.		
Website	http://www.tos.ohio.gov/ReEnergizeOhio		

Loan Guarantee

Entrepreneur and Small Business Development Loan Guarantee Program

OneGeorgia Authority

The Entrepreneur and Small Business Development Loan Guarantee Program was created to help small businesses in rural Georgia access affordable financing in order to create high-skilled jobs and enhance the quality of life outside of the state's major metropolitan areas. Georgia leveraged tobacco settlement money into a targeted loan guarantee program targeted specifically at growing and retaining businesses and capital in rural areas; this model offers a good example of structure and partnerships with local financial institutions.

Type of Financing	Loan Guarantee		
Industries Addressed	Bioscience, Creative Industries,	Electronics, Food & Agriculture,	Health & Wellness, Technology & Information
Partners	Financial institutions		
Amount	Maximum of 50% or up to $112,500, whichever is less		
Rates	Maximum of prime + 2%		
Terms	Varies by financial institution		
Eligibility Criteria	Small Business must be a for-profit business located in an Entrepreneur and Small Business Development Loan Guarantee (ESB) county with a population of less than 150,000.		
Other Details	This program requires small businesses to have a 10% cash equity injection. In addition businesses must supply a business plan, financial projections, marketing analysis, and outline strength of management.		
Website	http://www.onegeorgia.org/programs/esb		

Loan Guarantee

Small Business Guarantee

Wisconsin Housing and Economic Development Authority (WHEDA)

The WHEDA Small Business Guarantee aims to help with the expansion or acquisition of an existing small business as well as the start-up of a day care business or small business locating in a vacant downtown store front. The program assists small businesses by offering interest rate savings on private loans. The WHEDA Small Business Guarantee is known for its effectiveness in encouraging investment in businesses looking to expand and to encourage banks to support businesses wanting to locate in underserved downtown areas.

Type of Financing	Loan Guarantee
Industries Addressed	Creative Industries, Electronics, Energy & Natural Resources, Food & Agriculture, Technology & Information, Tourism & Outdoor
Partners	Financial institutions
Amount	Maximum amount is 50% of loan or $750,000, whichever is lower. Revolving working capital maximum is 50% of loan or $200,000, whichever is lower.
Rates	Rates are set by private financial institutions and approved by WHEDA. Rates cannot exceed Prime + 2.75%.
Terms	5 years for fixed assets, inventory, and permanent working capital. 2 years for revolving working capital.
Eligibility Criteria	Eligible businesses must be unable to find conventional financing at reasonable terms, employ less than 250 employees, be located in Wisconsin, and financed project must create or retain jobs.
Other Details	Loans through this program may be used to purchase land and buildings, machinery and equipment, inventory, fund permanent and revolving working capital, finance soft costs, and refinance existing debt (only 75% of loan may be used for this purpose)
Website	https://www.wheda.com/Business-Lending/Financing-Products/

Mezzanine

Business Loan Program

Texas Mezzanine Fund

The Texas Mezzanine Fund is a Community Development Financial Institution (CDFI) and Community Development Entity (CDE). Their Business Loan Fund provides loans to businesses in distressed areas with the goal of creating jobs and economic opportunity. The Texas Mezzanine Fund is one of the only state-sponsored examples in the nation and is well regarded for lowering the risks associated with lending to high growth businesses.

Type of Financing	Mezzanine
Industries Addressed	Bioscience, Creative Industries, Electronics, Financial Services, Food & Agriculture, Health & Wellness, Technology & Information, Tourism & Outdoor Recreation, Transportation & Logistics
Partners	Banks, non-bank lenders, CDFIs, CDCs
Amount	Loan minimum is $50,000. Loan maximum is $300,000 for stand-alone loans and up to $500,000 with participation from other lenders.
Rates	Relative to the risk of the project and is generally fixed.
Terms	Depends on the project but is typically 5-7 years maximum.
Eligibility Criteria	Must be a growth-oriented business located in a distressed or low/moderate-income community that provides jobs for low/moderate-income persons.
Other Details	The Texas Mezzanine Fund promotes “tandem lending.” This is a financial structure whereby Texas Mezzanine Fund loans can be used in conjunction with loans from another lender. The Texas Mezzanine Fund is willing to provide larger loans for business choosing to pursue this. Funds may be used for a variety of expenditures. Eligible uses include: working capital, equipment, business acquisitions, bridge financing for SBA 504 and certain real estate transactions. Collateral for loans are nearly as broad as use of funds. Some of the collateral accepted include business assets such as inventory and A/R, personal assets such as rental properties or life insurance, and TMF may take subordinate position in tandem transactions.
Website	http://www.tmfund.com/loan-products/loan-programs-3/

Mezzanine

Small Business Expansion Program

Business Oregon

Business Oregon operates a pseudo-mezzanine finance program called the Small Business Expansion Program. This program provides up to $250,000 in financing with terms of 3-7 years, for working capital. Debt is secured by other lower risk debt or personal guarantees. The Business Oregon Small Businesses expansion program is a relatively new program and offers an example of how one state is addressing an identified gap in the lending landscape.

Type of Financing	Mezzanine
Industries Addressed	Adv. Manufacturing, Aerospace, Bioscience, Creative Industries, Defense & Homeland Security, Electronics, Energy & Natural Resources, Food & Agriculture, Health & Wellness, Infrastructure Engineering, Technology & Information, Tourism & Outdoor Recreation, Transportation & Logistics
Partners	None
Amount	Loan maximum is $250,000
Rates	Debt is fixed rate, but carries a high APR of around 35% when revenue payments are considered.
Terms	Terms are typically 3-7 years.
Eligibility Criteria	Participating companies must be ready for market, have a high growth potential over the next 2-5 years, and have a high profit margin (typically greater than 10%).
Other Details	Debt is repaid through scheduled monthly payments of principal and interest in addition to periodic revenue payments on all sales until the target return is reached. This target is typically double the initial investment. Debt is fixed rate, but carries a high APR of around 35% when revenue payments are considered. This program has been allocated $5 million, but remains in a pilot stage. As of July 2017 four deals have been completed through this program and none of them have defaulted. The Small Business Expansion Program provides several benefits to businesses that are not common in traditional private sector deals. Under this program the business owner does not dilute ownership interest and may even realize cost savings compared to an equity investment. The major benefit of this program is it makes financing available that may not be available through the private sector or any of Business Oregon's other programs.
Website	http://www.oregon4biz.com/How-We-Can-Help/Finance-Programs/OBDF/Small-Business-Expansion/

Microenterprise

Microenterprise Loan Program

The North Carolina Rural Center

The North Carolina Microenterprise Loan Program promotes creativity by providing financing options for starting or expanding small businesses that typically do not qualify for traditional bank loans. The North Carolina Rural Center is well known for being a flexible lending partner. Their Microenterprise Loan Program is targeted specifically to support rural based businesses that have been traditionally underserved by the banking community in the state, and has been recognized with numerous awards for creating 3,000+ jobs in rural North Carolina.

Type of Financing	Microenterprise
Industries Addressed	Creative Industries, Food & Agriculture, Health & Wellness
Partners	Technical assistance offered through partnerships with community college Small Business Centers and UNC's Small Business and Technology Development Center.
Amount	Maximum of $25,000 for standard loans or $5,000 for express loans.
Rates	Prime + 4%
Terms	Maximum of 5 years
Eligibility Criteria	Loan must be used to start or expand a rural small business with less than 10 employees and a project cost that does not exceed $50,000.
Other Details	This loan program offers two types of loans. Standard loans are larger loans that have a more lengthy review process. Express loans are smaller loans that can be decided on in as little as 5 days.
Website	http://www.ncruralcenter.org/index.php?option=com_content&view=article&id=82&Itemid=247

Microenterprise

Rural Business Energy Efficiency Improvement Loan Fund

Maryland Agricultural & Resource-Based Industry Development Corporation

The Rural Business Energy Efficiency Improvement Loan Fund has been established by MARBIDCO to help agricultural operations and other resource-based businesses to install equipment or make operational improvements that reduce the consumption of energy. RBEEIF offers low-interest microloans for energy efficiency projects undertaken by food and fiber producers and processors implementing the recommendations of a third-party energy auditor. Loans made under this program are unsecured and only the personal guarantees of the borrowers and/or businesses are required. This program is known for being flexible and encouraging investment in energy efficiency upgrades for food-based businesses and producers.

Type of Financing	Microenterprise
Industries Addressed	Energy and Natural Resources Food & Agriculture,
Partners	Financial institutions
Amount	The minimum loan amount is $2,500 and the maximum loan amount is $30,000.
Rates	4% APR (fixed rate).
Terms	Loans will be fully repaid with terms not exceeding the anticipated savings payback period. Loan repayments between two and seven years, and loan payment amounts correlate to the estimated energy savings payback.
Eligibility Criteria	Rural or resource-based business with an energy audit or an ag energy management plan report completed by a third-party.
Other Details	A commercial lender must participate in the application process by providing a letter of referral.
Website	http://www.marbidco.org/loans/rbeeil.html

Revolving Loan Fund

Microloan Revolving Loan Program

Alaska Department of Commerce, Community & Economic Development

The Alaska Microloan Revolving Loan Program is a revolving loan fund that provides microloans to entrepreneurs and small business needing access to capital. This program addresses an important gap in accessing capital for small businesses in Alaska and is flexible with the types of businesses it can support.

Type of Financing	Revolving Loan Fund
Industries Addressed	Creative Industries, Food & Agriculture, Health & Wellness, Tourism & Outdoor Recreation
Partners	None
Amount	Maximum of $35,000 for one person or $70,000 for two people. Higher loans may be allowed with a letter of denial from a financial institution.
Rates	Fixed at time of approval. Rates for 2017 are 6%.
Terms	Maximum of 6 years
Eligibility Criteria	Loans will be awarded to individuals who have lived in Alaska for at least 12 months and loan monies must be used for working capital, equipment, construction, or other commercial purposes.
Other Details	Loans must be secured and loan amounts cannot exceed the value of collateral used to secure loan.
Website	https://www.commerce.alaska.gov/web/ded/FIN/LoanPrograms/Microloan.aspx

Revolving Loan Fund

Regional Economic Development Revolving Loan Fund

Finance Authority of Maine (FAME)

This program is designed to make loans through Maine's regional economic development agencies for the purpose of creating or retaining jobs. FAME makes disbursements to regional economic development agencies and the agencies in turn make loans to eligible borrowers. The Regional Economic Development RLF is a good example of a state using its financing capacity in coordination with local economic development agencies. Funds are dispersed to 26 different local agencies to encourage community-based decisions around lending.

Type of Financing	Revolving Loan Fund		
Industries Addressed	Adv. Manufacturing, Aerospace, Bioscience,	Creative Industries Defense & Homeland Security, Electronics,	Energy & Natural Resources, Technology & Information, Tourism & Outdoor Recreation,
Partners	Financial institutions		
Amount	50% of project cost, for projects from \$50,000 up to maximum loan amount of \$350,000 100% of project cost, for projects less than \$50,000 100% of project cost, for quality child care projects up to maximum loan amount of \$350,000		
Rates	Negotiated with regional agency, usually below market.		
Terms	Up to 20 years depending on assets being financed.		
Eligibility Criteria	Businesses that have sales under \$10 million or employ 100 or fewer employees		
Website	http://www.famemaine.com/business/programs/business-loans/regional-economic-revolving-loan-program/		

Other

Employee Stock Ownership ESOP

Iowa Economic Development Authority (IEDA)

Iowa launch the Employee Stock Ownership Plan incentive as a tool to retain businesses in Iowa. The program promotes business owners that are planning to sell their business to sell to employees through an employee stock ownership plan. The program provides financial assistance to businesses interested in establishing an ESOP. Additionally, the State of Iowa offers a state income taxes deduction for the net gain from the sale of stock to an ESOP. The Iowa ESOP program is unique in the nation and is designed ease the barriers for businesses wanting to retain local ownership.

Type of Financing	Grant and Tax Incentive		
Industries Addressed	Adv. Manufacturing, Aerospace, Bioscience, Creative Industries, Defense & Homeland Security,	Electronics, Energy & Natural Resources, Financial Services, Food & Agriculture, Health & Wellness,	Infrastructure Engineering, Technology & Information, Tourism & Outdoor Recreation, Transportation & Logistics
Amount	50% up to $25,000 for feasibility study cost. 50% deduction of capital gains.		
Cost to Implement	$500,000		
Eligibility Criteria	Feasibility grant: C or S corporation located in Iowa or willing to become a C or S corporation Tax incentive: Sell of		

Other

Loan Insurance Program

Finance Authority of Maine (FAME)

Through the Loan Insurance Program, FAME insures a portion of a loan to a business made by a participating financial institution. This program is known for being flexible and having high participation rates among financial institutions in the state.

Type of Financing	Credit Enhancement
Industries Addressed	Adv. Manufacturing, Aerospace, Bioscience, Creative Industries, Defense & Homeland Security, Electronics, Energy & Natural Resources, Financial Services, Food & Agriculture, Health & Wellness, Infrastructure Engineering, Technology & Information, Tourism & Outdoor Recreation, Transportation & Logistics
Partners	Banks, Credit Unions.
Amount	Term Loans: up to 90% insurance of a lender's loan on a pro-rata basis or up to 25% insurance on a leveraged basis (up to $1 million); Refinance of Existing Lender Debt: up to 40% insurance of a currently uninsured lender's loan on a pro-rata basis; Working Capital Lines: up to 90% pro-rata insurance limited to $1 million of FAME exposure, or up to 20% leveraged insurance limited to $500,000 of FAME exposure.
Rates	Set by lender.
Terms	Set by lender.
Cost to Implement	$500,000
Eligibility Criteria	Businesses located in Maine
Other Details	Insurance Types: Pro-rata: covers a certain percentage of lender's loss after a default and liquidation, up to 100%. Leveraged: Covers a certain percentage of lender's loss up to 25% of the loan amount at the time of default.
Website	http://www.famemaine.com/business/programs/commercial-loan-insurance/loan-insurance-program-traditional-application-process/

Appendix B: Colorado Financing Programs

Appendix B includes descriptions of access to capital programs in Colorado. This information was assembled by conducting phone interviews with appropriate stakeholders, reviewing background materials on each program, and referencing CDFA's existing State Financing Program Directory. Programs featured include:

Capital Access Program	*Colorado Capital Access*
Collateral Support Programs	*Cash Collateral Support* *Colorado Credit Reserve (CRR)* *Green Colorado Credit Reserve (GCCR)*
Early Stage	*Advanced Industry Infrastructure Funding* *Early-Stage Capital and Retention Grant* *Export Accelerator Program* *Proof of Concept Grant* *Venture Capital Authority Funds*
Loan Guarantee	*Community Advantage Loan (SBA 7a)* *General Business Loans (SBA 7a)*
Microenterprise	*Business Builder Loans* *Colorado Main Street Loans* *Colorado Small Business Loans*
Revolving Loan Fund	*Creative District Community Loan Fund (CDCLF)* *CDBG – Business Loan Funds* *Commercial Real Estate Loans (SBA 504)* *Commercial Real Estate and Capital Equipment Loans (SBA 504)*
Other	*Advanced Industry Investment Tax Credit* *Colorado Fresh Food Financing Fund* *Rural Development Loans (RDLP)* *Strategic Fund Initiative*

Capital Access Program

Colorado Capital Access

Colorado Housing and Finance Authority (CHFA)

The Colorado Capital Access program allows lenders to become a Participating Lender and receive partial funding of a loan loss reserve account. This account allows lenders to provide more favorable terms than would otherwise be available.

Type of Financing	Capital Access Program
Industries Addressed	Advanced Manufacturing, Aerospace, Bioscience, Creative Industries, Defense & Homeland Security, Electronics, Energy & Natural Resources, Financial Services, Food & Agriculture, Health & Wellness, Infrastructure Engineering, Technology & Information, Tourism & Outdoor Recreation, Transportation & Logistics,
Partners	Banks and financial institutions
Amount	Maximum loan value of $750,000 can contribute.
Rates	Minimum of 2% and a maximum of 7% of the principal of each loan will be collected in equal parts from the borrower and lender and deposited into the lenders CCA fund.
Terms	Loan terms vary by lender.
Eligibility Criteria	Colorado small businesses.
Other Details	A 1:1 CCA reserve fund contribution match is required between the lender and borrower.
Website	https://choosecolorado.com/doing-business/incentives-financing/colorado-capital-access-cca-ssbci/

Collateral Support Programs

Cash Collateral Support

Colorado Housing and Finance Authority (CHFA)

The Cash Collateral Support (CCS) program provides a cash deposit as additional collateral for a business loan when the business cannot meet the lender's collateral requirements.

Type of Financing	Linked Deposit
Industries Addressed	Adv. Manufacturing, Aerospace, Bioscience, Creative Industries, Defense & Homeland Security, Electronics, Energy & Natural Resources, Financial Services Food & Agriculture, Health & Wellness, Infrastructure Engineering, Technology & Information, Tourism & Outdoor Recreation Transportation & Logistics
Partners	Banks and financial institutions.
Amount	25% of the loan amount or $250,000 (whichever is less), loan must be less than $5 million.
Rates	Varies by lender.
Terms	Varies by lender.
Eligibility Criteria	Most Colorado businesses with less than 750 employees. To be eligible for collateral support, lenders must demonstrate that there is (1) a collateral shortfall and (2) there is a reasonable expectation that the business borrower will repay the loan as agreed.
Other Details	This program is a part of the U.S. Treasury' State Small Business Credit Initiative
Website	https://choosecolorado.com/doing-business/incentives-financing/cash-collateral-support-ccs-ssbci/

Collateral Support Programs

Colorado Credit Reserve (CRR)

Colorado Housing and Finance Authority (CHFA)

The program assists lenders in making loans by establishing a loan loss reserve account with the lender as additional security. Each participating lender makes the underwriting decisions, sets the terms, and services the loan.

Type of Financing	Linked Deposit
Industries Addressed	Adv. Manufacturing, Aerospace, Bioscience, Creative Industries, Defense & Homeland Security, Electronics, Energy & Natural Resources, Financial Services Food & Agriculture, Health & Wellness, Infrastructure Engineering, Technology & Information, Tourism & Outdoor Recreation, Transportation & Logistics
Partners	Banks and financial institutions
Amount	Maximum loan of $500,000.
Rates	Loan rates vary by lender, each participating borrower pays an additional 1% to be part of program.
Terms	Loan terms vary by lender.
Eligibility Criteria	Most businesses in Colorado, including for-profit, nonprofit, commercial, industrial, and agricultural businesses. Loans can be made to finance working capital, lines of credit, real estate projects, and/or equipment purchases.
Other Details	Partial loans and businesses ineligible for federal funding are not eligible.
Website	https://choosecolorado.com/doing-business/incentives-financing/businesses-seeking-financing/

Collateral Support Programs

Green Colorado Credit Reserve (GCCR)

Colorado Housing and Finance Authority (CHFA)

Green Colorado Credit Reserve (GCCR) participating lenders will receive cash deposits to be used as loan loss reserves for small business customers to strengthen their loan application for energy efficiency upgrades.

Type of Financing	Linked Deposit
Industries Addressed	Adv. Manufacturing, Aerospace, Bioscience, Creative Industries, Defense & Homeland Security, Electronics, Energy & Natural Resources, Food & Agriculture, Health & Wellness, Infrastructure Engineering, Technology & Information, Tourism & Outdoor Recreation, Transportation & Logistics
Partners	Banks and financial institutions
Amount	Maximum of $250,000.
Rates	Set by private lender.
Terms	Set by private lender.
Eligibility Criteria	Eligible borrowers must be primarily located in Colorado and use loans to directly or indirectly promote energy efficiency or renewable energy generation.
Other Details	This program can be used to support business and residential loans and does not require a borrower match.
Website	https://www.colorado.gov/pacific/energyoffice/green-colorado-credit-reserve

Early Stage

Advanced Industry Infrastructure Funding

Colorado Office of Economic Development and International Trade (OEDIT)

The purpose of the Advanced Industry Infrastructure Funding program is to provide support to projects that develop the business infrastructure necessary to grow Colorado's Advanced Industries.

Type of Financing	Early Stage - Grant
Industries Addressed	Adv. Manufacturing, Aerospace, Bioscience, Creative Industries, Defense & Homeland Security, Electronics, Energy & Natural Resources, Financial Services Food & Agriculture, Health & Wellness, Infrastructure Engineering, Technology & Information, Tourism & Outdoor Recreation, Transportation & Logistics
Partners	None
Amount	Minimum of $50,000, maximum of $500,000.
Terms	Must deploy funding and demonstrate significant impacts within a 12 month time frame.
Eligibility Criteria	Advanced Industry Infrastructure Funding Grants provide state funding to collaborative projects that will have a broad industry-wide impact across one or more of Colorado's advanced Industries. The range of possible projects is broad, but each project should have a well-defined scope and objectives. Examples *may* include projects that provide workforce training, shared working space or equipment, or mentorship for Colorado companies.
Other Details	Grants under this program require a 2:1 non-state funding match.
Website	https://choosecolorado.com/doing-business/incentives-financing/advanced-industries/infrastructure-funding/

Early Stage

Early-Stage Capital and Retention Grant

Colorado Office of Economic Development and International Trade (OEDIT)

The purpose of the Advanced Industry Early Stage Capital and Retention Grant Program is to fund companies using technologies developed in proof of concept grants and other early stage start-ups that have created viable products, meet a market need, and can be created or manufactured in Colorado and exported globally.

Type of Financing	Early Stage - Grant
Industries Addressed	Adv. Manufacturing, Aerospace, Bioscience, Electronics, Energy & Natural Resources, Infrastructure Engineering, Technology & Information,
Partners	Banks
Amount	Maximum of $250,000.
Eligibility Criteria	Eligible businesses must be located in Colorado, operate within the advanced industries, have received less than $20 million in grants since inception, have annual revenue of less than $10 million, and demonstrate that the technology is adequately through the Proof of Concept Phase.
Other Details	Businesses are eligible to apply the interest rate reduction to multiple loans, but the Treasurer of Ohio will only contribute a maximum of $550,000.
Website	https://choosecolorado.com/doing-business/incentives-financing/advanced-industries/early-stage-capital-retention-grant/

Early Stage

Export Accelerator Program

Colorado Office of Economic Development and International Trade (OEDIT)

The Advanced Industries (AI) Export Grant is a Colorado financial assistance program for aspiring and current Colorado exporters. The grant program supports small and medium-sized business through funds to offset international business development and marketing costs.

Type of Financing	Early Stage - Grant
Industries Addressed	Adv. Manufacturing, Aerospace, Bioscience, Electronics, Energy & Natural Resources, Infrastructure Engineering, Technology & Information,
Partners	Colorado Advanced Industries Acceleration Program
Amount	50% of approved expenses up to maximum grant of $15,000.
Terms	Grant provided as reimbursement on expenses.
Eligibility Criteria	Must be a Colorado based Advanced Industry company with less than 200 employees that is new to exporting, or exporting to a new market.
Other Details	Grant program applications will be accepted on a rolling basis until funding runs out.
Website	https://choosecolorado.com/doing-business/incentives-financing/export-accelerator-program/

Early Stage

Proof of Concept Grant

Colorado Office of Economic Development and International Trade (OEDIT)

The Proof of Concept Grant supports the connection of technologies discovered in research institutions to the private sector to support commercialization.

Type of Financing	Early Stage - Grant		
Industries Addressed	Adv. Manufacturing, Aerospace, Bioscience,	Creative Industries, Electronics, Energy & Natural Resources,	Infrastructure Engineering, Technology & Information,
Partners	Colorado Research Institutions.		
Amount	Maximum of $150,000.		
Eligibility Criteria	The new technology must have originated in an approved Colorado Research Institution.		
Other Details	Grants under this program require a 1:3 non-state funding match.		
Website	https://choosecolorado.com/doing-business/incentives-financing/advanced-industries/proof-concept-grant/		

Early Stage

Venture Capital Authority Funds

Colorado Office of Economic Development and International Trade (OEDIT)

The VCA is a venture capital funding program designed to fill a gap in private capital markets and provide seed and early stage capital investments in Colorado companies with the potential for rapidly scaling their businesses.

Type of Financing	Early Stage - Venture Capital
Industries Addressed	Adv. Manufacturing, Aerospace, Bioscience, Creative Industries, Defense & Homeland Security, Electronics, Energy & Natural Resources, Food & Agriculture, Infrastructure Engineering, Technology & Information, Transportation & Logistics
Partners	High Country Venture (HCV), Banks, Business Loan Funds
Amount	Generally range between $250,000 and $3.4 million.
Rates	Negotiable.
Terms	Negotiable.
Eligibility Criteria	The business must be headquartered in Colorado and meet the SBA definition of a small business. The business must be predominantly engaged in professional services (doctors, lawyers, and accountants), banking/lending, real estate, insurance, oil and gas, or direct gambling activities.
Other Details	Initially, applications are reviewed by High County Venture. If HCV chooses to proceed with further analysis then OEDIT will be involved.
Website	https://choosecolorado.com/doing-business/incentives-financing/venture-capital-authority-vca/

Loan Guarantee

Community Advantage Loan (SBA 7a)

Colorado Lending Source

A Small Business Administration Community Advantage loan can be used to finance a variety of business needs. Colorado Lending Source participates in the program to provide small businesses with greater access to financing.

Type of Financing	Loan Guarantee
Industries Addressed	Adv. Manufacturing, Aerospace, Bioscience, Creative Industries, Defense & Homeland Security, Electronics, Energy & Natural Resources, Financial Services, Food & Agriculture, Health & Wellness, Infrastructure Engineering, Technology & Information, Tourism & Outdoor Recreation, Transportation & Logistics
Partners	Banks, US Small Business Administration
Amount	Minimum of $50,000, maximum of $250,000.
Rates	Fixed rate of prime plus 6%.
Terms	Typically maximum of 10 years, but may be extended to 25 years for long-term equipment or commercial real estate.
Eligibility Criteria	Must be a for-profit Colorado small business with a net worth less than $15 million and a two year average net profit of less than $5 million. Loans may be used for working capital, inventory purchases, equipment purchases, land, building, or real estate purchases, renovations, debt refinance, and business acquisition.
Other Details	Every applicant must be referred by a lender who is unwilling to make a loan to the small business.
Website	https://www.coloradolendingsource.org/loans/community-advantage

Loan Guarantee

General Business Loans (SBA 7a)

Colorado Lending Source

Colorado Lending Source helps private sector lenders navigate the SBA 7a loan process in order to provide small businesses with greater access to the program.

Type of Financing	Loan Guarantee
Industries Addressed	Adv. Manufacturing, Aerospace, Bioscience, Creative Industries, Defense & Homeland Security, Electronics, Energy & Natural Resources, Financial Services, Food & Agriculture, Health & Wellness, Infrastructure Engineering, Technology & Information, Tourism & Outdoor Recreation, Transportation & Logistics
Partners	Banks, US Small Business Administration
Amount	SBA guarantees 75-85% of the loan with a maximum guarantee of $5 million.
Rates	Fixed rates between 8.33% and 10.33% or variable rates between 6.5% and 9%.
Terms	Typically maximum of 10 years, but may be extended to 25 years for long-term equipment or commercial real estate.
Eligibility Criteria	Colorado small businesses may use loans to purchase, construct, or renovate commercial real estate, purchase equipment, finance business expansion, refinance debt, working capital, and start-up costs.
Other Details	Submissions under $350,000 will be streamlined by SBA.
Website	https://www.coloradolendingsource.org/loans/general-business

Microenterprise

Business Builder Loans

Rocky Mountain MicroFinance Institute

Rocky Mountain MicroFinance Institute understands that successful entrepreneurs need capital to launch and grow. RMMFI's Business Builder loan program exists to provide microloans to RMMFI Entrepreneurs in need of financing to launch or expand their business.

Type of Financing	Microenterprise
Organization	Rocky Mountain MicroFinance Institute
Industries Addressed	Adv. Manufacturing, Creative Industries, Electronics, Financial Services, Food & Agriculture, Health & Wellness, Infrastructure Engineering, Technology & Information, Tourism & Outdoor Recreation
Amount	Up to $2,500 and can increase up to $5,000 after initial loan repayment.
Rates	8 to 12%
Terms	6 to 24 months.
Eligibility Criteria	Graduate of the 12 week Business Launch Boot Camp program. Business entity with 5 or fewer employees requiring immediate capital needs of $15,000 or less.
Other Details	Rocky Mountain MicroFinance Institute focuses on helping entrepreneurs that make at/below the following income levels.
Website	http://www.rmmfi.org/re-launch/

Microenterprise

Colorado Main Street Loans

Colorado Lending Source

The Colorado Main Street loan program provides Colorado's entrepreneurs with access to affordable financing in order to start or grow their business.

Type of Financing	Microenterprise
Organization	Colorado Lending Source
Industries Addressed	Adv. Manufacturing, Aerospace, Bioscience, Creative Industries, Defense & Homeland Security, Electronics, Energy & Natural Resources, Financial Services, Food & Agriculture, Health & Wellness, Infrastructure Engineering, Technology & Information, Tourism & Outdoor Recreation, Transportation & Logistics
Partners	Banks, foundations, private entities and government agencies
Amount	Minimum of $5,000, maximum of $50,000.
Rates	Prime plus 2.75 – 5.75% depending on risk.
Terms	Varies by loan.
Eligibility Criteria	Must be a small business located in Colorado. Loans can be used for start-up expenses, working capital, purchasing equipment, buying a business, and business debt refinancing.
Other Details	Financing available for 75% to 90% of the project cost (the small business owner is required to invest some funds into the project).
Website	https://www.coloradolendingsource.org/loans/colorado-main-street

Microenterprise

Colorado Small Business Loans

Colorado Enterprise Fund

Colorado Enterprise Fund lends to start-ups and existing small businesses throughout Colorado.

Type of Financing	Microenterprise
Organization	Colorado Enterprise Fund
Industries Addressed	Adv. Manufacturing, Aerospace, Bioscience, Creative Industries, Defense & Homeland Security, Electronics, Energy & Natural Resources, Financial Services Food & Agriculture, Health & Wellness, Infrastructure Engineering, Technology & Information, Tourism & Outdoor Recreation, Transportation & Logistics
Amount	Minimum of $1,000, maximum of $500,000.
Rates	6.99% - 12.99% Fixed
Terms	Varies by loan.
Eligibility Criteria	Must be a small business located in Colorado. Loans can be used for start-up expenses, working capital, purchasing equipment, buying a business, and business debt refinancing.
Other Details	Lending guidelines are more flexible than traditional banks.
Website	http://www.coloradoenterprisefund.org/our-loans/

Revolving Loan Fund

Creative District Community Loan Fund (CDCLF)

Colorado Creative Industries (CCI) and Mile High Community Loan Fund (MHCLF)

The Creative District Community Loan Fund (CDCLF) provides specialized financing resources for both non-profit and for profit borrowers developing, constructing and/or redeveloping commercial real estate projects in state certified or candidate Colorado Creative Districts.

Type of Financing	Loan
Industries Addressed	Creative Industries
Partners	Lending Institutions
Amount	Maximum of $1 million
Rates	Interest rate varies with risk.
Terms	Interest only loans up to 36 months, mini-perms up to seven years.
Eligibility Criteria	Non-profits, private for profit entities, and quasi-governmental agencies (renewal authorities, business improvement districts, downtown development authorities, etc.). Funds may be used for construction, real estate acquisition, predevelopment expenses, bridge finance, and mini-perm financing.
Other Details	Real estate collateral generally required with exceptions for certain predevelopment and bridge loans.
Website	http://mhclf.org/borrowers/creative-district-community-loan-fund/

Revolving Loan Fund

CDBG – Business Loan Funds

Colorado Office of Economic Development and International Trade (OEDIT)

Every year, the State of Colorado receives an allocation of federal funds to use for both community and economic development efforts within the state. OEDIT receives approximately one-third of the state's annual allocation of funds to use specifically for economic development efforts statewide. Specifically, this funding is used to aid the state's Business Loan Funds.

Type of Financing	Revolving Loan Fund/Loan Guarantee
Industries Addressed	Adv. Manufacturing, Aerospace, Bioscience, Creative Industries, Defense & Homeland Security, Electronics, Energy & Natural Resources, Financial Services Food & Agriculture, Health & Wellnees, Infrastructure Engineering, Technology & Information, Tourism & Outdoor Recreation, Transportation & Logistics
Partners	None
Amount	Maximum of $100,000
Rates	Vary by region.
Terms	Vary by region.
Eligibility Criteria	Loan requests are submitted to respective Business Loan Fund director for region. Loans can be used to start, expand, or stabilize a business. Usually there is a job creation requirement of one job per $20,000 loaned and at least 51% of all jobs created/retained must be filled by low to moderate income persons.
Other Details	Micro Enterprise Loans are available to businesses that have five or fewer employees. If all owners of a business qualify as low to moderate income persons, the loan may not have job creation or retention requirements.
Website	https://choosecolorado.com/doing-business/incentives-financing/cdbg-business-loan-funds/

Revolving Loan Fund

Commercial Real Estate Loans (SBA 504)

Colorado Housing and Finance Authority (CHFA)

The Commercial Real Estate Loan Program finances established businesses in Colorado seeking long term, fixed rate financing for owner-occupied commercial real estate and equipment.

Type of Financing	Loan
Industries Addressed	Advanced Manufacturing, Aerospace, Bioscience, Creative Industries, Defense & Homeland Security, Electronics, Energy & Natural Resources, Financial Services, Food & Agriculture, Health & Wellness, Infrastructure Engineering, Technology & Information, Tourism & Outdoor Recreation, Transportation & Logistics,
Partners	Banks
Amount	Maximum of $500,000.
Rates	Fixed rates set by the lender.
Terms	20 years.
Eligibility Criteria	Colorado small businesses located in communities with populations less than 25,000 are eligible to use this loan program for commercial real estate and equipment purchases.
Other Details	Up to 90% financing is available in rural areas.
Website	https://www.chfainfo.com/business-lending/Pages/business.aspx

Revolving Loan Fund

Commercial Real Estate and Capital Equipment Loans (SBA 504)

Colorado Lending Source

These commercial real estate and equipment loans are usually financed in part by a bank (up to 50% of the total loan), in part by Colorado Lending Source (up to 40% of the total loan) and in part by you, the business owner (10, 15 or 20% depending on the type of business).

Type of Financing	Loan
Industries Addressed	Advanced Manufacturing, Aerospace, Bioscience, Creative Industries, Defense & Homeland Security, Electronics, Energy & Natural Resources, Financial Services, Food & Agriculture, Health & Wellness, Infrastructure Engineering, Technology & Information, Tourism & Outdoor Recreation, Transportation & Logistics
Partners	Banks
Amount	SBA loans can cover up to 40% of eligible costs with a minimum of $25,000 and maximum of $5.5 million.
Rates	4.524% fixed rate for 10 year loans. 4.596% fixed rate for 20 year loans.
Terms	Maximum of 20 years.
Eligibility Criteria	Colorado small businesses may use these loans to purchase, build, or expand commercial real estate, purchase equipment or machinery, cover professional fees, repay interim financing costs, and refinance existing loans.
Other Details	The SBA 504 loan requires a lower down payment of 10-20% compared to a 25-30% down payment for conventional financing.
Website	https://www.coloradolendingsource.org/loans/commercial-real-estate

Other

Advanced Industry Investment Tax Credit

Colorado Office of Economic Development and International Trade (OEDIT)

The Colorado Advanced Industry Investment Tax Credit helps Colorado's advanced industry companies receive more capital from Colorado investors.

Type of Financing	Tax Credit		
Industries Addressed	Adv. Manufacturing, Aerospace, Bioscience,	Electronics, Energy & Natural Resources,	Infrastructure Engineering, Technology & Information,
Partners	Private Investors		
Amount	25% (30% for rural or economically distressed area) of the qualified investment, up to maximum credit of $50,000.		
Eligibility Criteria	Business must be operate in one of Colorado's seven advanced industries.		
Other Details	The investment must be an equity security of at least $10,000. The investor must hold no more than 30% of the voting power before the investment, and less than 50% of the voting power after the investment.		
Website	https://choosecolorado.com/doing-business/incentives-financing/advanced-industry-investment-tax-credit/		

Other

Colorado Fresh Food Financing Fund

Colorado Housing and Finance Authority (CHFA)

The Colorado Fresh Food Financing Fund (CO4F) improves access to healthy food in underserved Colorado communities by financing grocery stores and other forms of healthy food retail.

Type of Financing	Loan or Grant
Industries Addressed	Food & Agriculture
Partners	Colorado Enterprise Fund (CEF), The Colorado Health Foundation, and Progressive Urban Management Associates (PUMA).
Amount	Grants have a maximum of $100,000. Loans have a maximum of $1.5 million per project.
Rates	Typically 2-4% for larger loans, may be higher for smaller loans.
Terms	Standard of 5 years maximum, may be extended with CHFA approval.
Eligibility Criteria	Business start-up and expansion costs, store opening costs, changing store ownership, equipment purchases, land assembly, and business concept creation for Colorado food retail businesses.
Other Details	This statewide fund is anticipated to leverage $20 million in investment and is the first statewide fund of its kind in Colorado.
Website	https://www.chfainfo.com/CO4F

Other

Rural Development Loans (RDLP)

Colorado Housing and Finance Authority (CHFA)

CHFA provides low interest rate loans to lenders allowing them the flexibility to establish their own program for business customers in rural communities to finance owner-occupied commercial real estate and equipment purchases.

Type of Financing	Loan Participation
Industries Addressed	Advanced Manufacturing, Aerospace, Bioscience, Creative Industries, Defense & Homeland Security, Electronics, Energy & Natural Resources, Financial Services, Food & Agriculture, Health & Wellness, Infrastructure Engineering, Technology & Information, Tourism & Outdoor Recreation, Transportation & Logistics,
Partners	Banks
Amount	Maximum of $500,000.
Rates	Rates are fixed, but vary by area.
Terms	Maximum of 10 years for equipment, 20 years for real estate.
Eligibility Criteria	Business must be located in a county that is RDLP eligible and loan must be used for either commercial real estate or equipment purchases.
Other Details	There are no prepayment penalties and loans can finance up to 90% of total project cost.
Website	https://www.chfainfo.com/business-lending/Pages/financing-real-estate.aspx

Other

Strategic Fund Initiative

Colorado Office of Economic Development and International Trade (OEDIT)

The Strategic Fund is a cash incentive program for businesses creating and maintaining permanent net new jobs for one year.

Type of Financing	Other - Grant
Industries Addressed	Adv. Manufacturing, Aerospace, Bioscience, Creative Industries, Defense & Homeland Security, Electronics, Energy & Natural Resources, Food & Agriculture, Infrastructure Engineering, Technology & Information, Transportation & Logistics
Partners	Local governments
Amount	Maximum incentive of $5,000 per job created.
Terms	Grants provided one year after permanent new jobs created.
Eligibility Criteria	Colorado based business that makes significant capital investment and has potential for a significant economic "spinoff."
Other Details	This grant program requires a 1:1 community match.
Website	https://choosecolorado.com/doing-business/incentives-financing/strategic-fund-incentive/

Appendix C: Colorado Financing Entities

CDFA compiled information for this report by directly interviewing or reviewing programs from the following organizations:

State Agencies
Colorado Housing and Finance Authority
Colorado Office of Economic Development and International Trade

Certified Development Companies (CDC)
CEDCO-Small Business Finance Corp.
Colorado Lending Source
Mountain West Small Business Finance
Pikes Peak Regional Development Corp.
Preferred Lending Partners
The Business Lending Center

Community Development Finance Institutions (CDFIs)
Colorado Enterprise Fund, Denver (SBA Microloan Intermediary)
Colorado Housing Assistance Corporation, Denver
Colorado Housing Enterprises, LLC, Westminster
Community Enterprise Development Services, Aurora
First Nations Oweesta Corporation, Longmont
First SouthWest Bancorporation, Inc., Alamosa
First Southwest Bank, Alamosa
Funding Partners for Housing Solutions, Fort Collins
La Plata Homes Fund, Inc., Durango
Mercy Loan Fund, Denver
Mile High Community Loan Fund
Native American Bancorporation, Co., Denver
Native American Bank, N.A., Denver
Rocky Mountain Microfinance Institute, Denver
StEPP Foundation, Lakewood – not in business anymore