

## ECONOMIC DEVELOPMENT COMMISSION

### MEETING MINUTES

April 22, 2020

7:00 a.m. – 8:00 a.m.

#### MEETING DATE

April 22, 2020

Virtual Meeting

#### MEETING PARTICIPANTS

##### **A. Commission Members**

Carrie Schiff, Becky Takeda-Tinker, Benita Duran, Blake Jones, Chris Franz, Jandel Allen-Davis, David Dragoo, Jay Seaton, Wendell Pryor, Rob Brown and Gretchen Wahl.

##### **B. Guests**

Ed Sealover, Steve Johnson, Brad Feld, Chris Busby, and Marc Nager.

##### **C. Staff**

Betsy Markey, Jeff Kraft, Sonya Guram, Che Sheehan, Jill McGranahan, Dave Madsen, and Virginia Davis.

#### DECISION/ACTION ITEMS

1. The Economic Development Commission approved the following projects/items

<b>SF:</b>	Energize Colorado Fund.
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##### **A. Meeting Called to Order**

Schiff called the meeting to order.

##### **B. Strategic Fund: Betsy Markey, Jeff Kraft**

###### **Energize Colorado Fund**

Kraft presented the Energize Colorado Fund request.

\$2.5M from the Strategic Fund to catalyze private sector contributions that will capitalize a \$25M to \$50M fund (Energize Colorado Fund) to support small businesses across Colorado unable to access sufficient Federal CARES Act funds.

- The first \$1M tranche will seed the fund immediately.
- The second \$1.5M tranche becomes available after CHFA certifies that \$10M in private sector contributions have been firmly pledged in writing and at least \$5M in hand.

Kraft provided the SF Balance Forecast which shows a current available balance of \$5,198,585.

##### **PPP Loans as of 4/16/2020**

- Colorado has 1.7% of US population, 2% of small business payroll and employees.
- Colorado received \$2.2B of PPP dollars and 2.5% of the # of loans.
- That's an additional \$750M and 4,000 businesses served in CO.

	US + Territories	Colorado	CO % of US
Loan Count	1,661,367	41,635	2.5%
Gross Dollars	\$ 342,277,999,103	\$ 7,392,960,359	2.2%
Average Loan Size	\$ 206,022	\$ 177,566	

		% above expectation
Colorado's additional # of loans beyond expectations based on share of \$B Firms <500 EEs	4,032	10.7%
Colorado's additional loan \$ beyond expectations based on share of Payroll	\$ 754,210,290	11.4%

### PPP Loans Coverage Ratio as of 4/16/2020

#### Actual PPP Loan Results

	US + Territories	Colorado
Loan Count	1,661,367	41,635
Gross Dollars (\$000s)	\$ 342,277,999	7,392,960
Average Loan Size	\$ 206,022	177,566

#### # of Small Businesses (Below based on 2017 data for the 50 states and DC)

# Firms <500 EEs	6,021,427	136,289
# Non-Employee Firms	25,701,671	517,350
Total small Businesses	31,723,098	653,639

#### Coverage Ratio Actual Loans to Small Businesses

Firms <500 EEs	28%	31%
Total Small Businesses	5%	6%

### The Need

The CARES Act made \$349B available in the first round of Payroll Protection Program (PPP) funds (and additional funds for emergency disaster loans (EIDLs). Colorado businesses received \$7.3B in PPP Loans. Congress is poised to make an additional \$310B available as soon as Friday; We estimate the remaining dollar need for businesses in Colorado after the next \$310B is released by Congress is approx. \$16.1B (\$22.6B minus \$6.5B). \* So an extra \$50M via the new fund would be .31% (point 31 percent) of the \$16.1B remaining need.....a tiny fraction. \*Note: this assumes need equals 75% payroll coverage for 6 months.

### Energize Colorado Fund Mission

Fund those small businesses and non-profits across all parts of Colorado that are ineligible or are not served by the existing/future PPP/SBA loan programs.

Bring public, private, and philanthropic dollars together in a new, innovative way to create impact with a full equity lens.

Work with the Fund Community Voice Committee to address critical and unmet needs in CO communities as we move through the relief and recovery stage of this crisis.

The Fund Distribution Allocation Committee will help to prioritize and distribute funds for the

greatest impact. OEDIT and the EDC will be members of this committee.

### **Proposed Fund Structure and Operations**

- State and private sector provide capital to the Energize CO Fund.
- CHFA, fund administrator, manages and distributes funds to non-profit lenders.
- Non-profit lenders will receive mix of loans and grants to make downstream loans to businesses.
- Funds will be broadly distributed across a large number of non-profit lenders who will cover the entire state in an equitable manner.
  - Regional Loan Funds.
  - CDFIs / micro-finance lenders.
  - Other Non-Profit Lenders.
- Non-profit lenders will make loans to impacted businesses.
- Distribution of funds will follow guidelines and allocations established by the Fund Distribution Allocation Committee.

Proposed Loan Terms to recipient small businesses

**Principal Amount:** \$5,000-\$15,000

**Secured Loans:** mix of structures including personal guarantee, collateral and consider prohibition on additional debt without consent.

**Maturity:** 24 - 48 months.

**Interest Rate:** 0% first 12 months. 1% thereafter.

**Repayment Schedule:** No payments first 6 months. No prepayment penalty.

**Potential Loan Forgiveness:** structured similarly to PPP Loans.

Final loan structuring and underwriting will be determined by the individual non-profit lenders.

### **Proposed Administrative Costs**

Lenders:

- \$500 fee per loan.
- May explore other structures if needed.
- No compensation if funds stay with lender for recycling after repayment.

Lenders to certify that loans made meet the qualifications stated. (i.e. self-certification by lenders)

CHFA: \$20k to \$40k per year depending on reporting needs.

Key EDC Requirements of Strategic Fund Grant

- Funds paid to CHFA in advance in two tranches \$1M seed and \$1.5M after \$10M privately raised.
- Funds to be distributed to broad range of non-profit lenders who will provide geographically equitable statewide coverage.
- OEDIT staff and EDC member to sit on Distribution Allocation Committee along with other contributors who will make funding decisions and guidelines to non-profit lenders.
- Although some details may change, the terms of the funding and loans will be broadly consistent with information portrayed in this presentation.
- CHFA to provide regular written reports to EDC and contributors and provide annual in person

updates to EDC on September 2020 and 2021.

- Reserve the right to do formal loan level review in addition to lender self-certification to prevent abuse.

#### Requested EDC Motion and Approval

- As background, I note that under C.R.S. 24-46-105 the EDC is authorized to make grants to non-profit organizations like CHFA based on the “extent of the public benefit expected to result from the grant”.
- This motion will leverage state dollars to obtain much larger private sector contributions to help fill the access to capital gaps identified in this presentation. The funds will support small businesses loans in the face of the unprecedented negative impact of the COVID-19 pandemic resulting in a very extensive and critical public benefit.
- I hereby move to:
  - Allocate the \$2.5M in strategic funds as a grant to the Energize Colorado Fund as described in this presentation.
  - And direct OEDIT staff to contract with CHFA to provide this capital per the requirements described here today.

Schiff entertained a motion on the request.

Dragoo made to allocate the \$2.5M in strategic funds as a grant to the Energize Colorado Fund as described in this presentation and direct OEDIT staff to contract with CHFA to provide this capital per the requirements described here today. Seaton seconded the motion. Motion passed unanimously.

M/S/P – Dragoo, Seaton – Energize Colorado Fund approved as presented and recommended by staff.

**With all items discussed, the meeting was adjourned.**