

ECONOMIC DEVELOPMENT COMMISSION

MEETING MINUTES

April 25, 2020

7:00 a.m. – 8:00 a.m.

MEETING DATE

April 25, 2020

Virtual Meeting

MEETING PARTICIPANTS

A. Commission Members

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

B. Guests

Aldo Svaldi, Tom Gougeon, Sue Dorsey, Mike O'Donnell, Ceyl Prinster, Anne Haines, Steve Johnson, Justin Vause, Mike Burns, and Kevin Williams

C. Staff

Betsy Markey, Jeff Kraft, Jill McGranahan, Ken Jensen, and Virginia Davis.

DECISION/ACTION ITEMS

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

SF:	Waiver of CCS Guidelines.
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A. Meeting Called to Order

Schiff called the meeting to order.

B. Strategic Fund: Betsy Markey, Jeff Kraft

Waiver of CCS Guidelines

Kraft presented the Waiver request to Support PPP Loans via the Gates Family Foundation, and SBA-Approved Non-Profit Lenders.

Summary Request

The Colorado Cash Collateral Support (CCS) program was created to increase the amount of capital made available by private lenders to Colorado small businesses. Given conditions precipitated by COVID-19, there is an extraordinary need to provide capital access to businesses that lack collateral for operating funds. The SBA's Paycheck Protection Loan program provides a unique, time-limited opportunity.

OEDIT staff requests authorization from the EDC to make five one-off waivers to the current program guidelines in order to tap PPP dollars and Gates Family Foundation funds to support three SBA-approved non-profit lenders that will channel PPP loans to Colorado un-banked, under-banked, and women and minority owned very small businesses.

- Modify collateral position from "last-in" to "proportional shared-loss" risk (no precedent)
- Allow collateral as percent of loan to be as high as 30% (from 25%)
- Lift the per loan max for collateral support to \$2,000,000 (from \$250,000)
- Allow loans of up to \$20M to be supported (from \$10M)
- Waive the normal 3% lender fee (no exact precedent)

What are We Trying to Accomplish and How

1. Help the 3 SBA-approved non-profit lenders in Colorado increase their liquidity so they can make more PPP loans as the new allocation opens at 8:30 a.m. Monday, April 26.
2. The Gates Family Foundation is creating a liquidity facility to lend capital to the non-profit lenders.
3. Gates is creating this liquidity facility by borrowing funds from First Bank.
4. We want to use the EDC's Cash Collateral Support program operated by CHFA to increase the collateral available to First Bank to support their loan to the Gates Family Foundation.
5. We are effectively partnering with Gates Family Foundation. so that they have a smaller burden on their balance sheet.

SBA PPP Program Basics

- Deployed via Banks, Credit Unions, Non-Profit Lenders
- Loans to small businesses designed to keep workforce employed during the Coronavirus crisis.
- Sized at 2.5 months of payroll
- No collateral or personal guarantee or credit underwriting
- 1% interest rate
- Payment deferred for 6 months
- 2 year maturity
- Forgive-able by SBA if 75% used for payroll costs. May also cover interest on mortgages, rent, and utilities.
- Guaranteed by SBA

Basics of Cash Collateral Support (CCS) Program

- The US Treasury Department made grants to states to provide capital to support recovery from the Great Recession via the State Small Business Credit Initiative Program (SSBCI)
- Colorado applied via the EDC in 2010 and received \$17M
- We created the Cash Collateral Support program which is managed by CHFA
- CHFA uses these dollars to provide extra collateral to lenders to support small business loans with collateral shortfalls

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).

Congress passed and the President signed a bill to make an additional \$310B available on Monday with \$30B reserved for small banks and CDFIs. Banks already have an estimated \$200B in applications ready to submit and these funds are only expected to last a few hours or days. Note there is still a multi-billion dollar need in Colorado for this capital.

So far these loans have often gone to larger, more sophisticated, small businesses with strong existing banking relationships. The smallest most fragile businesses have often been left out (average loan size to date is \$178 thousand in Colorado, projections for non-profit lenders \$35 to \$40k). Non-profit lenders serve these small, under banked businesses. Non-profit lenders need capital to front the PPP Loans.

Why is this Urgent Over the Weekend

As you will see in the next slide these three SBA-approved non-profit lenders have demand for far more PPP loans than then they have available capital to originate.

If they don't get committed capital by Monday when the window opens on the new round of PPP Loans, they will leave some of their underbanked borrowers without SBA forgivable PPP loans. This tranche of PPP Loans will be quickly exhausted.

The Gates Family Foundation is concurrently working with its board and other foundations to secure approval to borrow funds from First Bank to create this liquidity facility by Monday.

Key EDC Requirements for Approving these Waivers

- Gates Family Foundation secures approval from its Board to move forward.
- Gates Family Foundation obtains a loan commitment from a bank for at least \$7M to use as a PPP liquidity facility in the next 4 days.
- Gates Family Foundation makes at least \$7M in liquidity available to SBA-Approved Non-Profit Lenders in Colorado to fund PPP loans.

Note that if Gates receives additional funds from other foundations that would be permitted and encouraged.

Requested EDC Motion and Approval

- As background, we note that the EDC contract with CHFA implicitly allows the use of these funds in the manner suggested.
- This project leverages state dollars to obtain much larger private sector contributions to help fill the access to capital gaps for small, underbanked, underserved business in Colorado. The funds will support small business loans in the face of the unprecedented negative impact of the COVID-19 pandemic resulting in a very extensive and critical public benefit. Without extraordinarily urgent action, the opportunity would be lost.
- I hereby move to:
 - Permit the one time waivers of CCS guidelines as described in this presentation subject to the requirements described in the slide above.
 - And direct OEDIT staff to work with CHFA, the Gates Family Foundation and other interested parties to facilitate this project.

Schiff entertained a motion on the request.

Allen-Davis moved to permit the one time waivers of CCS guidelines as described in this presentation subject to the requirements described in the slides. And direct OEDIT staff to work with CHFA, the Gates Family Foundation and other interested parties to facilitate this project. Duran seconded the motion. Motion passed unanimously.

M/S/P – Allen-Davis, Duran – Waiver of CCS Guidelines approved as presented and recommended by staff.

With all items discussed, the meeting was adjourned.