


COLLABORATIONS FOR CAPITAL

 CEYL PRINSTER | JUNE 9, 2014

Lead Sponsor



Background

-  About Colorado Enterprise Fund
 - Statewide CDFI
 - Micro and Small Business Lender
 - Loans up to \$250,000
 - 17 Staff
 - Founded 37 years ago
 - In FY 2013, made 149 new loans
 - ~\$19 million in total assets

Community Partner Program

■ The Problem:

- Local community wants to encourage small businesses and provide access to capital but does not have the capacity to run a loan fund
- CDFI needs capital to grow and help with connecting to local community to deploy capital

3

Community Partner Program

■ Description and Purpose

- A **stakeholder relationship** with a designated community creating mutual benefit and advancing shared goals
- Geographic focus (city, county, incubator)
- May or may not include local banks

4

The Bargain - What they give

■ Partner provides

- Funding
- Marketing and promotion
- Referrals

■ CDFI provides

- Lending expertise
- Turnkey program
- Accountability
- Matching funds

5

The Bargain - What they get

■ Partner gets

- A dedicated loan program for their community
- Professional management - economies of scale
- Leverage with additional funds – a bigger loan pool!

■ CDFI gets

- New source of capital
- Local partner and vested stakeholder
- Marketing and referrals – help with deployment

6

Specifics

■ Ideal Model:

- Grant funds for loans from public entity and/or banks
- Local bank investments into the loan pool
- Grant funds for operating
- CDFI matches local funding from its national or state-wide sources
- Marketing and referrals to help deploy capital
- Minimal involvement in underwriting by Partner
- Consistent reporting across programs

7

Specifics

■ Challenges to the CDFI

- Each community is different
- Resources vary
- How do we manage multiple funds that may have different profiles?
- Do we lose or diminish our brand identity?
- Are we better or worse off?

8

Specifics - Examples

- Boulder Microloan Program
 - Grant funds for loans from non-Federal City funds
 - Local bank investments into the pool
 - Grant funds for operating from CDBG
 - CDFI matches from its national or state-wide sources
 - Marketing and referrals to help deploy capital
 - Minimal involvement in underwriting
 - Reasonable reporting

9

Specifics – More Examples

- Arvada Microloan Program
- Longmont
- Weld County
- Rocky Mountain Innosphere (incubator)
- Colorado Springs Recovery Fund
- 3 others pending

10

The Bottom Line – a “Win-Win”

- Added \$1.7 million in new low-cost capital
- CEF match \$1.25 million
- Partner funds used for additional Federal match (CDFI Fund, SBA Microloan)
- Partners active in promoting “their” fund (locally branded); leverages resources they don’t have access to without us
- Success builds loyalty and positions for further investment

Regionalizing Revolving Loan Funds

■ Chuck Hurst, VP Northern Initiatives
| June 9, 2014

Lead Sponsor



Revolving Loan Funds

- Administered by the State, CDBG dollars flowed to eligible units of general local government (UGLG) to capitalize Revolving Loan Funds
 - Small cities, townships & villages less than 50,000 in population
- Primary purpose of Revolving Loan Fund Program
 - Provide Business Loans to eligible small business who meet a National Objective by creating jobs benefiting Low and Moderate income families
- Capacity Gaps at the local UGLG level
 - The federal nature of the funds require ongoing adherence with federal statutes and regulations.
 - Due diligence in utilizing funds ranges from 3 to 6 months depending on project
 - Budget constraints making deployment and admin of funds increasingly difficult.

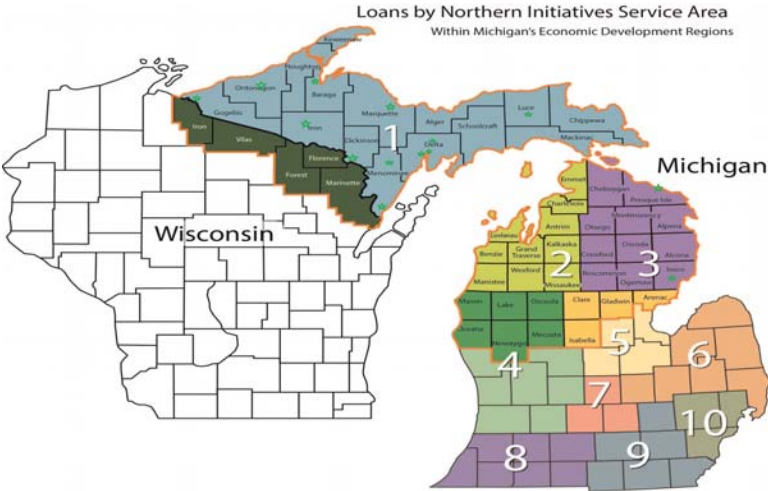
Regionalization

- Provision in CDBG Act allowed for a Regionalization of Loan Funds
 - Aggregate funds through a Regional Loan Fund Manager
 - Once loaned and presuming National Objective is met repayments de-federalize for future rounds of loan activity
 - October 2012, Northern Initiatives applied and named Regional Revolving Loan Fund Manager for Regions 1 & 3

3



MI Economic Development Regions



4



Key Program Highlights

- Northern Initiatives entered into agreements with 14 units of local government.
- Must meet National Objective 1 Job created for LMI families for each \$20,000 loaned, 51% of jobs counted must be LMI
- Must be loaned in community of origin
- Once successfully revolved, de-federalized and can be loaned anywhere in region
- MEDC representation on NI Board and community representation on loan committees.

5

Opportunity

- \$4.8M transferred to Northern Initiatives
- Categorized as restricted asset on balance sheet
- NI can pair CDBG loan funds with other NI funding sources to increase probability of meeting National Objective
- Success revolving funds = Balance Sheet event as funds become unrestricted.
- Provides NI with the ability to leverage the funds for future growth

6