Washington Recovery Loan Fund

Partnering to support Community Lenders, Businesses and Nonprofits with Recovery Assistance

COMMUNITY and ECONOMIC DEVELOPMENT COMMITTEE BRIEFING
WEDNESDAY MARCH 10, 2021

For this proposal, the term business is meant to include non-profit organizations and for-profit businesses. Washington Recovery Loan Fund is a working title.

Washington Recovery Loan Fund

Need: Small Business Access to Capital

- Governor's Economic Recovery Taskforce

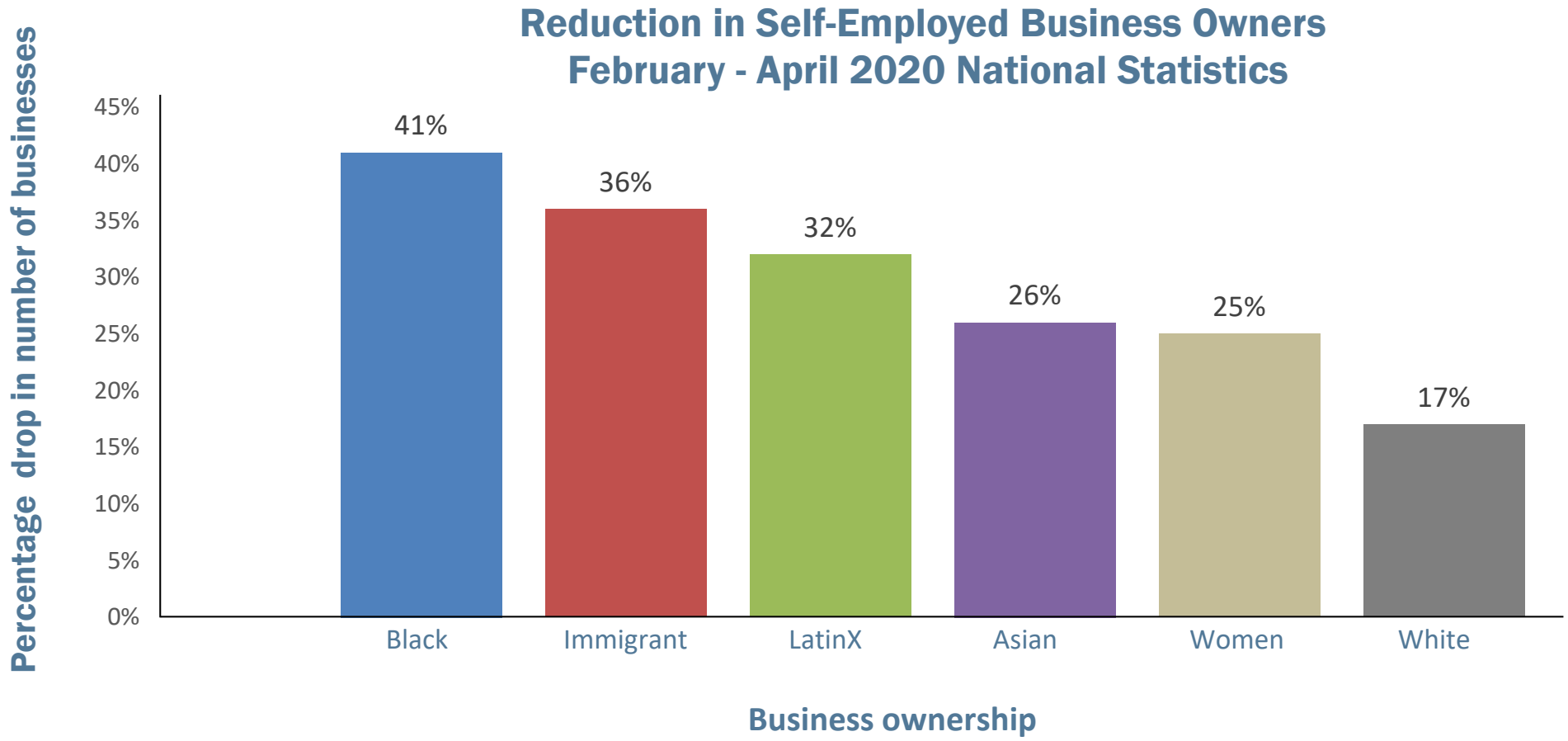
Lessons Learned: Addressing an Equitable Recovery

- Grants are not sufficient
- Insufficient lender relationships
- Technical assistance needs for underbanked communities

Action: Creation of a Washington Recovery Loan Fund

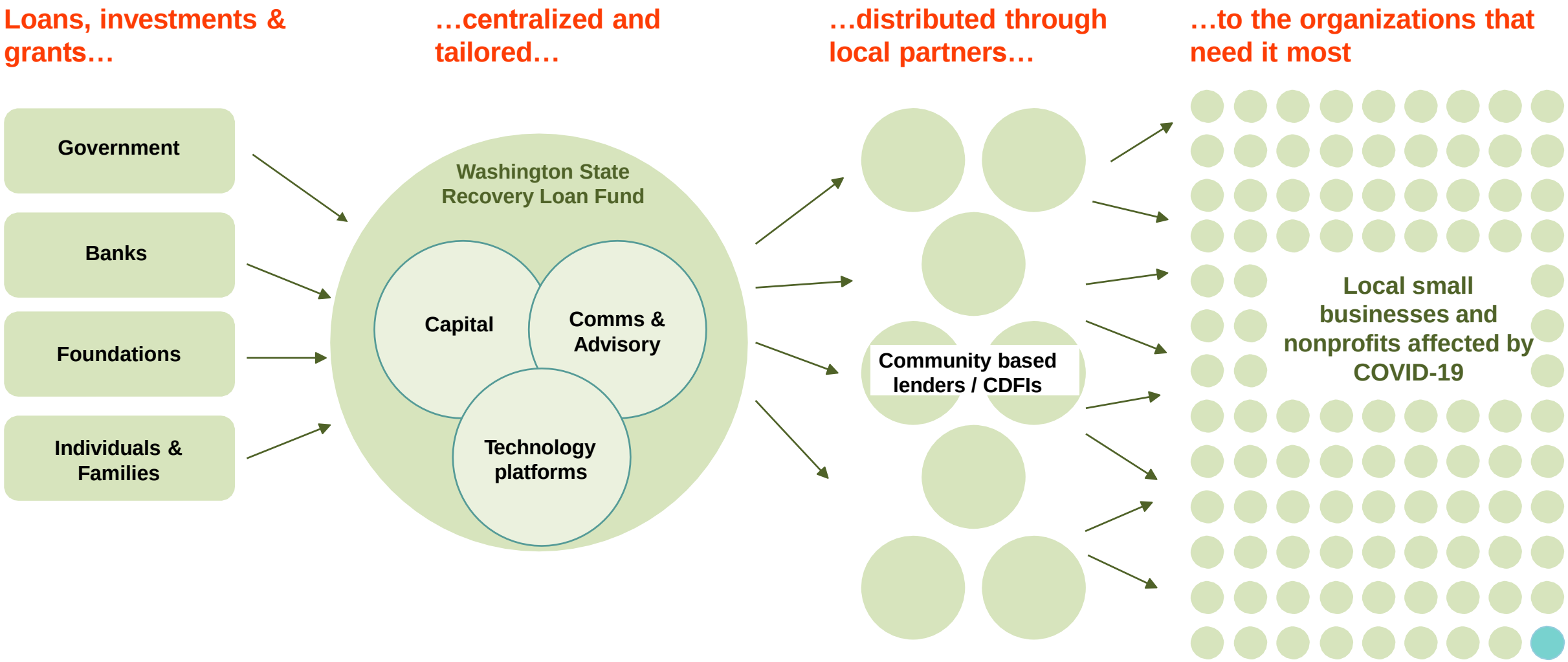
- Provides a tool for businesses to pivot toward recovery
- Supports Washington's small business recovery ecosystem
- Leverages CARES funding to provide a low-barrier loan product to struggling small businesses and nonprofits

Early indicators show devastating effects of COVID-19 on the small business community, with outsized negative impact on communities of color and immigrants



Source: Fairlie, Robert W. (2020), The Impact of COVID-19 on Small Business Owners: Evidence of Early Stage Losses From the April 2020 Current Population Survey, *SIEPR Stanford Institute for Economic Policy Research*

The Fund combines existing infrastructure, networks, and relationships to simplify execution and speed to market

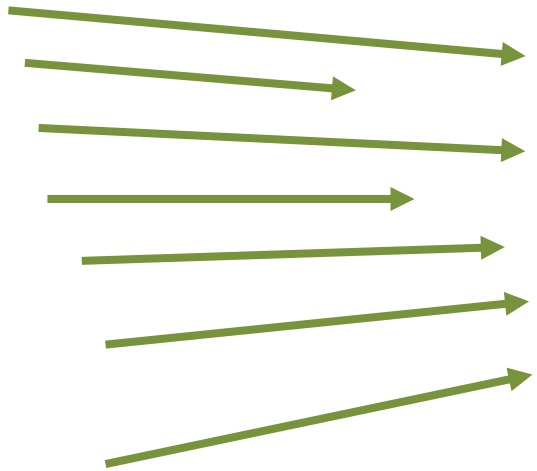


Dynamic technical assistance utilizing existing small business assistance infrastructure and networks to connect to borrowers and assist applications

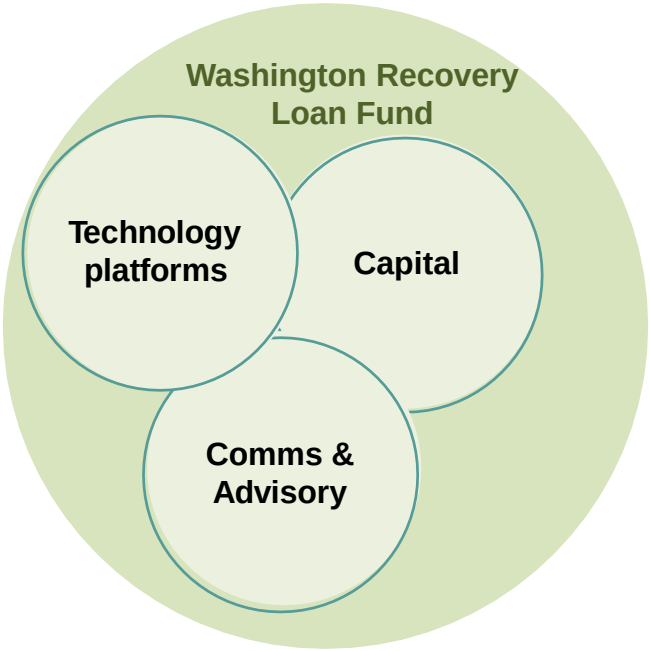
…potential technical assistance / application assistance organizations:

- Commerce Resiliency Partners
- Washington Economic Development Association (WEDA)
- SBA SBDCs
- Local Government Agencies
- Business Impact NW
- 501Commons
- Ventures
- Sister Sky (Native Business Consultants)

…assist businesses and non-profits with online application requirements…



…centralized and tailored to loan requirements…



This network of application assisting partners is the key to scaling applications from borrowers. Many of these relationships have already been formed through previous recovery programs.

The Washington Recovery Loan Fund can create positive impact for the entire small business ecosystem – from capital providers to customers and communities

IMPACTS

Fund capitalized at $100 million can assist between 700 – 1,400 small businesses and non-profits

Trusted local TA providers ensure that very small businesses, minority-owned businesses, and businesses located in low-income and rural areas are assisted

Loan information will provide data on business type, employees and demographic detail on minority and women-owned businesses and geographic location

The partnership network built by the Fund can be accessed for future economic development efforts

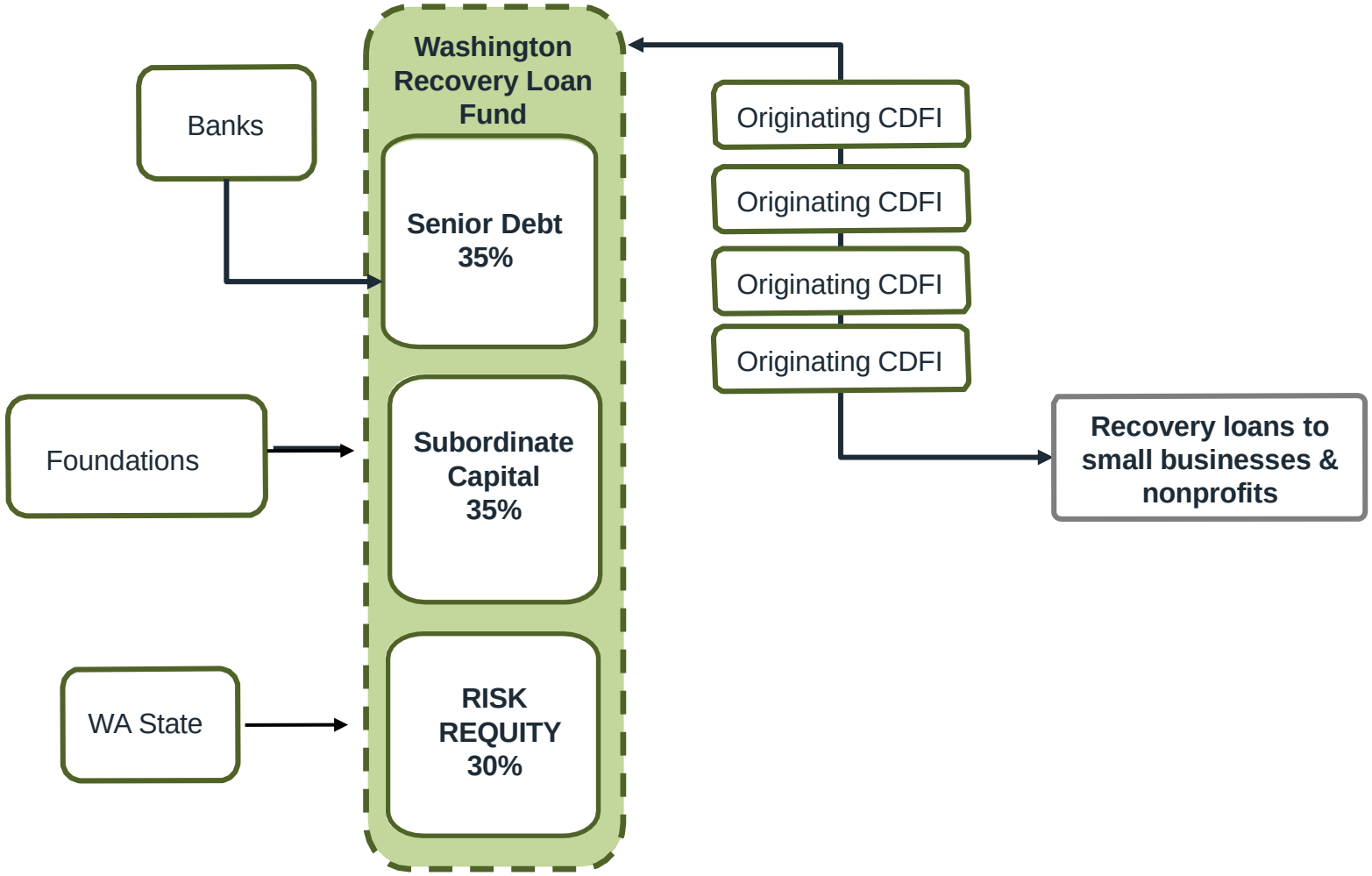
Depending on capital raised for the Fund – repayments could:

- Revolve for continued economic development lending
- Expand lending capacity for CDFI partners
- Establish relationships with national financial partners and foundations
- Establish a more resilient network of community leaders

Washington Recovery Loan Fund

CAPITAL STRUCTURE

The State is providing a portion of equity capital, nominal loss reserves, and administratrative funding to support the creation of a Special Purpose Vehicle (SPV) that purchases CDFI-originated recovery loans



Potential loan product is tailored to meet the immediate and longer-term credit needs of small businesses and nonprofits; during and post COVID-19 recovery

Interest rate	Interest rate set to 2.75% for nonprofits, 3.75% for small businesses Interest-only for months 1-12 Interest and principal for months 13 through the end of the term (~60 months)
Payment schedule	0-12 months: Interest-only payments plus $10 principal payment (to establish account) 13-60 months: interest and principal payments with straight line amortization
Use of proceeds	Working capital including payroll, utilities, rent, supplies, etc. Any typical expense category. Must disclose any current loans. Could refinance existing debt under limited circumstances
Recourse	No collateral required. **Personal guarantees required** for private business owners required
Fees	No fees charged to borrower
Loan amount	Lesser of (a) $150,000 or (b) 100% of average monthly revenues for a 3-6 month period prior to the COVID-19 outbreak

Average SBA EIDL for Washington State =$60,046
Average SBA PPP Loan for Washington State = $96,834
**** SBA Reports – 2/2021***

The lead partners have a combined 95 years of experience in community development

Community Reinvestment Fund, USA is a Supporting Organization – their purpose and mission is to serve other community and economic development organizations and expand impact through collaboration.

- Founded 30 years ago with an unprecedented national network of small business development organizations, including CDFIs, banks, and business support organizations.
- Seasoned business lending team who has deployed more than $250 million over the last six years directly to small businesses through our SBA 7(a) and Patient Capital lending programs.
- Technological know-how, financial sophistication, and process infrastructure to quickly build and manage complex programs and innovative solutions

National Development Council is a national 501c3 working to increase the flow of capital for investment in low-income communities.

- Working in partnership with nonprofits, funders, and government for 50 years
- Current partner with Commerce on Opportunity Zone and EDA-funded recovery efforts.
- Lent more than $251 million in business capital
- Through its SBA 7(a) lending programs.
- Manages multiple business recovery / loan programs in Washington, California, Utah and Nevada.
- Have trained over 75,000 professionals in business and housing finance.

Calvert Impact Capital exists to use private capital in innovative and collaborative ways to create an equitable and sustainable world.

- Lending to CDFIs and other impact intermediaries for 25 years
- Raised more than $2 billion to build, grow, and sustain more than 520 impact intermediaries across the US and around the world; strong relationships with hundreds of institutions, advisors, and individuals interested in investing for impact
- Invested $610 million into 322 intermediaries active in U.S. community development across sectors including microfinance and small business, affordable housing, and other critical community services

Thank you!

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