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## Analyzing the Impact of COVID-19 Emergency Loan Funds



BNY MELLON

# Analyzing the Impact of COVID-19 Emergency Loan Funds



## Anneliese McClurg

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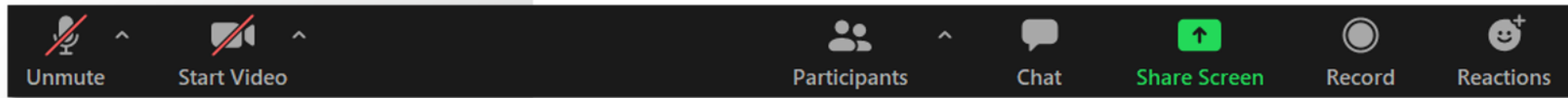
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# Analyzing the Impact of COVID-19 Emergency Loan Funds



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# Analyzing the Impact of COVID-19 Emergency Loan Funds



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**Maryland**  
DEPARTMENT OF COMMERCE





# Analyzing the Impact of COVID-19 Emergency Loan Funds

Supporting Small Businesses  
Maryland Department of Commerce



*“We are all in this together, and we will only get through this if we work together.”*

- Governor Larry Hogan

# Strategies for Rapid Deployment

*“There was panic and desperation. Those were tough phone calls,” said Lori Ratzburg, Commerce’s Anne Arundel County representative. “But we were listening so we could understand what was taking place and then help figure out solutions.”*

- Regional and Resolution Teams
- Dedicated Inbox for questions, FAQs
- Coordination with other Agencies-Volunteers
- Workflow Process



# The 'Maryland Strong: Economic Recovery Initiative'

## Small Business Support

- **\$140MM: Maryland Small Business COVID-19 Relief Grant Fund**  
Awards grants of up to \$10,000 to eligible Businesses of 50 or fewer employees – 14,286 Awardees
- **\$75MM Maryland Small Business COVID-19 Relief Loan Fund (converted to Grants)**  
Awards loans of up to \$50,000 to eligible Businesses of 50 or fewer employees- 1,654 Awardees
- **\$4MM Maryland COVID-19 Emergency Relief Manufacturing Fund-55 Awardees**
- **\$475K Maryland COVID-19 Emergency Relief Grant Fund for 501( c) 6 Nonprofits-48 Awardees**
- **\$79.2MM (2 Rounds of Funding): Direct Relief for Restaurants**  
The funding will be allocated through local jurisdictions- 6,770 Awardees
- **\$56.7MM (2 Rounds of Funding): Direct Relief for Hotels** (includes \$10M of non CARES funds)
- **\$10MM: Expansion of Small and Minority Business Low-Interest Loans**  
Eligible uses include: working capital, supplies and materials, machinery and equipment acquisition, land acquisition, or real estate improvements
- **\$770K Maryland Economic Adjustment Fund (MEAF)**  
Award of CARES Act Supplemental Funds from U.S Economic Development Administration. Loans up to \$150,000 for small and underserved businesses with fewer than 50 employees.

# Key Findings

- Businesses receiving aid were **more likely to be minority-owned** than the state average.
- Businesses receiving aid were **more likely to be female owned** than the state average.
- **Aid was well targeted to the companies that needed it most:** In March and April, before grants and loans were disbursed, companies that received funding saw employment fall by more than in eligible businesses that did not apply.
- **An aggressive strategy early on worked:** aid delivered in the early stages of the pandemic had the greatest impact on re-hiring and on the likelihood of avoiding business closure.
- Evidence suggests that the Emergency Relief Grant and Loan Program enabled between **2,415 and 3,464 businesses to remain open** that otherwise would have had to close.
- Evidence suggests the Emergency Relief Grant and Loan Program **supported between 26,317 and 83,938 direct jobs** at businesses that received funding.
- These jobs supported between **11,668 and 17,199 additional jobs** in Maryland's economy.
- The Emergency Relief Grant and Loan Program supported between **\$3.0 billion and \$4.3 billion in state GDP** and **\$5.0 billion and \$7.2 billion in total economic activity**.
- The Emergency Relief Grant and Loan Program supported between **\$251.9 million and \$559.4 million in state fiscal activity**, as well as between \$135.4 million and \$197.0 million in fiscal impacts in local government revenue.
- A review of evaluations of PPP funding show that the results in this report are consistent with impacts found in outside literature.

# Other Funding Sources Utilized

Figure 7: What Other Funding Sources Did Your Company Make Use Of?

Answer	Number of Responses	Percent
Paycheck Protection Program (PPP)	4,884	86.2%
Economic Injury Disaster Loan (EIDL)	2,592	45.7%
SBA Loan Forgiveness	972	17.2%
Federal Reserve Main Street Lending Program	14	0.2%
Another Federal Program Not Listed	118	2.1%
Another State of Maryland Program	460	8.1%
A Program From My City or County	1,062	18.7%
Private Bank Loan	219	3.9%
Self-funding	1,178	20.8%
Family or Friends	408	7.2%
No Extra Sources	127	2.2%
Unsure	103	1.8%
<b>Total</b>	<b>5,667</b>	<b>100.0%</b>

Source: Maryland Department of Commerce

# How The Funds Were Used

**Figure 8: In What Ways Did Your Company Make Use of the Funds Received Through the Emergency Relief Grant and Loan Program?**

Answer	Number of Responses	Percent
Pay Employee Salaries	4,196	73.6%
Pay for Normal Business Expenses	3,845	67.5%
Pay Rent or Mortgage	3,496	61.3%
Pay for PPE	1,995	35.0%
Purchase New Equipment	569	10.0%
Help cover the Cost of Finding New Suppliers	348	6.1%
<b>Total</b>	<b>5,700</b>	<b>100.0%</b>



# Impact on Business Closure

**Figure 10: Self-Reported Likelihood of Business Closure if Company Had Not Received Funding From the Emergency Relief Grant and Loan Program by Funding Round**

Closure Likelihood	Loans	Round 1	Round 2	Round 3
Our Business Closed	0.13%	0.25%	0.37%	0.39%
We Would Have Had to Close Completely	13.98%	9.74%	8.52%	5.62%
High Likelihood	25.03%	22.30%	20%	15.26%
Moderate Likelihood	33.42%	31.23%	29.94%	26.76%
Low Likelihood	16.25%	20.17%	23.15%	26.89%
No Impact	6.52%	10.06%	9.81%	14.16%
Unknown	4.66%	6.25%	8.21%	10.92%

Source: Maryland Department of Commerce

A key takeaway from the above table is illustrated below in Figure 11: the earlier a company received funding, the more likely it was to say that without the Emergency Relief Funding the company would have had to close completely or there was a high likelihood of closure.



# Takeaways for the Future

**Figure 14: Percent of Respondents Moderately or Extremely Concerned with Potential Business Challenges Over the Next 6 Months**

Potential Challenge	Percent of Respondents Moderately or Extremely Concerned Over the Next 6 Months
Decrease in Customers	74.4%
Running Out of Capital Reserves	68.0%
Ensuring Health and Safety of Customers and Employees	62.3%
Increase in Business Costs	60.5%
Paying Mortgage/Rent	52.8%
Need to Layoff/Furlough Additional Employees	46.5%
Supply Chain Challenges	40.3%
Developing a Better Online Website	21.4%

In the survey, only 6.8 percent of respondents noted that their business had already returned to its normal level of operations and 34.8 percent of respondents stated they believed it would take more than one year to reach normal levels again. While the assistance from the Emergency Relief Grant and Loan Program has allowed businesses to hire workers, remain open, and pay down expenses, responses to the survey indicate there is still a long road to full recovery for many Maryland companies.

# Takeaways for the Future

- These findings lead to a number of takeaways for future programs, including:
- Delivering direct aid to businesses can lead to significant economic benefits.
- Delivering aid to businesses sooner has a larger impact.
- Smaller aid amounts to more companies may be preferable to fewer, larger awards.
- A streamlined application process is positive.
- Despite strong positive benefits, companies are still nervous about the future and sustained engagement is critical.

# What does the future look like?

- Continue recovery with potential new Funding Opportunities and Targets
  - SSBCI 2.0-Maryland \$198MM
  - Potential CANNABIS Legalization-New Business Opportunities
  - \$19MM in funding directed to small, minority, and women-owned businesses in Maryland Video Lottery Terminal Fund
  - Increasing interest in starting a business-the Entrepreneurs and Investors looking for the opportunities
  - \$5MM for Nonprofit Accelerator Program
  - Targeted funding to underserved and overburdened communities
- Managing the losses-What is the strategy for managing the portfolio? What is the political risk? Capacity building (staffing), reducing barriers to capital.

# Questions??

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# Analyzing the Impact of COVID-19 Emergency Loan Funds



## Lisa Dargis

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**EMPLOYMENT AND  
ECONOMIC DEVELOPMENT**

# DEED COVID-19 Emergency Response Programs



February 22, 2022

# Who We Are

The Minnesota Department of Employment and Economic Development (DEED) is the state's principal economic development agency.

DEED programs promote business recruitment; expansion and retention; international trade; workforce development; and community development.



# Sources of Funding

## State funded programs:

- Small Business Emergency Loan Program
- Small Business Loan Guarantee Program

## Cares Act funded programs:

- Movie Theater Relief Grants (Cares & ARPA)
- Convention Center Relief Grants (Cares & ARPA)
- Small Business Relief Grants

## American Rescue Plan Act funded programs:

- Main Street COVID Relief Grants



# Small Business Emergency Loan Program

Eligible industries were those included in Executive Orders 20-04 and 20-08 (closure of businesses)

Loans terms:

- Ranged from \$2,500 to \$35,000 be based on the firm's operating expenses and financial need
- Interest free
- Paid back monthly over five (5) years and the first payment was deferred six (6) months
- Partial forgiveness available
- Available to small businesses with a physical location in Minnesota that was closed by Executive Order

# Small Business Emergency Loan Program

- Loans totaling over \$27 million
- 1,020 small businesses assisted
- Loans issued through program certified nonprofit lenders
- The categories with the most small businesses served by the program were:
  - Restaurants, cafes and coffee shops (47% of loans)
  - Spas, salons and barbershops (21%)
  - Indoor sports, fitness and exercise facilities (11%)

# Small Business Loan Guarantee Program

- \$7.2 million in guarantees
- 78 loans enrolled
- Provided an 80% guarantee up to a maximum of \$200,000
- .25% enrollment fee
- Businesses with <250 employees statewide
- Eligible lenders:
  - CDFI's and nonprofits
  - Banks & credit unions
  - Local units of government

# Small Business Loan Guarantee Program

- Eligible lenders:
  - CDFI's and nonprofits
  - Banks & credit unions
  - Local units of government
- 81 lenders enrolled
- 20 lenders enrolled loans
- Accommodation, food services & retail - largest sectors assisted
- Working capital, M & E, maintenance & repair – no renovation or build-out

# Movie Theater Relief Grants

Awarded \$8.5 million to 73 theaters

Program made grants of up to \$150,000 to eligible movie theaters

- Drive-in movie theaters were ineligible
- Required a decline in sales of 30% or more between 2019 & 2020
- Award based upon number of screens
- Used for operating expenses:
  - Property Taxes, Insurance Costs, Legal Fees
  - Payroll, Rent, Utilities
  - Repairs to the existing building and equipment

# Convention Center Relief Grants

Awarded \$4.5 million to 15 convention centers

Program made grants of up to \$500,000

- Indoor multipurpose convention center with a capacity for 1,500 people or more
- Not part of a hotel, university, or retail mall, and is not primarily a music venue or theater
- Required a decline in sales of 30% or more between 2019 & 2020
- Used for direct operations and upkeep:
  - Property Taxes, Insurance Costs, Legal Fees
  - Payroll, Rent, Utilities
  - Repairs to the existing building and equipment

# Small Business Relief Grants

\$61.5 million awarded

- 6,151 grants, chosen by lottery process
- Over half to retail, accommodation & food services
- 84% to targeted businesses
- Eligibility:
  - Be a private for-profit business in good standing with a permanent physical location in Minnesota.
  - Be majority owned by a permanent resident of Minnesota.
  - Employ the equivalent of 50 or fewer full-time workers.
  - Be able to demonstrate financial hardship as a result of the COVID-19 outbreak.

# Small Business Relief Grants

## Awards set asides:

- 50% of funds will be available for businesses based in Greater Minnesota.
- 50% of funds will be available for businesses based in the 7-county metro area
- A minimum amount of funds must be awarded as follows:
  - \$18 million for businesses with six or fewer full-time workers.
  - \$10 million for minority business enterprises.
  - \$2.5 million for businesses that are majority owned and operated by veterans.
  - \$2.5 million for businesses that are majority owned and operated by women.
  - \$2.5 million for operators of indoor retail and food markets with an ethnic cultural emphasis.



# Latest COVID Relief Programs

**Minnesota Cultural Mall Operator Grants**

**Minnesota Main Street COVID Relief Grants**

**Minnesota Main Street Economic Revitalization Program**

<https://mn.gov/deed/business/financing-business/deed-programs/emergency-programs/>



## EMPLOYMENT AND ECONOMIC DEVELOPMENT

# Thank you!

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# Analyzing the Impact of COVID-19 Emergency Loan Funds



## Jennifer Wilhelm

Chief Lending and Solutions Officer  
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# **Analyzing the Impact of COVID-19 Emergency Loan Funds**

**February 2022**



# Our Mission & Vision

**We exist to support the City of Pittsburgh's economic development goals, which are designed to create a city of inclusive opportunity for residents, stakeholders, and communities.**





# Priorities

## Shared goals with the City of Pittsburgh



**Create more housing that is affordable to the average Pittsburgher**



**Encourage more entrepreneurship and small business development**



**Promote inclusive growth and quality job creation**



**Expand neighborhood and main streets revitalization efforts**



**Develop a talented workforce that is equipped with the skills of the future**



# Small Business Solutions



Grandma Joan's, loan recipient



Optikal, loan recipient



Confections by Casey Renee, loan recipient

The URA has decades of experience as a small business lender; establishing professional processes and expertise to deploy mission impact funding to those who need it most quickly. Recently, we have established ourselves as a leader in the region for equitable focus and delivery of these same services.

# COVID-19 Response

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Launched our first program in 3 days and scaled quickly.

**2019**

4 underwriters

51 loans closed

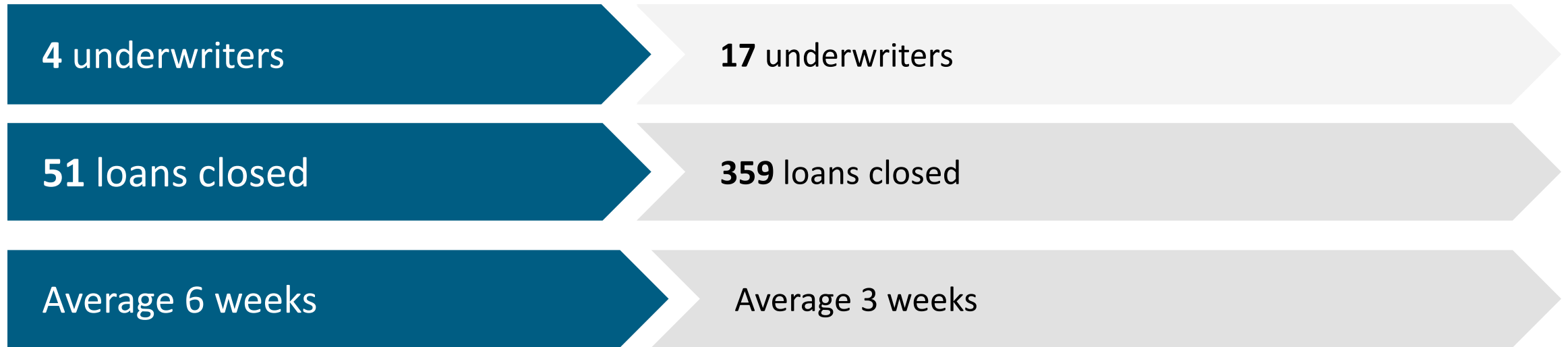
Average 6 weeks

**2020**

17 underwriters

359 loans closed

Average 3 weeks





# COVID-19 program roll out



## **Emergency Loan Fund:** (March 2020 - Aug 2020)

- Up to \$15K loans, 0%, 3-year terms
- Use of funds: fixed costs such as payroll, mortgage/rent, insurance, utilities
- Closed loans: 217 (89 MBE) (55 WBE)
- 67% M/WBE



## **Recovery Loan Fund:** (June 2020 - Nov 2020)

- Up to \$75K loans, 0% first year, 2% remainder of term, 7-year terms
- Use of funds: hiring, payroll, e-commerce, sales/marketing, inventory
- Closed loans: 67 (35 MBE) (11 WBE)
- 69% M/WBE



**Get Online Grow Online Program:** Matching small businesses with e-commerce experts to help establish or expand their online presence

**Pittsburgh Loyalty Bond Program:** In partnership with Honeycomb Credit, enables businesses to raise capital by allowing customers to purchase gift cards to local businesses, and receive the benefit over time

**Sidewalk Sales Program:** Small grants to business district groups to help their entrepreneurs purchase the items that they need to safely do business outside



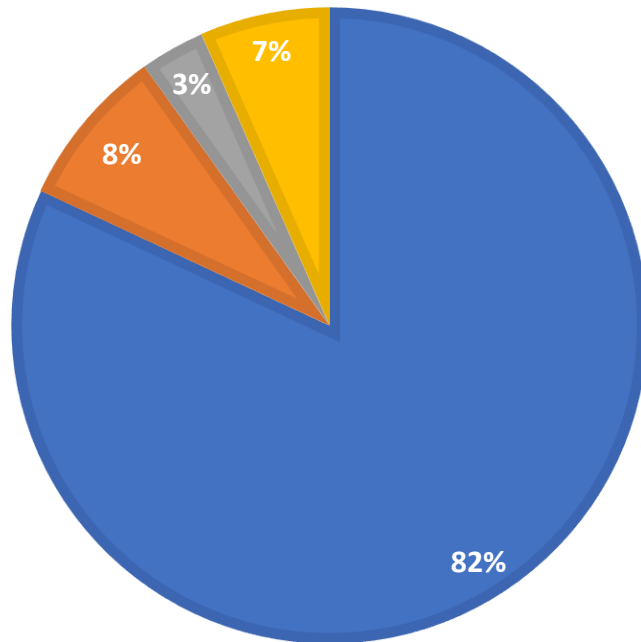
# Sources of Funding

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Pulled funding from numerous sources

EMERGENCY LOAN FUND (ELF)

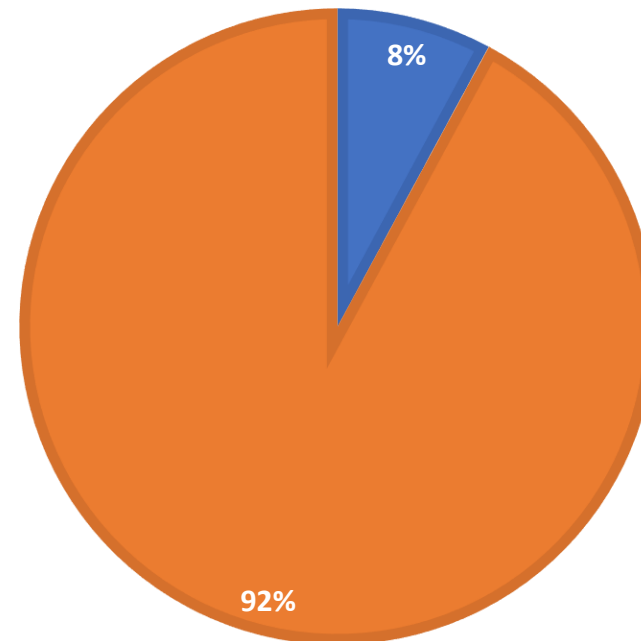
■ Internal ■ Foundation ■ Bank ■ Affiliate ■



\$2.9M

RECOVERY LOAN FUND

■ Affiliate ■ Cares Act



\$3.8M

# Recovery Borrower Survey

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## Health of the business survey

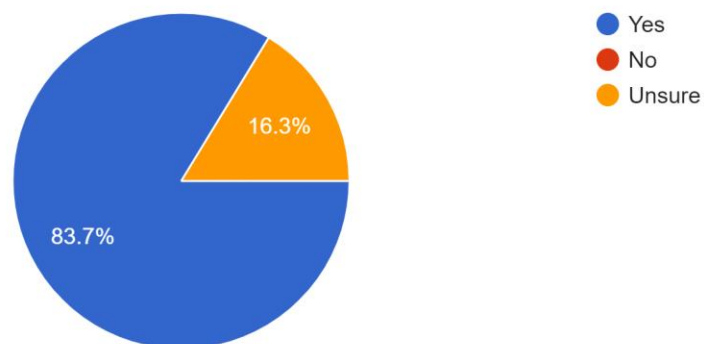
- **August 2021 when most borrowers were about to start payments we sent out a survey**
- **43 of 67 businesses filled out the survey**

# Recovery Borrower Survey

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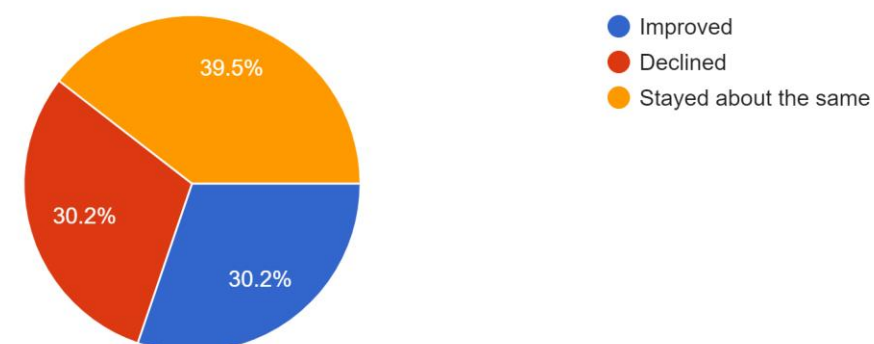
Do you expect your business to still be operating in 3 months?

43 responses



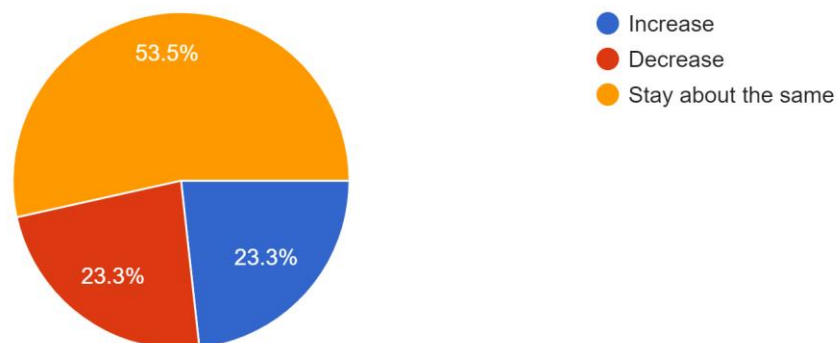
Over the past three months, have overall business conditions:

43 responses



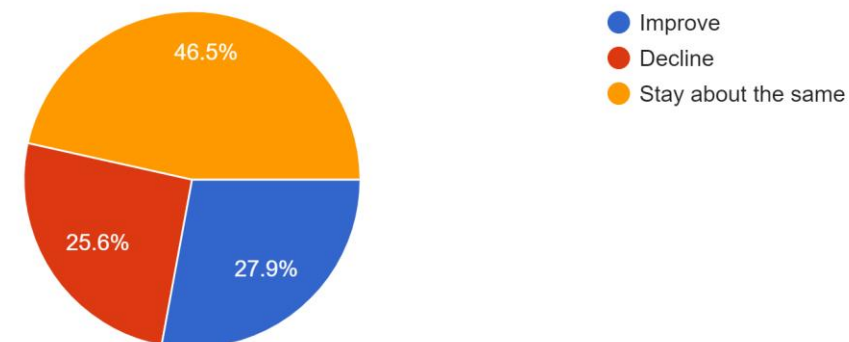
Over the next three months, do you expect your overall business activity to:

43 responses



Over the next three months, do you expect overall business conditions to:

43 responses



# Minority Business Recovery and Growth

## Focused resources for equitable recovery

- Launched October 2020, the Minority Business Recovery & Growth Loan Fund provides low-cost capital to growing businesses.
- Provides flexible capital for minority-owned businesses emerging from COVID-19 who have operated for a least 1 year
- Loans up to \$100,000 and 2% interest
  - Term: 10 years
  - \$150 application fee
  - 2% due diligence fee
  - Capital can be used for real estate acquisition and/or improvements, working capital, and FFE



# Minority Business Recovery and Growth

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## Closings

✓ 57

Loans approved



43% Male

57% Female

93% Economically disadvantaged

# Sources of Funding

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**\$6M**

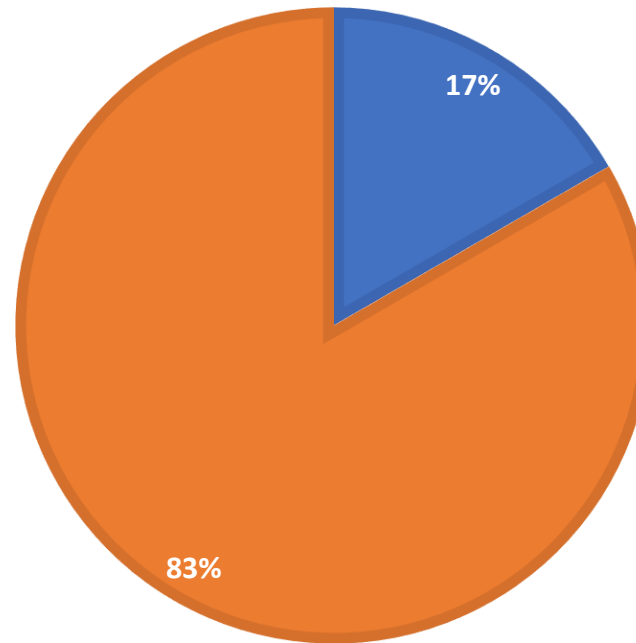
For the program

**\$3.9M**

Disbursed

## MINORITY LOAN PROGRAM

■ Cares Act ■ Bank

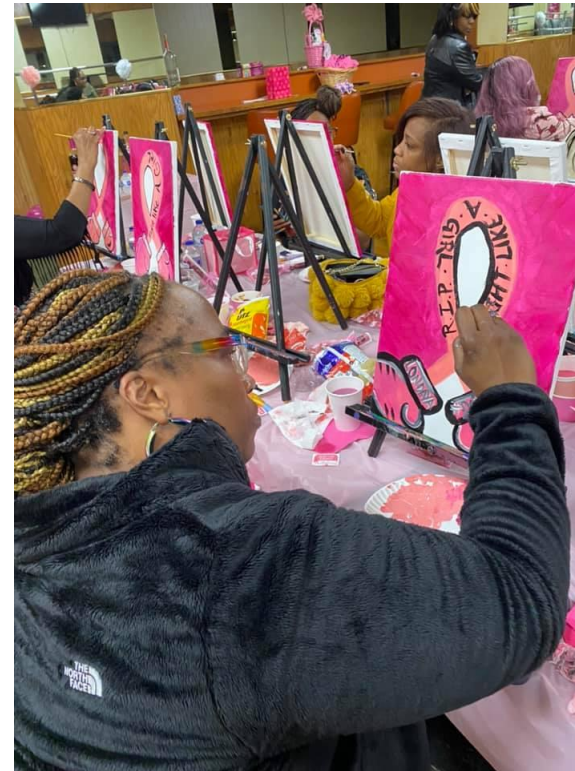




# We learned a lot

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- **Flexibility**
  - Be prepared to restructure loans as needed
- **Information**
  - Keep tabs on our borrowers and sending information on other resources
  - Communicate programs and resources effectively
- **Focus**
  - Don't try to be everything to every business
  - Create partnerships to leverage different strengths



CS Supplies, loan recipient

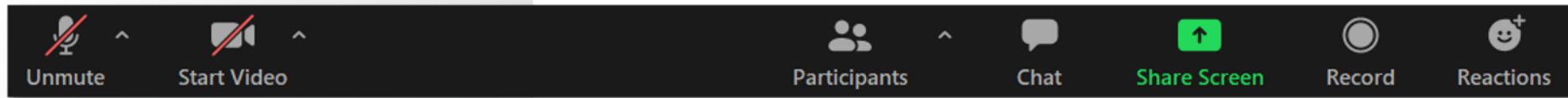


Concrete Rose Construction, loan recipient





# Audience Questions



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### **CDFA Federal Financing Webinar Series: Capacity Building Programs from EDA and NIST**

Tuesday, March 1, 2022 // 2:00 - 3:30 PM Eastern

### **CDFA // BNY Mellon Development Finance Webcast Series: Capitalization Strategies & Funding from the American Rescue Plan**

Tuesday, March 15, 2022 // 2:00 - 3:30 PM Eastern

### **Intro Revolving Loan Fund WebCourse**

March 28 - 29 // Daily: 12:00 - 5:00 PM Eastern

### **Advanced Revolving Loan Fund WebCourse**

March 30 - 31 // Daily: 12:00 - 5:00 PM Eastern

# Contact Us



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