

CDFA // BNY MELLON DEVELOPMENT FINANCE WEBCAST SERIES

Financing Small Business Recovery After COVID-19

The Broadcast will Begin at 1:00pm Eastern

- ▶ Submit your questions in advance using the GoToWebinar control panel
- ▶ View previous webcast recordings online at www.cdfa.net

CDFA // BNY MELLON
DEVELOPMENT FINANCE
WEBCAST SERIES



BNY MELLON

Hello! Welcome to the webcast.



Darnell Moses

Vice President
Council of Development Finance Agencies
Columbus, OH

Are you a CDFA Member?

Members receive exclusive access to thousands of resources in the CDFA Online Resource Database.

Create your unique login today at www.cdfa.net

CDFA // BNY MELLON
DEVELOPMENT FINANCE
WEBCAST SERIES



BNY MELLON

Legal Disclaimer

CDFA is not herein engaged in rendering legal, accounting, financial or other advisory services, nor does CDFA intend that the material included herein be relied upon to the exclusion of outside counsel or a municipal advisor. This publication, report or presentation is intended to provide accurate and authoritative general information and does not constitute advising on any municipal security or municipal financial product. CDFA is not a registered municipal advisor and does not provide advice, guidance or recommendations on the issuance of municipal securities or municipal financial products. Those seeking to conduct complex financial transactions using the best practices mentioned in this publication, report or presentation are encouraged to seek the advice of a skilled legal, financial and/or registered municipal advisor. Questions concerning this publication, report or presentation should be directed to info@cdfa.net.

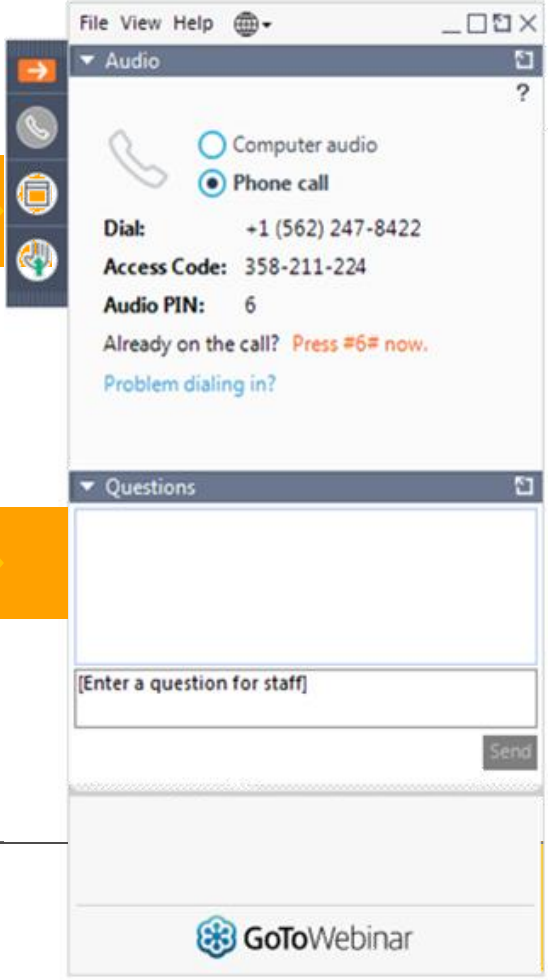
CDFA // BNY MELLON
DEVELOPMENT FINANCE
WEBCAST SERIES



BNY MELLON

Listen through the telephone for best audio quality.

Submit your questions to the panelists here.



CDFA // BNY MELLON
DEVELOPMENT FINANCE
WEBCAST SERIES



Panelists

Jennifer Fredericks, *Moderator*

Vice President & Principal
The Bank of New York Mellon

Keith Rachey

Senior Vice President, Chief Impact
Officer
Community Reinvestment Fund, USA

Carol Kilko

Deputy Secretary for Business Finance
Pennsylvania Department of Community
& Economic Development

Rachel Reilly

Director of Impact Strategy
Economic Innovation Group

Michael Kinninger

Executive Director
Ohio Statewide Development
Corporation

CDFA Training Institute

16 courses in development finance
designed for all skill levels. Learn
more and register today at
www.cdfa.net

CDFA // BNY MELLON
DEVELOPMENT FINANCE
WEBCAST SERIES



BNY MELLON



Jennifer Fredericks

Vice President & Principal of Corporate Trust – Business Development
The Bank of New York Mellon
New York, NY

Are you a CDFA Member?

Members receive exclusive access to thousands of resources in the CDFA Online Resource Database.

Create your unique login today at www.cdfa.net

CDFA // BNY MELLON
DEVELOPMENT FINANCE
WEBCAST SERIES



BNY MELLON



Rachel Reilly

Director of Impact Strategy
Economic Innovation Group
Washington, DC

CDFA Training Institute

16 courses in development finance
designed for all skill levels. Learn
more and register today at
www.cdfa.net

CDFA // BNY MELLON
DEVELOPMENT FINANCE
WEBCAST SERIES



BNY MELLON



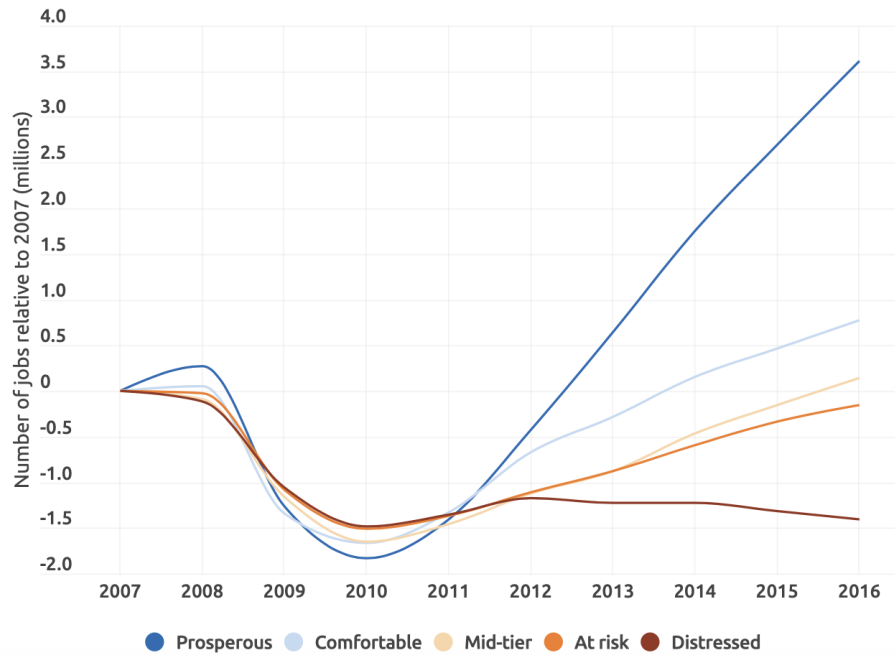
July 2020

Rachel Reilly
Director of Impact Strategy
Rachel@eig.org

Uneven Growth Since the Great Recession

Job growth was concentrated from 2007 - 2016

Change in employment by quintile since 2007



Overall:

- Prosperous zip codes dominated a deeply fractured jobs recovery.
- Fewer than a quarter of counties have recovered from the business closures of the recession.
- Prosperous zip codes added more business establishments during the recovery years than the bottom 80 percent of zip codes combined.

“The median American community has not healed from the trauma of the Great Recession and is ill-equipped to cope with the inevitable next downturn.”

[Distressed Communities Index](#)

Entrepreneurs and Small Businesses

Entrepreneurs and small businesses drive economic dynamism

- Small businesses contribute 2/3rds of new jobs and account for 47% of total jobs and 44% of economic activity.
- New businesses foster a dynamic economy; replacing dying industries, fostering competition with incumbent companies, and producing new, higher wage jobs.

Legacy issues from 2008

- New business starts, small business lending, and new bank formation never recovered from the Great Recession.

Policy responses to the Great Recession failed entrepreneurs | [analysis](#)

- Women-owned, minority-owned, and young businesses were disproportionately impacted.

Minority- and women-owned businesses and startups are more vulnerable | [data analysis](#)

A robust and inclusive recovery is predicated on expanding capital access now.

COVID-19's Impact on Business Formation and Entrepreneurship

Data Snapshots

Weekly Update on COVID-19's Impact on Business Formation and Entrepreneurship

Jul 16, 2020

In April 2020, EIG began tracking COVID-19's impact on prospective entrepreneurial activity in the United States in a [blog post](#) analyzing new weekly [data on business formation](#) provided by the U.S. Census Bureau. EIG will continue to provide updates of this dataset to keep a pulse on the latest trends in business formation. The statistics below focus on high-propensity business applications, a specific subset of business applications identified by the Census Bureau as having a high likelihood of turning into true employer businesses.



Source: U.S. Census Bureau's Business Formation Statistics

[EIG blog post](#)

Paycheck Protection Program

Press Release

Coalition of Leading Business and Policy Groups Call for New Phase of Small Business Relief

Jul 1, 2020

Washington, D.C. – Today, the Economic Innovation Group (EIG) and a coalition of leading business advocacy groups released a [letter](#) to Congressional leaders calling for a new phase of federal relief designed to address the continued and prolonged challenges facing small businesses.

While the Paycheck Protection Program (PPP) provided critical stopgap relief in the early stage of the crisis, small employers face an evolving set of economic disruptions from the COVID-19 pandemic that PPP, as currently structured, is not designed to address.

The letter follows a proposed small business lending facility [outlined](#) earlier this year by EIG, calling for the next phase of small business relief to be designed with four core features that build upon the current framework of PPP:

1. Zero interest rates,
2. Long-term loan maturity,
3. Overall administrative simplicity, and
4. Flexibility to use the loans to cover a wide range of expenses.

[*EIG press release*](#)

Opportunity Zones

National Opportunity Zones Survey

Respondents indicated continued interest and activity supporting entrepreneurship (54 percent) and investing in operating businesses (55 percent).

[Survey findings](#)

Webinar

Supporting Operating Businesses in Opportunity Zones

July 28 from 2:00 – 3:30 pm ET | [Register](#)

Alabama

“But one of the most significant developments coming out of the OZ program right now is the ability of its infrastructure to step in and help. The same network that was built to drive capital into community-oriented projects is the same one that is looking to boost the local economy that is in crisis.”

Why Opportunity Zones could be a bright spot for Birmingham amid COVID-19

[Birmingham Business Journal](#)

“Over the last two years, Opportunity Zones have allowed us to build a network of stakeholders that care deeply about helping distressed places,” said Alex Flachsbart, Opportunity Alabama founder and CEO.

“We hope this site will provide a gateway linking our network to those businesses and communities in economic distress, no matter where they are in Alabama.”

[ALtogether Alabama press release](#)

Financing Small Business Recovery After COVID-19



Carol Kilko

Deputy Secretary for Business Finance
Pennsylvania Department of Community & Economic
Development
Harrisburg, PA

CDFA Training Institute

16 courses in development finance
designed for all skill levels. Learn
more and register today at
www.cdfa.net

CDFA // BNY MELLON
DEVELOPMENT FINANCE
WEBCAST SERIES



BNY MELLON

BNY MELLON WEBCAST SERIES

DEPUTY SECRETARY, CAROL L. KILKO
DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT

WELCOME TO THE



pennsylvania

DEPARTMENT OF COMMUNITY
& ECONOMIC DEVELOPMENT



Carol Kilko, Deputy Secretary, Business Finance

DCED ORIENTATION



pennsylvania
DEPARTMENT OF COMMUNITY
& ECONOMIC DEVELOPMENT

**The Pennsylvania Department of Community
and Economic Development was created**
by Act 58 of 1996 which merged the departments of
Commerce and Community Affairs into a single agency.

DCED ORIENTATION

DCED's program areas are divided into six deputates:

- Administration
- Business Financing
- Community Affairs and Development
- International Business Development
- Marketing, Tourism and Film
- Technology and Innovation

The executive team includes:

- Governor's Action Team
- Communications
- Legislative Affairs
- Office of Chief Counsel
- Policy



Pennsylvania COVID-19 Small Business Support

COVID-19 WORKING CAPITAL ACCESS PROGRAM - \$61 MILLION

- Provides critical working capital funds to small businesses affected by COVID
- 100 or less employees
- Up to \$100,000, no interest, no payment first year
- 742 loans and \$60,644,146 disbursed
- Closed

COVID-19 STATEWIDE SMALL BUSINESS ASSISTANCE - \$200 MILLION

- Distributed through Community Development Financial Institutions (CDFI)
- Grants cover operating expenses for the duration of the shutdown
- Includes technical assistance for business owners as they stabilize and reopen
- Main Street Business Revitalization
- Historically Disadvantaged

COVID-19 COUNTY RELIEF BLOCK GRANT PROGRAM \$625 MILLION

- Block grants to counties for various uses
- Offset cost of direct county response
- Flexible funding for counties
- Preference given to development of Small Business Grant
 - 100 employees or less and did not receive PPP or EIDL
- Includes tourism industry businesses of all sizes

COVID-19 HAZARD PAY GRANT - \$50 MILLION

- Assist business to pay hazard pay to employees in life sustaining businesses
- Eligible Industries
 - Healthcare & Social Assistance, Food Manufacturing, Food Retail Facilities, Transit & Ground Passenger Transportation, Security Services and Janitorial Services
- Direct full-time and part-time employees
- 10-week period from August 16, 2020 through October 24, 2020

ADDITIONAL ASSISTANCE TO SMALL BUSINESS

- Outreach calls with industry and associations
- Secretary Dennis Davin
- State associations representing small business

THANK YOU

CAROL L. KILKO
717-720-1402
CAKILKO@PA.GOV



Keith Rachey

Senior Vice President, Chief Impact Officer
Community Reinvestment Fund, USA
Minneapolis, MN

CDFA Training Institute

16 courses in development finance
designed for all skill levels. Learn
more and register today at
www.cdfa.net

CDFA // BNY MELLON
DEVELOPMENT FINANCE
WEBCAST SERIES



BNY MELLON

FINANCING SMALL BUSINESS RECOVERY AFTER COVID-19

THE CDFA /BNY MELLON WEBCAST SERIES



Community Reinvestment Fund, USA

Improving lives and strengthening communities for over 30 years

\$3.0 billion

in financing

49

states and DC
with loans

3,500 +

loans to small businesses

135,000+

jobs created
or retained

1,000+

communities

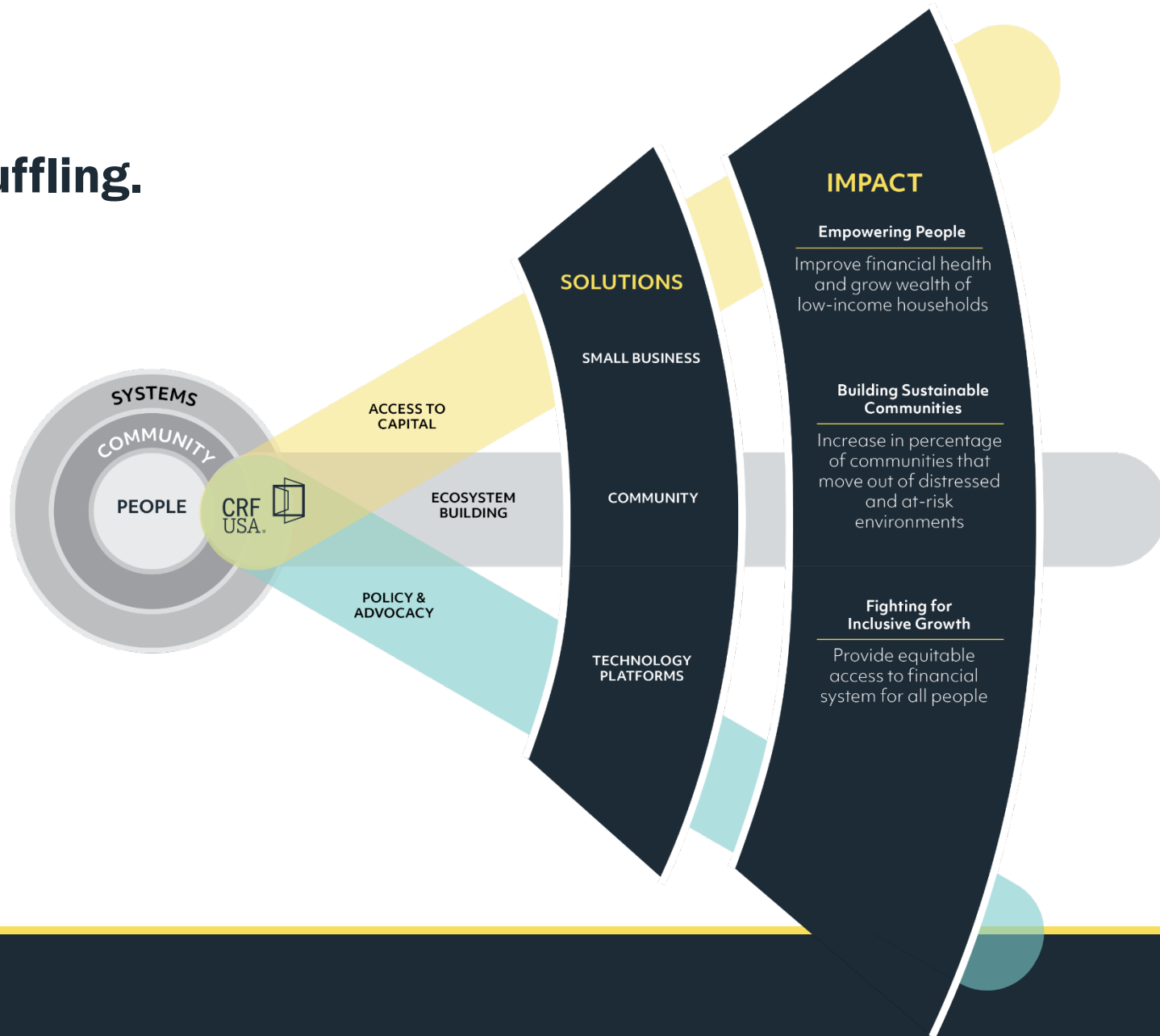
1.9 million

people served

CRF's Approach

The deck is stacked. We're reshuffling.

We develop solutions for people, communities, and the entire financial system. We believe that true change is only possible when inequities at all three levels are addressed.



CRF's Small Business Lending (over \$300 Million in last 5 years)

Filling the Financing Gap with Innovative Products

SBA 7(a)

\$150K - \$4M

- For small businesses located in low-income communities or owned by people of color, women, or veteran which are businesses not served by traditional SBA lenders.

Patient Capital

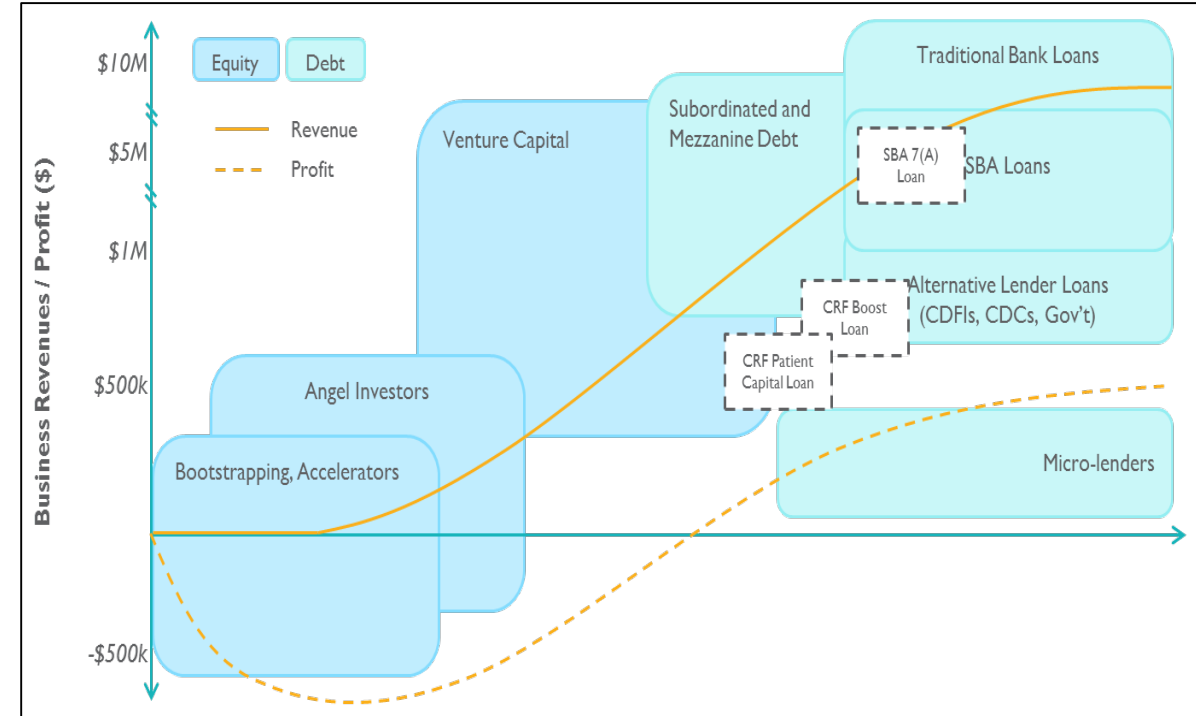
\$100K - \$250K

- For a small business that needs growth capital but doesn't qualify for SBA.
- Patient form of capital with flexible terms which may include a period of monthly, interest-only payments and revenue royalty repayment.
- Also may cover gap in SBA 7(a) loan for non-eligible uses

Boost Loan

\$50K - \$100K

- For existing small business who need capital within 15 days.
- Responsible alternative to online lenders that offers faster decisions and access to capital with responsible terms.
- Acts as short-term bridge to longer term loan



Focus on Small Businesses located in LMI communities or those businesses owned by people of color, women, or veterans!

CRF's COVID-19 Approach

The goal is not how much money disbursed, but the near- and long-term success of these businesses, which create wealth and vibrancy in their communities

RESPONSE: IMMEDIATE SURVIVAL

Funding Vehicles: Grants, Gov Aided Emergency Funds
Example: SBA Paycheck Protection Program (PPP) & City of Chicago Small Business Resiliency Fund

RECOVERY: STEADY INFRASTRUCTURE

Funding Vehicles: Below-market Debt, Grants
Example: Community-Centered COVID-19 Recovery Fund (s)

RESILIENCE: GROWTH AND VIBRANCY

Funding Vehicles: Equity, Venture Capital, Debt

ACCESS

Equitable distribution of funds

SUCCESS

Survival rates of borrowers

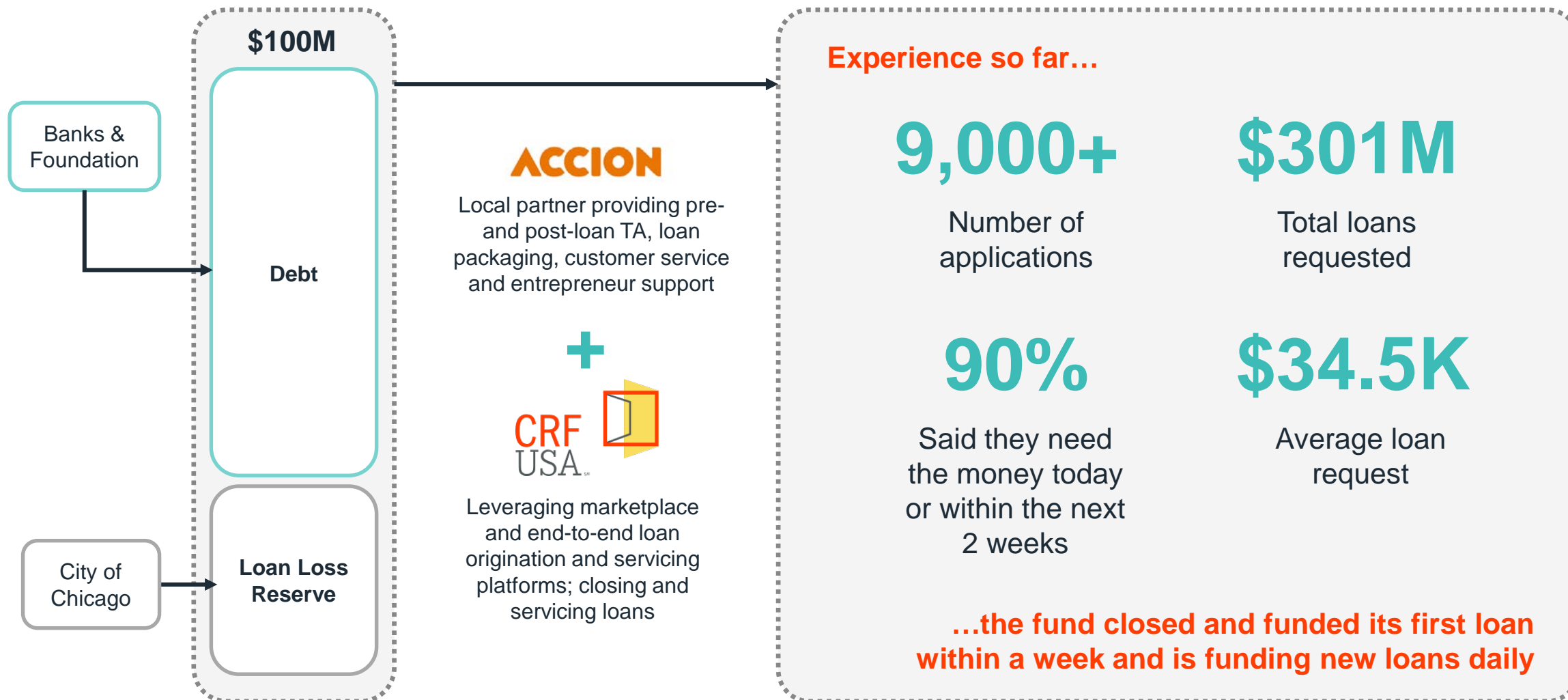
EMPLOYMENT

Retention or growth of jobs

RESILIENCE

Better infrastructure for the future

COVID-19 Response: City of Chicago Resiliency Fund (late March 2020)

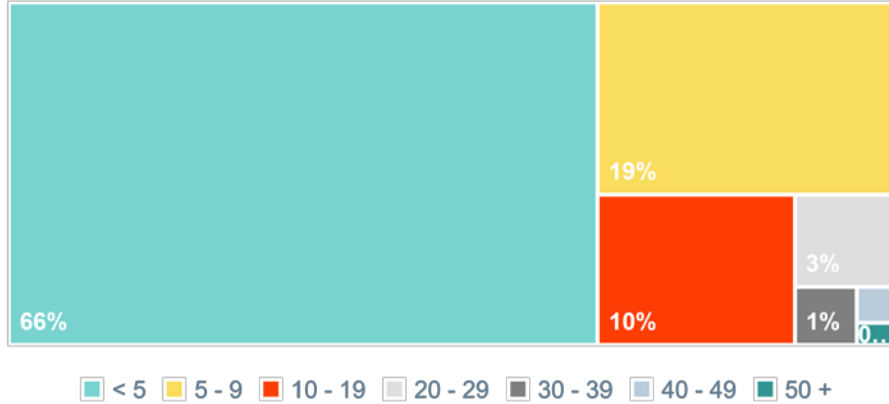


COVID-19 Response: Chicago Resiliency Fund Stats

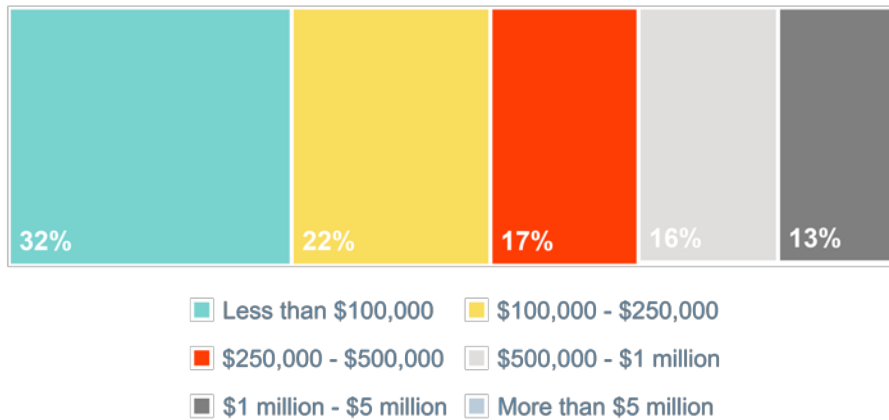
CHICAGO DATA FROM APPLICATIONS SUBMITTED BETWEEN
3/31 - 4/18

Small, community-based businesses and NPOs

85% have fewer than 10 employees, 95% have fewer than 20



54% had revenues less than \$250K last year

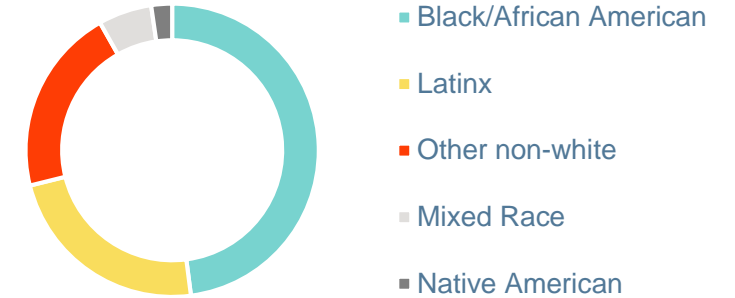


Owned and/or led by diverse leadership (68% of total applicants)

Racial diversity

48%
Non-white applicants

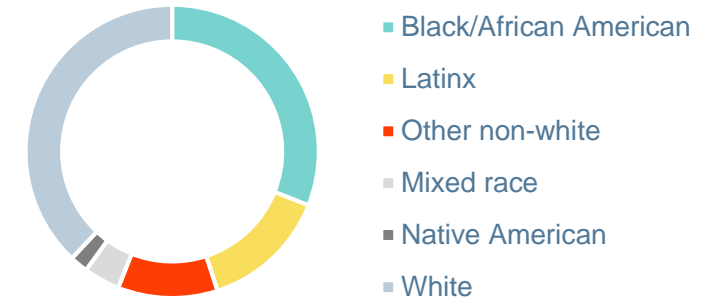
Of non-white applicants...



Gender diversity

44%
Women applicants

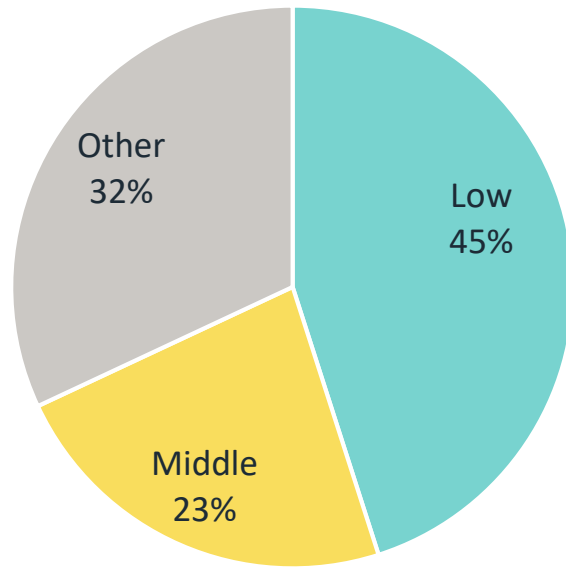
Of women applicants...



7% LGBTQ 3% Veteran

COVID-19 Response: PPP Program

Low Income Census Tract



Median loan size < \$18,000

48,757
Jobs saved

2,001
PPP loans closed

\$504M
PPP Funds Distributed

Round 1
\$447M

Round 2
\$57M

Partnerships have been instrumental!

>5,000

Number of business and nonprofits engaged

>\$500m

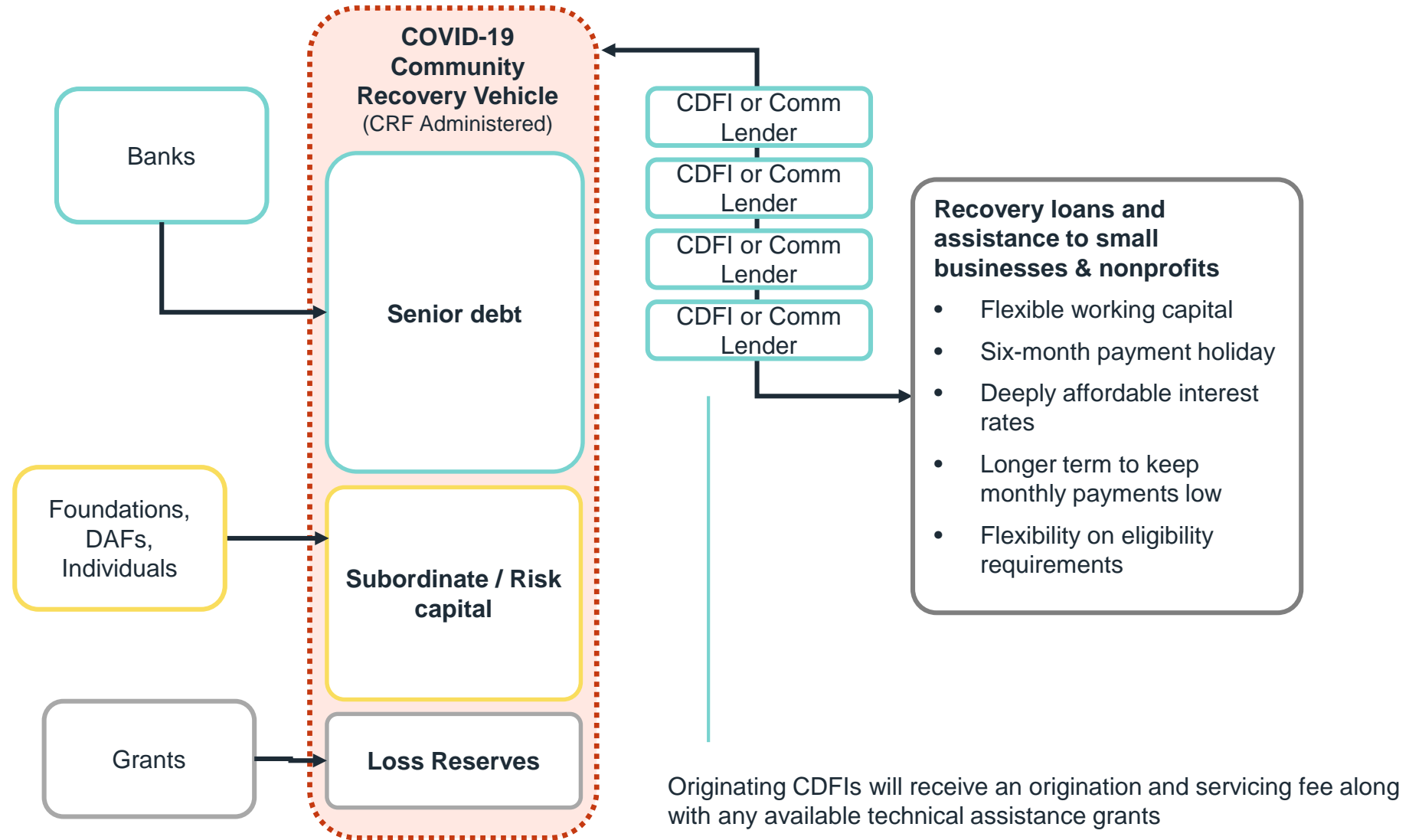
Deployed thru Partners

30+

Community Partnerships



COVID-19 Recovery: Community Recovery Vehicle purchases locally originated Recovery loans



COVID-19 Recovery: The loan product is tailored to meet the credit needs of small businesses and nonprofits during post-COVID recovery

Interest rate	0-1% interest for the first 18 months; step-up in rate to 5-6% for months 19 through the end of the term (36-60 months)
Payment schedule	0-12 months: \$10 principal payment (to monitor account) 13-60 months: interest and principal payments with straight line amortization
Use of proceeds	Working capital including payroll, utilities, rent, supplies, etc.
Recourse	No collateral or personal guarantee required
Fees	No fees to borrower (origination fee paid to lender by the fund)
Loan amount	Lesser of (a) \$100,000 or (b) 1.5x average monthly revenue prior to the COVID-19 outbreak

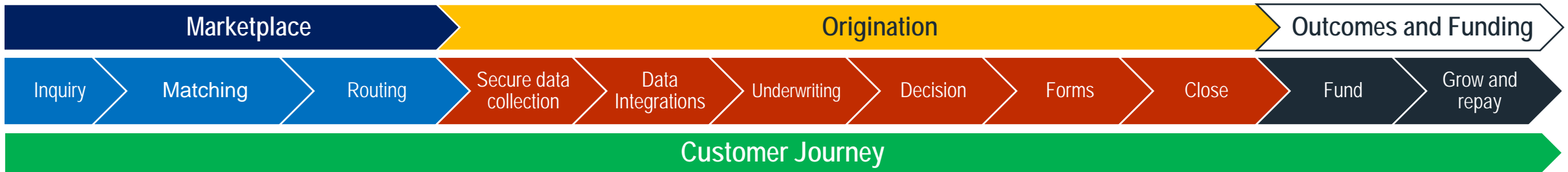
**Product design,
subject to
feedback from
local partners**

Learnings & Takeaways

Trends and Challenges

- Increased demand for advisory and technical assistance
 - Especially from business under 20 employees and industry severely impacted
 - Focus on retooling, reimagining, or closing
- Small Businesses are confused
 - So many emergency grant, forgivable loan programs
 - Digital divide is creating challenges for many
- Increase in requests for more flexibility and patient forms of capital to support reopening and retooling
 - Reduced Rates
 - Flexible terms and conditions
 - Public, private, philanthropic partnerships are forming to address

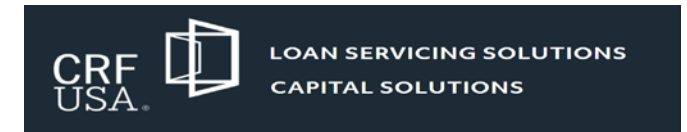
Investment in Technology has paid off!



- 40+ CDFI community partners
- 60+ small business loan products
- 3 bank partnerships
- 1 Fintech partnership



- 25+ lending partners
- Over \$5 billion in loans originated
- Offering \$10k micro loans → \$20M comm. loans
- Advanced product infrastructure to support scale



- Build, deploy and manage structured funds
- Rated S&P Servicing Operation
- Master Servicer capacity
- Investor reporting and fund management

Questions/Comments

Keith Rachey

SVP, Chief Impact Officer

Krachey@crfusa.com

(612) 200-9109





Michael Kinninger

Executive Director
Ohio Statewide Development Corporation
Columbus, OH

CDFA Training Institute

16 courses in development finance designed for all skill levels. Learn more and register today at www.cdfa.net

CDFA // BNY MELLON
DEVELOPMENT FINANCE
WEBCAST SERIES



BNY MELLON



THE CDFA / BNY MELLON WEBCAST SERIES

FINANCING SMALL BUSINESS RECOVERY AFTER COVID-19

TUESDAY, JULY 21, 2020

Presented by

Michael Kinninger

Executive Director, Ohio Statewide
Development Corporation





OSDC

WHO IS OHIO STATEWIDE DEVELOPMENT CORPORATION?

- Non-profit economic development organization
- Help businesses finance purchase of real estate and equipment with:
 - + Below market, fixed interest rates
 - + Lower down payments
- Goal to help support underserved markets and foster job creation
- We serve sole proprietor retail shops, large manufacturers, and all businesses in between

CURRENT LENDING CLIMATE



- Conventional lenders more hesitant
 - + Focus on existing customers
 - + Reconsidering previously approved projects
 - + Greater scrutiny on particular industries
- What is our role as economic development organization?
 - + Credit enhancement for conventional lenders
 - + Balance supporting new investment and keeping credit flowing while helping small businesses avoid overextending

UNDERWRITING

POST-COVID-19 CONCERNS



- What recovery assistance has a business already received and how has the assistance affected cash flow?
 - + Repayment terms?
 - + Burn rate?
 - + How was the assistance secured?

UNDERWRITING

POST-COVID-19 CONCERNS



- Potential impacts to consider:
 - + Decrease in customers?
 - + Increase in customers?
 - + Customer or supplier concentrations?
 - + Disruptions in supply chain?
 - + Increased operating or supply costs?
 - + Effects on employees?

UNDERWRITING

POST-COVID-19 CONCERNS



- Additional documentation to consider:
 - + Historical P&L by month
 - + Projected P&L by month

- Revisions to:
 - + Appraisals
 - + Feasibility studies
 - + Business plans

QUESTIONS?

MICHAEL KINNINGER



- + mkinninger@osdc.net
- + 614.481.3214 office
- + 937.658.9375 cell

Submit your questions to the panel now by using the GoToWebinar control panel.



CDFA Virtual Summer School

August 3-13, 2020

All-Online @ www.cdfa.net

REGISTER TODAY

CDFA // BNY MELLON
DEVELOPMENT FINANCE
WEBCAST SERIES



BNY MELLON

Register Online at www.cdfa.net

CDFA Food Systems Finance Webinar Series: Neighborhood Revitalization Through Food Systems Finance

Thursday, July 30, 2020

2:00 PM Eastern

CDFA Federal Financing Webinar Series: Federal Recovery Resources from the SBA

Friday, July 31, 2020

1:00 - 3:00 PM Eastern

CDFA // BNY MELLON
DEVELOPMENT FINANCE
WEBCAST SERIES



BNY MELLON

► CDFA // BNY MELLON DEVELOPMENT FINANCE WEBCAST SERIES

Investing in Childcare Facilities

Thursday, August 27, 2020 @ 1:00 PM Eastern

Celebrating over a decade of the CDFA // BNY Mellon
Development Finance Webcast Series!

CDFA // BNY MELLON
DEVELOPMENT FINANCE
WEBCAST SERIES



BNY MELLON



BNY MELLON

Jennifer Fredericks

Vice President, Corporate Trust

312-827-3218

jennifer.fredericks@bnymellon.com



Darnell Moses

Vice President

614-705-1310

dmoses@cdfa.net

The material contained herein is for informational purposes only. The content of this is not intended to provide authoritative financial, legal, regulatory or other professional advice. The Bank of New York Mellon Corporation and any of its subsidiaries makes no express or implied warranty regarding such material, and hereby expressly disclaims all legal liability and responsibility to persons or entities that use this report based on their reliance of the information in such report. The presentation of this material neither constitutes an offer to sell nor a solicitation of an offer to buy any securities described herein.

CDFA // BNY MELLON DEVELOPMENT FINANCE WEBCAST SERIES



BNY MELLON