



Mayor Gray, Town Council and Mr. Corliss,

Town Council Consideration: **\$1.5M Castle Rock 0% Interest Business Bridge Loan Program**

Objective: Create impactful and meaningful access to capital (0%) for Castle Rock Business to get through the next few months of the COVID-19 Economic impact.

THE PROGRAM:

What: 0% interest loan fund to Castle Rock businesses up to \$25K.

Proposed Town Capital Investment: \$300,000 Town Economic Development Fund

Maximum Loan Amount: \$25,000 X 60 Business Loans = \$1.5M Available Loan Fund

Who Qualifies?

- Castle Rock-based business in good standing with the Town
- Town of Castle Rock Brick and Mortar location
- Must have SBA Disaster Relief or SBA PPP active loan application
- Complete a successful abbreviated CLS underwriting process

Excluded:

- Nefarious Business
- Home based Businesses
- Business/Owners that have a Bankruptcy
- Chain Franchise businesses with more than 5 Colorado locations
- Non-profit organizations

Public/Private Partners: Town of Castle Rock, Colorado Lending Source, Banking Community and Castle Rock EDC

Repayment Terms: 2 Years, 1st payment due Sept 1st 2020, No penalty for early repayment.

Loan Uses: Payroll, Rent, Utilities and Inventory. Excluded: New Capital Expenditures

Loan forgiveness Option: Council may want to consider a portion of the loan to be forgiven (\$2000 to \$5000).

Town Expenses:

- \$300,000 Loan/Loss Fund (Held by a partnering Bank)
- Colorado Lending Source Underwriting/Admin/Loan service Fee \$900 Per \$10,000 Loaned (\$135,000 MAX Loan Service fee if program is maxed)
- Interest on the Loan Fund (\$0 @0% or \$60,000 @4% X 2 years = \$180,000)
- + Council option on forgiveness amount (\$2000 = \$120K / \$5000 = \$300K) if this came at the back end of the loan it would successfully retire a portion of or all of the initial capital investment.

Projected Timelines:

Week 1: CLS and EDC Identify and secure Banking Partners/ Start taking applications

Week 2: Applications/Begin & Underwriting (3-4 Days) Funding Starts

June 1st 2020 Applications Close

Advantages:

1. Leverage Town's limited resources to make a meaningful impact \$300,000 to \$1.5M
2. Program could be funded very quickly, as fast as two weeks.
3. Impactful Loan amounts (\$25,000) to endure broader economic hardship
4. 0% Interest access to Bridge Capital for Castle Rock Businesses (save businesses and jobs)
5. Abbreviated Underwriting Process by CLS (funds get out quickly)
6. Seamless and professional administration and reporting.
7. Funds will be returned to Economic Development Fund or forgiven.

Challenges

- Timeline: Acquiring Funding Partner Bank willing to loan funds a low rate, banks are likely to be overrun by SBA PPP activity.
- Additional % interest rate absorption by the Town could be significant
- Additional Administrative Fees
- Streamlining the loan forgiveness parameters

Frank Gray

