Community-centered COVID-19 Response

A collaboration to support community lenders, businesses and nonprofits historically left behind by relief and recovery efforts
The economic impact of COVID-19 related social distancing policies has been immediate and unprecedented and is crushing community-based organizations.

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>Small business / nonprofit landscape</th>
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</thead>
<tbody>
<tr>
<td>&gt;500</td>
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<tr>
<td>100-499</td>
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<tr>
<td>20-99</td>
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<td>&lt;20</td>
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Traditional beneficiaries of top-down policies and relief efforts

Smaller, community-level organizations – many in low income communities and led by people of color – were already suffering from decades of discrimination, lack of access to affordable capital, and an insufficient safety net.

If we do not authentically and intentionally create the right resources for these community organizations this crisis will widen the racial wealth gap, worsen outcomes for low-income and low-wealth communities, and wipe out an entire segment of our economy.
The platform combines existing infrastructure, networks, and relationships to simplify execution and speed to market.

Loans, investments & grants…

…centralized and tailored…

…distributed through local partners…

…to the organizations that need it most

Community-centered COVID-19 Response Platform

Capital

Advisory

Technology platforms

Community based lenders / CDFIs

Local small businesses and nonprofits affected by COVID-19

Banks

Foundations

Individuals & Families
This targeted response effort brings aligned and complementary capabilities together across sectors and organizations.

- Public sector ally
- National CDFI
- Local CDFIs
- Banks
- Philanthropy
- Enabling technologies
These organizations support execution through three main pillars of work

1. **Capital**
   - Banks
   - Local foundations
   - Public sector
   - Local COVID-19 Impact Fund (CRF Administered)
     - Senior Debt
     - Subordinate debt
   - Equity/Reserves

2. **Infrastructure & Operations**
   - Loan inquiries
     - Good standing verification
     - Full application & validation against program parameters
     - Public agency
     - SPARK
   - Closing & funding

3. **Awareness & Support**
   - Public sector leadership
   - Announcement & Press
   - CDFIs with local presence
     - Trusted source
     - Pre-loan assistance
     - Post-loan support

Example for Los Angeles
The loan product is tailored to meet the immediate and longer-term credit needs of small businesses and nonprofits during the post-COVID recovery.

<table>
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<tr>
<th>Interest rate</th>
<th>0-1% interest for the first 18 months; step-up in rate to 5-6% for months 19 through the end of the term (60 months)</th>
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| Payment schedule | 0-6 months: $10 principal payment (to monitor account)  
12-18 months: Principal & interest payments at introductory rate, straight-line amortization  
19-60 months: Principal & interest payments at step-up rate, straight line amortization |
| Use of proceeds | Working capital  
• At least 50% of proceeds applied toward payroll  
• Commitment made to retain or rehire the workforce at a minimum of 50% of pre-COVID-19 levels for 6 months after the loan disbursement  
• If Loan Applicant has laid off all staff due to COVID-19, they are required to rehire employees, simultaneous with the Borrow Loan closing |
| Recourse | No collateral or personal guarantee required |
| Loan amount | Lesser of (a) $50,000 or (b) 100% of average monthly revenues for a 3-month period prior to the COVID-19 outbreak |

Sample loan terms from Chicago program; final product design will be determined in coordination with local partners.
A similar recovery product and fund structure was rolled out in Chicago last week with staggering results.

In the first four days...

- **5,574** Number of applications
- **$200M** Total loans requested
- **90%** Said they need the money today or within the next 2 weeks
- **$36K** Average loan request

...the fund closed and funded its first loan less than a week after its launch.
The product is reaching the communities and organizations that the federal response efforts are struggling to reach.

**Small, community-based businesses and NPOs**

- 83% of businesses had fewer than 10 employees
- 49% had less than $250K in annual revenue

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

- **Racial diversity**
  - 48% non-white applicants
  - Black/African American
  - Latinx
  - Mixed race / other non-white
  - Native American

- **Gender diversity**
  - 45% women applicants
  - Black/African American
  - Latinx
  - Mixed race / other non-white
  - Native American
  - White

- **LGBTQ** 8%
- **Veteran** 3%
The goal is to prove the model so it can be scaled to meet the enormous need.

**Phase 1**
- $100M
- Chicago Small Business Resiliency Fund

**Phase 1.5**
- $300-500M
- Multi-city expansion

**Phase 2**
- $1B
- National COVID-19 Impact Fund & Platform

**Phase 3**
- $15B+
- Federally funded Community Development SPV

**Status**
- **Launched 3/31**
- **In discussion**
- **Fundraising**
- **In discussion**
Once the early ingredients are in place, the model can be executed within weeks so local businesses and nonprofits get access to the cash they need.

Initial steps

1. Identify public resources & support
2. Secure commitments from capital providers (banks + philanthropy)
3. Identify cohort of local CDFI / community partners