

## Summary of CLIMBER Focus on Underserved Businesses

### Background

The CLIMBER program was designed to provide capital to strong small businesses across the state that are struggling due to the economic impact of the COVID-19 pandemic. As the legislative declaration for the CLIMBER Act makes clear, the program's goal is to secure the state's economic recovery by providing assistance to preserve small businesses, save Colorado jobs, and mitigate the pandemic's economic effect on communities across the state. The CLIMBER legislation also recognizes the disproportionate impact of the pandemic on certain businesses and geographies as well as the fact that certain businesses have been historically disadvantaged with respect to access to capital.

Accordingly, the CLIMBER Oversight Board has created policies and procedures to help the program meet its legislative goals to promote economic recovery, save jobs and provide equitable access to capital. The Board recognizes that these goals are inextricably intertwined, as the legislation makes clear.

Recognizing that certain businesses and communities have been historically disadvantaged and disproportionately impacted by the COVID-19 pandemic, the Board has adopted policies and procedures to advance equitable distribution of capital to underserved businesses.

### Underserved Businesses

In order to advance the program's goals and statutory charge with respect to equitable distribution of capital, the CLIMBER Oversight Board has adopted policies to prioritize underserved businesses.

Definition of Underserved businesses: The Board has worked to identify the gaps in small business financing. Using data and analysis, the board has defined Underserved Businesses as:

1. Businesses in low- and moderate-income communities
2. Businesses in economically distressed middle-income communities
3. Businesses in economically underserved middle-income communities
4. Businesses that primarily employ low- and moderate- income individuals
5. Businesses in Federally designated New Market Tax Credit eligible geographies
6. Businesses in State designated Enterprise Zones
7. Businesses owned by veterans
8. Rural businesses
9. Businesses with \$1 million or less gross annual revenues
10. Businesses without a current banking relationship
  - a. Businesses that have not received formal technical assistance

The Board has adopted the following policies to prioritize providing capital to Underserved Businesses:

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1. The program will develop marketing strategies for focusing on underserved businesses (including lenders, community organizations and direct-to-business strategies).
2. The program will market to, recruit, and develop partnerships with CDFIs, understanding that CDFIs are more likely to serve Underserved Businesses as a percentage of their total CLIMBER small business loans.
3. Lender-level incentives (detailed in the Board's adopted CLIMBER Products policy):
  - a. Direct Lending Capital: The program will provide increased fees to CDFIs when loans are made to Underserved Businesses
  - b. CLIMBER Credit Enhancement: Lenders that use the credit enhancement tool can receive a higher level of enhancement when loans are made to Underserved Businesses
  - c. Loan Participation: Lenders that use the loan participation tool can additionally receive credit enhancement on the retained, un-participated, amount of a loan for loans made to Underserved Businesses

Geographic Distribution: The Board has adopted a methodology for making capital available to all Colorado counties for the initial two-month period following launch of each tranche of funding (after which time, unused portions revert to the general pool of capital available to any Colorado business). The methodology (detail in the Board's Geographic Distribution policy) provides additional distribution to businesses in low-and-moderate income geographies and businesses in distressed and underserved non-metropolitan geographies.

**Board targets and procedures to promote distribution of capital to Underserved Businesses:**

In addition to the measures the Board has adopted to focus on areas of the state that have been overlooked and disadvantaged in the past, below is the Board's adopted procedure to optimize investment in these areas. These strategies will help the program provide equitable capital to low-and-moderate-income communities and to distressed and underserved nonmetropolitan areas of the state in keeping with its statutory charge.

Overall

Target: The Board has set a target to commit 60% of private capital from CLIMBER program private contributors to shared goals for underserved businesses [and/or] in economically disadvantaged areas of the state in order to promote economic development and job creation and retention in the state.

- After 33% of capital is deployed in any tranche, the Board will review data and make decisions based on strategies to achieve targets, including:
  - Increased outreach/marketing to lenders, community organizations and Underserved Businesses
  - Increased outreach/marketing to CDFIs
  - Adopting new financial incentives to advance goals
  - Identifying new product offerings to advance goals

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This process repeats after 66% of capital is deployed and before a new tranche of funding is launched.

In addition, after deployment of first tranche, Board reviews data and makes further changes as necessary, including the same tools as above but could identify additional options at that point based on first tranche experience and data.