

# Charlotte Community Capital Fund

**AUGUST 7, 2023**



## Overview

- ▶ Intersection of Charlotte Business Inclusion and Charlotte Community Capital Fund
- ▶ Small business supports through Mayor's Racial Equity Initiative
- ▶ How it Works: Charlotte Community Capital Fund
- ▶ City support for the fund

## Capital Access Program - Charlotte Business Inclusion (CBI)

### Challenges Faced by MWSBEs:

- ▶ **Access to Capital:** MWSBEs in Charlotte face significant obstacles in accessing capital, particularly from traditional financial institutions. Key reasons include lower credit scores, net worth, and lack of assets, leading to reduced chances of securing business loans.
- ▶ **Struggles to Thrive:** Due to the difficulty in obtaining necessary funding, minority businesses often find it challenging to grow and establish themselves in their respective industries. The inability to access capital can hinder their growth, job creation, and economic impact in the City of Charlotte.
- ▶ **Impact on Local Economy:** Without alternative capital options, MWSBEs may have to limit their operational capacity or even close down. This can slow down the local economy, exacerbate the earnings gap, and impede overall economic growth in the city.

## The Role of Charlotte Community Capital

The Office of Charlotte Business Inclusion advocates for the development and implementation of a sustainable capital access program. The goal is to empower MWSBEs with financial opportunities that foster growth and prosperity.

### The Role of C3:

1. **Bridging the Gap:** The Charlotte Community Capital Fund (C3) plays a crucial role in addressing the capital access challenges faced by MWSBEs. By bringing together the necessary capital, C3 acts as a bridge between MWSBEs and the funding they require to thrive.
2. **Administration by CDFIs:** C3 ensures that the loans are administered by reputable Community Development Financial Institutions (CDFIs). This approach ensures transparency, fairness, and responsible lending practices, benefiting MWSBEs and the community alike.



**Mission:** By creating accessible opportunities for social capital, financial capital and innovative initiatives, we will grow the economy one small business and business leader at a time.

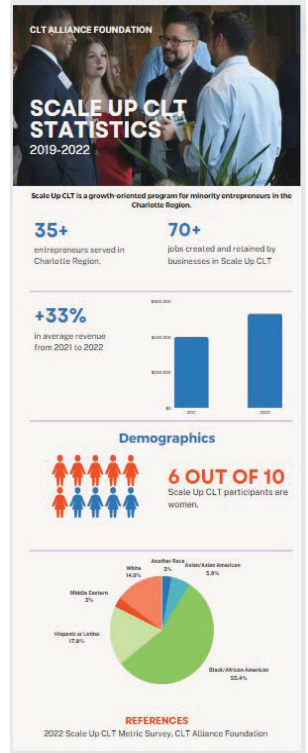
**Approach:** Leverage people, technology and programming

#### Growing Businesses and Business Leaders:

- Scale Up CLT, in partnership with the [City of Charlotte](#) and [EO Charlotte](#)
  - Cohort 5 kicked off in July - 98 applicants, 21 participants
- Employer cohort strategy w/initial cohort in Q1 2023
- **C3 Fund established, late Summer launch**
- African American Leadership Academy, August 29<sup>th</sup> launch of 1<sup>st</sup> cohort
- CLIMB, et al (accounting, marketing, etc.)
- Digital resource hub purchased, late Summer launch
- Tate Awards: Black-tie event recognizing outstanding businesses and business leaders who are driving growth and innovation in the Charlotte Region – [Oct 12, 2023](#)



**Contact:** To learn more, visit <https://charlotteregion.com/pages/clt-alliance-foundation/>, or submit questions via <https://charlotteregion.com/pages/contact-us/>



New capital strategies to lift up communities

# Charlotte Solution

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C3 is a critical part of building an entrepreneurial ecosystem in Charlotte that welcomes entrepreneurs of color and helps all small business owners grow and thrive.



# Why CDFIs?

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CDFIs are willing to take risks traditional banks would not, expanding capital access. In doing so, they face increased costs in terms of losses and support services for borrowers.

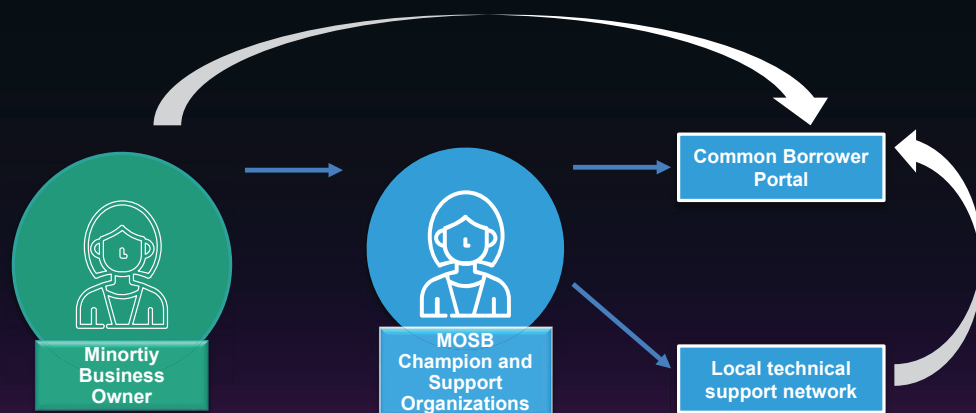


# Why Scale Link?

To make the lending more cost effective, Scale Link creates dynamic, place-based secondary markets for CDFI microloans. These markets provide liquidity and returns to the CDFI by pooling CRA eligible loans that can be sold to banks or held until maturity.



## C3 Borrower Journey



# C3 Borrower Journey



Common Borrower Portal

1. Befcor
2. Ascendus
3. Aspire
4. Dreamspring
5. Thread
6. CSBDF



## What are the loan products?

### Help achieve scale

CDFIs will be able to use their own underwriting approach, helping them scale their product rather than a 3<sup>rd</sup> party product.

### Loan pricing

Interest rates will range from 9% to 12%. Origination fees will be capped at 2% along with a 1-3% contribution to a loan loss reserve.

### Partnership evolves over time

As C3 grows, lends, and takes losses, some adjustments may be made to the credit box to control risk.



### Loan size

Loans will range from \$1,000 to \$250,000.

### Loan risk

Losses will range from 6% to 8% of dollars lent. C3 will take advantage of the North Carolina Capital Access Program to offset losses.



# IMPACT

2,000

Total potential  
borrowers over 4  
years

\$40M

Total dollars potential  
over 4 years

\$9M

CDFI-originated microloans  
available sold

4 years

Number of years  
projected to achieve  
sustainability of C3

7+ years

C3 can remain a part of the  
ecosystem or may no longer  
be needed as CDFIs grow



# Sources of Funds

\$13M in Senior Debt

\$5M from Truist  
and \$8M from  
Bank of America

\$5.3M in Sub Debt

\$2.3M from Atrium Health  
and \$3M from Ally

\$2M Grant

Foundation for the  
Carolinas MREI  
Funds

City of Charlotte



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## City of Charlotte Support for C3

ARPA Funding Bucket	Amount
<b>Community Vitality</b>	
Allocated	\$31.0m
Remaining Balance	\$1.5m
Proposed Use for C3	(\$1.5m)
<b>Remaining after C3</b>	<b>\$0</b>
<b>Workforce Development, Jobs, and Minority Small Business</b>	
Allocated	\$32.0m
Remaining Balance	\$3.72m
Proposed Use for C3	(\$0.5m)
<b>Remaining after C3</b>	<b>\$3.22</b>

**Proposed \$2m from ARPA to support the operations and management of the C3 fund**

# Next Steps

## Council

- ▶ **August 7: Presentation to full council and Committee report outs**
  - Seeking guidance to put item for consideration on August 28 agenda
- ▶ **August 28: RCA to approve use of ARPA funds to support C3**

## Charlotte Community Capital Fund

- ▶ Continue developing communications and marketing plan
- ▶ Fund launches September

# Questions?