



# **Financing the Creative Economy:**

## **Create Denver & the Creative Enterprises Revolving Loan Fund**

A joint program

Denver Office of Economic Development

Denver Office of Cultural Affairs

Micro Business Development Corporation

# Why Arts & Culture Matter



1. Creative Economy & Creative Class
2. Benefits
  - Economic Impact
  - Cultural Tourism
  - Community & Economic Developers
3. Creative Capital of the Rocky Mountain West



What policy-program-research will support or ensure the **economic health** of the creative sector?

# Creative Sector Issues

- Funding/financing
- Space
- Technical assistance
- Advocacy
- Market demand



# A Sector Approach to Eco Devo

*The mission of Create Denver is to advance Denver's vitality by preserving, stabilizing, and growing the creative sector, which provides value-added jobs, attracts knowledge workers, revitalizes communities and boosts tourism, thereby increasing Denver's regional competitive advantage as the Creative Capital of the Rocky Mountain West.*

- Utilize and leverage existing resources and seek additional sources of support
- Develop policies and programs that offer sustainable, long-term outcomes
- Document, convene, catalyze and communicate with stakeholders, internal & external publics



# “Gap Financing” Product

## Financing option for creative enterprises

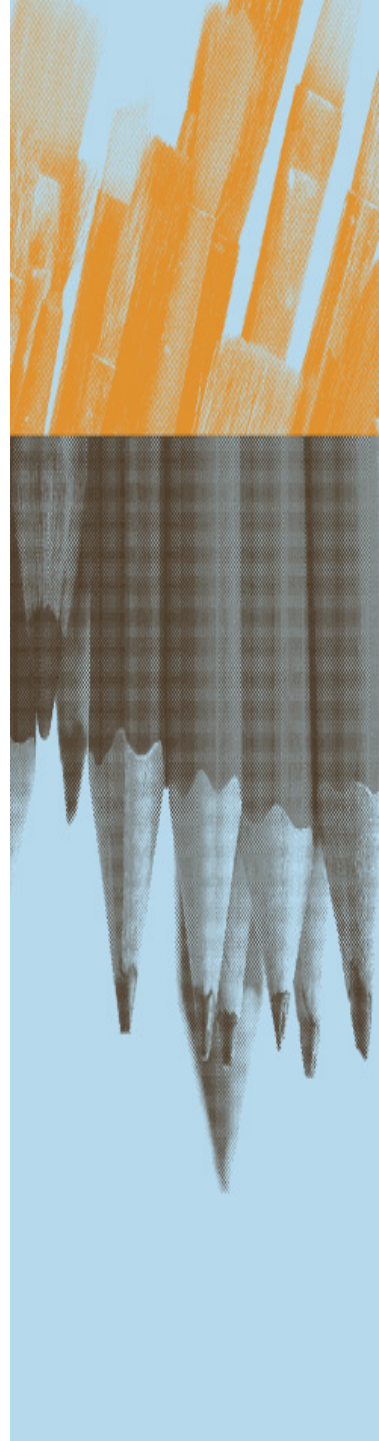
- Alternative to credit cards, friends & family
- Lack traditional lending alternative or banking relationship
- Technical assistance
- Develop positive business credit
- Support for-profit creative industries



# Creative Enterprises Revolving Loan Fund

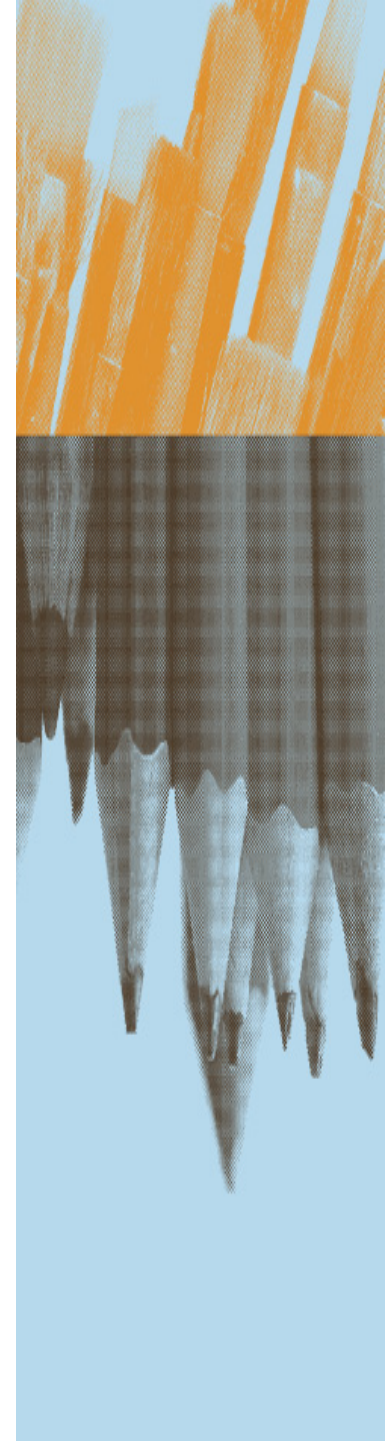
To grow Denver's creative enterprises by providing:

- Access to affordable and flexible business capital
- Technical assistance
- Establish positive credit history



# Program Design

- Financing mechanism
  - Micro loans
  - For- & non-profit enterprises
- Technical assistance *tailored* to creative enterprises
  - Business assessments
  - Handholding
  - Classes

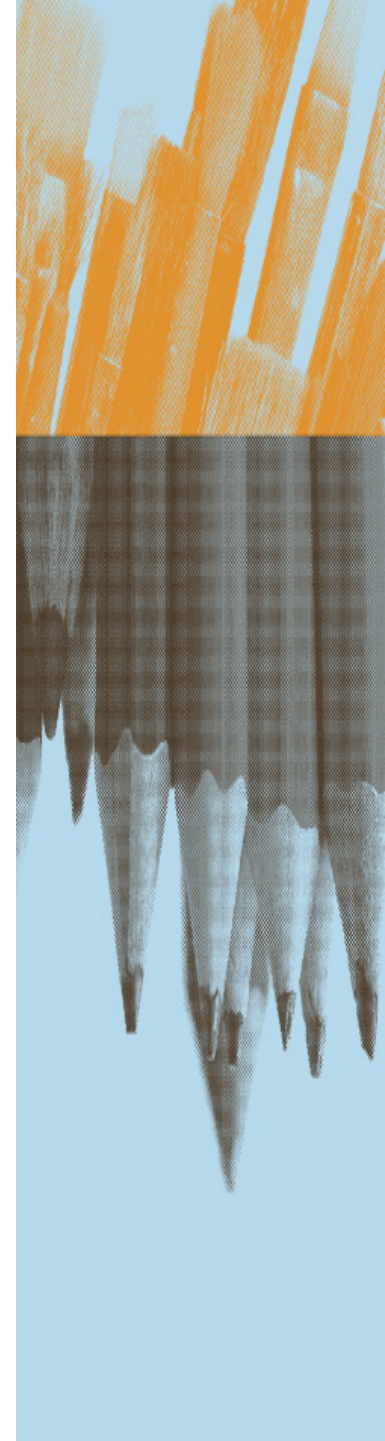


# Try & Try Again

First sought last effort for a loan program

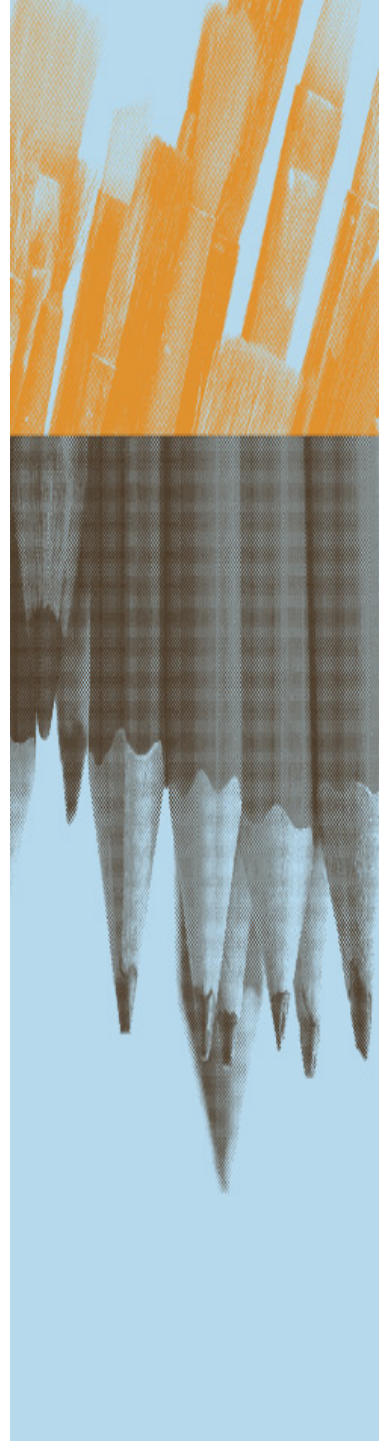
Then sought lump sum from Office of Economic Development (OED) via Community Development Block Grant (CDBG) funds

Finally rec'd commitment of \$100,000 per year for four years



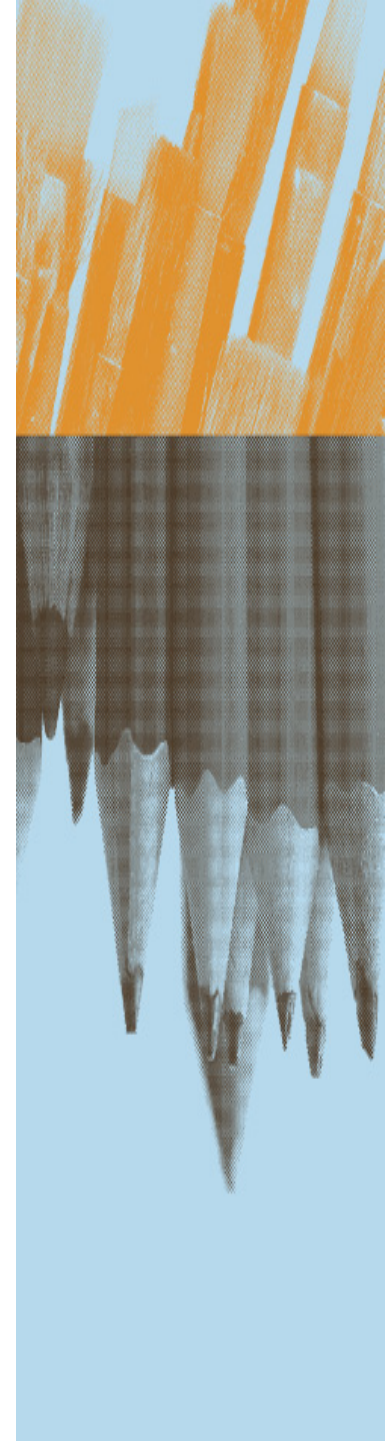
# Partner Organization: MBD

- RFP Process
- Contracted with Micro Business Development Corporation (MBD)
  - Administers the program for fee + percentage of interest
  - Established knowledge of microlending
  - Value-added partner
    - IDA program
    - Healthcare



# Program Management

- MBD manages loans and provides quarterly and annual reports to OED & DOCA
- 2 reports:
  - Loan portfolio overview and aging report generated by MBD loan tracking software
  - Excel report which clearly demonstrates amount disbursed, paid back, and revolved in order to reconcile MBD and city's ledgers



# Uses

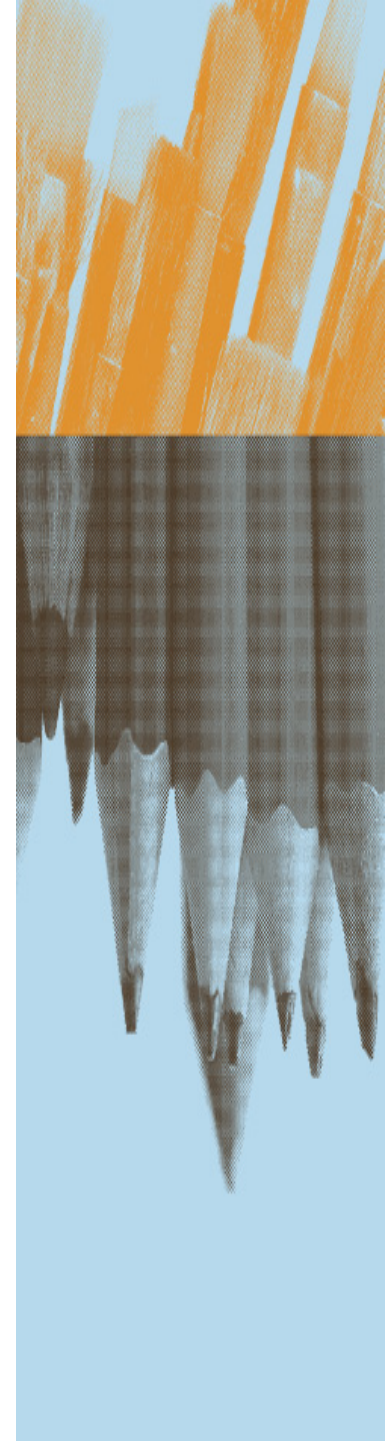
## 2008: Maximum loan size of \$40,000

### Eligible Uses

- Business personal property
  - Inventory & supplies
  - Depreciable assets & equipment
- Income generating opportunities
- Limited space refurbishment/remodeling

### Ineligible Uses

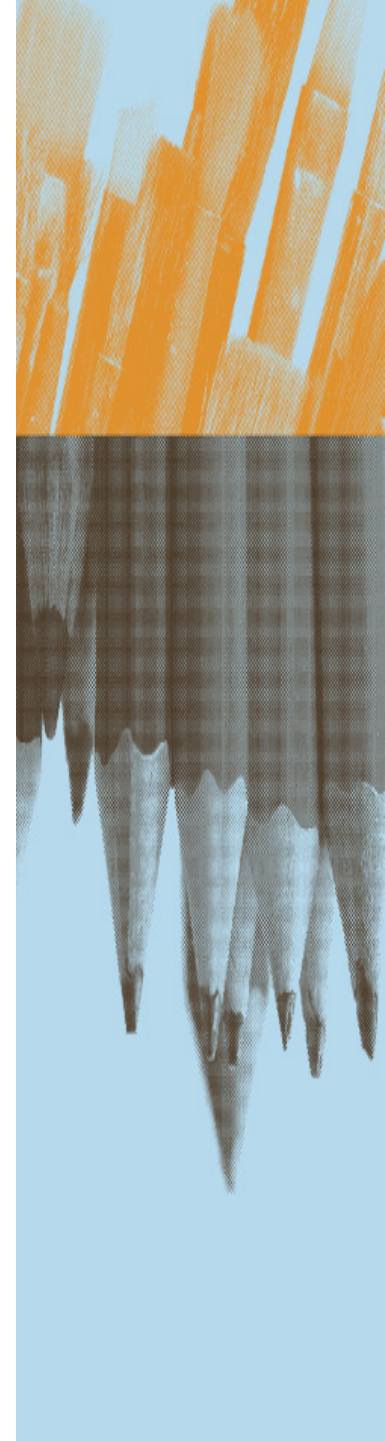
- Back taxes
- Debt consolidation
- Back payroll or missed bills
- Personal bills



# Examples of Potential Uses

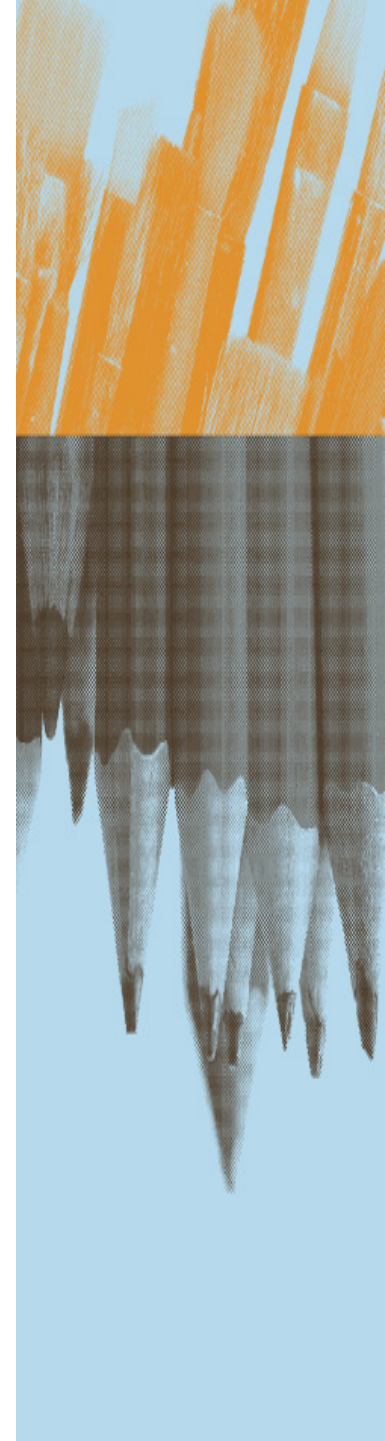
Sound equipment  
Sewing machine  
Instruments  
Light/sound board  
Software to design  
brochures  
Computer  
Color printer  
Film equipment  
Recording equipment  
LP production  
Art supplies

Shipping work to a  
festival/fair  
Dark room equipment  
Ticketing software  
Printing press  
Tools  
Website design  
Technology upgrades  
Marketing materials  
Pre-event capital  
Some art/production  
space improvements



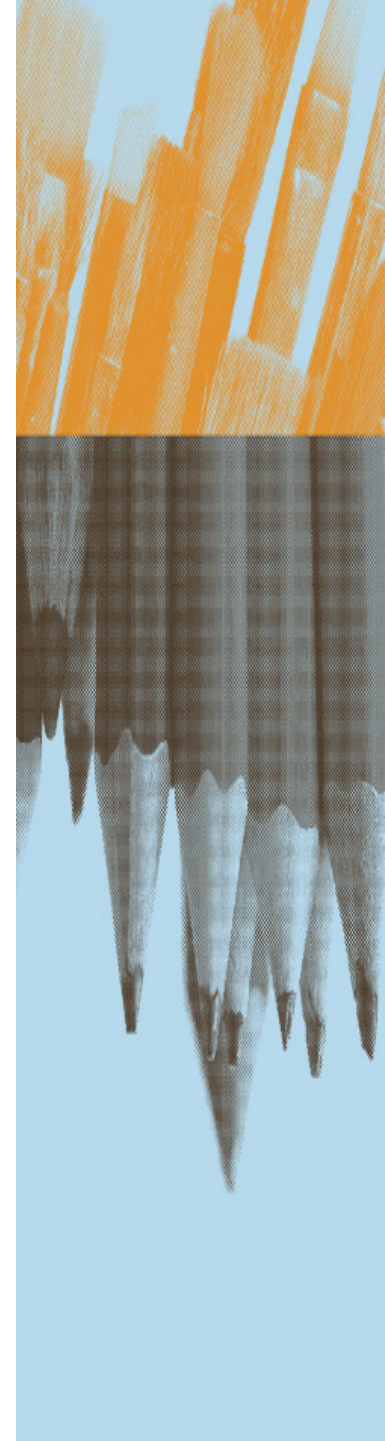
# Applicant Criteria

- Denver resident or business owner
- Preference to individuals with low wealth
- Non-profit or for-profit businesses producing or selling the following:
  - Fine art
  - Photographic & graphic art
  - Performance art
  - Hand craft & design
  - Media arts
  - Literary arts



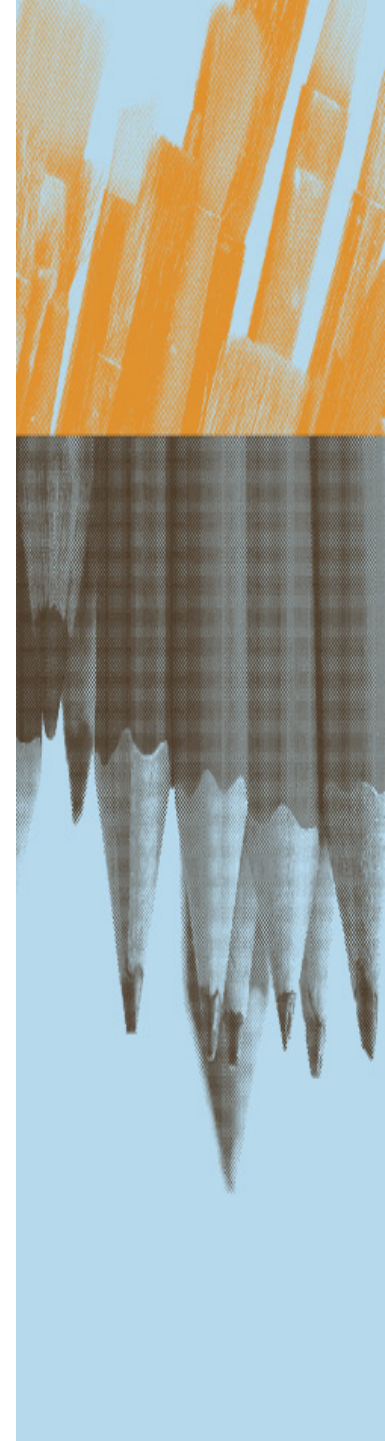
# Rates - Terms - Requirements

- Dependent upon loan amount
  - Access to Market Loan
    - 3 months
    - Small loan = 5% flat interest at time of full payment
  - Start Up Loan
    - Up to 24 months
    - 10% compounded annual interest rate
  - Business Development Loan
    - Up to 36 months
    - Prime + 2%, compounded interest
- Completion of Creative MBA



# Creative MBA

- Required with application
- Affordable review of the enterprise by business professionals
- Applicants receive:
  - Recommendations on how to improve business and achieve goals
  - Customize resources to assist with recommendations
- Evaluative tool for approving loan and loan amount



# Application Process

5 - 7 weeks  
upon submitting  
completed  
paperwork

Complete the MBD Loan Application



Complete Worksheets for Creative MBA



Send in Application & MBA Worksheets



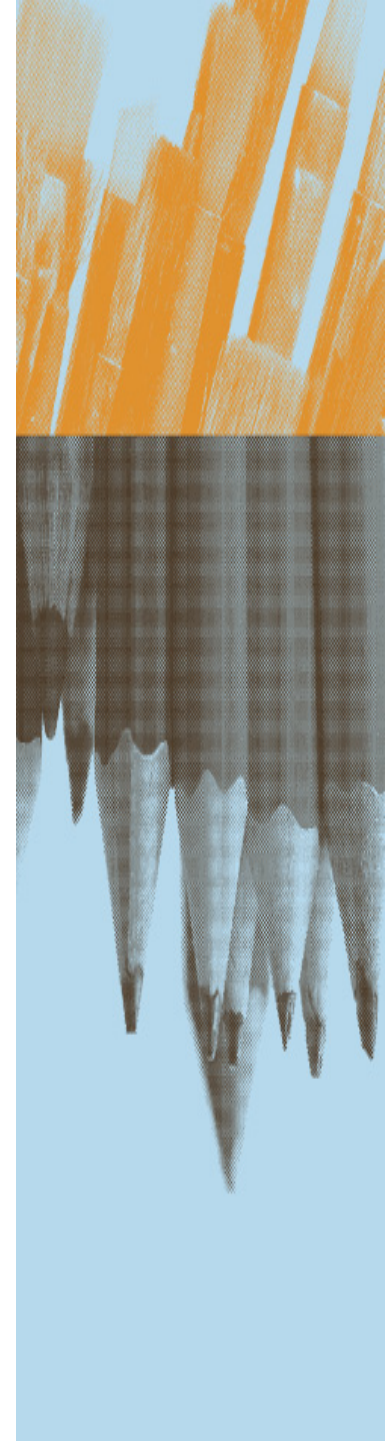
Meet with MBD Business Consultant



Receive Creative MBA Report from MBD

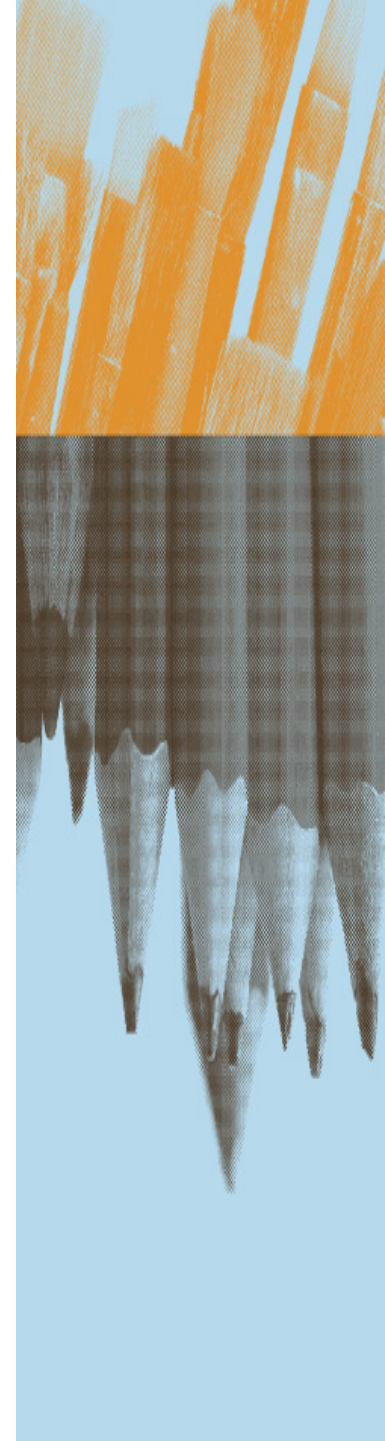


Review by MBD Loan Committee



# Applicant evaluation & underwriting criteria

- Demonstrated demand for products key factor in loan approval
- Willingness to formalize the business and receive business development services demonstrates commitment from applicant
- Clear use for funds and what business will accomplish with those funds
- Credit score and collateral looked at but not given as much weight as in traditional financing



CREATIVE ENTERPRISES  
REVOLVING LOAN FUND



Maximum  
Loan Amount  
Increases  
To \$40,000!

**PSST! Hey,**  
fashion designer!

**NEED NEW?**

Sewing machine  
Computer  
Color printer  
Marketing materials

**NEED TO?**

Update your website  
Upgrade technology  
Improve your space

Take advantage of the Creative Enterprises Revolving Loan Fund (CERLF), a unique loan program provided by the City of Denver just for Denver's creative businesses! Start or grow your creative business with the help of the CERLF. The maximum loan amount increased to \$40,000 in 2008!

For more information, visit [www.microbusiness.org/creative](http://www.microbusiness.org/creative) or call 303-308-8121. Tell them the Denver Office of Cultural Affairs sent ya!



DENVER OFFICE OF CULTURAL AFFAIRS

DENVER OFFICE OF  
ECONOMIC DEVELOPMENT



# Case Study: Fancy Tiger

- A DIY boutique of local designers, etc.
- Teaches DIY classes like sewing, knitting and book binding, and hosts monthly art/trunk shows.
- Loan
  - Access the capital loan to expand inventory and launch Fancy Tiger
  - Extensive consultation and support through 1-on-1 consultation and the Creative Micro Business Assessment
- **Impact:** Fancy Tiger was a catalyst in the redevelopment of Broadway - since their opening 3 new stores have moved into the community and 2 new restaurants. Fancy Tiger currently employs 3 people and have opened a second location across the street.

## The CERLF is important because...

“...ambitious creative people need an alternative to the otherwise conventional and limited resources available for starting and growing their businesses. MBD understands that the secret to a successful business is multifaceted, requiring the proper marketing, management, and networking skills. MBD works to provide businesses with all of these.”

CREATIVE ENTERPRISES  
REVOLVING LOAN FUND



Maximum  
Loan Amount  
Increases  
To \$40,000!

**PSST! Hey,  
musician!**

**NEED NEW?**

Sound equipment  
Instruments  
Light/sound board  
Software to design brochures  
Computer  
Color printer  
Recording equipment  
Marketing materials

**NEED TO?**

Produce an LP  
Update your website  
Buy a van for a tour

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# Case Study: + gallery

- New model for contemporary art representation in Denver
- Reputation as a leading venue for collectors of progressive contemporary art, representing emerging and established artists including some of Colorado's most influential and provocative
- Loan
  - Rec'd loan to support its attendance to Art Miami, a major art fair that was held in Miami (Dec 2007)
  - Purpose of attending the fair was to expand the gallery client base and to elevate the profile of the artists it represents.
- **Impact:** By attending the Art Miami show plus + gallery is not only a foundational contemporary art gallery in Denver but has helped put the city on the cultural map nationally. This in turn has helped local artists gain exposure in otherwise inaccessible markets.



# Maximum Loan Amount Increases To \$40,000!

**PSST! Hey,**  
graduate of  
film/fashion/  
music/art/  
acting/  
dance school!

#### NEED NEW?

Sound equipment  
Sewing machine  
Instruments  
Light/sound board  
Software to  
design brochures  
Computer  
Color printer  
Film equipment  
Dark room equipment  
Tools  
Art supplies  
Marketing materials

#### NEED TO?

Ship work to a festival or art fair  
Produce a LP  
Update your website  
Upgrade technology  
Buy a van for tour  
Improve your space

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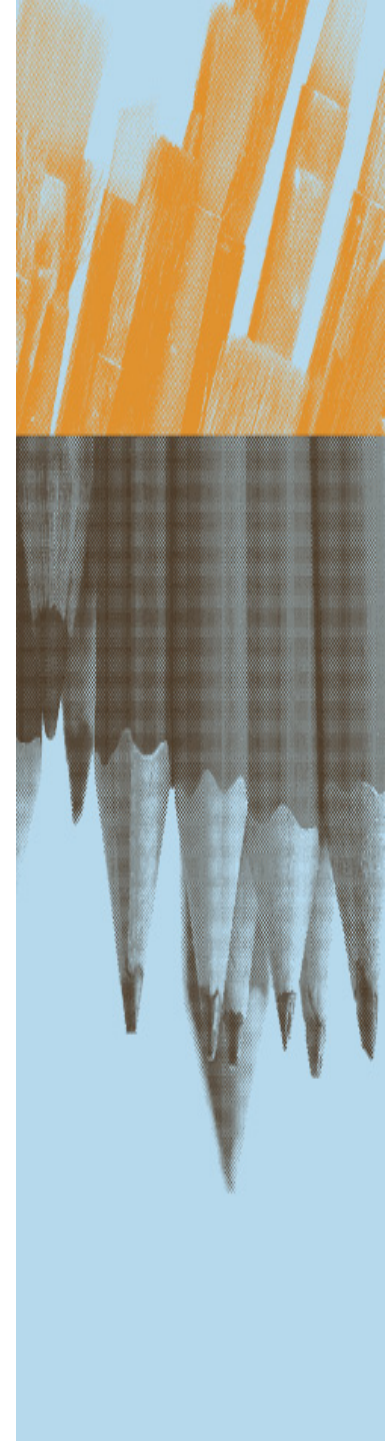


## Case Study: Artist, Martha D

- Martha D's work riffs off the history of ceramics, combining Mediterranean and Asian influences
- One of the best ceramicists in the time zone, Martha is a city treasure.
- Loan
  - Borrowed funds to attend SOFA Expo
  - Allowed her to purchase raw materials to produce one of a kind works, create professional marketing materials and shipping costs to ensure her work arrived safely
- **Impact:**
  - Able to attend one of the largest and most prestigious art events in the nation
  - Expanded both her buyer and exhibit potential – in turn propelling her art and business into a more sophisticated buyers market
  - Returned to Denver with increased credibility and became a leader within the local art community
- **Challenge:** Although this was a positive experience for Martha D. she has posed a challenge for the CERLF program. She did not reach her projected sales goals and therefore is struggling to repay her loan

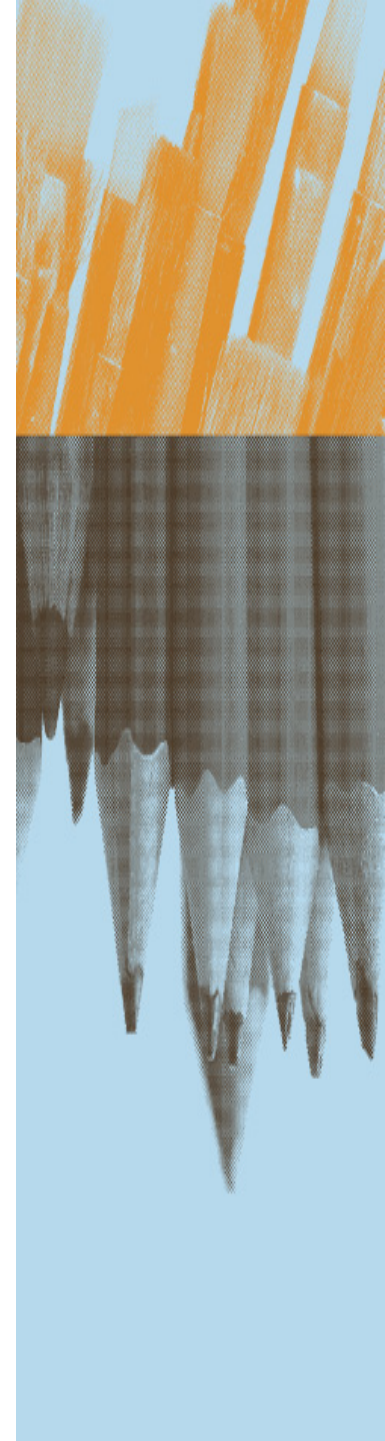
# 2007 Accomplishments

- Served 44 creative enterprises
- Received 15 applications totaling \$216,000 in requests
- Approved \$97,500 to creative enterprises
- Sustained or created 22 jobs
- Provided five (5) creative businesses who did not have health insurance prior to their involvement with CERLF access to health insurance through MBD's partnership with Kaiser Permanente's 'Connections' program
- 100% repayment



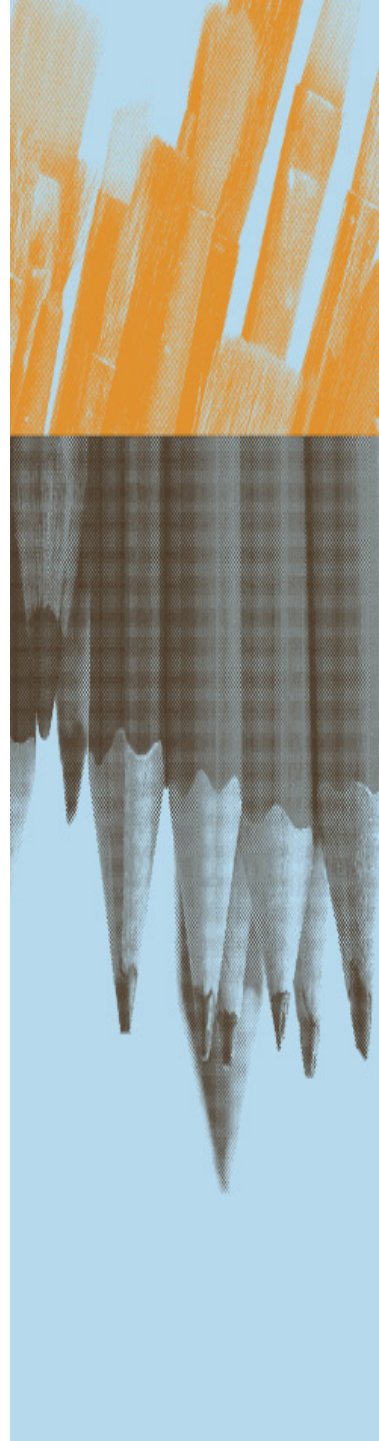
# Evaluation & Lessons Learned

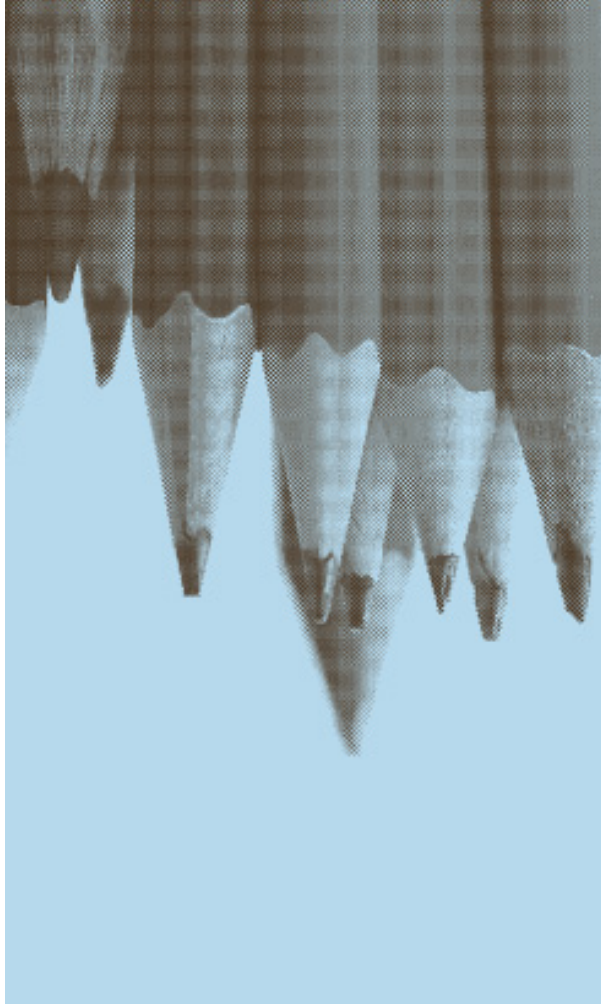
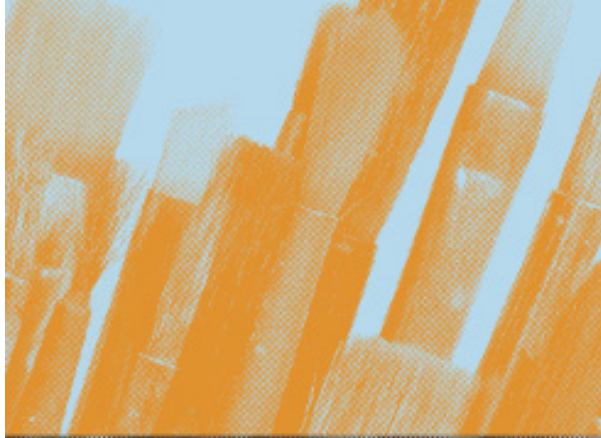
- 2007: \$20,000 limit is not enough particularly for capital intensive businesses such as film production
- Several creatives go through Creative MBA w/o applying for loan
- Marketing the program to a fragmented audience
- Access to markets for “products”
- Adapting to a project-based business model
- Adapting to the creative culture
  - Right-brained individuals
  - How to speak the language of business



# Ongoing Steps

- Target marketing to segments of creative community
- Generate media for purposes of fundraising
- Augment resource opportunities for program and applicant visibility
- Internal advocacy





**Questions?**