

## THE ERIE COUNTY GAMING AND REVENUE AUTHORITY FUND: \$1.85 MILLION BRIDGING LOAN FUND

Announced on March 17th, in response to the COVID-19 Crisis, the Erie County Gaming Revenue Authority (ECGRA) partnered with the Erie County Council [to create a three-pronged relief program](#) focused on small businesses, nonprofits, and humanitarian aid. We profiled it in our typology as a model public-entity fund.

**Capitalization:** The business and nonprofit funds are capitalized with \$1.85 million of ECGRA revenues. ECGRA receives roughly \$4.5million of casino gaming revenues annually. For these funds, ECGRA leadership got its board of directors to invest 2/3 of their reserve funds into stabilizing the local economy as the COVID-19 pandemic was spreading in early March. It put this money to work across the local development ecosystem: \$800,000 of their funds went to a small business loan fund run through a regional CDFI, Bridgeway Capital (BWC); \$800k for a nonprofit loan fund through BWC; \$250,000 went to the Erie Redevelopment Authority for midsize biz loans; they also ran a \$500,000 for grant, which was later matched with \$100,000 from the county government.

**Rationale:** the ECGRA framed the funds as a local stimulus package to get the local economy through the next 30 days until state and federal government money arrived. It was a local rescue package.

### *Logistics of running the fund*

**Administration:** The business and nonprofit funds are distributed by BWC, a regional CDFI focused on community lending with whom ECGRA has a longstanding relationship.

**Application process:** The application is run through a website that outlines eligibility and where interested applicants email a representative of BWC. The response email clarifies what application materials are required. A draft email based on Erie's is [linked here](#).



Downtown Erie, PA. Image Credit: Google Earth.

**Promotion:** BWC and ECGRA have promoted both over press releases and social media. BWC, which has a history of working with minority-run and small businesses, has also directly promoted it to clients via email to ensure coverage. The funding, however, is open to all eligible applicants not just existing clients. This differs from the major banks lending SBA money.

**Loan sizing:** While there is no uniform size, the rule of thumb that BWC uses is 50% of the business’s operating expenses over a three month window. Loans vary from \$5,000 to \$50,000 with an anticipated \$20,000 average size. The loan is interest free for three months, after which it becomes an interest only payment for a year.

**Allocation criteria:** Fund allocation is based upon the standard underwriting criteria that BWC uses.

**Distribution Time:** Funds will be distributed within 30 days of the loan application per ECGRA’s agreement with BWC. BWC has streamlined their underwriting process, requiring only 1 year of financial information rather than 2 or 3. They are not taking business or personal real estate as collateral.

**Reporting:** ECGRA reports the results to their board of directors, elected officials, the local media, in their Annual Report. They will probably write a special report on the COVID-19 efforts. Data collected include demographics, census tract location, and initial financial situation of the business.

**Results so far:** BWC has received 94 inquiries, 17 applications, and closed 10 loans. More of these applicants have been small businesses than nonprofits. They skew towards microbusinesses (with fewer than 10 employees) and tend to be food-related, hair salons, or retail business.

Who is eligible?	Required on Application	Loan terms
<ul style="list-style-type: none"> <li>• All nonprofits located in Erie County.</li> <li>• Small businesses under 25 employees located in Erie county that are minority-, woman-, immigrant- or veteran-owned businesses.</li> <li>• Businesses under 25 employees or nonprofits that serve economically distressed neighborhoods in Erie County.</li> </ul>	<ul style="list-style-type: none"> <li>• Proof of being an Erie County business.</li> <li>• Employment size.</li> <li>• Compelling case that the business was detrimentally affected by COVID-19.</li> <li>• The rest of the requirements are BWC’s standard due diligence process, including one year of financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>• Flexible repayment terms with zero interest and no payment required for 3 months.</li> <li>• After 3 months the loan terms change to:                         <ul style="list-style-type: none"> <li>• 4% interest for small businesses with interest-only payments for the first year.</li> <li>• 3% interest for nonprofits with interest-only payments for the first year.</li> </ul> </li> </ul>

## Next Steps

ECGRA is having talks with elected officials about raising a broader stimulus packaged utilizing county bonds. The current bridging loan fund is intended to be a bridge for a three-month period of the worst of the COVID-19 crisis. Neither ECGRA or BWC are receiving CARES Act money to distribute, and it is unclear to applicants if they can apply for ECGRA bridging loans as well as SBA funds.