

# Denver, CO

## Mayor Wellington E. Webb

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### ***Neighborhood Business Revitalization (NBR) and Revolving Loan Fund (RLF)***

The goal of the Neighborhood Business Revitalization (NBR) and Revolving Loan Fund (RLF) programs are to foster small business development and growth in Denver's inner-city neighborhoods. Over the past 20 years, MOED/IT has provided \$90 million of "gap" financing that has facilitated over \$250 million of private and debt and equity for 575 small business start-ups and expansions in Denver's inner-city neighborhoods. None of these small business loan transactions would have taken place "but for" MOED/IT's participation. Forty-five percent of the loans closed under the programs were made to minority and women-owned businesses. Over 10,000 jobs have been created and/or retained as a result of the programs. In addition, numerous neighborhood business districts have been revitalized as a result of the NBR and RLF programs.

#### **Revitalizing Denver Neighborhoods MOED - Bridging the Gap**

*By Traci L. Jones*

An oasis exists in the midst of the city for Denver's lower income population, age 50+. Clyburn Village, a \$7 million dollar mixed-use development project, exists due to the energy and hard work of first-time developer Jacqueline Peterson, and the financial support of the Mayor's Office of Economic Development (MOED). How did a single mom with no development experience create such an oasis? It's all in where you go for support, and Jacqueline Peterson went to MOED.

There are no loopholes to be found in this success story. No shortcuts. No free, or easy money. What is found in this story is a great deal of perseverance, hard work, extensive planning and a great deal of business acumen. Too often, when people think of governmental loan programs, they think easy pickings. However, if they think they can waltz into the offices of MOED and dance out with all the cash they need, they must think again. Obtaining financing from MOED is not easy pickings. Only serious business people need apply.

"Before I even approached MOED, I had written an 85-page feasibility report," said Jacqueline Peterson, developer of Clyburn Village. Peterson also brought sixteen years of business experience and additional funding to the table. "I went out and read every job description I could find on what a developer is supposed to do. What a general contractor is supposed to do, contract manager, architect, civil, mechanical and electrical engineers, everything."

Working with MOED can be a smooth process, if you have everything lined up, like Ms. Peterson. She did not come empty-handed.

"Outside of MOED I had competed [for funding] for federal tax credits, through CHFA, the Colorado Housing and Finance Authority. There were thirty projects in 1997 competing. Only ten won statewide. I was the only female and the only person of color," explains Peterson.

Named for her mother as a living tribute, Clyburn Village is a testament to what happens when public and private financing agencies partner with a visionary business person. Told it couldn't be done, Peterson was advised to scale down the project, or to simply give up. Peterson ignored her doom-sayers. After a year and half of work, she approached MOED for money for the feasibility studies on the real estate and for the market studies on the immediate and 3 to 5 mile radius.

"MOED was very instrumental in making this project a reality," states Peterson. "We [were able to evaluate] 22 sites before finding this site [at Martin Luther King and Downing]." As a result, fifty new elderly housing units and 12,000 square feet of commercial space has been successfully developed on a previously vacant site in Denver's Cole neighborhood.

Success stories from the offices of MOED are not uncommon. With Denver's growth receiving attention nationwide, MOED is committed to ensuring that all of Denver's neighborhoods benefit. MOED's mission is to create jobs and expand markets for goods



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Program has been running 20 years

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and services in neighborhoods located within the city of Denver, which historically have been economically depressed. This goal is implemented through two programs: the Neighborhood Business Revitalization Program (NBR) and the Revolving Loan Fund (RLF).

The NBR and RLF programs are in place to enhance the ability of business owners to secure the necessary capital to finance start-up ventures or expansion projects. In addition to helping small business owners succeed, added benefits include the creation of new permanent jobs for low and moderate income Denver residents and the elimination of blighting influences in older Denver neighborhoods.

"Instead of having a bank turn down a small business in the inner city, we can use our programs to enhance the over-all underwriting of the application," says William Lysaught, deputy director of the Mayor's Office of Economic Development. "We have a lot of transactions when a bank calls us and says [that they'd] really like to help, but the loan-to-value ratio or the debt coverage ratio doesn't quite meet [their] underwriting standards. [They ask us] 'Can you take, a look at it?'"

Jan Campbell, vice president of Credit Enhanced Banking at Norwest finds that MOED's program is the one most flexible available to small business owners.

"Banks can be very rigid in terms of the use and purpose of a loan. MOED has the ability to be more creative in their package," says Campbell. "Considering the high risk loans they work with, MOED has done a terrific job with their programs. In addition to capital, MOED also provides technical assistance, helps people through the business plan and helps coordinate the process. It is this combination of factors which has often times enabled our bank to extend a loan."

MOED realizes that despite striving toward objectivity in lending, much of the final decision whether or not to extend a loan is subjective.

"In the final analysis there's always a little bit of gut in lending," says Lysaught. "If one bank doesn't like a transaction that we'd like to see happen, we just say 'Thank you for your time' and go to another bank."

One of the key criteria in qualifying for the NBR program is to locate the business in one of the following nine targeted neighborhoods:

- Bruce Randolph Avenue - Downing Street to Elizabeth Street

- Downing Street - 31st Avenue to 35th Avenue
- East Colfax Avenue - Broadway to Josephine
- Morrison Road - Yates Avenue to Alameda Avenue
- North Larimer Business District - 20th Street to Park Avenue West
- Santa Fe Drive - 6th Avenue to 13th Avenue
- Washington Street - 24th Avenue to 26th Avenue
- Welton Street - 24th Street to 29th Street
- West 38th Avenue - Jason Street to Federal Boulevard

"One of the reasons that this program is so important to the city is because there are not a lot of business people who want to open or expand businesses in these neighborhoods," says Lysaught.

"It's a perception issue, it's a stereotype issue, it's a media issue, that we're battling with all the time." Yet, it is these neighborhoods which need the most attention in terms of economic development. The NBR program provides this needed attention. When an entrepreneur walks into MOED and is interested in providing much needed goods or services, or generating employment opportunities, MOED is eager to help. However, the entrepreneur must not walk in empty-handed.

Twenty years ago, a walk down Santa Fe would be a stroll past boarded-up storefronts in an economically depressed area. With the help of MOED, a walk down Santa Fe today is a stroll through a vibrant, commercial neighborhood. One of these vibrant businesses is Panaderia Santa Fe, owned by Juan Acuna and his wife, Hortensia.

"I didn't learn about MOED until I made the decision to open a bakery," said Mr. Acuna. "It was hard for me to find out who helps small businesses. I had money invested in equipment, but I didn't have a location or working capital."

After working with MOED to put the numbers together, MOED suggested a list of banks Acuna could approach to provide the rest of the needed financing.

"Once they [knew] that the Mayor's Office was providing support the bank said they would take the application," says Acuna. "Because of the Mayor's office, the bank responded right away."

The initial capital support was not the end of Acuna's relationship with the Mayor's office. With the profits from the first bakery/restaurant and without any city help, Acuna

received enough traditional financing to open two more locations. He recently sold two of his stores, and plans to open a larger restaurant and bakery a few blocks from his original location. Working with MOED has allowed Acuna to expand his vision.

"I talked to Bill Lysaught and told him that I really appreciated his help and now I'm applying for help for my new vision," says Acuna. "I am going to open a bigger store. It is going to be four times bigger than [his original] store."

Nestled on 38th Avenue and Pecos is Pecos Square, a thriving retail center that was financed by MOED under the NBR program. Desiring increased visibility, La Paz Travel moved to Pecos Square when it opened, and now offers Northwest residents a chance to plan a dream vacation from a travel agency in their neighborhood. La Paz Travel exists today, due in a large part to assistance from MOED.

Charlotte Gonzales and her sister, Gina Alvarado created La Paz Travel in 1987, with the blessings and financial support of their father, the famous Corky Gonzales. "We built this agency from the ground up," explains Gonzales. "We didn't buy into anything and we didn't do a franchise of any sort. It's a family business. My father was one of the main contributors."

After a serious car accident that put their father out of the loop, the sisters were faced with the decision whether to continue with the business or not. Once the decision was made to fight for success, the sisters found they needed additional capital. The Minority Business Development Center pointed the sisters in the direction of the MOED offices.

"We approached MOED for a loan," says Gonzales. "We secured the loan with personal properties for \$20,000. Then two years later we got another loan for \$29,000, and we've completely paid off [both loans] now."

A strong ally of the small business owner, MOED will often loan when other agencies will shy away.

"We had approached a couple of other programs, as well as the banks, and they all denied us," says Gonzales. "We were too new. The good thing about MOED is that they came in and we were able to do this business without having the collateral or experience as being a business owner... We weren't getting any help from anyone else. We have just been able to develop a decent relationship with a bank."

A major upheaval in the travel business was the reason the sisters sought the second

loan of \$29,000.

"We almost came close to closing our doors," explains Gonzales. "In order to continue to operate we needed the additional money. We had to make some decisions on whether to continue in business or not. And it really hinged on whether we could get the loan or not. We went back to MOED, and we got the loan. That was a pivotal point for us."

MOED's work can be seen with a drive through Denver and on paper. Working with between 30 to 40 projects a year, and lending about \$4.5 million a year, which leverages another \$12.0 million of private debt and equity.

MOED's push for the neighborhood is limited only by budget constraints, not by vision.

"You need businesses in these neighborhoods," asserts Lysaught. "Unfortunately, with the outward development trend in the 70's and 80's, residents moving out, businesses moving out. These neighborhoods [fell] on some hard times. But with MOED's help commercial areas such as Welton, Santa Fe and Broadway have become viable business districts. All because small businesses have moved into these neighborhoods adding employment and providing goods and services."

Mayor Wellington Webb strongly supports the efforts of MOED. Having christened 1998 "the year of the neighborhood," he believes the City benefits from these various projects.

"MOED has opened the doors of opportunity that have allowed businesses throughout the community to build and thrive," states the Mayor. "It has always been a goal of mine to help identify the various talents, skills and creativity of individuals and help to provide them with the tools and resources to succeed. MOED allows for this to happen and in particular, has helped to create a community pride through economic revitalization in areas of the City that have been historically underrepresented on the economic scale."

The program acts as a great support for small businesses, but help from MOED is also available for growth companies located in the many industrial areas adjacent to Denver's low-income neighborhoods. Founded in 1988, Microtech-Tel Inc. will celebrate its tenth year of success by taking all 100 of its employees to Las Vegas to celebrate. After graduating from graduate school, Kumar had \$300 in the bank. Three years later he and his wife founded his new company. Seven years later he is President

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of a company that he projects will earn \$20 million next year.

"I went to MOED because my company needed to grow and I needed a new building to accommodate the growth," explains Kumar. "MOED loaned me \$80,000 to renovate a 11,000 square foot building in a Montbello Industrial Park. The new building has made a huge difference in my company's ability to grow. Adil Khan joined me as my partner and has made a tremendous difference, just like MOED has."

"I get calls every day saying 'Hey, I hear you got cheap financing,'" says Lysaught. "It's not about cheap. If you have a good idea for Denver, and you've tried your best to put it together using private financing then come to us. It's your responsibility to show us an identifiable gap in financing."