

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 14-0716
Prime Sponsor(s): Rep. Duran
 Sen. Newell

Date: January 28, 2014
Bill Status: House Business, Labor, Economic,
 and Workforce Development
Fiscal Analyst: Alex Schatz (303-866-4375)

SHORT TITLE: ESTABLISH CREATIVE DISTRICT COMMUNITY LOAN FUND

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue	Minimal increase. See State Revenue section.	
State Expenditures		
General Fund**	\$500,000	\$500,000
FTE Position Change		
Appropriation Required: \$500,000 - Office of Economic Developm't & Int'l Trade (FY 2014-15)		

* This summary shows changes from current law under the bill for each fiscal year.

** Funding for the bill is subject to annual appropriations from the General Fund to the Creative District Community Loan Fund. State expenditures for loans and the administration of loans are from the cash fund.

Summary of Legislation

This bill creates the Creative District Community Loan Fund (fund) in the Office of Economic Development and International Trade (OEDIT). Loans or loan guarantees of up to \$250,000 per project are made and administered by the Creative Industries Division (division) of OEDIT. Funding for loans is subject to appropriations to the fund. If not fully expended, appropriations to the fund remain available for loans in the next fiscal year.

Loans are available to fund the development and construction of commercial and mixed-use real estate projects and community facilities. Loans from the fund must be accompanied by matching funds of at least three times the amount of the loan.

OEDIT is authorized to use up to five percent of appropriations or transfers to the fund for administrative costs.

Background

A creative district is a geographic area within a municipality or a county that is either an existing hub of cultural facilities and arts-related businesses or an area that contains vacant properties suitable for redevelopment as such a hub. House Bill 11-1031 established a procedure for the division to certify a creative district following its designation by the local government. As of this writing, seven creative districts have received state certification in various communities across the state.

Currently, at least two projects meeting loan criteria in the bill in state-certified creative districts are ready for financing: The Trinidad Opera House and the Pueblo Arts Alliance multiuse facility. In addition, the Mile High Community Loan Fund has committed to providing a total of \$500,000 for matching funds in creative districts.

State Revenue

The bill increases state revenue to the Creative District Community Loan Fund in three ways. First, the fund receives matching funds from public or private entities prior to disbursement of a loan. Second, the fund is authorized to receive contributions from any public or private entity. Third, depending on loan terms developed by OEDIT, as loans are repaid new state revenue may be generated in the form of interest or service fees. At this time, no lending opportunities and no other contributions to the fund have been identified and no increase in state cash fund revenue can be quantified for the fiscal note.

The fiscal note assumes that the repayment period for loans made to creative district projects in FY 2014-15 and FY 2015-16 will not begin until FY 2016-17 or thereafter. At some time beyond FY 2016-17, revenue from repayments may approach or exceed the value of new loans and create a working balance in the fund.

State Expenditures

The bill increases expenditures in the Office of Economic Development and International Trade by \$500,000 each year, starting in FY 2014-15. These costs are for loans and OEDIT administration, as discussed below. All OEDIT costs are paid from the Creative District Community Loan Fund; however, the original source of funds is the General Fund.

Assumptions. Barriers to access for loans under the bill—including location within an existing creative district, eligibility of the project, and securing matching funds—will limit use of the program in the near future. Funding for two major projects per year is sufficient in FY 2014-15 and FY 2015-16.

OEDIT—Loans. The bill makes at least 95 percent of appropriations or transfers available for loans and loan guarantees. An annual appropriation of \$500,000 increases OEDIT's state expenditures for new loans by at least \$475,000 each fiscal year.

OEDIT—Administration. In FY 2014-15, OEDIT will retain a contractor for \$25,000 to establish terms and procedures associated with loans. In FY 2014-15 and FY 2015-16, when applications for loans are received, the contractor will ensure applicant projects are within a creative district and qualified to receive a loan, ensure the receipt of sufficient matching funds, develop agreements with other lenders as appropriate, and administer the loan service process. In FY 2015-16, OEDIT will renew its contract at an annual cost of \$25,000.

Appropriations for FY 2014-15 or FY 2015-16 may need to be adjusted depending on response to the bill by project owners in creative districts. If demand for loans is greater than available funding, an increased level of appropriations may be warranted in future fiscal years.

Costs for loans and contract administration continue after FY 2015-16 and will require new appropriations. In any fiscal year, if potential loans or OEDIT workload and costs exceed available appropriations, additional appropriations may be requested from the General Fund through the annual budget process.

Local Government Impact

For municipalities or counties with a creative district and a project funded with a loan, local government revenue and expenditures may increase. To the extent that the local government owns a project, such as a community facility, loans will provide a temporary source of revenue, as well as potentially increasing expenditures to furnish matching funds. For privately-owned projects, a municipality may increase expenditures to provide matching funds (without receiving revenue from the loan). As a low- or no-interest loan program, the net change in local government revenue and expenditures over time is minimal.

Effective Date

The bill takes effect August 6, 2014, if the General Assembly adjourns on May 7, 2014, as scheduled, and no referendum petition is filed.

State Appropriations

For FY 2014-15, the bill requires an appropriation of \$500,000 General Fund to the Creative District Community Loan Fund in the Governor's Office of Economic Development and International Trade. To provide cash fund spending authority, the bill also requires an appropriation of \$500,000 to the Governor's Office of Economic Development and International Trade from the Creative District Community Loan Fund.

State and Local Government Contacts

Office of Economic Development and International Trade
Regional Transportation District
Local Affairs

Municipalities
Counties