


MEMORANDUM

March 2, 2017

TO: Planning, Housing and Economic Development Committee

FROM: Josh Hamlin, Legislative Attorney 

SUBJECT: **Worksession:** Bill 49-16, Economic Development – Workforce Development – Microlending Program

Bill 49-16, Economic Development – Workforce Development – Microlending Program, sponsored by Lead Sponsors Council President Berliner and Councilmembers Navarro and Hucker, and Co-Sponsors Councilmembers Floreen, Rice, Elrich, Katz and Council Vice-President Riemer was introduced on December 13, 2016. A public hearing was held on January 24, 2017.

Bill 49-16 would:

- provide that the County's Workforce Development Corporation must administer a microlending program to provide financial and technical assistance to County entrepreneurs;
- establish certain criteria for the operation of the microlending program;
- require the Corporation's annual report to include certain information on the microlending program; and
- generally amend County law related to workforce development.

A memorandum from the Bill's lead sponsors is at ©6-7.

Background

Under County Code Chapter 30B, Economic Development, the County is empowered to designate a nonprofit corporation as the County's Workforce Development Corporation to implement the County's workforce development policies. WorkSource Montgomery, Inc. (WSM), has been so designated, and has as its mission: (1) to meet the talent attraction, development, and retention needs of strategic industries; (2) to meet the needs of the underemployed and unemployed; and (3) to develop career pathways that lead to sustainable wage jobs and support a thriving mission.¹ Bill 49-16 would add the administration of a microlending program to the responsibilities of the Workforce Development Corporation.

Under the microlending program required under Bill 49-16, County residents with businesses headquartered in the County would be eligible for loans of up to \$15,000

¹ This mission is consistent with the Policy Objectives of the County Workforce Development Corporation set forth in §30B-8.

(“microloans”). Loan recipients would be required to participate in educational and technical assistance that would be part of the program. The program could use non-County funds for capital and program administration, and materials and assistance would have to be provided in multiple languages. WSM would have to report on the status of the microlending program each year as part of its annual report to the Executive and Council.

Public Hearing and Correspondence

There were eight speakers at the public hearing on the Bill held on January 24. Assistant Chief Administrative Officer Lily Qi spoke on behalf of the Executive and, while applauding the Council’s desire to foster the growth of microenterprises, but expressed the view that success would require a “more holistic approach” (©14-15). She questioned whether a microlending program would be primarily a jobs program, or an entrepreneurial tool, and indicated the Executive’s preference that the Montgomery County Economic Development Corporation develop a broader microenterprise strategy. The remaining seven speakers all spoke in support of the Bill.

Karen Miranda spoke of the importance of obtaining a microloan in growing her business (©16). Angela Franco, of the Greater Washington Hispanic Chamber of Commerce, spoke in support of a microlending program, emphasizing the need for education and support of entrepreneurs before and after they receive loans (©17-18). Isis Salmeron of the Latino Economic Development Center also voiced support for the Bill, but suggested reconsidering the \$15,000 limit on loans in the program (©19-20). Jayne Park, Executive Director of IMPACT Silver Spring supported the Bill as a step in the direction of fully supporting and enabling locally-owned businesses to thrive (©21-22).

Laura Wallace of Jews United for Justice noted that a microloan program would be critical in helping workers move out of low-wage jobs and sustain their families by starting and maintaining micro-businesses (©23). Life Asset Executive Director Markus Larsson offered support for the Bill, highlighting the benefits of very small loans to entrepreneurs who otherwise may not have access to capital (©24-26). Mr. Larsson answered several questions from Councilmembers, and described the way Life Asset’s loan program works. LaDon Love James, owner of Lens and Love Photography and Life Asset member/participant, described her experience to demonstrate the importance of microloans (©27). Rockville Economic Development, Inc. sent a letter of support for the Bill, but suggested having the program administered by the Montgomery County Economic Development Corporation (MCEDC) (©28).

Issues for Committee Discussion

1. How would the microlending program work?

Bill 49-16 would require WSM to administer a program that provides loans of up to \$15,000 to eligible applicants. WSM does not need to be the lender, and it is anticipated that WSM would contract with one or more non-profits to operate the program. At the public hearing, Life Asset and the Latino Economic Development Center (LEDC), spoke about how their microlending programs functioned.

Life Asset's program is modeled after the Grameen Bank lending model.² The program provides business training and small loans to entrepreneurs who have difficulty getting loans from traditional banks.³ Over 150 business loans have been made through the program, with over 98 percent payback rate. LEDC has been providing small loans (\$50,000 or less) and technical assistance to entrepreneurs and small businesses since 1997.⁴ Background information on LEDC's program is at ©29-30. Representatives from both Life Asset and LEDC are expected to attend the worksession in order to answer any questions that Committee members might have about their respective programs.

The County's Department of Economic Development implemented a "Micro-Enterprise Loan Program" in FY08 to provide qualifying micro-enterprises with access to capital (see Program Summary at ©31-32). The program was funded with \$150,000 set aside from DED's Small Business Revolving Loan Program budget, and provided direct loans to businesses with gross revenues of less than \$250,000 annually and fewer than five full-time equivalent employees. The program struggled to attract credit-worthy applicants; in FY08 and FY09, a total of five loans were made from the program. The program was discontinued after FY09.

2. What would be the fiscal and economic impact of the program?

The Office of Management and Budget estimates that the County would, through WSM, spend \$572,000 on the implementation of Bill 49-16's microlending program over its first six years (see ©9-11). This includes first-year funding of \$312,000 to launch the program, with much lower costs, equally divided between program support and loan fund replenishment in subsequent years. The Bill would not have an impact on revenues. The Department of Finance estimates that the economic impact of the Bill would be minimal.

3. Is Worksource Montgomery the best-situated entity to administer the program?

At the public hearing, Lily Qi, speaking on behalf of the Executive, questioned whether WSM was best suited to administer the program. At issue is whether a microlending program would primarily be a jobs program or an entrepreneurial tool that would appropriately be part of an economic development strategy focused on microenterprises. Council staff believes that the program would fit within the mission of either WSM or the Montgomery County Economic Development Corporation (MCEDC).⁵

MCEDC has a broad mandate, and is charged with implementing the County's economic development programs and activities.⁶ More specifically, it is incorporated for the purpose of serving as the County's Economic Development Corporation and implementing the County's economic development strategic plan, adopted under §20-76 of the County Code, and related programs.⁷ WSM, as the County's workforce development corporation, has a much narrower

² <http://grameenresearch.org/grameen-group-lending-model/>

³ <http://www.lifeasset.org/our-programs/>

⁴ <http://ledcmetro.org/our-programs/microlending>

⁵ MCEDC is Montgomery County's designated Economic Development Corporation under Article I of Chapter 30B of the County Code.

⁶ County Code §30B-1.

⁷ County Code §30B-4(a)(3) provides that these programs must include:

- (A) attracting and retaining businesses;
- (B) facilitating economic, industrial, and commercial development in the County;

focus. WSM is responsible for the implementation of County workforce development policies aimed at: (1) meeting the talent attraction, development, and retention needs of strategic industries; (2) meeting the needs of the underemployed and unemployed; and (3) developing career pathways that lead to sustainable wage jobs to support a thriving economy.⁸

Implementation of a microloan program is consistent with the responsibilities of both MCEDC and WSM. However, if the program is part of a broader microenterprise strategy, as is the Executive's stated preference, MCEDC, with its broader focus, may be a more appropriate administrator of the program. David Petr, President and CEO of MCEDC has submitted a letter in support of the microloan program, and in support of the program being administered by MCEDC (©33).

4. Possible amendments

If the Council wishes to implement the microloan program proposed in this Bill, but have the program administered by MCEDC rather than WSM, it can do so by amending the Bill as shown in the draft amendments at ©34-38. These amendments would delete all changes to Article II (Workforce Development) of Chapter 30B in the Bill, and add virtually identical amendments to Article I (Economic Development Corporation) of the Chapter. The substantive requirements of the program would be the same, but the program would be administered by MCEDC, not WSM.

The draft amendments also include the provision that the microloan program be "part of a microenterprise development strategy." The substance of the strategy is not specified in the draft amendments, and would be left to the discretion of MCEDC. The Executive has submitted a statement in support of the Bill with the draft amendments (©39).

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- (C) encouraging investment in commerce, industries, and businesses in the County;
 - (D) promoting job growth and talent attraction, in coordination with the Montgomery County Workforce Development Board;
 - (E) advising and informing County officials on economic development matters;
 - (F) providing services to resident businesses in the County, including business retention, counseling, business planning, and other services to maintain and grow the existing economic base;
 - (G) stimulating and nurturing the development of new business;
 - (H) supporting minority, female, and disabled owned businesses, including assisting minority, female, and disabled owned businesses to gain access to capital; and
 - (I) promoting the development of a vital and balanced economy.

⁸ County Code §30B-8.

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Bill No. 49-16
Concerning: Economic Development --
Workforce Development --
Microlending Program
Revised: 11/30/2016 Draft No. 1
Introduced: December 13, 2016
Expires: June 13, 2018
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: None
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsors: Council President Berliner and Councilmembers Navarro and Hucker
Co-Sponsors: Councilmembers Floreen, Rice, Elrich, Katz and Council Vice-President Riemer

AN ACT to:

- (1) provide that the County's Workforce Development Corporation must administer a microlending program to provide financial and technical assistance to County entrepreneurs;
- (2) establish certain criteria for the operation of the microlending program;
- (3) require the Corporation's annual report to include certain information on the microlending program; and
- (4) generally amend County law related to workforce development.

By amending

Montgomery County Code
Chapter 30B, Economic Development
Article II, Workforce Development
Sections 30B-8, 30B-12 and 30B-14

Boldface	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

The County Council for Montgomery County, Maryland approves the following Act:

Sec. 1. Sections 30B-8, 30B-12 and 30B-14 are amended as follows:

ARTICLE II. WORKFORCE DEVELOPMENT.

30B-8. Policy objectives.

(a) The success of Montgomery County's economic development goals is dependent upon a comprehensive and demand-driven system of workforce development that:

- (1) meets the talent attraction, development, and retention needs of strategic industries;
- (2) meets the needs of the underemployed and unemployed; [and]
- (3) develops career pathways that lead to sustainable wage jobs to support a thriving economy; and
- (4) provides financial and technical assistance through micro loans to County entrepreneurs to develop or expand small businesses in the County.

(b) To achieve these goals, the County Government may designate a nonprofit corporation as the County's Workforce Development Corporation to implement the County's workforce development policies established by the Workforce Development Board.

* * *

Sec. 30B-12. Workforce development program.

(a) The Workforce Development Corporation's Board of Directors must recommend workforce development programs and associated performance measures to the Executive, Council, and Workforce Development Board each year to advance the policy objectives listed in Section 30B-8.

(b) The Workforce Development Corporation's workforce development programs may include a plan for sponsorship of private investment, marketing, and advocacy initiatives.

(c) The Workforce Development Corporation must administer a culturally proficient microlending program under which:

(1) loans must not exceed \$15,000;

(2) loans must only be issued to Montgomery County residents:

(A) who have resided in Montgomery County for at least 180 days before the loan application is made; and

(B) whose business is headquartered in Montgomery County;

(3) loan recipients must participate in educational and technical assistance provided by the program;

(4) non-County funds may be used as a source for capital and program administration; and

(5) materials and assistance are provided in multiple languages reflective of the County's population.

(d) The Workforce Development Corporation's Board and staff must meet with the Executive, the Council, and the Workforce Development Board at least annually regarding the Workforce Development Corporation's activities and finances.

* * *

30B-14. Report.

The Workforce Development Corporation's Board of Directors must report annually on the activities and finances of the Corporation and provide an audited financial statement of the Corporation to the Executive, the Council, and the Workforce Development Board by November 1 of each year. The report must also include:

(a) the Corporation's plan to solicit and receive additional public and private funding for its operations; and

(b) information on the microlending program including:

(1) the number of microloans issued during the prior fiscal year by dollar value of the loan;

(2) a description of the how each loan was used;

(3) loan repayments received;

(4) the rate of repayment; and

(5) non-County funds leveraged to support the program.

Approved:

Roger Berliner, President, County Council

Date

Approved:

Isiah Leggett, County Executive

Date

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council

Date

LEGISLATIVE REQUEST REPORT

Bill 49-16

Economic Development – Workforce Development - Microlending

DESCRIPTION:	Bill 49-16 would provide that the County's Workforce Development Corporation must administer a microlending program to provide financial and technical assistance to County entrepreneurs.
PROBLEM:	Entrepreneurs often lack adequate access to capital even in the small amounts necessary to start a small business
GOALS AND OBJECTIVES:	To increase the ability of County residents to start and expand small businesses by providing small loans and technical assistance in a culturally proficient manner to small business owners.
COORDINATION:	WorkSource Montgomery
FISCAL IMPACT:	To be requested.
ECONOMIC IMPACT:	To be requested.
EVALUATION:	To be requested.
EXPERIENCE ELSEWHERE:	To be researched.
SOURCE OF INFORMATION:	Josh Hamlin, Legislative Attorney
APPLICATION WITHIN MUNICIPALITIES:	To be researched.
PENALTIES:	None



MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

ROGER BERLINER
COUNCILMEMBER
DISTRICT 1

CHAIRMAN
TRANSPORTATION, INFRASTRUCTURE
ENERGY & ENVIRONMENT COMMITTEE

MEMORANDUM

December 8, 2016

TO: Council Colleagues

FROM: Council President Roger Berliner
Councilmember Nancy Navarro, Chair, GO Committee
Councilmember Tom Hucker

SUBJECT: Empowering Entrepreneurship and Economic Well-Being through Microlending

At our November 29th Council session, we were briefed on the extraordinary progress that WorkSource Montgomery is making to transform workforce development in Montgomery County into a system that is focused not just on job placement for a job seeker but on talent development, career pathways, and job creation. Nationally and locally, micro and small local businesses are a driver of a vibrant economy. These businesses improve the economic wellbeing and self-sufficiency of our residents, particularly for our immigrant population who often find themselves in low wage jobs, but have the creativity and desire to own and operate a wide variety of businesses. This is why we are proposing the establishment of a County microlending program.

Last March, we convened a meeting with the leadership of the principal organizations in our county and region that are currently working the most in this arena. Those organizations included *Impact Silver Spring, the Latino Economic Development Center, Life Asset, Blessed Coffee, Crossroad Community Food Network, Asian-American Homeownership Counseling, the Consumer Health Foundation, the Chinese Culture and Community Service Center, and the Greater Washington Hispanic Chamber of Commerce*. During our meeting, those leaders all expressed the belief that our immigrant entrepreneurs would greatly benefit from a multi-pronged assistance program – one that provides both the necessary technical assistance and access to microloans that can help aspiring entrepreneurs turn their dreams into a reality. On its website, *Impact Silver Spring* says the following:

- Jobs are simply not enough for people to achieve an adequate level of self-sufficiency and quality of life.
- The challenges and barriers that people in our Network encounter in starting their own businesses are significant. These barriers include the lack of availability of legal and business development support that is both reliable and geographically and linguistically accessible, and the lack of access to capital for people with limited income, credit history, and experience with the formal banking system (emphasis added).

To that end, we are introducing legislation establishing a microlending program as a program of the County's Workforce Development Corporation (WorkSource Montgomery). The legislation:

- Limits loans to no more than \$15,000, although loans limits could be lower for the first years of the program. We expect most loans will be in the \$500 to \$5,000 range.
- Limits loans to Montgomery County residents that headquarter their business in Montgomery County.
- Requires recipients to participate in appropriate educational and technical assistance. We heard loudly and clearly at our March meeting that this is critical to the recipient's success. Non-profits such as *Life Asset* and the *Latino Economic Development Center* lend to people with poor credit histories, people who are currently homeless, and people with a dream and a product or service but limited business experience, and still have extraordinarily high repayment rates.
- Encourages the program to leverage non-County funds to provide additional capital and operating resources. Some organizations use crowd funding, foundations, and partnerships with financial organizations as a source of capital and we hope that County funds can be used to creatively leverage other resources.

We expect this program will benefit a wide range of energetic entrepreneurs but will be of particular importance to our budding immigrant entrepreneurs. As you appreciate, many immigrants come to our county with both the skills and the desire to start small business enterprises or expand the businesses they have begun. Yet the roadmap to get from where they are to where they need to get to is complicated and completely unfamiliar to them. Access to the small amount of capital that they may need for things such as a computer, kitchen equipment, shelving or office furniture is formidable, if not totally beyond their reach. We believe our County can and should play a more direct and aggressive role in bridging those gaps in order to ensure they have every opportunity to succeed and prosper. We hope you will support us in this effort.



ROCKVILLE, MARYLAND

MEMORANDUM

January 23, 2017

TO: Roger Berliner, President, County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget *JAH*
Alexandre A. Espinosa, Director, Department of Finance *AE*

SUBJECT: FEIS for Bill 49-16, Economic Development – Workforce Development –
Microlending Program

Please find attached fiscal and economic impact statements for the above-referenced legislations.

JAH:fz

cc: Bonnie Kirkland, Assistant Chief Administrative Officer
Lily Qi, Assistant Chief Administrative Officer
Joy Nurmi, Special Assistant to the County Executive
Patrick Lacefield, Director, Public Information Office
Lisa Austin, Offices of the County Executive
Pofen Salem, Office of Management and Budget
Naeem Mia, Office of Management and Budget

Fiscal Impact Statement
Bill 49-16 - Economic and Workforce Development – Microlending Program

1. Legislative Summary

Bill 49-16 requires the County's Workforce Development Corporation, WorkSource Montgomery, Inc., to provide financial and technical assistance through micro loans to County entrepreneurs to develop or expand small businesses in the County. It would provide loans for up to \$15,000 to businesses headquartered or residents residing in the County for at least 180 days before submitting the loan application. The legislation also requires recipients to participate in the educational and technical assistance program.

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

WorkSource Montgomery, Inc. (WSM) will incur startup costs related to the design and delivery of this program, including staff time to research and develop the program and legal consultation to establish criteria for the program. Even if WSM partners with another organization to administer the program, there will be ongoing costs associated with contract administration managed by the County. It is anticipated that WSM will initially request County funding to startup and administer the program and seed funding for loans. The total cost for WSM's first-year funding is estimated to be \$312,000 for launching the program.

Below are the detailed assumptions used to formulate the cost estimate:

Operating Expenses	Annual Cost	Comment
WSM 1 FTE	\$120,000	Expertise in commercial lending and/or microlending programs
Seed Funds for loans	\$100,000	Target 10 loans at an average of \$10,000 each
Legal Expenses	\$12,000	Assuming 40 billable hours legal/paralegal @\$300/hour
Outreach	\$50,000	Program marketing for initial branding and market research
Technical Assistance	\$30,000	Design and deliver technical assistance program for loan recipients
Total	\$312,000	

The proposed legislation does not impact revenues.

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.

There is no estimated change to County revenues. Any interest on loans would be rolled back into the fund.

It is estimated that \$100,000 per year for the second year of the program with a gradually declining requirement, contingent on outside funding being identified and obtained.

Below are the detailed assumptions used to formulate the cost estimate:

Program Year	County Expenditures	Replenish loan fund	WSM Program Support
Year 1	312,000	100,000	212,000
Year 2	100,000	50,000	50,000
Year 3	75,000	37,500	37,500
Year 4	50,000	25,000	25,000
Year 5	25,000	12,500	12,500
Year 6	10,000	5,000	5,000
Total	\$572,000	\$230,000	\$342,000
Note: Assumes that the program will be self-sufficient by Year 7.			

4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.

The proposed legislation does not affect retiree pensions or group insurance.

5. An estimate of expenditures related to County's information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.

The proposed legislation does not affect IT systems.

6. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.

The proposed legislation does not authorize future spending.

7. An estimate of the staff time needed to implement the bill.

It is estimated that the microlending program will be added to the existing WorkSource Montgomery contract where monitoring performance will be on-going basis. Minimal staff time (less than 0.25 FTE) is expected for implementation of the Bill.

8. An explanation of how the addition of new staff responsibilities would affect other duties.

The WorkSource Montgomery contract is administered by the Office of the County Executive (CEX) and it is anticipated that additional scope will also be administered by CEX to provide oversight and ensure success of the program. Participation by the Department of Finance would be minimal if needed. There will be minimal impact on other duties.

9. An estimate of costs when an additional appropriation is needed.

See #2. An estimate of \$312,000 is needed for design and implementation of the proposed program.

10. A description of any variable that could affect revenue and cost estimates.

If WorkSource Montgomery is able to obtain outside funding sources to cover the cost of starting and administering the program and providing seed funding, there would be minimal funding required from the County.

If WorkSource is unable to identify outside funding sources, on-going annual costs would be significantly higher.

Below is an estimate of on-going costs if outside funding is not obtained:

Operating Expenses	Annual Cost	Comment
WSM 1 FTE	\$120,000	Expertise in commercial lending and/or microlending programs
Fund Replenishment	\$50,000	Assuming some balance carried over from year to year
Legal Expenses	\$10,000	Collections on unpaid loans
Outreach	\$20,000	Program marketing
Technical Assistance	\$30,000	Design and deliver technical assistance program for loan recipients
Total	\$230,000	

In addition, the cost estimate provided in Question #2 is assumed to offer loans to 10 companies. The numbers of County businesses wishing to participate in this program would inevitably affect the cost estimate.

11. Ranges of revenue or expenditures that are uncertain or difficult to project.

Not applicable.

12. If a bill is likely to have no fiscal impact, why that is the case.


Not applicable.

13. Other fiscal impacts or comments.

Not applicable.

14. The following contributed to and concurred with this analysis:

Lily Qi, Assistant Chief Administrative Officer, Office of County Executive
Judith Stephenson, Office of County Executive
Pofen Salem, Office of Management and Budget



Jennifer A. Hughes, Director
Office of Management and Budget

1/23/17
Date

Economic Impact Statement
Bill 49-16, Economic Development – Workforce Development – Microlending Program

Background:

This legislation would:

- Provide that the County's Workforce Development Corporation must administer a microlending program to provide financial and technical assistance to County entrepreneurs;
- Establish certain criteria for the operation of the microlending program; and
- Require the Corporation's annual report to include certain information on the microlending program.

Bill 49-16 would provide loans for up to \$15,000 to businesses or residents headquartered or residing in the County for at least 180 days before submitting the loan application. The legislation also requires the recipients to participate in educational and technical assistance.

1. The sources of information, assumptions, and methodologies used.

- The County's Department of Economic Development Micro Loan Program files from 2007 through 2009; comprised of 34 applications and 4 approved micro loans of \$15,000 or less.
- American Economic Association
- Utah Microenterprise Loan Fund
- Cuyahoga County Department of Development

2. A description of any variable that could affect the economic impact estimates.

The variables that could impact the estimates are the loan's operating procedures and approval guidelines, total annual budget for the loan program, amount of the approved loan, whether the recipients are required to participate in the educational and technical trainings as a condition of receiving the loan or after receiving the loan, products and services provided by the loan, and the general success of the funded small businesses in creating and retaining jobs in the County.

3. The Bill's positive or negative effect, if any on employment, spending, savings, investment, incomes, and property values in the County.

Bill 49-16 would have only a minimal effect on the employment, investment, and incomes to businesses and residents in Montgomery County, unless a significant loan volume of several hundred is approved per fiscal year. The County Department of Economic Development operated a similarly structured Micro Loan Program as a sub-program of the Economic Development Fund from 2007 until 2009. The Program was discontinued due to its lack of overall effectiveness. According to DED's past experience, applicants had limited resources and the loans were not large enough to have a significant impact. While limited, this past experience suggests the economic impact of this Bill would be minimal.


Economic Impact Statement
Bill 49-16, Economic Development – Workforce Development – Microlending Program

The measures of success and economic benefits of microloan programs have been debated academically. A recent study of microcredit programs in several developing countries reveals that the programs had little to no effect on the incomes of participants.¹ Examples of programs in this country include the microenterprise loan funds of Utah and Cuyahoga County in Ohio. Each of these programs offer loans up to \$50,000, and have helped individuals with low to moderate incomes supplement their earnings through ownership and operation of their own small business.²

4. If a Bill is likely to have no economic impact, why is that the case?

Bill 49-16 could have a minimal economic impact as stated in #3.

5. The following contributed to or concurred with this analysis: David Platt, Peter Bang, Dennis Hetman, and Robert Hagedoorn, Finance.


Alexandre A. Espinosa, Director
Department of Finance

1/3/17
Date

¹ Banerjee, Abhijit, Dean Karlan and Jonathan Zinman, 2015. "Six Randomized Evaluations of Microcredit: Introduction and Further Steps." American Economic Journal: Applied Economics, 7(1): 1-21.

² Kinney, Inna 2014. "Economic & Community Development Institute Microenterprise Loan Program 2103-2104 Report" Cuyahoga County, OH

TESTIMONY ON BEHALF OF COUNTY EXECUTIVE ISIAH LEGGETT
ON BILL 49-16, ECONOMIC DEVELOPMENT – WORKFORCE DEVELOPMENT –
MICROLENDING PROGRAM

January 24, 2017

Good afternoon Council President Berliner and Members of the County Council. I am Lily Qi, Assistant Chief Administrative Officer, and I am here to offer commentary on Bill 49-16 on behalf of County Executive Leggett.

We applaud the County Council's desire to grow microenterprises, and we fully understand the need to empower the under-served communities to fulfill their American dreams. However, we believe a successful microlending program would require a more holistic approach that takes into consideration the County's past experiences in implementing a similar program.

A review of the County's previous efforts to provide financial assistance to microenterprises and small businesses show a number of challenges in designing a program that addresses this need. In fact, 10 years ago, the former Department of Economic Development started a very similar microlending program that was discontinued after just two years and only five successful loans. We want to make sure the new program addresses some of the underlying issues so that it would truly be an effective and successful economic development and empowerment tool.

First, there needs to be a clear understanding of whether the microlending program is either primarily a jobs program or an entrepreneurial tool to start a microenterprise. Placing it in WorkSource Montgomery certainly reinforces the notion that it is a jobs program. We believe a microenterprise is still a business and should be afforded appropriate services designed to ensure business success.

Second, a microlending program supported by public funds should be designed to ensure that a loan recipient has the support needed to establish sustainable businesses. Programs are more likely to succeed when the organization administering them or supervising them has the appropriate expertise and capabilities such as experience with lending and underwriting and a system to properly administer loans.

Third, it is imperative to fully understand what it costs to administer the program. The actual cost of administering such a program can be significantly higher than the loan size, as it takes the same amount of due diligence to underwrite a \$5,000

loan as it does a \$15,000 loan. In the case of small loans of just a few thousand dollars, the administrative cost could easily exceed the actual loan amount, not to mention the high likelihood of default due to that fact that many of the recipients who need such a program tend to be those who would not qualify for traditional lending mechanisms.

For these reasons, we believe a better approach is to have the Montgomery County Economic Development Corporation (EDC) convene a group of partner organizations to develop a cohesive microenterprise approach that advances the County's economic development and economic empowerment objectives. It can be administered by a community partner but with the EDC's involvement and support. In fact, there is a strong desire in the small business and minority communities to understand how they can work with the new EDC. WorkSource Montgomery would still be a partner in the development and implementation of training under the program.

Growing microenterprises is a worthy strategy that is also recommended by the Comprehensive Economic Strategy adopted by the Council. We want to make sure it is done in a way that best leverages existing programs, partners and resources and is led by the appropriate agency whose primary mission aligns best with the Bill's intended beneficiaries—those who run microenterprises in Montgomery County or those who want to start a microenterprise here.

Thank you for your consideration.

2

January 24, 2017

Good afternoon!

My name is Karen Miranda, I was born in El Salvador. I arrived to this country 5 years ago, and my husband and I moved to Montgomery County 4 years ago. I have been a Businesswoman since I started with Miranda's Food Service 3 years ago. My company is legally registered and has all licenses demanded by the law.

When I arrived to this country, I had the chance to work in a company related to the food industry. There, it's where I discovered about the existing great demand by our Hispanic community to buy fresh and traditional food of our countries, and which has been expanding in other cultures.

Initially, I had the idea of finding a place in order to open a restaurant and catering service, but the high cost of the rent as well as the requirements demanded by the county made me desist of my idea. However, I kept searching for options and talking to different people and that's when I decided to buy a small Food Truck.

Thanks to everyone I talked to, I found out how the system of offering food in the construction areas works. Slowly I got to know some of the project managers and employees. That's how one of the bosses offered me to sell my food at one of the projects he was on charge in the county of Frederick.

I started offering lunch service to the 3 shifts that the employees of the project had to have lunch. Work was increasing as some of the clients moved to work at other projects and asked me to follow them with my Food Service.

That's the reason why I had to hire someone in order to help me. Actually I am offering food service for breakfast and lunch to 4 projects.

Thanks to these projects I got to know new bosses and one of them talked to me about the opportunity of offering my food services to a new project that his company is developing in Montgomery County, in the city of Gaithersburg and in which there will be more than 200 persons working. Therefore I took the decision of buying a second truck in order to attend this new project. I will as well have to hire another person to help me.

I am here giving my testimony as a county businesswoman, because I want to highlight the importance of supporting small businesses and organizations such as Life Asset. With their small loans of microcredit and technical assistance it can make a big impact in our community. I started with a loan of \$1500, which allowed me to arrange everything for my first truck. Recently I got my second loan of \$3,000 that allowed me to pay for the full price of the second truck. Thanks to these loans I have been able to start creating my credit and to understand it better. All the meetings and training that they offer in their entrepreneurs network helped me to organize myself and to understand the importance of the administrative part of a business. But the most important part for me, is that it allowed me to discover a network of hard working women like me that are here to find better opportunities for themselves and their families. And they are willing to learn and help so everyone can improve in our small business and achieve to grow and generate more opportunities for us as owners and of course for those who help us.

The group help model is a way to come together as a community and to learn and teach other about the experiences that we live everyday in our business.

As a proud businesswoman in Montgomery County, I ask you to keep giving support to organizations such as Life Asset so that every day we have more tools to improve and serve our community.

Thank you very much.

Karen Miranda
240-504-0975

**TESTIMONY BY GREATER WASHINGTON HISPANIC CHAMBER OF COMMERCE
FOR
MONTGOMERY COUNTY COUNCIL**

**Bill 49-16, Economic Development - Workforce Development - Micro lending Program
January 24, 2017**

Good afternoon Mr. Roger Berliner, President of the Montgomery County Council, and members of the Committee.

My name is Angela Franco and I am the President and CEO of the Greater Washington Hispanic Chamber of Commerce (GWHCC). On behalf of our team, I would like to thank you for the opportunity to be part of this hearing - alongside such important organizations.

The GWHCC has been working in partnerships with non-profits, businesses, government, and the community-at-large to build and grow a sustainable business community through our Small Business Technical Assistance Program across the region with the purpose of generating self-employment and entrepreneurship.

In 2016 GWHCC hosted 76 business networking and promotional events, including educational activities such as seminars, webinars, and workshops during the last year, engaging over 780 businesses and entrepreneurs. In addition, we conducted technical assistance sessions through local organizations to improve the region engagement and development.

GWHCC would like to advocate our strong support for the Micro Lending Program. The financial and technical assistance to the county's entrepreneurs will bolster their education and technical training in business administration making them more competitive in the job market, and equip them with the skills to overcome language barriers and success in a global economy.

In the small business community, micro loans are taken out for several reasons; a small business owner may want to secure financing to maintain business operations, invest in equipment, start a new branch, or any number of other motivations. These micro loans are beneficial for developing businesses, and are easy to obtain through the multitude of lenders willing to partner with business owners with good credit scores, stable incomes, and a strong business plan.

However, there is a risk that small business owners may lose all or part of their principal if they lack a business education, management experience, or do not understand the financial risk of the frequency and flexibility of payment deadlines.

I personally worked in the financial industry for over 20 years here in the United States and overseas. I closed on many loans myself with different financial situations, and that is why I truly believe that the success of the legislation and its goals will depend on:

1. The development and follow through of a comprehensive and proper system with procedures in place for screening and developing clear lending policies.
2. Preparing and educating the entrepreneurs before and after they receive the funding. Financial education is critical and understanding the rules and regulations here in Montgomery County and the United States is critical. To share an example, one of the situations I always encounter when doing loans was sharing with the Business owner that he had to provide a personal guarantee for his business loan.

greaterwashington
hispanic chamber of commerce

3. Working closely with the Montgomery County Office of Economic Development. It is critical to work together as a team, especially now, when there is new leadership and openness to bring new and successful business to Montgomery County.

We are pleased to see that MONTGOMERY COUNTY COUNCIL remains committed to a comprehensive outlook with the goals of increasing entrepreneurship and furthering community development.

Thank you for your time and the opportunity to testify.

Angela Franco
President & CEO
Greater Washington Hispanic Chamber of Commerce
afranco@gwhcc.org
www.gwhcc.org
202.728.0352



www.ledcmetro.org
@ledcmetro

January 24, 2017

Good Afternoon. My name is Isis Salmeron and I am a Loan Officer at the Latino Economic Development Center-LEDC. I am delivering this testimony on behalf of our Executive Director, Marla Bilonick.

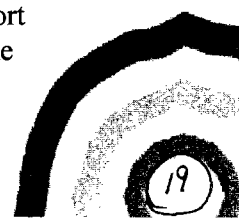
LEDC's mission is to drive the economic and social advancement of low-to moderate-income Latinos and other underserved communities in the D.C. and Baltimore Metropolitan Areas by equipping them with the skills and tools to achieve financial independence and become leaders in their communities. Based on the belief that economic advancement is an avenue to equality; our bilingual and multicultural staff of 36 support our clients to own homes, businesses, and their right to preserving the integrity of their communities. On an annual basis we serve well over 4,000 low to moderate income residents. Scanning all of our programs, the majority of our clients are Latino (60%) and a sizeable portion are African-American/Black (30%). The remaining portions are White/Caucasian and Asian (10%).

LEDC believes in a model of supporting entrepreneurs through technical and financial assistance. In addition to providing business coaching services, we provide our business clients with access to microloans in the amount of \$5,000 to \$50,000. We also provide smaller loans between \$1,000-\$2,000 to help clients build up or repair their credit profiles. Lastly, we offer a Citizenship Loan in partnership with CASA to defray the cost of the application for U.S. citizenship.

During fiscal year 2016, we closed over 150 loans, investing almost \$2 million in capital into the communities we serve. Our combined small business technical assistance and lending efforts in fiscal year 2015 supported/retained 379 full-time jobs, and we estimate has led to the creation of 142 full-time jobs during the 12 months following loan closing and/or assistance provided.

LEDC has served Montgomery County entrepreneurs since our inception 25 years ago in 1991. Since 2006, for over a decade, we have had a physical office here and are grateful to have had the County's support throughout that time to serve thousands of County residents with our Small Business technical assistance, lending, and Housing services. LEDC is the only organization with a Montgomery County office that is a certified Community Development Financial Institution (CDFI)---meaning that we are regulated by the U.S. Department of Treasury to serve as an alternative financial service provider in underserved communities and to individuals who cannot access the traditional financial system.

Because we are intimately aware of the specific challenges that immigrant and other underserved populations face when seeking a viable livelihood for themselves and their families in Montgomery County; **we are very pleased to support Bill 49-16, the Economic Development/Workforce Development Microlending Program.** LEDC will always support efforts to expand economic opportunities for our target population and this legislation has the



potential to do just that by providing additional capital that can be leveraged for entrepreneurial ventures in Montgomery County. This presents a great opportunity for County entrepreneurs.

We are very grateful to have been consulted, along with other partner organizations here today, as this legislation was being drafted. We value the openness of Council to receive our input on the unique challenges our constituents face and we welcome the opportunity to continue discussing how this program might look in implementation.

LEDC wants to take this opportunity before you here to reconsider language in the legislation that limits loan size to \$15,000 and suggests the average range of loans hover in the \$500-\$5,000 range. It is our belief that this will limit the opportunity for entrepreneurs to actually or successfully start business ventures and it will eliminate the opportunity for them to hire employees within a reasonable time period after start-up. If the purpose of this program is to create jobs, it is arguable that a small loan will neither provide employment for the entrepreneurs themselves or for others. A small dollar loan can provide individuals with the opportunity to formalize and legalize a business venture through the attainment of required licenses or permits and/or through registering or incorporating at the County or State level. However, more capital is required to purchase equipment, inventory, and/or employ others. Certifying a business does not equal launching a business, nor does it set up a business to make sales or create jobs.

We would also like to work with the County to discuss how the Worksource Montgomery Centers can be best positioned to attract entrepreneurs into this program. A marketing campaign or other initiative will be required to drive entrepreneurs and small business owners to the Centers to access the program since the current population served by the Centers is jobseekers.

All this being said, LEDC is very pleased to see continued proof that the Council cares about the constituents we serve. This Bill is testament to the Council's recognition of and commitment to our diverse community of entrepreneurs who contribute to the economy and character of our County. We commend you for your forward-thinking and leadership.

Thank you very much for the opportunity to testify and be with you this afternoon.

-Marla Bilonick, *Executive Director*

Written County Council Testimony in Support of Bill 49-16

Good afternoon. My name is Jayne Park, Executive Director of IMPACT Silver Spring. I am here to testify in support of bill 49-16. I commend you for the important step you are taking to strengthen the local economic development system through the launch of a new micro-loan program.

Various studies show that local businesses provide the foundation for meaningful economic development, and that communities of color have closed income and wealth inequality fastest when they own their own businesses. Thus, supporting individuals in increasing financial security through business ownership is an essential strategy for addressing growing income inequality, which has become a troubling trend throughout the nation, as well as here in the County. A 2014 report revealed that Montgomery County is approaching the 1st quartile (top 25%) of areas with the largest income inequality gaps in the Country. Current U.S. Census data estimates that about 75,000 residents live in poverty; of these, the vast proportions are people of color.

Through our deep engagement work in low-income neighborhoods, IMPACT has supported many struggling families on empowerment pathways - including supporting several economic-focused circles and individuals in forming new micro-businesses in the areas of sewing, catering, landscaping, and home improvement.

Through our work in supporting immigrant micro-entrepreneurs, we have directly experienced the significant barriers, gaps and challenges that they face in accessing the supports they need to succeed. The County must prioritize the strengthening of a local economic development system that supports and enables locally-owned businesses to thrive. This bill is an important step in this direction, but we need to do much more.

The following are examples of some of the barriers, gaps, and challenges that we hope can be addressed moving forward:

- As you know, accessing capital is very difficult for people with limited income and/or credit history. Again, this bill is an important step in addressing this gap, but we need to continue to expand opportunities in this area. For example, a group of IMPACT's micro-entrepreneurs have come together to form their own cooperative – in direct response to the challenges they have encountered in accessing capital. Each week, they contribute their own money into a shared pool, which their members can access when business needs arise. In 6 months, they have already raised over \$18,000. We would like to work with the County and others to figure out how to support this group in formalizing its cooperative structure.
- New entrepreneurs, especially immigrants, need support in how to establish and run their businesses - including obtaining necessary licenses and permits; establishing

their business as a legal entity; and support with pricing, marketing; and accounting. Few services of this sort are available that are reliable, affordable, and geographically and linguistically accessible.

- For groups interested in forming worker-owned cooperatives, there is no legal or technical support available anywhere in Montgomery County. This has proven to be a significant challenge in our work to support the cooperative I mentioned earlier.
- More efforts and initiatives are needed to support entrepreneurs' ability to connect to markets to successfully sell their products. Through our network-building approach, IMPACT will continue to seek ways to facilitate connections to individual purchasers at the neighborhood level, as well as local institutions including nonprofits, churches, hospitals, schools, and county government. Related to this point, a stronger "Buy Local" culture in the County is needed to help local entrepreneurs compete and succeed.

The members of IMPACT's network stand open and ready to collaborate with you in generating additional ideas, and co-creating solutions that will enable micro and small businesses to thrive in Montgomery County. We look forward to being partners with you in moving this important work forward.

Submitted by:

Jayne Park, Executive Director
IMPACT Silver Spring

January 24, 2017

Laura Wallace
Montgomery County Community Organizer
Jews United for Justice
laura@jufj.org

Testimony in Support of Bill 49-16

My name is Laura Wallace, I live in Montgomery Village in District 2 and I am the Montgomery County Organizer for Jews United for Justice.

I am testifying in support of Bill 49-16, which will create a microlending program as a program of Montgomery County's Workforce Development Corporation.

One of the great Jewish sages, Maimonides, was a rabbi, physician, and a philosopher, so he understood both the physical and spiritual needs of the members of his community. In one of his most famous teachings, he said, "There are eight levels of charity, one above the other. The greatest level that has nothing above it is to strengthen the hand of one who has become poor and give him a gift or loan or create a partnership with him or make up some work for him, so as to strengthen his hand until he does not need to ask others [for help]."

This teaching stresses the importance of strengthening a person who needs assistance and helping them attain to self-sufficiency. Maimonides specifically identifies using loans as a tool to give charity that does not last just a day or a week, but can last a lifetime.

Jews United for Justice supports the goals of this bill to help the underemployed and unemployed of Montgomery County and to develop pathways that lead to economic opportunity. We also support the focus on creating opportunities for new immigrants, and applaud the language in the bill calling for a "culturally proficient program" as well as "materials and assistance to be provided in multiple languages reflective of the County's population."

This week in the annual cycle of reading from the Torah, we are reading the story of Exodus and the redemption of the Jewish people from slavery in Egypt. When we read this story, we are reminded that the Jewish people were strangers in a strange land. Being strangers in the strange land creates challenges of language, opportunity, and resources. A targeted microloan program will help address these obstacles and provide an avenue for innovative, creative entrepreneurs to build micro and small businesses that will benefit themselves, their families, and their communities.

This microloan program is critical for low-wage earners in our community, especially because they are unable to get by on an inadequate minimum wage that does not pay for their basic needs. Often, micro business is the only available option for those seeking to provide for their families in Montgomery County.

We appreciate the efforts of the sponsors of Bill 49-16, Council President Berliner, Councilmember Navarro, and Councilmember Hucker, as well as the co-sponsors, Councilmembers Floreen, Katz, and Rice. A microlending will lift up and strengthen those who need it most in our community. We look forward to working with you on this legislation as well as other efforts to continue building a just and equitable county for all those who live and work in Montgomery County.

Thank you so much.



Life Asset
Bringing Ideas to Life!

2448A 18th Street NW
Washington, DC 20009
(202) 709-0652 | LifeAsset.org

Testimony by Markus Larsson
Executive Director, Life Asset

in Support of Bill 49-16, concerning Economic Development - Workforce
Development – Microlending Program, in Montgomery County, MD.

January 24, 2017

Council Members, thank you for the opportunity to testify in support of the
proposed microloan program for entrepreneurs.

My name is Markus Larsson. I am representing Life Asset, where I serve as
Executive Director. Life Asset is a non-profit organization with the mission to
provide microloans and training to low-income entrepreneurs - creating jobs and
financial self-sufficiency through business ownership.

Life Asset's clients face many life challenges:

- 100% of our loan clients are low-income;
- 55% are unemployed;
- 23% are seniors
- 12% are disabled,
- 75% are immigrants, and
- 13% of our clients are homeless.

By investing in the entrepreneurial spirit that already exists in low-income
communities we are making a lasting difference:

- In the past 12 months, we have helped start or expand over 100 microbusinesses in Montgomery County, by providing microloans coupled with training to entrepreneurs who are having difficulties qualifying for a loan anywhere else.
- Over 98% repay their loans in full.
- On average, our clients see a 33% increase in annual revenue as a result of access to loan and training.
- Over 90% of the businesses we have supported are still in operation after 2 years. Finally,
- Each microbusiness that we support with loans and training, employs on average 2-3 people (counting temporary and seasonal jobs).

The positive impact of our work is not just financial but also leads to a greater sense of self-worth and dignity, a sense of belonging, a more positive outlook on life, and hope for the future. The impact of our work is not just on our clients but also on their families and friends and the community at large.

Our goal for 2017 is to double our impact by helping to create or expand at least 200 microbusinesses which will create or retain over 400 jobs (incl. temporary and seasonal jobs) in Montgomery County. Life Asset's goal in 6-7 years is to support an active network of over 1,000 microbusinesses in Montgomery County.

Council President Berliner, our experience at Life Asset makes me confident that the proposed legislation for a microloan program will help expand existing business and start new business, creating more jobs in Montgomery County.

May I make one more point? Even very small loans, \$1,500 or less, can make a big difference in the success of new entrepreneurs.

From our clients at Life Asset, here are examples of this kind of success:

- Hillary received a \$1,500 loan to start a street vending business. Hillary is currently in the process of applying for her fourth loan, expanding the business that now provides for herself and her two children.
- Working hard to get out of addictions and homelessness, Jose needed \$790 to get his real-estate agent license and business cards. Three months later,

he closed his first deal, and more business followed. Jose is now living in his own place, and he inspires others.

- Jay has been operating a successful mobile car washing business for over 5 years. To expand and better target high-end customers, he needed a new van. With his own savings and a \$1,500 Life Asset loan he was able to get that new van. Since then, Jay has received a second, and a third loan. Life Asset training and loans enabled Jay to expand his business and hire an employee.

Council President Berliner, every day at Life Asset, I am inspired by people

who have very little money, but

who strive for better lives by becoming entrepreneurs and by growing their businesses.

The proposed microloan program will be tapping into that same entrepreneurial spirit. On behalf of Life Asset's clients, I welcome, to the community of entrepreneurs, the new businesses that this microloan program will help create and expand.

Thank you.

MONTGOMERY COUNTY COUNCIL**100 Maryland Avenue, Fifth Floor, Rockville, MD 20850****Bill 49-16, Economic Development - Workforce Development - Microlending Program [Jan. 24, 2017]**

Thank you Montgomery County Council for allowing me to provide a brief statement on the importance of supporting local homegrown businesses through the Economic Development - Workforce Development – Microlending Program under Bill 49-16.

Good afternoon, my name is LaDon Love James. I am the owner of Lens and Love Photography. I am a member/participant with Life Asset. Thanks to micro-loan received from Life Asset I was able to grow my business. The loan was used to purchase equipment that has allowed me to provide better services and increase my prices.

As a result of my engagement with Life Asset, I have been able to broaden my network of women entrepreneurs in the Montgomery County area. When like-minded people join together in community, amazing things that happens. For example, people collaborate to have a large impact with and for their clients. Cross training takes place when people get to know each other and find strength where they have a weakness. Sales increase when personal testimony is shared with friends, family and clients about the products sold by fellow entrepreneurs. These are just a few of the outcomes of a program like Life Asset. The women join together in groups of five, and the five connect with eight groups of five. This becomes the center. At the center, we are offered a space to discuss successes and challenges and strategize on ways to make our businesses stronger. There is training that takes place too. With social media, there are virtual communities that are created, as well. Life Asset goes beyond the typical lender because the staff, the structure of the loan program and the people participants have the same goal...build sustainable entrepreneurial businesses that grow, create employment opportunities, and yield a profit.

When Life Asset is added to programs helping Montgomery County business owners, Maryland will benefit. Life Asset will have a huge impact in the Maryland in the Montgomery County area.

Report on The Status of Women in Montgomery County by the Montgomery County Commission Form Women on June 7, 2007.

- Montgomery County women-owned businesses represent 23 percent (31,964) of women-owned business in the state. These businesses employ 34,571 workers, generate annual payrolls of \$1.1 billion, and generate over \$4.4 billion in revenue.

Invest more in local women owned small businesses. A business creates the opportunity for a dream to be realized.



February 24, 2017

Montgomery County Council
100 Maryland Avenue
Rockville, MD 20850

RE: Letter of Support for Bill 49-16 – *Microlending Program*

Dear County Councilmembers,

As an agency that works to provide support, guidance and training to entrepreneurs and start-up businesses on a regular basis, Rockville Economic Development, Inc. (REDI) supports the proposed Bill 49-16 to establish a Microlending Program in Montgomery County.

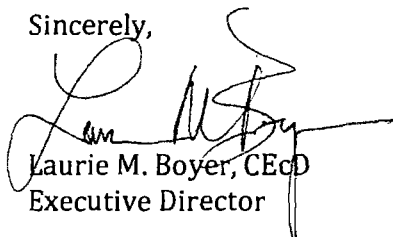
One of the biggest challenges for entrepreneurs is access to the capital necessary to make an idea an actual viable business enterprise. Providing another source of funding for these startups should have a great impact on the success of local would-be entrepreneurs.

We would also support having the Montgomery County Economic Development Corporation (MCEDC) as the administrator of the fund, as we believe this function is more aligned with economic development efforts rather than with workforce development.

We also strongly support having these Microloans available to all residents and businesses in the County, including those located in the municipalities of Rockville and Gaithersburg. As your city centers, both municipalities are major employment centers and have concentrated residential areas. Excluding the municipalities from this program would be a disservice to the County.

Thank you for your support of this request, and please feel free to contact me with any questions.

Sincerely,



Laurie M. Boyer, CEO
Executive Director



www.ledcmetro.org
@ledcmetro

Background Information: Micro-Lending Program

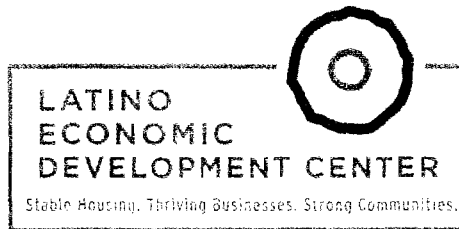
Since 1991 LEDC has provided training and technical assistance to low to moderate income aspiring entrepreneurs and established small business owners in the DC Metropolitan Area to help start, stabilize, and expand their businesses. Since 1997 we have provided micro-loans (under \$50,000) for the purpose of helping aspiring entrepreneurs start their business and established owners expand their business. In 2003 we were certified by the U.S. Treasury Department as a Community Development Finance Institution (CDFI) and in 2006 became an SBA Micro lending Intermediary.

While our lending program has provided more than \$11 million in capital to support over 1,000 entrepreneurs in the DC metro area, our small business technical assistance program has served thousands of aspiring and established small business owners in the region. In FY 2016 our lending program made 126 loans to small businesses in DC, MD, and Northern Virginia totaling more than \$1.6 million in capital. Our combined small business technical assistance and lending efforts in fiscal year 2016 led to the creation of 63 businesses, supported/retained 385 equivalent full-time jobs.

Our lending program provides small business and consumer micro-loans. Our small business micro-loans range from \$5,000 to \$50,000. Our consumer loans include a \$680 Citizenship Loan to help clients cover the costs related to receiving US citizenship, and Credit Builder Loan capped at \$1,000 to help establish or repair credit.

In fiscal year 2017 we will begin piloting a new small business micro-loan, Seed Loan (or *Préstamo Semilla*, in Spanish), designed for low-income and/or low credit score clients and returning citizens. The loan is aimed at individuals running startup (less than 12 months of operations) small businesses or planning to launch a startup small business within the next 18 months. The goal is to help entrepreneurs improve their credit score and provide them access to larger financial options.

As a community-based lender, we limit our market to entrepreneurs with small businesses that are generally unable to obtain financing from traditional financial institutions such as banks or legal residents applying to become new US citizens, but we strive to approve loans only to borrowers who are able to repay their loan. As a CDFI LEDC's loan officers are trained to provide comprehensive technical assistance to its borrowers. The technical assistance includes analyzing and when necessary repairing credit reports, helping clients separate their household expenses from business expenses, helping clients develop profit and loss statements, and helping clients produce revenue and expense projections. When in the course of underwriting a loan it becomes apparent that a client is not yet ready for a loan they are referred internally to our Small Business Development Program.



SMALL BUSINESS LOANS

LEDC is as a certified **Community Development Financial Institution** providing **alternative** financing to build and grow small businesses in the Washington, DC and Baltimore Metropolitan areas.

Build and Grow Your Small Business

REQUIREMENTS

- ✓ Personal & business **bank statements** (3 most recent months)
- ✓ Personal & business **tax returns** (2 most recent years)
- ✓ Collateral
- ✓ \$50 loan application fee (includes one copy of your credit report)

RATE & TERMS

- ✓ Loans from \$5,000 to **\$50,000**
- ✓ **Fixed** rates ranging from 7.50% to 14%
- ✓ Terms from 6 months up to 5 years

USES

- ✓ Vehicles & equipment
- ✓ Inventory
- ✓ Renovate or expand business location
- ✓ Hire more employees
- ✓ *Bridge* lending for government grants capital

*Other information may be required
includes only one personal credit report.*

LEDC is a signatory of the Small
Business Borrowers' Bill of
Rights
responsiblebusinesslending.org

- ✓ **Business loans up to \$50,000**
- ✓ **Rates as low as 7.50%**
- ✓ **No hidden fees**
- ✓ **Business coaching available at no cost**
- ✓ **Simple, fast application process**
- ✓ **SBA lender**


U.S. DEPARTMENT OF THE TREASURY
CERTIFIED CDFI
CDFI FUND
Financial Institutions Fostering Community Growth

DC Office: 641 S. Street NW Washington, DC 20001 | (202) 588-5102
Wheaton Office: 11002 Viers Mill Road, Suite 503 Wheaton, MD 20902 | 1-866-977-LEDC
Baltimore Office: 10 E North Ave, Baltimore, MD 21202 | (443) 708-7054
For further information please contact our lending staff at: (202) 540-7420
lending@ledcmetro.org | www.ledcmetro.org





Isiah Leggett
County Executive

Steven A. Silverman
Director

DEPARTMENT OF ECONOMIC DEVELOPMENT

Micro-Enterprise Loan Program Summary

Montgomery County created the Micro-Enterprise Loan Program (Program) in Fiscal Year 2008 to support micro-enterprises located in the County by providing financial assistance to these small businesses. The Program facilitates business development through direct loans or participation in loans made by other financial institutions, and is targeted at Montgomery County-based small businesses that have gross revenues of less than \$250,000 annually and fewer than five full-time-equivalent employees. To be eligible for consideration for financial assistance from the Program, businesses must also meet one of two primary tests: 1) Program funds must assist the creation or expansion of the business; or 2) Program funds must help retain and stabilize the business. In addition, the principals of the business must be at least 18 years of age and reside in Montgomery County. The maximum loan amount under the Program is \$15,000 for any one micro-enterprise, and loans will have maximum repayment terms of three years. Collateral may be required.

Applicants to the Program are rigorously screened and rated for the following elements of their proposed/existing business:

- 1) Financial history (if applicable, and including personal financial/credit history) and projections, including balance sheets, income statements, cash flow statements and bank statements (if applicable);
- 2) The background, experience and financial commitment of the principal(s) and key management personnel;
- 3) Statement of the amount, timing and projected use of the County's assistance;
- 4) Projected employment growth, and/or other positive economic impacts that the County's assistance will facilitate; and
- 5) The ability of the recipient business to generate sufficient income to service the requested loan.

Applications are further evaluated using the following "priority" criteria to arrive at a funding decision:

- 1) Priority is given to assistance that will improve the County's economy and advance the County's economic development objectives and strategies;
- 2) Priority is given to cases where the County's assistance will function as a catalyst to the company's subsequent capitalization;
- 3) Priority is given to women-owned or minority-owned businesses
- 4) Priority is given to cases where the company's business will create employment growth by creating new jobs within three to five years of funding; and
- 5) Priority is given to cases where private/bank financing is not available at the time of the Program application.

In order for the County to process a loan application, the applicant must submit with the application a payment of \$25 in the form of a check or money order made payable to Montgomery County, Maryland to cover the loan application and credit report fee.

In order to receive loan funds from the Program, applicants must agree to receive counseling, mentoring and training from the Maryland Small Business Development Center Network (and/or another outside party acceptable to the County) and must agree to develop a Technical Assistance Plan to help achieve business sustainability. Depending on the extent of analysis and research required to validate the proposed business concept/technology, applicants should allow for a processing time of 30 – 50 working days from the County's application acceptance date before receiving a funding decision. Once the applicant business accepts the County's funding offer, the actual closing generally will occur within 20 working days, depending on the applicant's ability to prepare and submit closing documents. Loans approved for funding by Montgomery County are subject to an origination fee equal to the greater of \$25.00 or 1% of the amount of the loan.

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February 26, 2017

Montgomery County Council
100 Maryland Avenue
Rockville, MD 20850

Letter in Support for Bill 49-16 - Microlending Program

Dear County Councilmembers,

In partnership with our Municipality, County and State colleagues, the Montgomery County Economic Development Corporation works every day to retain, expand and recruit new business to our county. Creating an environment for success in the entrepreneur, start-up and small business area is a primary goal of our organization.

With that in mind, it should be known that the Montgomery County Economic Development Corporation supports the proposed Bill 49-16 to establish a Microlending Program in Montgomery County. Access to capital is an important factor in a young company's success and this program will provide another source of funding.

The Montgomery County Economic Development Corporation also supports being the administrator of the Microlending Program, as it is aligned with our economic development goals.

Thank you for support of this request and please feel free to reach out if you have any questions.

Sincerely,

David Petr
President and CEO

Possible amendments

These amendments would require the County Economic Development Corporation, rather than the Workforce Development Corporation, to administer the microlending program.

Amend line 1 as follows:

Sec. 1. Sections [[30B-8, 30B-12 and 30B-14]] 30B-5 and 30B-7 are amended as follows:

Insert after line 1:

ARTICLE I. ECONOMIC DEVELOPMENT CORPORATION.

* * *

Sec. 30B-5. Economic development program.

- (a) The Board of Directors must recommend economic development programs and associated performance measures to the Executive and Council each year to advance the policy objectives and perform the activities listed in Section 30B-1, including revisions to the County's strategic plan for economic development established by Section 20-76(a).
- (b) In its economic development programs, the Corporation should collaborate with the Montgomery County Workforce Development Board to advance the County's economic development strategic plan adopted under Section 20-76.
- (c) The Corporation's economic development programs may include a plan for sponsorship of private investment, marketing, and advocacy initiatives.
- (d) The Corporation must administer, as part of a microenterprise development strategy, a culturally proficient microlending program under which:
 - (1) loans must not exceed \$15,000;

- (2) loans must only be issued to Montgomery County residents:
 - (A) who have resided in Montgomery County for at least 180 days before the loan application is made; and
 - (B) whose business is headquartered in Montgomery County;
- (3) loan recipients must participate in educational and technical assistance provided by the program;
- (4) non-County funds may be used as a source for capital and program administration; and
- (5) materials and assistance are provided in multiple languages reflective of the County's population.
- (e) The Board and staff must meet with the Executive and the Council at least annually regarding the Corporation's activities and finances.

* * *

30B-7. Report.

The Board of Directors must report annually on the activities and finances of the Corporation and provide an audited financial statement of the Corporation to the Executive and Council by November 1 of each year. The report must also include:

- (a) the Corporation's plan to solicit and receive additional public and private funding for its operations; and
- (b) information on the microlending program including:
 - (1) the number of microloans issued during the prior fiscal year by dollar value of the loan;
 - (2) a description of the how each loan was used;
 - (3) loan repayments received;
 - (4) the rate of repayment; and
 - (5) non-County funds leveraged to support the program.

Amend lines 2 through 61 as follows:

ARTICLE II. WORKFORCE DEVELOPMENT.

30B-8. Policy objectives.

- (a) The success of Montgomery County's economic development goals is dependent upon a comprehensive and demand-driven system of workforce development that:
 - (1) meets the talent attraction, development, and retention needs of strategic industries;
 - (2) meets the needs of the underemployed and unemployed; [and] and
 - (3) develops career pathways that lead to sustainable wage jobs to support a thriving economy[; and
 - (4) provides financial and technical assistance through micro loans to County entrepreneurs to develop or expand small businesses in the County]].
- (b) To achieve these goals, the County Government may designate a nonprofit corporation as the County's Workforce Development Corporation to implement the County's workforce development policies established by the Workforce Development Board.

* * *

Sec. 30B-12. Workforce development program.

- (a) The Workforce Development Corporation's Board of Directors must recommend workforce development programs and associated performance measures to the Executive, Council, and Workforce Development Board each year to advance the policy objectives listed in Section 30B-8.

- (b) The Workforce Development Corporation's workforce development programs may include a plan for sponsorship of private investment, marketing, and advocacy initiatives.
- (c) [[The Workforce Development Corporation must administer a culturally proficient microlending program under which:
 - (1) loans must not exceed \$15,000;
 - (2) loans must only be issued to Montgomery County residents:
 - (A) who have resided in Montgomery County for at least 180 days before the loan application is made; and
 - (B) whose business is headquartered in Montgomery County;
 - (3) loan recipients must participate in educational and technical assistance provided by the program;
 - (4) non-County funds may be used as a source for capital and program administration; and
 - (5) materials and assistance are provided in multiple languages reflective of the County's population.
- (d)] The Workforce Development Corporation's Board and staff must meet with the Executive, the Council, and the Workforce Development Board at least annually regarding the Workforce Development Corporation's activities and finances.

* * *

30B-14. Report.

The Workforce Development Corporation's Board of Directors must report annually on the activities and finances of the Corporation and provide an audited financial statement of the Corporation to the Executive, the Council, and the Workforce Development Board by November 1 of each year. The report must also include[[:

- (a)] the Corporation's plan to solicit and receive additional public and private funding for its operations[; and
- (b) information on the microlending program including:
- (1) the number of microloans issued during the prior fiscal year by dollar value of the loan;
 - (2) a description of the how each loan was used;
 - (3) loan repayments received;
 - (4) the rate of repayment; and
 - (5) non-County funds leveraged to support the program]].




OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

March 1, 2017

TO: Roger Berliner, President
Montgomery County Council

FROM: Isiah Leggett 
County Executive

SUBJECT: Bill 49-16, Economic Development – Workforce Development - Microlending Program

Thank you for sharing your proposed amendments to Bill 49-16 to establish a microlending program. These amendments are reflective our suggested changes. We are pleased to support this approach.

First, we support the change of designating the Montgomery County Economic Development Corporation as the lead agent in charge of this program rather than WorkSource Montgomery, whose primary focus is on growing talent rather than enterprises.

In addition, we agree that a microlending program should be part of a comprehensive microenterprise development strategy, which was recommended in the Council-adopted Comprehensive Economic Strategy. We believe a more comprehensive approach in partnership with the existing business support network is called for to ensure the success of this microlending program as an economic development tool.

Thank you for your efforts to grow Montgomery County's microenterprises.

IL/lq

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