

Lead Agency: Non-Departmental - All

Program Contact: Warren Fish

Program Offer Type: Innovative/New Program

Related Programs:

Program Characteristics: One-Time-Only Request, Out of Target

Executive Summary

This program offer funds \$75,000 in small business microlending to a Multnomah County focused non-profit partner with an active microlending program. The county's \$75,000 commitment finances a loan loss reserve, leveraging additional outside bank or U.S. Small Business Administration capital up to \$425,000, for a net impact of up to \$500,000. This program will provide 50 to 75 small and start-up business clients located in Multnomah County access to loan capital, financial education and training, and other support services. By lending to small business clients who are otherwise unable to access business financing, the county's investment in this program creates jobs and opportunities for underserved populations.

Program Description

Many small businesses and new start-ups in our community lack adequate access to credit. While banks provide loan capital to the most credit worthy borrowers, many small and start-up businesses in our community cannot meet the necessary criteria to access traditional bank financing. In addition, County residents interested in starting or expanding small business ventures often lack specific business skills, necessitating that training & support be paired with the loan. Microlending organizations (which compete with credit cards, loans from family and friends, and even with disreputable 'loan sharks') fill this borrowing gap. In addition, the microlending programs currently active in Multnomah County do not have an adequate capital base to serve more than a small fraction of their potential clients.

Microlending Programs have had a strong and growing presence in Multnomah County, in the United States, and around the world over the past 20 years. The service provided by this program offer awards \$75,000 to one Multnomah County focused Microlending organization, via competitive procurement, to fund a loan loss reserve. This loan loss reserve will enable the selected Microlending organization to obtain up to an additional \$425,000 in outside capital. This net \$500,000 in new loan capital, enabled by County one-time funding, permits a significant ramp-up of lending to microenterprises (and attendant job creation) in Multnomah County.

By improving small and start-up business access to capital and by coupling that financial support with intensive training and support services, this program makes available opportunities for entrepreneurship and self sufficiency. Small business support services provided by local microlending institutions include: business plan writing, cash flow projections, accounting and marketing training, and ongoing business coaching and counseling. This program offer itself does not fund training and support directly, but it will enable additional business owners to access those services by increasing available microloan capital by up to \$500,000. The loan loss reserve funded by this program offer shall make up no less than 20% of the total new funds enabled by this funding stream. The U.S. Small Business Administration's (SBA) Microlending Program requires a 15% loan loss reserve in order to obtain capital at a heavily subsidized interest rate. Bank and Community Development Financial Institution loan loss reserve requirements for microlending vary widely. The SBA typically awards funds for microlending business support services in conjunction with grants of SBA loan financing.

Performance Measures

| Measure Type | Primary Measure | Previous Year Actual (FY09-10) | Current Year Purchased (FY10-11) | Current Year Estimate (FY10-11) | Next Year Offer (FY11-12) |
|--------------|----------------------------------------------------------------------------------|--------------------------------|----------------------------------|---------------------------------|---------------------------|
| Output | Number of Microenterprises served | 0 | 0 | 0 | 50 |
| Outcome | Dollars leveraged by loan loss reserve | 0 | 0 | 0 | 425,000 |
| Outcome | Percent of clients served at or below 60% of regional median family income (MFI) | 0.0% | 0.0% | 0.0% | 25.0% |

Performance Measure - Description

Legal/Contractual Obligation

None.

Revenue/Expense Detail

| | Proposed General Fund | Proposed Other Funds | Proposed General Fund | Proposed Other Funds |
|-------------------------|-----------------------|----------------------|-----------------------|----------------------|
| Program Expenses | 2011 | 2011 | 2012 | 2012 |
| Contracts | \$0 | \$0 | \$75,000 | \$0 |
| Total GF/non-GF: | \$0 | \$0 | \$75,000 | \$0 |
| Program Total: | \$0 | | \$75,000 | |
| Program FTE | 0.00 | 0.00 | 0.00 | 0.00 |
| Program Revenues | | | | |
| Total Revenue: | \$0 | \$0 | \$0 | \$0 |

Explanation of Revenues

This program is funded with one-time General Fund Resources.

Significant Program Changes**Last year this program was:**

This is a new proposal for FY 2012.