

MOTION BY SUPERVISOR HILDA L. SOLIS

September 10, 2019

Creation of a Countywide Microloan Program

In October 2018, the Los Angeles County (County) Board of Supervisors (Board) approved the motion "Implementation: Curbing the Impact of High-Cost Loan Products." That motion directed the Department of Consumer and Business Affairs (DCBA) along with other departments and offices to explore and develop alternative lending products for communities that are impacted by high-cost lenders and those that have limited access to secure and safe lending opportunities. While these alternative products are intended for a wide array of consumers in low- to moderate-income communities, micro and small business enterprises also have a distinct need for secure and affordable lending products.

In economically disadvantaged communities, the need for these lending products is greater, given limited employment opportunities with livable and family-sustaining wages. Individuals often turn to entrepreneurial endeavors, but without ample culturally and linguistically appropriate business development support, including access to capital from traditional lending sources, businesses can struggle and not reach their full

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potential.

As the County increases its capacity and builds a strategic vision on economic development, there are immediate opportunities that have been tried and tested. One of these opportunities is the creation of a microloan program. Microloans, as a tool within a broader sustainable economic development strategy, have the potential to help strengthen locally-owned and operated small businesses, improve economic opportunity for residents and businesses in surrounding communities, and increase the provision and retention of jobs. A 2013 borrower survey conducted by the Opportunity Fund and Accion U.S. Network in partnership with the Aspen Institute's FIELD Program found that:

- *Nationwide, over 54 percent of survey respondents reported having employees, indicating that microloan recipients are key contributors to job creation throughout America. Of the businesses reporting employees, the average number of jobs supported was 5.6.¹*
- *Even in times of economic turmoil, microloan recipients run sustainable businesses. Over 97 percent of survey respondents reported that their businesses were open one-year post loan. In addition, 43 percent of microloan recipients reported seeking a loan for business growth purposes.²*

Pacific Asian Consortium for Employment (PACE), a local non-profit entity which administers a microloan program, assisted a total of 644 businesses (204 new businesses started and 440 existing businesses stabilized/expanded) in 2017-18. PACE found that during that year's programming, on average, for every \$16,000 funded/loaned, a business generated approximate net revenue of \$172,000 or gross revenue of \$188,000. As a result of access to capital, supplemented with one-on-one counseling, business

¹ "U.S. Microfinance: Small Loans, Big Results MicroTracker Outcomes Study for the Accion U.S. Network and Opportunity Fund." <https://www.opportunityfund.org/assets/docs/US%20Microfinance%20-%20Small%20Loans.%20Big%20Results.pdf>.

² Ibid.

development training and financial and consumer education, approximately 416 jobs were created and/or retained. PACE also found that federally funded programs like the ones they administer are successful but can be restrictive, and not all those who apply qualify, indicating the need for a diverse source of funds to reach a broader segment of potential borrowers. The County is positioned to consider adding microloans to its set of economic development strategies.

I, THEREFORE, MOVE that the Board of Supervisors also acting as the Board of Commissioners for the Los Angeles County Development Authority (LACDA), reassign the directives indicated in Board Order Nos. 1-D and 5 of March 19, 2019 as follows:

- 1) Instruct the Director of Consumer and Business Affairs (DCBA) and the Chief Executive Officer (CEO), or their designees, in collaboration with the Center for Strategic Partnerships to research, design, and present recommendations and an implementation plan for a countywide microloan program that is inclusive and accessible to a wide range of existing or new entrepreneurs, in particular communities that are economically underserved. Recommendations shall be developed using a stakeholder process, which includes philanthropy, the private corporate sector, community-based entities, and mission-driven financial institutions with experience working with underserved and high priority communities whose entrepreneurs and micro and small businesses confront barriers to accessing capital. Recommendations shall include, but not be limited to:

- a. Examples of existing County pilot programs and countywide initiatives underway to support and strengthen micro and small business development;
 - b. A map and description of areas where there is a need for such products based on economic indicators utilizing the County's Equity Indicators Tool and Locate LA County among other possible tools and indicators;
 - c. Opportunities and a plan(s) for integration with existing County-led initiatives, policies, and programs geared towards economic and workforce development;
 - d. An inventory of diverse sources of funding with an emphasis on limited use restrictions that maximizes flexibility in loan term, structure, repayment, and use of proceeds in order to reach a broader set of potential borrowers; and
 - e. Report back in writing to the Board within 180 days.
- 2) Authorize the Director of the DCBA and/or the CEO, or their designees, to enter into an agreement with a consultant(s) as needed; and
 - 3) Upon approval of the recommendations, direct the CEO to evaluate funding needs associated with the proposed microloan program during and within the context of the overall 2019-20 budget.

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