



Legislation Text

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Entrepreneurial Micro-Credit Program (B)

This is a request for the General Policy Committee to review a proposed Entrepreneurial Micro-Credit Program.

As part of the City's FY '18 budget, a small business loan seed money fund was established in the amount of \$80,000. For the past several months, staff has been meeting with stakeholders interested in the implementation of this program and staff would like to introduce a preliminary structure for the Commission's consideration.

Access to capital has always been a challenge in the entrepreneurial community, especially for those coming from adverse economic backgrounds. Gaps exist in achieving the needed means to get a proposition from concept to actual production and ultimately revenue generation.

The State of Florida has recognized this challenge and has addressed the implementation of micro-finance programs in State Statute (Chapter 288, 288.993-288.9937) and provided funding for these efforts as well.

Locally, the University of Florida's Entrepreneurship & Innovation Center has instituted a program, the Gainesville Entrepreneurship and Adversity Program (GEAP) that is designed to help empower those who currently find themselves in adverse circumstances to achieve a means of making a living through the creation and development of their own businesses.

The core goal of this program is to empower those who are economically disadvantaged and to alleviate poverty in the Gainesville community. This core goal is aligned with the City's strategic initiative regarding support for a strong economy emphasizing job diversity, entrepreneurship and small business vitality.

In addition, this core goal is ubiquitous in that it is the mission of other stakeholders interested in achieving these outcomes for their constituencies in various segments of the local economy.

Analysis for Consideration

There are different approaches to the structure of a Micro-Lending program and several models have been identified and researched as attached in Table 1. A summary of detailed questions/variables guiding a proposed Gainesville Micro-Credit structure are outlined in Table 2.

The Entrepreneurial Micro-Credit Program structure proposed in the attached Table 3 is in keeping with Microfinance Lending Model 2: Bank Guarantees, and would use the City's funding to provide a loan loss reserve in partnership with a local financial institution (s) and would therefore not be accessed unless a borrower defaulted. The local financial institution (s) would underwrite and make loans and an intermediary, likely a Committee comprised of existing entrepreneurial oriented non-profit institutions in partnership with the City and other relevant parties would work with qualifying entrepreneurs in order to prepare them for a loan recommendation to the partnering financial institution(s).

The financial institution would make final decisions on granting loans and final terms and then would make

loans utilizing its funds with the City's funding to be utilized as a backstop for any potential defaults.

The intermediary would continue to work with the entrepreneur via training/mentoring activities and track progress on business development and the financial institution would track repayment behavior and inform the intermediary of any potential problems.

Staff is seeking Commission input & discussion on the following:

1. Is the proposed structure consistent with the Commission's vision for this type of effort?
2. What should City's role be with respect to the program? Limited or active?
3. Does the Commission have any insight into program details (role/composition of the intermediary, magnitude of loans, target market, financial institution outreach, etc.)?
4. In terms of the financial institutions what types of entities does the Commission wish staff to reach out to? (staff needs to reach out to Purchasing and the City Attorney's Office to determine appropriate procurement requirements)
5. Should the program be open to additional funding through outside philanthropic funding?
6. Should there be a grant component to the program?

A small business loan seed money fund was established in the amount of \$80,000 in the FY '18 budget.

The General Policy Committee: 1) endorse the general structure of the Entrepreneurial Micro-Credit Program as outlined; 2) direct staff to continue working on program details with identified stakeholders; and 3) bring back a final program to the City Commission for approval.