



April 13, 2021

Albemarle Economic Development Authority
401 McIntire Road
Charlottesville, VA 22902

Dear Albemarle EDA Members:

Thank you for your time to update the Albemarle Economic Development Authority (EDA) on our program this month. As I hope we will continue to demonstrate, microenterprise development is a proven and powerful economic driver for local communities. We wish to continue to build on our partnership with Albemarle County and the Albemarle EDA and request \$25,000 to support our operations in support of Albemarle microbusinesses in the coming year.

In 2019, we had outlined a three year opportunity to increase the Albemarle microloan fund to \$60,000. While acknowledging the EDA does not make multi-year commitments, we had requested support for 2019 for \$25,000 (\$15,000 loan funds, \$10,000 operating support) with the intention of returning in 2020 and 2021.

The COVID-19 pandemic led us to scale our efforts much more quickly than we would have planned. The original Albemarle microloan fund currently stands at \$30,000. In 2020, Albemarle County made a separate \$200,000 investment in the Business Recovery Fund last year to provide working capital to 20 businesses impacted by COVID-19. CIC was able to leverage that support, along with the City's investment in the program to secure a \$300,000 program related investment from a private foundation. Altogether, the Business Recovery Fund made \$554,790 in loans in May and June of 2020. Those loans were made at 1% to make them incredibly affordable and flexible for borrowers facing the impacts of the pandemic. That subsidy was not funded and will cost CIC approximately \$60,000 (\$21,000 from Albemarle businesses) in revenue over the three year terms of the loans.

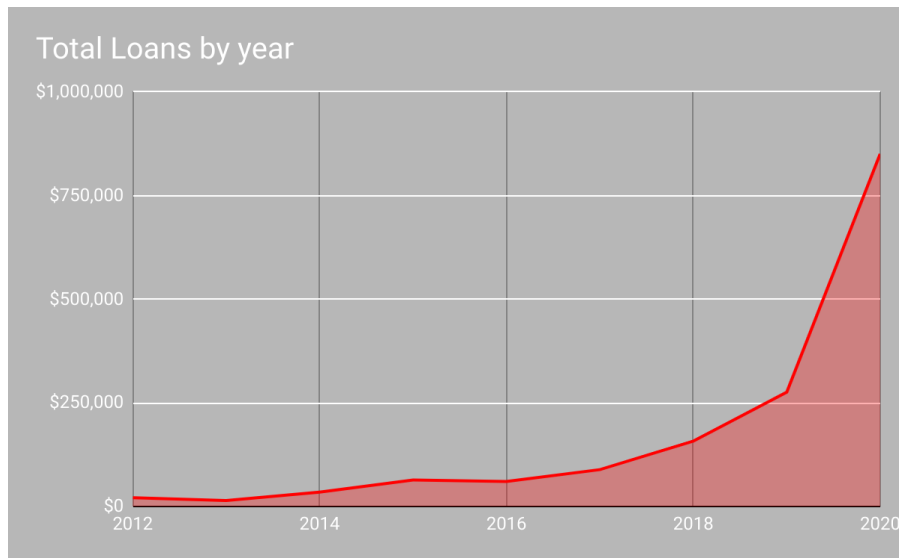
The current intention is that the \$200,000 in Albemarle funds in that program will ultimately revert to be used as microloan funds for Albemarle businesses. As a result, our request this year is not to increase the loan fund, but to help us sustain this larger operation. In less than 18 months, CIC has deployed over \$1 million in loans in the region, including \$446,074 to Albemarle businesses. The original \$30,000 Albemarle microloan fund is consistently deployed, and we anticipate being able to consistently deploy the additional funds through the Business Recovery Fund on an ongoing basis. We now have 120 outstanding loans that we manage month to month, including 42 Albemarle businesses.

Beyond our loan fund, we expect 20-25 participants to be from Albemarle County and 15-20 of them to qualify for a scholarship to participate in our program. These scholarships are typically \$625 per participant. Even for those who can afford to pay our full tuition (\$750), that does not cover the cost of running the program. Your support for these programs will help us sustain and grow our service to Albemarle microbusinesses.

In January of this year, we received our certification from the U.S. Department of Treasury as a Community Development Finance Institution (CDFI). We are certified as serving businesses in our region who are either owned by individuals below the area’s median (low to moderate income household) or African-American owned businesses. That means that going forward 60% of our loans and loan dollars must serve those populations. Historically, that number has been over 80%, with the exception of the Business Recovery Fund loans last year.

Our CDFI status will allow us to secure additional funds to continue growing our program. With those funds, we will be looking to provide more loan options as well as potentially increasing the maximum for our loans to at least \$50,000. We believe there is still a significant gap in the market that banks do not regularly fill.

Our loan program has grown rapidly in the two year from \$157,000 originations in 2018 to \$257,000 in 2019 to over \$850,000 in 2020. This year we have already approved \$100,000 in new loans. The chart below shows our loan program growth.



We currently have loan capacity approximately \$244,000, with nearly \$150,000 of being funds being deployed as part of the Business Recovery Fund.

Below is a description of the current status of these funds:

| <u>Loan Fund</u> | <u>Total Fund</u> | <u>Loans Out</u> | <u>Loans Committed</u> | <u>Albemarle Eligible</u> |
|------------------|-------------------|------------------|------------------------|---------------------------|
| Charlottesville | \$19,324 | \$38,854 | | NO |
| City BEF | \$195,000 | \$103,085 | | NO |

| | | | | |
|--------------|--------------------|------------------|-----------------|-----|
| City BEFR | \$60,000 | \$50,985 | | NO |
| Albemarle | \$30,000 | \$53,402 | | YES |
| CACF | \$25,000 | \$42,303 | | YES |
| General | \$25,000 | \$29,255 | | YES |
| Fluvanna | \$40,707 | \$13,348 | | NO |
| USDA RDBG | \$195,000 | \$150,650 | | YES |
| PHA CDBG | \$63,158 | \$26,641 | \$35,000 | YES |
| PHA USDA | \$32,113 | \$15,725 | \$15,000 | YES |
| BRF | \$600,000 | \$466,596 | | YES |
| TOTAL | \$1,285,302 | \$990,844 | \$50,000 | |

**Funds that are over capacity are a result of loans existing before 2019 when multi-fund tracking was not yet available. Funds are supplemented by other funds where the business is eligible or reserve funds when necessary.*

We anticipate that our CDFI certification will allow us to access an additional \$150,000 in Rapid Response Funding for loans through the December federal stimulus package. Additionally, we are seeking to increase our loan fund by an additional \$338,000 from a competitive application to the CDFI fund this spring.

Of our total lending to date, we had losses of \$15,300 (0.95% of total loan fund). We maintain a 15% loan loss reserve against all outstanding loans.

We appreciate the partnership with Albemarle County to work towards advancing the County Economic Development Strategic Plan, Project Enable. CIC can play a contributing role in several goals in the plan including:

- Goal 1: Strengthen Existing Business Retention And/Or Expansion (BRE) To Help Existing Businesses Goal Be Successful
- Goal 4: Seek Private Investment To Further The Public Good
- Goal 6: Lead External Efforts To Create Strategic Partnerships With Economic Development Institutions

CIC's model is built on four pillars:

1. A focused and effective business-education program
2. Start-up and ongoing micro-financing to qualified graduates
3. Extensive mentoring, peer discussions, and ongoing support
4. Networking within and across the community

Operational since April 2012, we have completed thirteen classes of our entrepreneurship workshop, graduating 438 entrepreneurs, including 118 from Albemarle County. Our workshop helps our clients determine the viability of their business idea and learn the basics to run a successful business.

Our clients are under-resourced members of the community who have the drive and motivation to start or expand their own businesses, but experience barriers in accessing the capital, knowledge and networks necessary for success. They include but are not limited to: low to moderate-income individuals, women, minorities, and previously incarcerated individuals. While we do not currently track actual Small Women and Minority (SWaM) business registrations, over 90% of our clients would qualify for such registrations. We have worked with the City of Charlottesville Office of Economic Development, UVA Procurement, and the Virginia Department of Small Business and Supplier Diversity to help business owners complete these registrations. We are able to assist Albemarle businesses through this process.

As the effect of strong businesses on the vitality and livability of our community multiplies, individual entrepreneurs contribute significantly as self-supporting members of the community. They become powerful role models for their children, friends and neighbors as they similarly gain confidence and hope.

To date, CIC has made 172 micro-loans totaling \$1,653,431. CIC entrepreneurs have launched 96 new businesses, expanded another 169 and have another 53 still under development. These businesses have created 203 full-time equivalent jobs. **For every dollar invested in CIC, our clients' businesses have generated \$5.65 in wages from new jobs.**

CIC is committed to enhancing our community one entrepreneur at a time by building on known best practices and forging connections across our community in innovative ways. Together, we can work to strengthen the entrepreneurial ecosystem for under-represented members of our community.

We sincerely thank the Albemarle Economic Development Authority for consideration of our request, and we would welcome an opportunity to discuss this request at a future meeting.

Sincerely,



Stephen Davis
President

Cc: Jennifer Schmack