



# CITY OF LONG BEACH

# C-16

DEPARTMENT OF ECONOMIC DEVELOPMENT

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August 7, 2018

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Authorize the City of Long Beach to become a Kiva Trustee and facilitate the access of zero percent interest, no-fee microloans for local small businesses. (Citywide)

## DISCUSSION

On November 7, 2017, the City Council approved a recommendation directing the Economic Development Department (ED) to work with the Los Angeles Local Initiatives Support Corporation (LA LISC) and the Long Beach Community Foundation (LBCF) to establish Long Beach as a "Kiva City." Kiva is an international nonprofit organization that manages an online crowdfunding platform that enables entrepreneurs and small businesses to access zero percent interest, no-fee microloans ranging between \$500 to \$10,000. Kiva aims to assist local entrepreneurs to lower the cost of capital, expand access to capital, and connect with a global community of lenders. Unlike a traditional commercial loan underwriting process, Kiva loans are approved in part through "social underwriting" where character and trustworthiness are determined by friends and family lending a portion of the loan request, or by an approved Trustee vouching for the borrower. Other factors, such as business revenue, loan description and amount requested, and online presence are also considered during the loan approval process. Kiva makes the final decision on whether a loan is approved.

Through the partnership with LA LISC, the Kiva Program provides dollar for dollar matching funds for borrowers in the City of Long Beach (City) that are endorsed by a local Kiva Trustee. Trustees are people or organizations that publicly vouch for entrepreneurs through social underwriting for a Kiva loan. Under the terms of the Kiva program, Trustees have no financial or legal liability for loans they endorse. Additionally, individual lenders have no guarantee of payment.

Kiva Trustees are typically either nonprofits, business incubators, business improvement districts, a chamber of commerce, university programs, government agencies, or other community-based organizations. The role of Trustees generally includes: identifying businesses and entrepreneurs who would benefit from a Kiva loan, evaluating potential borrowers, and helping support borrowers throughout the Kiva process.

The Long Beach Kiva Program currently has ten Trustees, which include: ABC Black Foundation, Bixby Knolls Business Improvement Association, California State University, Long Beach Institute for Innovation and Entrepreneurship, Downtown Long Beach Alliance, StartItUp, United Cambodian Community, Valley Economic Development

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Center, World Famous VIP Business and Media Incubator, Zaferia Business Association, and Ironfire.

While the Long Beach Trustee network is growing, there are still many entrepreneurs and businesses that are not affiliated with a local Trustee, which limits their ability to access a higher-level of technical assistance and dollar for dollar matching funds. To increase access to technical assistance and matching funds, it is recommended that the City become a Kiva Trustee, which will empower the City to socially underwrite, or endorse, borrowers as they work through the Kiva loan approval process. There are no financial liability or costs to the City associated with becoming a Trustee and no City funds will be involved in funding loans. As a point of reference, by becoming a Trustee in 2014, the City of Oakland has helped, through endorsements, to fully fund 81 Kiva loans totaling \$501,950.

Upon approval of this recommendation, ED will designate the existing Economic Development Commission Revolving Loan Subcommittee (Subcommittee) as responsible for reviewing prospective loan applications and evaluating criteria of potential borrowers. The Subcommittee will ultimately provide the recommendation for the City's Kiva Trustee endorsement, with finalized approval from the Director of Economic Development.

This matter was reviewed by Deputy City Attorney Amy R. Webber on July 18, 2018 and by Budget Analysis Officer Julissa José-Murray on July 12, 2018.

TIMING CONSIDERATIONS

City Council action is requested on August 7, 2018.

FISCAL IMPACT

There is no fiscal or local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JOHN KEISLER  
DIRECTOR OF ECONOMIC DEVELOPMENT

APPROVED:

  
PATRICK H. WEST  
CITY MANAGER