



Legislation Text

File #: 17-1004, **Version:** 1

Recommendation to request City Manager to direct the Economic Development Department to work with Los Angeles Local Initiatives Support Corporation and the Long Beach Community Foundation to establish Long Beach as a "Kiva City"; and

Increase appropriations in the General Fund (GF) in the Economic Development Department (ED) by \$25,000, offset by the First, Fifth, Sixth and Ninth Council Districts one-time infrastructure funds transferred from the Capital Projects Fund (CP) in the Public Works Department (PW) to support the hiring of a new, temporary part-time staff member.

Long Beach is home to diverse communities and economies with more than 9,800 small businesses, employing nearly 100,000 people. Small businesses employing less than 10 employees account for 86.8% of all Long Beach businesses, excluding home-based businesses and commercial and residential property licenses. Small businesses are the backbone of our economy, creating two out of three net new jobs in the U.S. and, often employ the most vulnerable groups in the workforce. The availability of capital is crucial for small business startup, survival, and growth. Yet one of the biggest challenges facing small business owners and entrepreneurs, especially women and minority-owned businesses, is the inability to access capital.

The Problem

For many Long Beach entrepreneurs who dream of starting their own business, options for accessing capital are limited, or non-existent. They are among the vast majority of financially excluded individuals in the U.S. who are stuck in low-wage jobs and unable to launch or grow their businesses.

While large companies frequently raise capital through debt and equity markets, small businesses regularly finance their ventures with commercial bank borrowing. However, despite improving economic conditions in recent years, levels of bank lending to small businesses remains stagnant. Banks approve just two in ten small business loan requests, forcing entrepreneurs to find other, more costly sources of capital to grow their businesses. The precipitous drop in bank loans had the effect of more than doubling nonbank lenders' market share. This type of lending typically offers short-term loans at six to seven times the interest of a bank loan. Unable to access traditional bank loans, small businesses also nearly doubled the amount of money they charged on credit cards.

The Opportunity

In alignment with recommendations 1, 3, and 7 of Long Beach's Economic Blueprint Economic Inclusion Objective, to increase access to capital for small businesses and entrepreneurs, Long Beach should consider supporting alternative options to lending by becoming a "Kiva City". Kiva, a non-profit, innovative online microfinance platform, works to expand access to financial services for small business owners who have the dream and potential, but are locked out of traditional commercial loans. Using the Kiva platform, borrowers can apply for crowd-funded loans of up to \$10,000 with a 0% interest rate. Kiva borrowers are typically entrepreneurs who cannot qualify for more conventional business financing due to poor credit, time in business, or little financial collateral.

To date, there are 16 cities across the U.S. with the "Kiva City" designation. Since 2005, Kiva has crowd-funded more than 2.4 million loans, totaling over \$1 billion. With a global repayment rate of 97%, the Kiva platform has attracted a community of over 1.6 million lenders from 180 different countries.

While Kiva's platform can currently be utilized regardless of the city's designation, communities with a local Kiva initiative typically fund eight to ten times as many small business loans as those with no full-time efforts to leverage Kiva's platform.

To maximize Kiva's platform, it is recommended that a part-time, non-career employee be hired to work on the following:

- Provide support to City staff regarding the Kiva Platform;
- Attend Kiva trainings as needed;
- Market and promote the program;
- Recruit and train Kiva borrowers to use the Kiva lending program;
- Help set-up other Kiva Trustee partners within the City;
- Provide annual or semi-annual training to Kiva Trustee partners and the City of Long Beach;
- Provide one-on-one support to help organizations identify and bring forth strong Kiva borrowers; and
- Fundraise for a match that meets Kiva terms (0% interest, 0% fees, no credit score).

Providing Long Beach entrepreneurs and small business owners with inclusive access to capital options is a key component of the "Everyone In" economic inclusion initiative, and places Long Beach on a path to build a more equitable and sustainable economy by growing good jobs and providing more pathways for economic opportunity.

The total appropriation increase of \$25,000 in the General Fund (GF) in the Economic Development Department (ED) is offset by a transfer of \$6,250 from each of the First, Fifth, Sixth and Ninth Council Districts one-time infrastructure funds in the Capital Projects Fund (CP) in the Public Works Department (PW).

Approve recommendation.

VICE MAYOR REX RICHARDSON
NINTH DISTRICT

COUNCILWOMAN LENA GONZALEZ
FIRST DISTRICT

COUNCILWOMAN STACY MUNGO
FIFTH DISTRICT

COUNCILMAN DEE ANDREWS
SIXTH DISTRICT