

## El Paso Aspire Solution

### **Page 1:** The Hub of Human Innovation *Capacity (1 page maximum)*

1. **Organizational Background:** The Hub of Human Innovation, located in downtown El Paso, opened its doors in early 2011. Since that time we have worked closely with 55 companies, and hosted or co-hosted 103 workshops, trainings and networking events that have benefited over 4,400 individuals. We are actively creating a strong, vibrant innovation community, and making entrepreneurship possible for individuals who have the perseverance to take an idea from dream to market.

As the only startup incubator in El Paso, The Hub works with entrepreneurs along the whole continuum from ideation, to business launch, to acceleration and growth. Although we have not previously delivered entrepreneurship training to formerly incarcerated individuals, The Hub is well positioned to do so with our core competency of equipping entrepreneurs with the skills needed to start and operate a successful business, and supporting those individuals through a clearly defined and rigorous classroom experience, coupled with individualized business support, one-on-one mentoring, and critical connections. We have proven programs and the regional connections to mobilize entrepreneurs and access to capital resources that will reduce recidivism rates for returning citizens. Once an individual has served their sentence and paid his/her debt they should not have to repay that debt for the rest of their life. The Hub's proposed El Paso Aspire Solution will make re-entry easier for those who participate, thereby helping to make it better for their families and loved ones.

The proposed geographic service area for the program is the traditionally underserved greater El Paso region which includes far southwestern Texas and South-Central New Mexico on the U.S./Mexican border. The region is a blend of urban, suburban, and rural, encompassing an estimated population of 1.2 million on the U.S. side of the border with an average per capita income of just under \$19,000<sup>i</sup>. As of August 2015 there were 148,146 incarcerated individuals and 28,935 parole applications approved in the State of Texas<sup>ii</sup>. The number released in El Paso region is not available, however in the Federal system there currently are 1,168 individuals under supervised release or probation in the El Paso jurisdiction, of those 1,064 are non-violent offenders<sup>iii</sup>.

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### **2. Background of Management Team:**

**Joe Wardy** is President and CEO of The Hub. He is a serial entrepreneur, whose initial venture was acquired by United Parcel Service in 2000. Joe has counseled and mentored entrepreneurs during his whole career. He understands the difficulty of starting a company from scratch. He has a degree in finance and management and for the past 40 years he has been active in numerous community and industry organizations at the local, state and national levels.

**Nancy Lowery** is Assistant Director of The Hub. She has been working with entrepreneurs to advance their business development and to promote entrepreneurship and innovation for the past 10 years. Her expertise is in startup operations/management. She is a certified Customer Discovery and Business Model Canvas instructor.

**Ernesto Gamboa** is Principal of Gamboa Ventures. He has extensive experience in developing startups, which he has done for the last 12 years. As a founding employee of a technology startup he oversaw the development, construction and commissioning of a \$3 million pilot plant. He also served as a consultant to the Camino Real Angels Investment Network. As such he understands not only startup development but also the nuances of access to capital. Ernesto has taught entrepreneurship at UTEP and management at the University of Phoenix. He has direct experience with the criminal justice system.

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### ***Pages 2-3: Entrepreneurial Education Delivery Solution (2-page maximum)***

1. **Participant Recruitment Plan:** The Hub's El Paso Aspire Solution pilot will target individuals under Federal Supervised Release, specifically individuals in the first year of release which is the most critical period for formerly incarcerated individuals to gain economic mobility and self-sufficiency to prevent recidivism. The National Institute of Justice has found that 1 year after release, up to 60% of formerly incarcerated people are not employed<sup>iv</sup>. However business formation as a tool for economic mobility and self-employment for the formerly incarcerated will help combat that situation and reduce recidivism.

Upon launch of the El Paso Aspire Solution we would request USPO's input to identify individuals under supervised release appropriate for entrepreneurship training based on a series of characteristics including but not limited to motivation, openness to change, determination/grit, and coachability. We can work people through the viability of a startup idea and teach business skills but we cannot teach drive or work ethic.

Additionally, as we developed this Aspire Challenge submission we have found that previously incarcerated individuals self-identify when looking for business development and/or career assistance from our colleagues in the region. Given that we would utilize our network, including colleges, banks and alternative funding entities, SBDC, Workforce Development and others, as an additional mechanism for outreach and recruitment.

2. **Classroom Instruction:** The Hub Has a proven strategy for entrepreneurship education and growth that incorporates the following components: Shift Entrepreneurial Training, Startup Seminars, Meet the Expert Panels, and Entrepreneur Engagement Networking Opportunities, coupled with one-on-one consulting and individual mentoring. We propose taking this proven strategy and offering it to returning citizens.

Specifically **Shift** is an intensive, experiential, hands-on twelve week classroom program, in 3 hour blocks, designed for a group of 10 - 12 participants. The classroom experience is a combination of lectures, practical exercises and peer-to-peer feedback on participant's individual ventures. Shift training is followed by four months of individualized support/incubation. Every three weeks throughout the program participants receive a progress evaluation from team members and are also asked to evaluate themselves. We will host two cohorts during the project period, one starting at the beginning of the funding period and another at month five, taking what was learned from the first cohort to strengthen the program.

Shift training is based on cutting edge thought leadership and tools for startup development - e.g. Steve Blank's Customer Development Model<sup>v</sup>, Eric Ries' Lean Startup<sup>vi</sup> and Alexander Osterwalder's Business Model Canvas<sup>vii</sup>. Participants, utilizing their startup idea, learn and execute the entrepreneurial skills to:

- Develop and learn how to effectively communicate their startup idea
- Collect feedback information from potential customers to refine and validate their startup idea
- Build their value proposition
- Define their business model
- Understand their market, key resources, key partners, key activities, sales process
- Build an economic model and understand the financial metrics of their business
- Understand available financing options and how to access them
- Develop a business plan to submit to potential funders.

Shift classroom experience is supplemented by Startup Seminars, Meet the Expert Panels and Entrepreneur Engagement Networking. **Startup Seminars** focus in depth on foundational legal, financial, operational, leadership, and funding basics that provide entrepreneurs with a solid footing to build their business. These are directed toward early stage startups and are offered by professionals in the field. **Meet the Expert Panels** offer

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expert advice on a variety of topics that are crucial to a starting or growing a scalable company. In the past these have included bootstrap entrepreneurship, social media, IP protection, exporting, and eCommerce. The topics are defined by the needs of the cohort. Panels include sufficient time for Q&A and networking.

**Entrepreneur Engagement Opportunities** allow entrepreneurs to build their professional networks, learn from peers, and develop business relationships, thereby acquiring connections and skills that are critical to success.

In recognition of the individualized nature of entrepreneurship, one-on-one business development consulting and mentoring are a crucial components of the proposed Aspire program. Business development consulting starts in the first week of the program, and as soon as a business idea can be articulated participants are placed with a mentor. Mentoring is discussed in the section below.

In recognition of their achievement, all participants who successfully complete the El Paso Aspire Solution program will receive a Certificate of Graduation and participate in Aspire Pitch Day. This certificate serves as evidence to our returning citizens, and the community, that they have completed the Aspire Entrepreneurship Training Program and have the skills to become an entrepreneur. Pitch Day provides participants with an opportunity to pitch their business idea to their peers, the community, and potential lenders.

The initial 12 week classroom period is just the start of the El Paso Aspire Solution. Launching a successful startup is a long and difficult process, which is made all the more difficult by the previously incarcerated status of the participants. Business consulting and mentoring continues for at least four months after the participants graduate from the Aspire program - providing support as they address the day-to-day issues that arise when developing a business idea and pursuing capital, and growth and mature as entrepreneurs.

3. **Mentoring:** The Hub's overall premise is that successful entrepreneurs need the essential skills and knowledge required to create and grow a startup, a pivotal mentor relationship, and access to and understanding of capital resources. The Hub's mentor program is modeled on, and we were trained by, MIT's Mentor Venture Service<sup>viii</sup>. All cohort participants will be assigned a mentor, or a team of mentors, who will meet with them and help them work through the challenges of starting a business. During the initial 12 week classroom training mentors will meet individually with participants once a week either directly before or after the classroom experience. After graduation mentors and mentee work out a schedule based on need. Generally that is once to twice a month depending on the stage of business.

We currently have thirty nine mentors who volunteer their time to The Hub. These mentors are all experienced business people and entrepreneurs who understand what it takes to start a business. The development of strong mentor relationships is key to our work with all entrepreneurs. For example companies state:

"Negawatt has benefitted greatly ... Hub personnel have helped our company with key introductions to customers, business planning and mentoring. We are six months to a year ahead of where we would be if it were not for the Hub." Luis Lopez, NegaWatt Industries.

4. **Community Connections:** The Hub does not duplicate resources but partners with other organizations that work within the entrepreneurial ecosystem, such as El Paso Community College and the University of Texas El Paso, SBDC, Workforce, SCORE, FabLab, regional economic development entities, and chambers. For example SBDC has skill counselors who review business plans and financials. Workforce has professional training and work readiness classes that can be offered to participants based on their qualifications, and our banking and alternative funding partners offer workshops and seminars on developing creditworthiness, financial literacy, and financing alternatives. To maximize our impact, we actively seek out opportunities that will benefit program participants and refer them to these services, or bring them in house as needed.

### ***Page 4: Access to Capital (1-page maximum)***

One of the most critical, and certainly most challenging aspects of this program is the access to capital component. Without some form of readily available capital it is difficult to launch and sustain a business, especially through the startup phase. Therefore the proposed project focus on ensuring that participants have viable and sustainable business models, that they can articulate those models to potential lenders, and that they are ready to apply for funding. Additionally, we will work separately with lenders to ensure they understand the returning citizen population and are prepared to address their specific needs.

**1. Access to micro-lending:** The Hub of Human Innovation has deep connections with microlenders in the region, and has previously helped companies through the process of obtaining a loan. Microlenders serving the region are LiftFund, PeopleFund, and the City of El Paso Empowerment Zone Loan Program. None of these lenders currently have programs specifically designed for previously incarcerated individuals. However, in development of this project conversations with all three lenders and have resulted in an expression of interest in working with returning citizens.

For example, PeopleFund has applied to the SBA Microloan Program for previously incarcerated individuals and is currently negotiating with SBA to finalize this loan fund. They have assured us that once that funding pool is available they will supplement it with in house funds and be ready to underwrite microloans of up to \$50,000. The City of El Paso Empowerment Zone Loan Program is managed in house, and its criteria to determine eligibility would not prohibit an individual with re-entry challenges from being funded. Especially if that individual were also a veteran, one of their target populations.

The Hub frequently links individuals with microlenders and traditional lenders. Within the Aspire program participants will initially be briefed by microlenders in an Access to Capital Expert Panel. Microlenders and other capital asset individuals will be invited to the Aspire Graduation and Pitch Day as additional exposure to the new startups. Subsequently, one-on-one meetings will be arranged between participants, program team members, and the appropriate lender to discuss specifics of their business and the applicant's individual challenges.

**2. Connection to capital and funding opportunities:** It is part of the proposed program's mission to minimize the risk involved in lending to previously incarcerated individuals and to convince the community that taking a risk on returning citizens is a good bet.

Making connections is a large part of what The Hub does. We know that our programs are made substantially better by our network, and always strive to make sure that those we work with have access to that network. Therefore, before linking participants with individual lenders the Hub will work diligently to help them prepare and understand the process and the necessary paperwork. We will help participants create a solid business plan, and bring in extra reviewers, such as the SBDC to examine the business plan. As participants apply for loans we will work with them to make sure that their submission packet is complete and well thought out. We believe in being there at every step of the process and will pull in our region's entrepreneurial ecosystem as needed.

Finally, besides traditional lenders and microlenders, for many returning citizens the solution is help from a friend, family member or acquaintance. Even with the Aspire program this may still be the case, and as such we will work to ensure that returning citizens who participate in the El Paso Aspire Solution program will be seen as better risk.

**Page 5: Annex – Citations (1-page maximum)**

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<sup>i</sup> US Census Bureau. <http://www.census.gov/quickfacts/table/LFE041215/48141>

<sup>ii</sup> Texas Department of Criminal Justice. *Statistical Report, Fiscal Year 2015*. Pgs 18 – 34, 2016.

<sup>iii</sup> Direct information via email from US Department of Probation Regional Deputy Director.

<sup>iv</sup> Christian Henrichson and Ruth Delaney, *The Price of Prisons: What Incarceration Costs Taxpayers*. Vera Institute of Justice, 2012

<sup>v</sup> Steve Blank and Paul Dorf, *The Startup Owner's Manual: The Step-By-Step Guide for Building a Great Company*. K&S Ranch Press, 2012

<sup>vi</sup> Eric Ries, *The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses*. Crown Publishing Group, 2011

<sup>vii</sup> Andrew Osterwalder, Yves Pigneur, *Business model generation: A handbook for visionaries, game changers, and challengers*, John Wiley & Son, Inc. 2010.

<sup>viii</sup> See program description at <http://vms.mit.edu/>