

ARCATA ECONOMIC DEVELOPMENT CORPORATION
Re-Entry Entrepreneurship Program

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AEDC is a 501c3, a Community Development Corporation (CDC) and a Community Development Financial Institution (CDFI) whose mission is to provide loans and support to entrepreneurial, innovative business and community endeavors in the rural northern California counties: Humboldt, Del Norte, Siskiyou, Trinity, Mendocino and Lake. For the purpose of this program, we will focus on Humboldt County, population 134,623.

AEDC's primary service is providing access to capital with terms that allow for more risk tolerance and term flexibility with funding from a variety of sources including the SBA Microloan program. AEDC also works on economic development initiatives like the Comprehensive Economic Development Strategy (CEDs) for the county, seeks solutions to housing issues, worked to help family child care providers upgrade their facilities and has run Individual Development Account programs for low to moderate income business owners. Through the IDA program, AEDC managed 5 business cohort programs in partnership with the SBDC, with 92% of our participants completing their training through to a business plan. Through the First Five Childcare IQ program, our lenders worked with clients who were completely unfamiliar with the lending process. Childcare providers applied for SBA Microloans up to \$5,000. When their improvements were deemed appropriate, First Five paid off the loan. We made 10 loans through that program. Nine were reimbursed. One repaid on her own.

Being in Humboldt County also positions AEDC well to offer the Re-Entry Entrepreneurship Program (REEP). Economic development organizations work seamlessly to support entrepreneurs from pre-venture, to technical support to financing. According to Dennis Mullins from Labor Market Information Data at the Employment Development Department, entrepreneurs are significantly more common in Humboldt than the rest of California at 20.3 percent of total jobs in 2015, compared to 17.6% and 16% respectively. Humboldt County Office of Education has incorporated entrepreneurship in their Decade of Difference initiative to create a ready and willing workforce by offering programs from elementary school through high school. Even a large segment of our crime has an entrepreneurial focus, with cannabis arguably being the largest industry in Humboldt. Many of our ex-offenders have come from this industry and have transferrable skills for use in a legitimate industry if given the opportunity. We have amassed a quality group of business mentors through various projects and value "coopetition" where industries share resources to reinforce the whole industry.

The administrative management team will include:

Susan Seaman, AEDC Program Director – Seaman has been doing outreach and program management at AEDC for 10 years, and outreach in Humboldt County for 25. She has managed two Assets for Independence Grants from the Department of Health and Human Services to run 10 business cohort groups through a savings match program.

Lynette Mullen, REEP Coordinator -- Mullen is an independent contractor and most recently lead the effort to promote the Humboldt Second Chance Program (H2CP) for ex-offenders. Mullen is a former Community Outreach and Education Coordinator for the Humboldt County District Attorney's office and currently works part time as the City of Eureka's Homeless Services Program Manager. These experiences have allowed her to cultivate strong relationships with the partners that will be key in recruiting program participants.

Recruitment Plan AEDC will utilize relationships with law enforcement and social service agencies to reach out to our potential clients who are on probation or parole. In addition, we will work closely with the County of Humboldt who has identified and begun outreach to this population for their AB2060 grant to provide ex-offenders with workforce opportunities. They have already recognized that several of their participants are more suited to entrepreneurship and would like to have another opportunity for them to be successful. Finally, many of our homeless community are ex-offenders who have not been able to successfully re-engage in society because of the barriers to finding employment and housing. We will work closely with the various homeless advocacy programs to identify potential participants, as well.

Guide participants to Explore Entrepreneurial Interests We would like to start our first cohort training in August, which would require a hard recruitment in April through June. We will work with the Programs Officer in Humboldt County jail, probation and parole and homeless programs to offer pre-venture, ideation programs to get ex-offenders considering entrepreneurship as an option. The workshops will be adapted from curriculum developed for the Humboldt County Office of Education's entrepreneurship programs, including Crafting Up Business and the Innovate Business Challenge. During the events, we will examine the skills and the interests of the participants. It will also use ideation activities that help generate potential business ideas. Participants will not need a clear business idea to start the program, but these workshops will help them enter the program with an entrepreneurial focus (i.e. working outside, selling a product, working with computers etc.)

Recruitment partners will include: Humboldt County Office of Economic Development, Humboldt County Probation Department, Humboldt County Sheriff's Department, Community Correctional Partnership, the Department of Health and Human Services, Eureka Rescue Mission, Betty Kwan Chinn Outreach Center and the Eureka Police Department.

Classroom Instruction and Counseling This program will be run much like our IDA cohort groups. Classroom instruction will be two equally important pieces of the training, financial literacy and small business training. The six month program should allow for two cohort groups with a minimum of 10/maximum 20 participants each.

Financial Literacy Training -- Financial literacy training and counseling will be handled by Charlie Heinberg, senior consultant at Envision Prosperity. Mr. Heinberg spent six years at Financial Resource Center as a certified Financial and Housing Counselor and Educator. He has received training from the National Foundation for Credit Counseling as well as the National Center for Homeownership Education and Counseling. Envision Prosperity, a nonprofit, business development and personal financial coaching firm, will partner with College of the Redwoods Financial Literacy and Default Prevention Specialist to provide outreach through their current Nonviolent Offender Career Training Program.

The program will offer a series of three classes that provide information about creating a personal budget, understanding and repairing credit, keeping records, avoiding predatory lenders, and accessing financial services. It will help participants integrate themselves into the mainstream economic system. The financial literacy training program will include individual counseling for the six months the participant is in the program.

Small Business Training and Advising Participants will complete two sections of small business training. The first will be a series of four business basics workshops which will be held weekly: **Plan for Success**, participants identify the most important elements of their business necessary for a successful business plan as well as

understanding licensing and insurance requirements; **Books and Records**, setting up bookkeeping, tracking sales and inventory and more; **Think Like a Marketer**, participants learn to identify their market and write a marketing plan; **Finance Your Business**, addresses financial reports like income statements, cash flow and balance sheets. They will also learn about financing vehicles, like the SBA Micro Loan Program.

These classes are standard for the SBDC, but they will be adapted for this group, including building in hurdles that this specific group might meet. Permitting is one such issue, and much of the legwork for questions surrounding that has already been done by the SBDC since they have worked with other previously incarcerated individuals.

Additional Classes -- Before the end of the series, participants will help determine four classes that are specific to their interests. This is the typical format for cohort groups, because the SBDC likes to assure that the classes most closely reflect the needs of the participants in each group. Additional classes could include: having an online presence for your business, getting organized, how to develop great customer service, what to know about hiring employees or social networking.

Mentorship/Advising While in these classes, participants will be matched with individual business advisors. While taking the classes as a cohort, individuals will be able to work with their own business adviser as they use the lessons from their workshops to develop their personal business plans. At the point the business plans are ready, participants will be sent to AEDC to begin their microloan application process.

In addition to business and financial advisors, Humboldt County has been host to several business plan competitions where business leaders have acted as mentors. While the competitions have ended, the mentors remain available to other programs to serve in that role. Participants who want, require, or can benefit from the knowledge of this pool of mentors will be matched with them as an additional resource.

Community Connections The strength of this project comes from community connections, which have been referenced throughout the application. From pre-venture, ideation through business plan development, we will be working with numerous community partners to make this program a success.

We will be working with social service, law enforcement and homeless advocate programs to recruit and encourage participation in this program. Working with the Humboldt County Office of Economic Development, we'll be able to catch participants who they have recruited for their workforce program that have a more entrepreneurial bent. It is this front end when our social service and law enforcement partnerships will play the biggest part. We will rely on their expertise to help us reach our participants.

Once we have recruited our participants, we have professionals in financial literacy and business who will be working collaboratively to provide seamless training to the participants so they can be successful. These partnerships are well established. While working with ex-offenders is new for the cohort groups, it is not new to the individual partners providing the training. AEDC, as the managing partner and funder, will play an integral role in funding the individual borrowers.

Access to Capital

Access to Capital is a challenge for this target group. While the SBA microloan program allows lending to ex-offenders, additional challenges could certainly arise – from a lack of income history, to damaged credit, to a lack of experience in business management. Fortunately, AEDC has been an SBA Microloan provider since 1992 and has the experience in start-up lending, working with the SBA Microloan program and working with a variety of borrowers.

Our loan management team is also experienced, with our SBA Microloan Loan Analyst, Jayne Lovig, having nine years of experience at AEDC and nearly 30 years of lending experience.

Part of the funds from this program will be used as loan loss reserves to make more SBA Microloan funds available to access. Having reserve funds provides some peace of mind that loans can absorb some additional risk. Being familiar with SBA guidelines, AEDC will work as liberally as we can within the guidelines to allow loan applications to be successful.

As the manager of the project, AEDC would work closely with the partnering agencies, following progress along the way. Paperwork that allows confidential information to be shared among the advisors would allow AEDC to work with the financial literacy and business advisors so we can be advised of potential lending red flags well before loan paperwork is submitted. This will allow us to address any potential barriers to lending before a participant brings in a plan. Borrowing money is a vulnerable situation for the most prepared client. We want to assure that we give participants every opportunity for success.

The report “Humboldt County Entrepreneur Annual Survey: Identifying Key Determinants of Small Business Success,” written by Erick Eschker, PhD and Jessica Lamb Department of Economics, Humboldt State University (updated Sept. 2012), indicated that a vast majority of businesses had startup costs of \$5,000 or less, followed by businesses that started with between \$5,000 and \$10,000. While the SBA Microloan program allows loans for up to \$50,000, we would expect the majority – and likely all of the loans – to be less than \$10,000. While we would entertain larger microloans, those loans that will be given the most leniencies for approval will be those for less than \$10,000.

In the case that participants cannot qualify for an SBA microloan under the newer guidelines, we will assist borrowers in understanding what steps they can take to be successful with a future loan, or match them with individual investors if that is appropriate.

We certainly hope you will include AEDC, and Humboldt County, as part of your ASPIRE Challenge Grant program. We are excited about the opportunity to strengthen existing programs and relationships to help assist this target audience.