CITY OF BURLINGTON, VERMONT
CITY COUNCIL COMMUNITY DEVELOPMENT &
NEIGHBORHOOD REVITALIZATION COMMITTEE
c/o Community & Economic Development Office
City Hall, Room 32 • 149 Church Street • Burlington, VT 05401
802-865-7144 VOX • 802-865-7024 FAX • www.burlingtonvt.gov/cedo

Councilor Zoraya Hightower, Chair, Ward 1
Councilor Sarah Carpenter, Ward 4
Councilor Joe Magee, Ward 3

Thursday, November 17th, 2022
5:00 PM – 7:00 PM
****Virtual meeting only****

Attend via Zoom by clicking the link below:

https://zoom.us/j/97245105445
Telephone: +1 929 205 6099
Meeting ID: 972 4510 5445

To participate in public forum please email Christine Curtis before or during the meeting: ccurtis@burlingtonvt.gov. Comments can also be made during the meeting by using the raise hand function or the chat function.

Draft Agenda

1. Approve agenda
2. Approve minutes: 10/25/22
3. Public Forum
4. Presentation: Burlington Revolving Loan Funds – Business and Workforce Development Department
5. Upcoming agenda items
6. Other Business
7. Adjournment

Burlington Revolving Loan Funds

BUSINESS & WORKFORCE DEVELOPMENT

CITY OF BURLINGTON

Business & Workforce Development | 2022

Will Clavelle | Assistant Director, Business Development

Agenda

- Understanding the need
- Our plan
  - Kiva Micro Lending Fund
  - BTV Revolving Loan Fund
- Next steps

Why Revolving Loan Funds

Access to capital is the biggest challenge to Burlington's local businesses, especially for our BIPOC and women-owned businesses.

Results from '21 ARPA Survey

3,877 Responses*

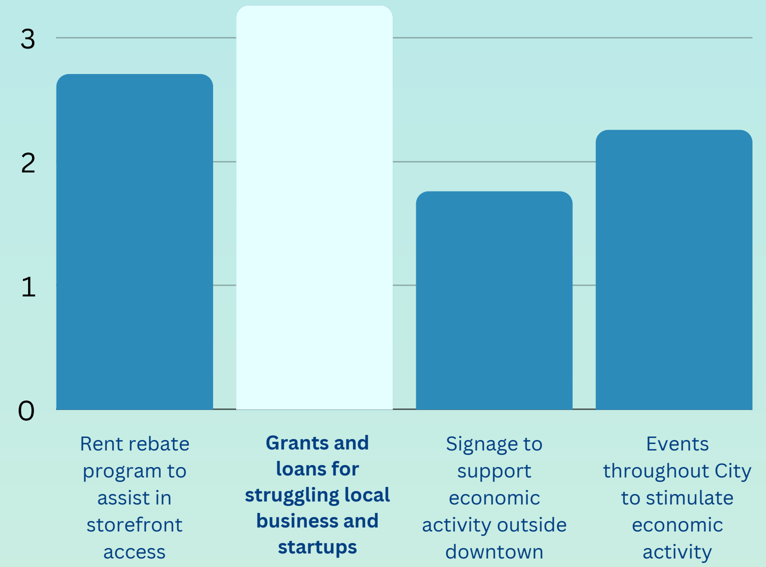
*most responses in City survey history

48% of survey respondents ranked grants and loans for locally-owned businesses as their **top choice** for economic/business use

- **50%** of BIPOC survey respondents ranked grants and loans as their top choice

"Please rank these potential projects around business and the economy by importance to you."

Results are weighted averages.



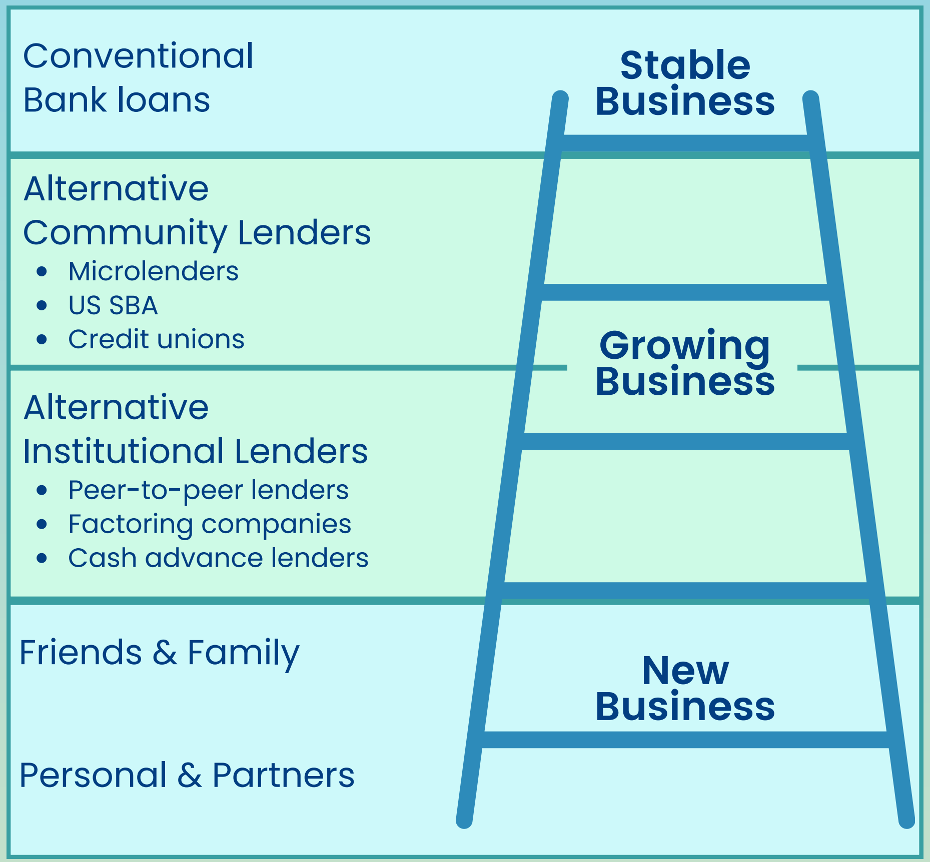
Why Revolving Loan Funds

Revolving loan funds provide much needed access to capital for Burlington's small businesses.

As loans are repaid, funds are lent out to the next borrower, continuing to support Burlington's small community for years to come.

The average black family in the US has 1/10th the wealth of the average white family in the US.
Source: Brookings Institute, 2016

The Capital Continuum



Why Revolving Loan Funds

Access to Capital in the US

Source: Kauffman Foundation calculations from the Census Bureau, Annual Survey of Entrepreneurs (2014)

White entrepreneurs rely the most on business loans from banks or other financial institutions as a source of capital.

Black entrepreneurs rely the most on personal credit cards to fund new companies or acquire existing ones.

60% of Black entrepreneurs who did not seek additional financing despite needing it did so because **they thought the business would not be approved by the lender**.

Black entrepreneurs are nearly 3x more likely than white entrepreneurs to have **profits negatively impacted by access to capital.**

The Power of Non-Traditional Funding

Oak Street Cooperative

Poppy + Cafe Mamajuana

- Local women-owned and BIPOC businesses struggled to access capital
- The community invested to help realize their dream
- Now two of the most beloved restaurants in BTV
- BIPOC owner of Cafe Mamajuana, Maria Lara-Bregatta, is a James Beard award nominee

Our Plan

In June of 2022, Burlington City Council approved $500,000 in ARPA funds to seed a revolving loan fund to support Burlington Businesses. **We propose this money is used for two grant programs.**

Kiva Micro Lending Fund
$100,000

Burlington Revolving Loan Fund
$400,000

Program 1: **Kiva Micro Lending Fund**

Kiva is a nonprofit micro lending facilitator with a proven track record in advancing access to financial services and building a more inclusive economy.

Since 2019, **2M lenders have funded $1.3B in loans for over 3M small businesses** around the world, with a **96.9% repayment rate.**

City's across the US are using ARPA funds to partner with Kiva
Examples include:

- City of Rochester
- City of Erie
- City of Norwalk
- DC Department of SMB
- City of Philly

Social Underwriting with Kiva

Kiva uses an inclusive, community-based underwriting process whereby **credit worthiness is primary measured by *social capital.***

Risk is managed with "social underwriting" based on a borrower's character and community ecosystem.

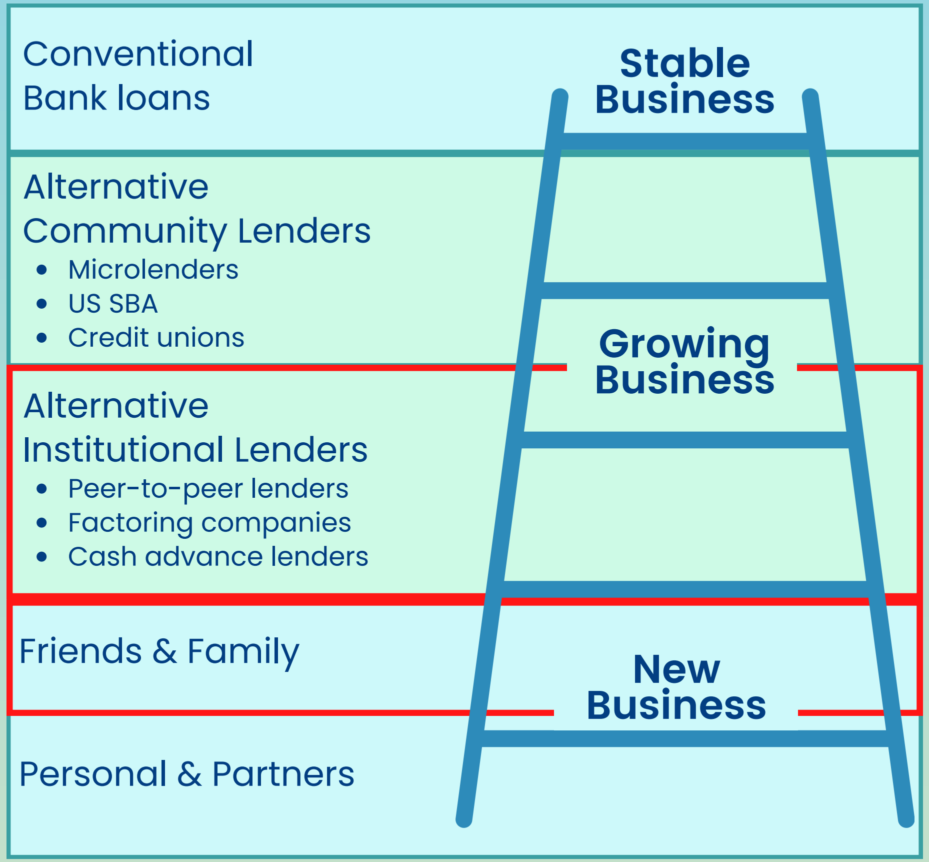
	Loan Size	Loan Term	Monthly Payment
You need **5** lenders in Private Fundraising	$1,000	12 months	$84
	$2,000	18 months	$112
	$3,000	18 months	$167
You need **5-10** lenders in Private Fundraising	$4,000	24 months	$167
	$5,000	24 months	$209
	$6,000	24 months	$250
You need **5-15** lenders in Private Fundraising	$7,000	36 months	$195
	$8,000	36 months	$223
	$9,000	36 months	$250
	$10,000	36 months	$278

Note: Most first time borrowers are approved for loans in the $1k-$5k range.

Kiva Loan Fund Details

- **Loans between $1,000 – $15,000**
- **0% Interest and 0 borrower fees**
- Kiva reviews applications, underwrites loans, administers loans, and collects loan repayments
  - City pays 10% annual management fee
- Businesses must be locally-owned, located in Burlington, and State registered
- **Loans *can* be used for inventory, working capital, equipment, rent, and furniture and fixtures**
- Loans *cannot* be used to finance existing debt, or for businesses involved in the sale of alcohol, tobacco, cannabis, or firearms

The Capital Continuum



Kiva Loan Process for Borrowers

Application: 2+ hours
Includes personal and business financial information and a brief pitch

Review: 1-3 weeks
Kiva team and City review applications

Private Fundraising: up to 15 days
Friends, family, and customers provide character references by lending $25 or more through Kiva

Public Fundraising: up to 30 days
City matches public fundraising up to half the requested amount

Repayment: Begins 30 days after funding
Borrowers repay the loan back to the lenders between 12 to 36 months at 0% interest

Kiva Pros + Cons

Benefits	Drawbacks
Kiva underwrites and administers loans	10% annual management fee
Kiva provides technical assistance	Loans only up to $15,000
Proven history of supporting BIPOC and women-owned businesses	Only 3 year partnership
Over 1/3 of borrowers are startups	
Leverage additional funds from Kiva Partners (banks, philanthropies, individuals)	
Borrower's can opt-in to credit reporting, and build a track record	

Program 2: **Burlington Revolving Loan Fund (BRFL)**

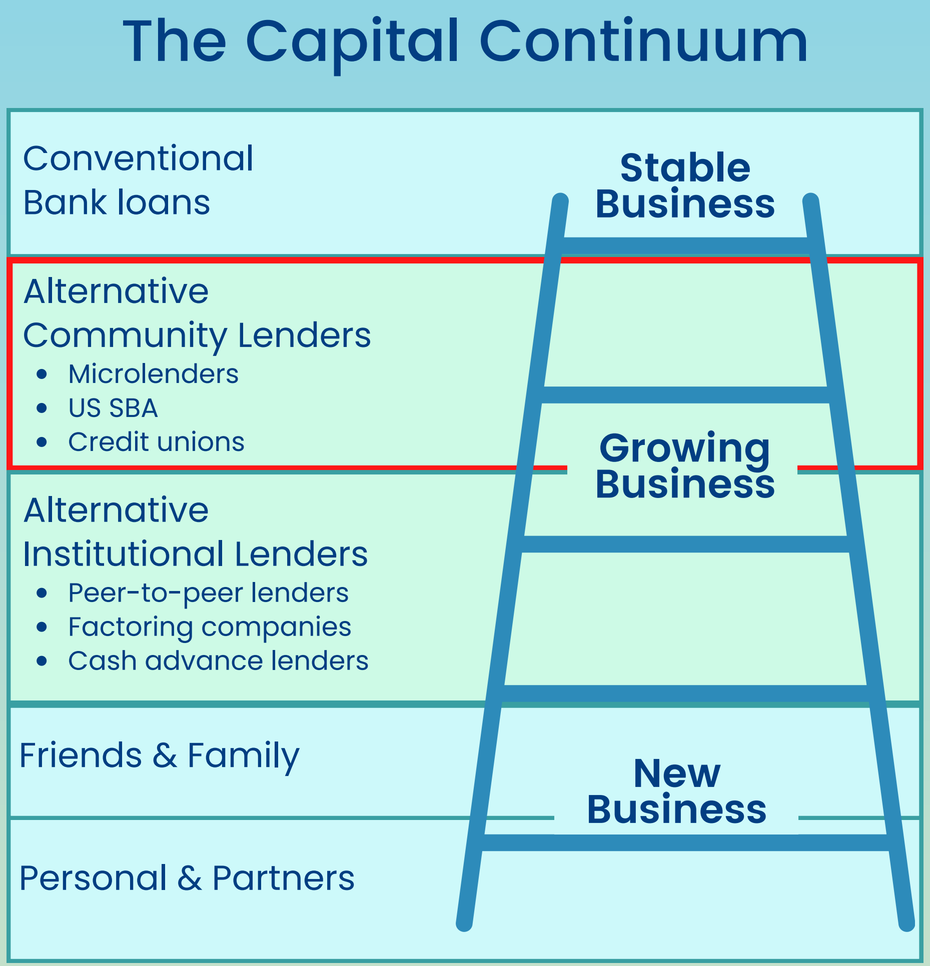
The original Burlington Revolving Loan Fund was established in 1983 and is no longer active.

Former BRLF recipients have gone on to be some of Burlington's largest employers. Notable examples:

- Burton
- Rhino Foods
- Lake Champlain Chocolates
- Vermont Energy Investment Corporation
- Frog Hollow
- Spirit of Ethan Allen

BRLF Details

- **Loans between $15,000 - $40,000**
- **0% Interest and 0 borrower fees**
- City reviews applications, underwrites loans, administers loans, and collects loan repayments
- Businesses must be locally-owned located in Burlington, and State registered
- **Loans *can* be used for inventory, working capital, equipment, rent/mortgage, and furniture and fixtures**
- Loans *cannot* be used to finance existing debt, or for businesses involved in the sale of alcohol, tobacco, cannabis, or firearms



BRLF Review Committee

A cross-departmental committee with community partner support will...

- establish the loan application and review process
- develop underwriting criteria and underwrite loans

The Committee will include:

- City Staff from
  - BWD
  - REIB
  - CEDO
  - C/T
- Community Partners
  - SBDC
  - Mercy Connections
  - CVOEO
- Industry Professionals

BRLF Pros + Cons

Benefits	Drawbacks
Complete control over program + process	Difficult to support startups
Ability to offer larger loans to larger businesses	City is not well positioned for micro lending
City receives application and loan closing fee	Substantial staff time
Prioritize BIPOC and women-owned businesses, Cooperatives, and mission driven businesses that are community supported	
No closing date	

Comparing the Two Funds

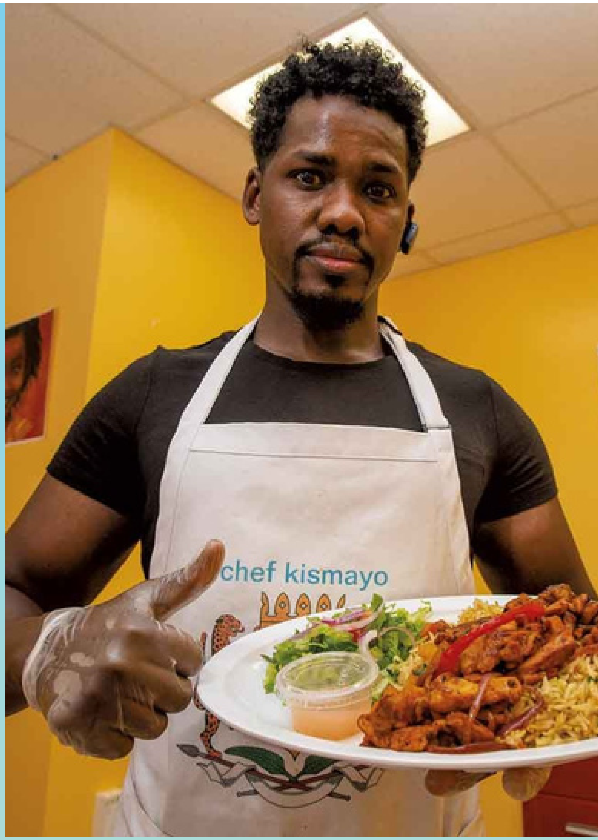
Kiva Micro Lending Fund	Burlington Revolving Loan Fund
$1,000 - $15,000 Loans	$15,000 - $40,000 Loans
0% Interest Rate	0% Interest Rate
Terms up to 36 months	Terms up to 7 years
No fees to borrowers	Application Borrower Fee Processing Borrower Fee
10% annual management fee paid by City	Sharia Law Complaint
Sharia Law Complaint	

Sharia Law

- Sharia law prohibits Muslims from taking out loans that have interest
- This makes it particularly challenging for the Muslim community to start and grow businesses in the US
- At 0% interest, both the Kiva Micro Loan Fund and Burlington Revolving Loan Fund would be the **first Sharia Law compliant loans in Vermont**

Case Study: Kismayo Kitchen

- VT's first Somali restaurant opened in 2019
- Owner Omar was challenged to raise capital in part due to Sharia Law
- These loans would mean Omar and other Muslims in BTV could start and grow their businesses, and in turn strengthen their community



Why both?

- To effectively serve Burlington **businesses of all sizes** and stages of growth
- To **serve multiple rungs on the capital ladder**
- To better provide access to capital for Burlington's **BIPOC and women-owned businesses**
- To provide access to capital for **startups**
- To gain a **necessary partner** in underwriting and administering small loans
- To leverage Kiva's **micro lending strengths** while accessing their **donor network**

Questions?


THEORE
TICAL


SWEET AND SAVORY CREPES
THE SKINNY PANCAKE
Burlington Crêpes

CITY OF BURLINGTON, VERMONT
CITY COUNCIL COMMUNITY DEVELOPMENT &
NEIGHBORHOOD REVITALIZATION COMMITTEE
c/o Community & Economic Development Office
City Hall, Room 32 • 149 Church Street • Burlington, VT 05401
802-865-7144 VOX • 802-865-7024 FAX • www.burlingtonvt.gov/cedo

Councilor Zoraya Hightower, Chair, Ward 1
Councilor Sarah Carpenter, Ward 4
Councilor Joe Magee, Ward 3

Committee members: Chair Zoraya Hightower (ZH) Sarah Carpenter (SC), Joe Magee (JM)
City staff: Christine Curtis
Other Attendees: Will Clavelle, Kara Alnasrawi, Workforce Development Department; Hayley McClenahan, City Attorney's Office

CDNR Meeting
Thursday, November 17th, 2022
5:00 – 7:00 PM
Virtual Zoom

Draft Minutes

Meeting Started at 5:05 PM

1. Approve agenda
MOTION by Councilor Magee, SECOND by Councilor Carpenter, to amend the agenda to add agenda item 4.B "Executive Session – Attorney Client Communication re: DRAFT City Property Camping Policy"
VOTING: unanimous; motion carries.

2. Approve minutes: 10/25/22
MOTION by Councilor Carpenter, SECOND by Councilor Magee, to approve the minutes
VOTING: unanimous; motion carries.

3. Public Forum
   - No one spoke at public forum

4. Presentation: Burlington Revolving Loan Funds – Business and Workforce Development Department

- Will Clavelle presented on revolving loan funds program
- Presentation can be found on CDNR webpage
- Capital biggest challenge to Burlington's local businesses especially for BIPOC and women-owned businesses
- Revolving loans are more sustainable and longer lasting than grants
- $500,000 ARPA funds are approved for kiva and Burlington revolving loan fund
- Kiva non-profit micro lending facility - $100,000
    - Very high re-payment rate
    - Loans between 1K – 15K
    - 0% interest and 0 borrower fees
- Burlington Revolving Loan Fund
    - Loans between 15K – 40K
    - 0% Interest
    - BRLF Review Committee
- Sharia Law
    - Prohibits Muslims from taking out loans that have interest
    - These programs would be the first Sharia Law compliant loans in VT
- SC asked about staff capacity – Will stated this has been addressed and can be managed at the City level
- JM asked about when the Revolving Loan fund program stopped – Will stated roughly ten years ago
- Kara Alnasrawi stated that compliance measures for ARPA is less than CDBG funds
- Early January launch date

4.B Executive Session – Attorney Client Communication re: DRAFT City Property Camping Policy

MOTION by Councilor Magee, SECOND by Councilor Carpenter, to find that premature general public knowledge of contents of the atty client communication would clearly place the Committee and/or Council at a substantial disadvantage;

MOTION by Councilor Magee, SECOND by Councilor Carpenter, to enter executive session pursuant to 1 VSA 313 (a)(1)(F) to receive attorney client communications made for the purpose of providing professional legal services to the Committee.

5. Upcoming agenda items

- December 1st – CDNR joining Homeless Alliance meeting
- Next CDNR meeting - Thursday, December 15th at 5 PM
  - UVM presentation
  - Meeting schedule for in-person meetings starting mid-January

6. Other Business

7. Adjournment
MOTION by Chair Hightower to adjourn meeting at 6:38 PM.
VOTING: unanimous; motion carries.