

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: February 8, 2012

TO: Board of Commissioners

FROM: Patrick Quinton, Executive Director

SUBJECT: Report Number 11-84
Adoption of Economic Opportunity Initiative Microenterprise Program Guidelines

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6919

ACTION SUMMARY

Consistent with the Portland Development Commission's (PDC) Financial Investment Policy (Resolution No. 6832 adopted October 27, 2010), this action will adopt guidelines for the award of grants under the Economic Opportunity Initiative (EOI)'s Microenterprise Program (the Microenterprise Program) and authorize the implementation of the program consistent with the Guidelines. The goal of the Microenterprise Program is to drive wealth and job creation among low income business owners (making less than 80 percent of median family income), especially in communities of color and within priority neighborhoods. A "microenterprise" is defined as a business with five or fewer employees.

With the Guidelines in place, PDC will issue a new request for proposals (RFP) in February 2012 to identify non-profit organizations to deliver microenterprise development services. To be eligible, providers must meet an established set of criteria as listed in the EOI Microenterprise Program Guidelines. An overview of the anticipated elements of the RFP is included as Attachment B.

The Program Guidelines continue to emphasize current EOI practices of individualized services, tailored to the specific needs of each individual business owner; the establishment of an ongoing relationship between the business owner and a business development specialist; and the delivery of services in a culturally specific manner. New Program elements include:

- Moving towards an annualized examination of outcomes and outputs as well as looking at additional metrics;
- Alignment with the Neighborhood Economic Development (NED) Strategy; and
- Revised income requirements that limit participation to those at 80% or below of the median family income; under current practice, the incomes of half the participants could not exceed 50% of median family income with the incomes of the other half limited to 80% of median family income.

PUBLIC BENEFIT

Between July 2004 and June 2008, the Microenterprise Program enrolled and assisted approximately 480 businesses. Of those, 260 businesses (54 percent) increased their business income by at least 25 percent after three years of service. A map of current enrollees (as of March 2011) is included as Attachment C. Additionally, 368 businesses are currently enrolled and receiving services. The most recent graduating class reports an annualized revenue increase of \$2.1 million, with a median increase of \$21,722 in gross sales after three years enrolled in the program. The Microenterprise Program will continue to successfully serve businesses by providing business technical assistance to approximately 350 neighborhood businesses per year dependent on funding availability.

This action will support the following PDC goals:

- Strong Economic Growth and Competitiveness
- Sustainability and Social Equity
- Healthy Neighborhoods
- A Vibrant Central City
- Effective Stewardship over our Resources and Operations, and Employee Investment

PUBLIC PARTICIPATION AND FEEDBACK

To develop the program guidelines staff consulted with the seven current EOI Microenterprise providers, through an online survey and a consultant with national experience in microenterprise development. Providers shared successes, challenges and thoughts about the program. In addition, a meeting to provide feedback on proposed elements of the RFP, which was created using the program guidelines, was attended by 26 interested parties and current providers.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

Implementation of the Program is consistent with and supports the following plans and policies:

City Charter: PDC is charged by the City Charter with implementing the vision and goals of the City as adopted by the City Council relating to economic development. The Charter directs PDC to advance social equity and involve the City's constituencies to create, maintain and promote a diverse, sustainable community in which economic prosperity and employment opportunities are made available to all residents. The Microenterprise Program enhances PDC's ability to achieve the City's vision and goals and meet the provisions of the Charter.

Urban Renewal Area Plans: The Microenterprise Program supports the economic development goals of individual Urban Renewal Area (URA) plans by stimulating the growth and development of microenterprises located in those areas thereby fostering wealth creation and providing employment opportunities. The Interstate Corridor URA Plan's economic development goals, for instance, include:

- Fostering entrepreneurship and wealth creation; and
- Providing opportunities for current area residents to obtain new jobs, develop new programs and strategies (such as small business loans, storefront grants, business assistance, etc.) intended to retain and support these businesses.

Consolidated Plan (2011-2016): Expenditure of Community Development Block Grant (CDBG) funds within the Cities of Portland and Gresham and in Multnomah County is guided by a document called the Consolidated Plan. Priority five of the Plan is to “Invest in comprehensive, evidence-based programs that assist adults and youth to improve their economic condition by increasing their incomes and assets.”

PDC’s 2010-2014 Strategic Plan: The Initiative supports implementation of Healthy Neighborhood and Social Equity Goals. The key actions that the Initiative helps to deliver include:

- Addressing gaps in small business technical assistance to stabilize and grow neighborhood businesses; and
- Provide support to organizations working with business owners to support entrepreneurship and wealth creation among communities of color and within priority neighborhoods.

Economic Development Strategy: In July 2009 the Portland City Council adopted the Portland Economic Development Strategy: A Five-Year Plan for Promoting Job Creation and Economic Growth. A key objective of the strategy is to “achieve broad-based prosperity by equalizing opportunity and stimulating business activity in neighborhoods throughout the city.”

Neighborhood Economic Development Strategy: In May 2011, the Portland City Council adopted the Neighborhood Economic Development (NED) Strategy which articulates how community partners, business leadership and public partners can use focused neighborhood-level actions to collectively foster economic opportunity and neighborhood vitality throughout Portland.

The goal of the strategy is to create thriving commercial areas, successful neighborhood businesses and equitable access to quality jobs. The NED Strategy, which was developed with the assistance of community leaders, builds out the Neighborhood and Small Business Vitality component of the City’s 2009 Economic Development Strategy.

The Microenterprise Program will specifically implement Action Item II.C.2 of the Strategy which supports wealth and job creation among communities of color and within priority neighborhoods through microenterprise business development.

FINANCIAL IMPACT

In FY 2011-2012, \$2,002,720 in Community Development Block Grant (CDBG) funding was budgeted for program expenditures for EOI’s three programs (Microenterprise Development, Adult Workforce Development and Youth Workforce Development). Please see Attachment A for a financial summary. The Microenterprise Program is fully funded by CDBG funds; in the current fiscal year there are contracts with seven non-profit providers of microenterprise

development services totaling \$686,754. In FY 2012-2013, PHB anticipates a cut in CDBG funds of 14 percent. This will result in a reduction of program funds for the Microenterprise Program to approximately \$600,000 in FY 2012-2013.

RISK ASSESSMENT

No significant risks identified.

WORK LOAD IMPACT

The Program is currently supported by approximately .5 FTE and is a continuation of on-going work. It is included in the FY 11-12 budget as well as staff work plans.

ALTERNATIVE ACTIONS

The Board could choose not to adopt guidelines as proposed and direct changes or the Board could revise the guidelines.

CONCURRENCE

The Financial Investment Committee (FIC) reviewed the Microenterprise Program Guidelines at its January 18, 2012, meeting and recommends approval of the Guidelines in the form attached to the Resolution. Staff members from the Portland Housing Bureau have also reviewed the guidelines.

BACKGROUND

The EOI came to PDC in 2009 from the Bureau of Housing and Community Development, now called the Portland Housing Bureau (PHB). There are three sub-programs of the EOI: 1) the Microenterprise Program, 2) the Youth Workforce Development Program and 3) the Adult Workforce Development Program. PDC operates the citywide EOI programs under annual funding agreements with PHB and the Office of Financial Management. The funding agreements are approved by the Board.

Since 2009, when PDC accepted the EOI, the three sub-programs of the Initiative have been operated according to the policies and practices that were in place at the time of the Initiative's transfer. PDC, in consultation with PHB, a major funder of the Initiative, has determined that it is appropriate to issue new Requests for Proposals (RFPs) for the three sub-programs. PDC intends to release the RFP for the EOI Microenterprise Program in early February 2012.

The Youth Workforce Development Program and Adult Workforce Development Program will be brought to the PDC Board under separate approval actions at a later date.

ATTACHMENTS:

- A. Financial Summary
- B. Overview of RFP
- C. Map of EOI Microenterprise Businesses, March 2011

FINANCIAL SUMMARY

Five-Year Forecast Project Requirements

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
CDBG EOI						
Resources						
Beginning Fund Balance	537,498	0	0	0	0	0
Federal and Other Grants	3,725,371	2,376,034	0	0	0	0
Total Fund Resources	4,262,869	2,376,034	0	0	0	0
Requirements						
Program Expenditures						
Business Development						
Small Business & Entrepreneurship						
H79010 Technical Assistance Contracts	2,936,479	2,002,720	0	0	0	0
H79011 Technical Assistance - ARRA	507,202	0	0	0	0	0
Business Development Total	3,443,681	2,002,720	0	0	0	0
Total Program Expenditures	3,443,681	2,002,720	0	0	0	0
Personal Services	140,669	175,569	0	0	0	0
Transfers - Indirect	133,519	197,745	0	0	0	0
Total Fund Expenditures	3,717,869	2,376,034	0	0	0	0
Transfers Out	545,000	0	0	0	0	0
Ending Fund Balance	0	0	0	0	0	0
Total Requirements	4,262,869	2,376,034	0	0	0	0

OVERVIEW OF REQUEST FOR PROPOSALS

Portland Development Commission Economic Opportunity Initiative (EOI) Microenterprise Program

Summary

In February 2012, PDC intends to issue a Request for Proposals (RFP) from non-profit organizations to provide business development services to microenterprise businesses in the City of Portland. Funding for this work will come from Community Development Block Grant (CDGB) funds.

This document outlines key elements of the RFP as currently envisioned. We are seeking input from interested parties no later than **January 12, 2012** to help shape the solicitation for proposals. *Please submit comments to [Gina Bell](#); contact information is provided at the end of the outline.*

*Potential respondents to the RFP are strongly encouraged to attend an informational meeting about this RFP on **January 9th from 10:00 a.m. to 11:30 a.m.** at the Portland Development Commission (222 NW 5th Ave) in the Green Room to hear about the solicitation and selection process, performance and reporting requirements and next steps.*

Background

EOI was transferred to PDC in July 2009 from the Bureau of Housing and Community Development, now called the Portland Housing Bureau (PHB). EOI has three programmatic components: Microenterprise Development, Youth Workforce Development, and Adult Workforce Development. The overall goal of the EOI has been to raise the incomes of very low income Portlanders. In consultation with PHB, PDC has determined that it is appropriate to issue a new request for proposals for Microenterprise Development.

PDC is issuing this RFP to help deliver on the goals and objectives of the City of Portland's Economic Development and Neighborhood Economic Development (NED) strategies. The strategies include the goals of:

- Building community and organizational capacity to achieve positive economic development outcomes for micro businesses,
- Driving neighborhood business growth by expanding access to micro business technical assistance, and
- Aligning and coordinating resources to support micro businesses.

The services PDC is seeking through this RFP are intended to complement and not to duplicate existing PDC business technical assistance programs. PDC has other resources for small businesses and start-up firms which can be accessed at: www.pdc.us.

PDC will also use this RFP to drive alignment of microenterprise development organizations. Successful proposers will be required to use a common database to report services delivered and outcomes achieved. Providers will also meet quarterly to discuss ways to improve service delivery as well as for skills training. An inventory of small business service providers can be found [here](#) on the PDC website.

Please note page five for a list of PDC definitions for many terms found in this document.

Program Objective & Target Audience

The EOI Microenterprise Program is intended to spark wealth and job creation for startup entrepreneurs and businesses whose owners are at 80 percent or less of the area median income. With the guidance of PDC's Neighborhood Economic Development (NED) Strategy, the EOI Microenterprise RFP calls for increasing the availability of one-on-one, on-site business technical assistance to microenterprise business owners and entrepreneurs as well as assisting in starting/strengthening/expanding their operations (such as from home-based to a permanent storefront, or from one store to multiple stores).

Persons receiving services under the EOI Microenterprise Program must:

- Have an income at or below 80% of Portland's median family income;
- Be a resident of the City of Portland; and
- Operate, or plan to operate, a business with 5 or less employees in the City of Portland.

This program is intended to provide microenterprise development services to businesses identified in the NED Strategy as traditionally underserved communities including businesses:

- Located in economically challenged areas of Portland, most notably East Portland and North Portland;
- Owned by people of color;
- Owned by people with limited English proficiency.

Business Technical Assistance

Funds may be used to provide the following on-going business development services:

- Training and Technical Assistance
- Coaching and Mentoring
- Classes

Based on national microenterprise development standards, the PDC is looking for a one-on-one business advisor/coaching model. Classroom work should only be used to supplement one-on-one technical assistance.

In addition, the PDC will reserve a portion of available funds to provide specialized support services such as (but not limited to):

- Access to Markets
- Credit Repair
- Legal Services

Funds cannot be used for business loans or Individual Development Accounts. Services should be provided at the place of business or within a setting that is easily accessed by the business owners.

Measuring Program Success

PDC will use industry standards for measuring program performance and will track both provider's service delivery to clients and participants (outputs) and clients' successes (outcomes). Quarterly reports will be standardized and share successes, challenges, data on services provided, collaborations, and outreach activities.

Outputs – PDC will measure a provider's outputs using a standardized reporting tool to track items including:

- Client/participant demographics
- # of clients/participants served
- # of TA hours provided to clients/participants
- # of classroom hours

- # of coaching/mentoring hours
- Additional services provided
- Client Satisfaction

Outcomes – A minimum of three years of annual outcome tracking is expected by providers regardless of funding. The measures will be tracked by selected providers at the time of enrollment and annually thereafter for a total of three years including:

- Gross sales
- Gross payroll
- Owner's draw
- Jobs created
- Jobs retained
- Access to Capital by business owner

Selection Criteria

PDC intends to fund multiple organizations to provide microenterprise business development services, including collaborative partnerships designed to effectively serve target populations. The service model for low-income microenterprise businesses should be flexible and tailored to the business owners' skills, learning styles, and cultural factors. To achieve closer alignment with the NED strategy, providers must demonstrate their capacity to specifically target low-income business owners, especially minorities, immigrants and those doing business in economically challenged areas. Criteria that will guide the selection of providers will include:

- Experience and qualifications of the organization or partnership in delivering microenterprise development services to the intended audience including:
 - Experience in helping individuals to start a business,
 - Experience in helping an existing business survive and strengthen.
- Experience and qualifications of the organization or partnership in effectively reaching and serving the intended target audiences.
- Proposed approach/model, including:
 - Target audience to be served,
 - Screening and intake process,
 - Description of the business development services provided,
 - # of businesses to receive each service,
 - Duration of service,
 - Location where services will be delivered,
 - Plan (if any) to incorporate peer support,
 - Plan for on-going services to clients over multiple years, and
 - Other unique aspects of your model.
- Proposed outputs, including:
 - Demographics of target audience,
 - # of hours of 1:1 TA provided,
 - # of hours of 1:1 coaching provided
 - # of hours of small group & classes provided, and
 - Caseload per FTE.
- Organization's Current Program Budget (for microenterprise business development services) including funding sources, the Organization's proposed EOI Project Budget and Leverage.
- Plan to reach target audience, including specific actions and supporting arguments about why proposed actions will be effective.
- Ability and preparation to track clients for a minimum of 3 plus years regardless of continued funding from PDC.

Program Highlights Compared to the Existing 2011-2012 EOI Model

- The Program will continue to emphasize:
 - Individualized services, tailored to the specific needs of each individual business owner, delivered primarily on a one-on-one basis.
 - The establishment of an ongoing relationship, over a period of years, between the client and the business development specialist.
 - The delivery of services in a culturally specific manner and as close to the place of business as possible.
- New Program elements include:
 - Annual tracking of all client outcomes for a minimum of three years.
 - Annual assessment of providers' service outputs.
 - The income requirements for all participants will be at 80% or below of the median family income as opposed to half at 50% or below and half at 80% or below as in the past.
- Other:
 - The Program will not be based on a three-year cohort model with a defined graduation date for clients and a single outcome goal at the end of the three year period.
 - Contracts are renewable up to 3 years based on available funding and meeting satisfactory levels of performance annually, both in terms of outcomes and outputs. The annual review will be a transparent look at providers' work and client outcomes.
 - A new RFP will be issued every 3 years.
 - Clients currently enrolled in the EOI Microenterprise Program will be given the option of continuing service under the new program. If the provider the client is currently working with is not selected to be a provider under the new program, clients will be given the opportunity to transfer to a new provider.

Program Dates

PDC intends to issue the RFP February 9, 2012 with a deadline of March 21, 2012 for submissions. Providers will be selected in early May. Contracts with selected organizations are anticipated to be in place by July 1, 2012 and will expire June 30, 2013. Contracts may be renewed for up to three years based on funding availability and performance of the contractor. There will be a pre-proposal meeting shortly after the RFP is made public. The tentative date for the pre-proposal meeting is February 16, 2012.

Funding Available

PDC anticipates that approximately \$600,000 will be available for the EOI Microenterprise Program. Contract amounts will be based on the proposed scope of service with an average of \$100,000. A portion of this funding will be set aside for organizations providing support services.

Partnerships and collaborations are strongly encouraged.

Contact Information:

For more information about the RFP outline please contact Gina Bell at:

Gina Bell
EOI Microenterprise Program Coordinator
Portland Development Commission
222 NW 5th Ave., Portland 97209
Phone (503) 823-3340
Email: bellg@pdc.us

Definitions

Microenterprise: A type of small business having 5 or fewer employees and requiring less than \$35,000 for startup.

Technical Assistance: **individually tailored, one-on-one advice** to help build successful businesses.

Coaching and Mentoring: Technical assistance utilizing an outside mentor or coach to work 1 to 1 with a client.

Small Group: Technical assistance provided for 2-5 people on the same subject at the same time by the provider.

Classroom: Technical assistance provided for 6+ people on the same subject at the same time by the provider.

Client: Individuals who received a significant level of service from your microenterprise program in a given fiscal year. A significant service is one that your program believes can be traced to a client's business outcome(s) after that client exits your program. More specifically, a client is someone who has received 10 hours or more of microenterprise related training and/or TA from the program during the FY.

Participant: Individuals who received any amount of service on the topic of starting, growing, or improving their business from your microenterprise program in the FY. If they attended an orientation session that blended basic information about the program's products and services with business related content information, the individual should be counted as a participant. Once a participant receives 10+ hours of service they become a client.

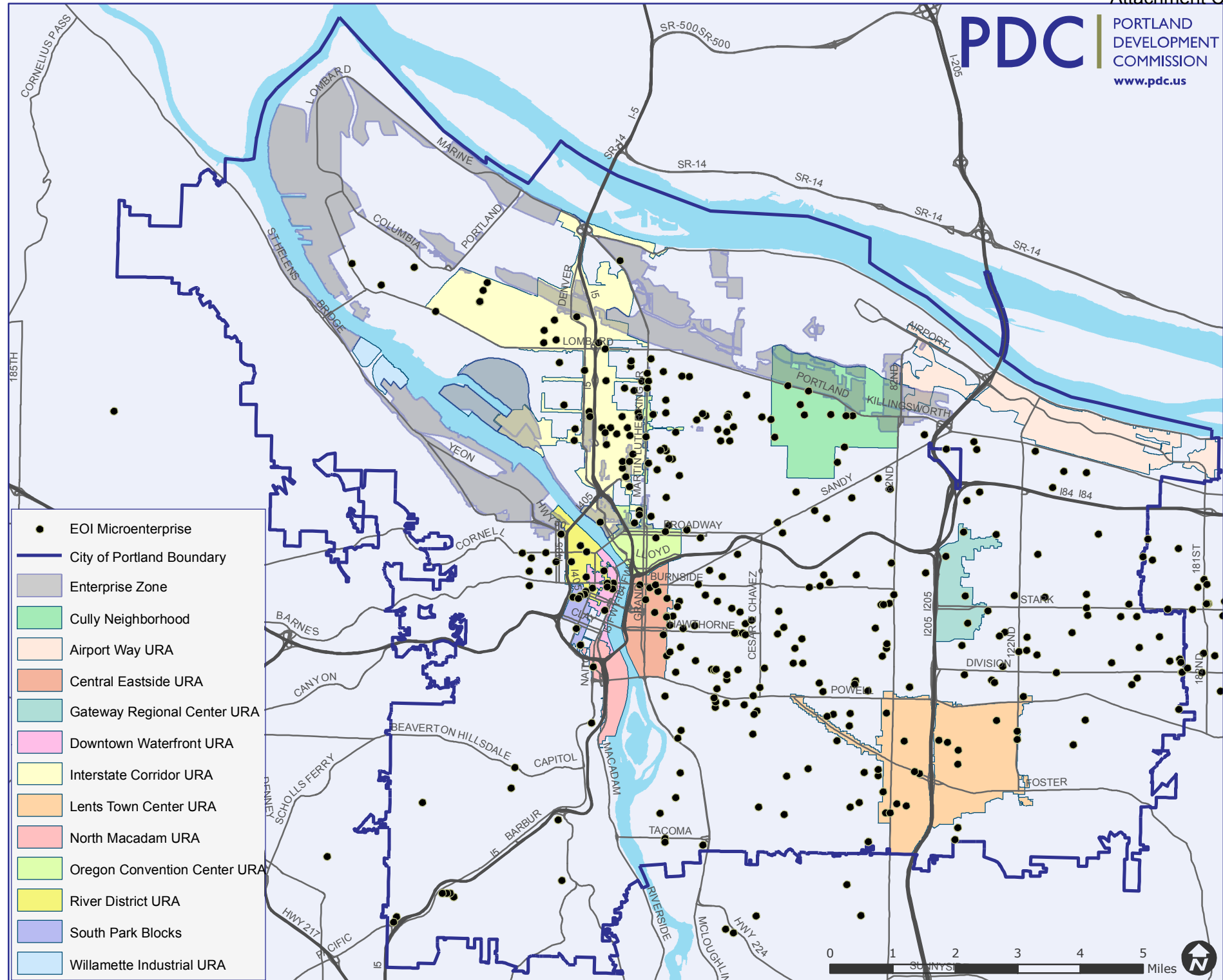
Board Report No. 11-84 EOI Currently Enrolled Economic Opportunity Initiative Microenterprises

Microenterprises are businesses with 5 or fewer employees. EOI participants earn 0-80% of the area's Median Family Income and receive 3 years of assistance tailored to increase their business revenues. EOI participants either live within or have a business operation within the City of Portland. Contractors provide participants with multiple and jointly delivered services. Of the 413 microentrepreneurs currently enrolled 292 are represented on this map. 790 have been enrolled since 2004.

Location	Number of Businesses
Central Eastside URA	10
Gateway Regional Central URA	4
Downtown Waterfront URA	5
Interstate Corridor URA	40
Lents Town Center URA	19
North Macadam URA	1
Oregon Convention Center URA	6
River District URA	7
South Park Blocks URA	5
URA Total	97
East of I-205	89
Cully Neighborhood	9
Enterprise Zone	5
Outside of URA Total	292
Total on Map	389

Contractors Providing 3 Years of Technical Assistance:
Portland State Business Outreach Project, Neighborhood House, Mercy Corps NW, Micro Enterprise Services of Oregon, Metropolitan Contractor Improvement Partnership, Hispanic Metropolitan Chamber of Commerce and Trillium Artisans

Other Supportive Services: Metropolitan Family Services Credit Repair, Oregon Micro Enterprise Network, Project Clean Slate and Small Business Legal Clinic



The information on this map was created by the Portland Development Commission (PDC) GIS. Every reasonable effort has been made to assure the accuracy of these maps and associated data. However, inadvertent errors can occur and the PDC does not assume any responsibility for omissions or positional accuracy. This information is presented "as is" and without warranties, either expressed or implied. Information Sources: Portland Development Commission Geographic Information Systems (GIS), City of Portland Corporate GIS. 22 March 2011