May 31, 2020

PO Box 201
Newport, Oregon 97365

Commissioner Kaety Jacobson
Commissioner Doug Hunt
Commissioner Claire Hall
Lincoln County
225 West Olive St, Room 10
Newport, Oregon 97365

Re: Microenterprise Community Block Development Grants

Dear Commissioners:

The purpose of this letter is to provide input for Lincoln County for consideration of a Community Development Block Grant at its June 3, 2020 meeting.

Back in my younger years when I was more intelligent, I worked for seven years for a non-profit called eDev that was located within the Lane Community College Small Business Development Center. The primary purpose of the non-profit was to help low income individuals start up and build microbusinesses and small businesses. Our organization was awarded numerous state and city microenterprise community development block grants.

During the period of time while I was working at eDev, I taught a variety of different types of business classes, operated the Individual Development Account grant program, and operated the microloan program. I taught business classes in Florence, Eugene, Springfield, Oakridge, and Junction City.

I understand that Lincoln County is considering the following application:

Lincoln County is preparing applications for two 2020 Community Development Block Grants from the Business Oregon for: (1) the Lincoln County Micro enterprise Project (Lincoln County, Depoe Bay, Toledo and Siletz) within the three municipalities and unincorporated areas of the County. The purpose of the project is to support small businesses hit hardest by the COVID crisis in these communities. It is estimated that the proposed project will benefit at least 60 persons, of whom 75% will be low or moderate income;

I have concerns about the limited geographic scope of the grant application. Based upon my experience offering help to small businesses and microbusinesses in small rural communities, there are a very limited number of individuals who meet the low or moderate income criteria and are willing to seek out help. Depoe Bay, Toledo, and Siletz are very small communities. While a proposed project to benefit at least 60 people may not seem too high of a bar to meet, there are a number of issues that will need to
be addressed. First, the current pandemic and the resultant recession (and likely depression) is a very harsh time to set up a business or to maintain an existing business. A second issue that may not be initially apparent is the reluctance of many individuals to provide a copy of their income tax return or some other financial document to show that they are either low income or moderate income. I struggled trying to get individuals to submit those financial documents. Without that financial documentation, the county will not be able to show that it has met the criteria to provide services to at least 60 individuals.

**Need to protect low income individuals from financial harm**

I taught many “How to start a business” class. At the conclusion of the class, if 80% of the individuals who took my class decided that they did not want to start a business, I would consider the class a success. I taught one class in Florence that included one couple who had just opened a retail store in Old Town Florence and another couple who was looking at opening a yarn retail store in Florence. The couple that had already taken out a lease had set up a store called Of Beads and Fish. On one side of the store, the wife had her beads for sale displayed. On the other side of the store, the husband had his fishing equipment for sale. I forget how much the couple had invested, but it was many tens of thousands of dollars. The other couple drafted a business plan with a cash flow plan to examine the possibility of setting up a retail yarn store. After completing the business plan, they determined that the yarn store would not pencil out and decided to not pursue the business. For the couple who had already set up their beads and fish retail store, I would stop by their store from time to time over the next year and a half. When I stopped by one day, the store was closed and the entire inventory had been removed.

I tell these two stories because I think that one of the best efforts of a microenterprise community development block grant can be to help educate people who are considering setting up a business and help these people realize that setting up a business is fraught with difficulties and challenges. I have read that an estimated one third of small businesses in Lincoln County will be closing. The likelihood of starting or maintaining an under-capitalized small business is extremely small.

**Types of businesses to be encouraged**

Many of the clients that I saw were trying to take a hobby and convert into a business. For example, they would want to make something and sell at a farmers’ market. For the most part, that type of microbusiness always fails or fails to provide sufficient income.

Given the current harsh financial conditions, I would like to suggest that the grant try to focus and direct people to obtain some type of license such as a contractor’s license. For an individual to be successful, they need to be able to provide a unique service (or product). Individuals who have a residential general contractor’s license with a specific skill set are much more likely to be able to succeed at a business rather than somebody who has built birdhouses and trying to sell the birdhouses at a farmers’ market.
**Individual Development Accounts**

While it has been a number of years since I worked in this area, the Individual Development Account program allowed individuals to save money, write a business plan, and get their savings matched at a 3:1 rate up to a maximum grant amount of $4,000. I mention this particular program because it is a very useful grant program to help low income individuals obtain some capital to start their business. More importantly, these grant funds help to limit the amount of financial impact and/or damage to these low income individuals.

**Need to have low expectations of this grant**

I think that Lincoln County needs to have very low expectations for this grant. To quote the Hippocratic oath, first do no harm. I think that it is very important the low and moderate income individuals be held as financially harmless as possible.

Sincerely,

Martin Desmond

Cc: Dave Price