



NEIGHBORHOOD REVITALIZATION ZONE ADVISORY BOARD MINUTES OF MEETING

October 15, 2010

The Neighborhood Revitalization Advisory Board held a meeting on Friday, October 15, 2010, 12:00 PM, at the Community Economic Development Fund, 965 East Main St., Meriden.

BOARD MEMBERS or DESIGNEES PRESENT:

W. David LeVasseur, Chair, NRZ Advisory Board; OPM/IGP
Linda Bayer, Hartford 2000
Karen Beasley, Downtown NRZ, Norwich
Tim Beeble, City of Stamford
Steve Dombrowski, DOL
Kevin Ewing, West River NRZ, New Haven
James Finger, Town of Windham

Roxane Fromson, DOT
Bob Hannon, DEP
Greg Lewis, CEDF
Francesca Provenzano, DPH
Robert Ross, DPS
Samuel Shaw, City of Bridgeport
Florence Villano, Town of Hamden

OTHERS PRESENT:

Scott Arnold, CEDF
Rina Bakalar, CEDF
Jack Collins, CAAS
Dimple Desai, OPM/IGP
Shelly Koehler, CEDF

Greg Lewis, CEDF
Donna Wertenbach, CEDF
Bruce Wittchen, OPM/IGP & Staff, NRZ Advisory Board

- I. WELCOME, INTRODUCTIONS, RETIREES, ADOPTION OF MINUTES, AND NRZs IN THE STATE** – David LeVasseur, Director of Municipal Finance Services for the Office of Policy and Management (OPM) Intergovernmental Policy Division and Chair of the Advisory Board, opened the meeting and welcomed everyone to the Community Economic Development Fund (CEDF) building. Advisory Board members and other participants introduced themselves. A motion was made and seconded to accept the minutes of the June 12, 2009, NRZ Advisory Board meeting, and they were approved by voice vote.
- II. COMMUNITY ECONOMIC DEVELOPMENT FUND (CEDF)** – The Chair introduced Donna Wertenbach, President and CEO of CEDF. Ms Wertenbach said CEDF is a state-wide not-for-profit that has had a longstanding relationship with NRZs. She said CEDF has new resources and introduced Scott Arnold, Director of Lending, to explain CEDF's Small Business Lending programs.

Mr. Arnold said CEDF's small business lending is intended to help businesses that cannot obtain conventional lending. They are more flexible than banks when considering credit scores and do not have specific collateral requirements for loans less than \$100,000. In determining the term of a loan, CEDF determines what a business can afford to pay and will amortize up to fifteen years.

CEDF has established loan guarantee programs in Stamford, Hartford and West Haven that can reduce interest rates. Mr. Arnold mentioned that new programs are coming. He said funds are currently available for southwestern CT and that CEDF typically has \$3-4 million out in loans, with 40% of the loans made to startup businesses. Mr. Arnold said he would be happy to come to people's communities to provide information sessions and asked if anyone had questions.

The first question asked how CEDF defines small business. Mr. Arnold said some of the loans go to businesses with more than \$10 million in annual sales but that most go to business with less than \$1 million. Ms. Wertenbach added that CEDF's role is to get involved when a business is not bankable, unable to obtain conventional financing.

The next question asked how CEDF assesses the viability of a startup business, given the high failure rate for startups. Mr. Arnold says they start with the business plan, but they also consider a person's character and whether they can trust the person and develop a good working relationship.

The third question asked about the success rates of the businesses CEDF loans to and what kind of business has the best rate and what kind has the worst. Mr. Arnold said they do not know which are most or least successful. Ms. Wertenbach added that the state's commercial lenders had a 12% charge-off rate last year, while CEDF, with its riskier loans, had a 6% rate.

The next question asked how funds can be used and the answer was that funds can support a business by assisting with rent and utilities, but CEDF prefers to not assist with payroll. Someone asked if CEDF can assist when an out-of-state company has acquired a local business and might relocate that business. Ms. Wertenbach said a loan can only be made to a business headquartered in CT and the funds must stay in CT. Mr. LeVasseur added that CEDF's mission has been expanded statutorily to encompass income eligible business owners.

Ms. Wertenbach introduced Shelly Koehler to describe CEDF's business counseling program. She said that it is not enough to just provide capital to the businesses that they work with, so they also provide risk mitigation strategies. Ms. Koehler said CEDF's technical assistance/business counseling services are unique. Many of their clients understand their business' niche, but need help in building their business.

CEDF has four business counselors with strong backgrounds for providing the assistance that businesses need. This is where CEDF differs greatly from traditional bankers; these services account for CEDF's superior charge-off rate. They are able to develop a personal relationship with each person they counsel and go through the many facets of running a business.

She was asked how clients are charged for this service and Ms Koehler answered that each business is charged a fee of \$100/year. They only need to check in with some of their clients quarterly while they might be in contact with others weekly because of a need for more frequent assistance. Another question asked if CEDF provides such services even before the loan is made and Ms. Koehler said they sometimes get involved during the initial lending stage. She added that some people want to keep their counselor even after the loan ends, but they cannot.

Mr. LeVasseur pointed out how that kind of technical assistance is an important part of the loan approval process. Ms. Wertenbach added that CEDF will not help start the business plan because doing so could bias the loan review process. Ms. Koehler said

CEDF can offer suggestions regarding attorneys and others for clients' consideration, but CEDF will not run the business.

A question was asked regarding how CEDF determines a potential client's bankability and Mr. Arnold said they do it in large part based on their experience, but sometimes a lack of bankability is shown when a potential client is rejected for conventional financing. Ms. Koehler said the technical assistance and lending programs will work together to assess a client's prospects. The next question was whether CEDF offers loans to nonprofits and the answer was that they have worked with several not-for-profit organizations and their typical role has been to provide gap financing.

Ms. Wertenbach said the next part of the process to discuss is training and that training is best done in a small group setting, where people have an opportunity to hear each others' questions. She introduced Rina Bakalar, director of CEDF's Small Business Institute. Ms. Bakalar said CEDF's training is dispersed regionally to make it more accessible and that training is offered in six locations. The three main courses are business finance, business taxes and QuickBooks.

CEDF clients and applicants pay a lower rate for courses than other businesses and learn from top quality instructors, including dynamic CPAs. Clients learn while establishing good business relationships. People must take the business finance course before the QuickBooks training, which fills quickly and even provides a full copy of QuickBooks to each student. Providing the software enables people to put the training into practice immediately, which helps them retain what they learn. CEDF reduces the interest rate on its loans by 1/4% for each course that a client or applicant completes. Doing so reflects the reduced risk for those loans.

Ms. Bakalar mentioned that the CEDF training institute also provides a forum for businesses to learn current affairs, has done a social media seminar and can follow up with consultation. CEDF's website enables them to provide updates and links to additional resources. They have also provided seminars on employee/contractor law. CEDF has worked with Hartford's Pro Bono Partnership and legal seminars are free. There is a cost for multi-night courses, but it is offset for clients by the interest reduction and some member Chambers of Commerce get a discount.

Ms. Wertenbach said that new laws regarding the misclassification of employees are brutal and that CEDF recommends that business owners attend employee/contractor law seminars. Penalties for violations are punitive enough to shut down a small business. Proceeding to the next topic for discussion, she said CEDF's community development program works to improve communities for businesses and others. She introduced Greg Lewis, CEDF's Community Development Manager.

Mr. Lewis said their goal is to convene community groups to determine what a community wants. He mentioned work in Willimantic, where a community group started with a visitors' center, proceeded to do facade improvement in the neighborhood and then created a butterfly garden near the frog bridge. CEDF helps a community implement a plan; the community sets the course.

Someone asked if CEDF only does such work in NRZs and Mr. Lewis said that they can work anywhere that needs their help. Another question was about the funding for such activities and Mr. Lewis said they primarily work with tax credits and donations. Ms. Wertenbach said CEDF is available for other such community development projects and the amount of resources available to a community depends on having an active local partner.

Ms. Wertenbach introduced the final speaker, Jack Collins of Community Accounting Aid and Services (CAAS). She explained that CAAS works with CEDF and has office space in the CEDF building, but is a separate entity. Mr. Collins is CAAS' sole staff member.

Mr. Collins said CAAS relies on CPAs volunteering their time and can provide CPA services for start-ups and individuals. It is setting up a system for working with nonprofits. There is an income test for determining who they can provide pro bono assistance for; others are referred to CPAs. They also have an educational program to help match those with accounting needs with those who provide services. He mentioned that they publish the book *Starting a Small Business in Connecticut* and added that there is a module on business planning.

- III. ADJOURNMENT** – Mr. LeVasseur said he hoped everyone was pleased with the turnout and the information provided by CEDF and CAAS. He said CEDF staff would lead a tour of the building so people can see the training room and other facilities available to them. The meeting was adjourned.