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BusinessTribune



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HB 4033: Time to update our approach to economic development

By Daniel Nguyen, CEO and co-founder of Bambuza Hospitality Group; and Peter Platt, founder and owner of Andina Restaurant.
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Small businesses like ours are big assets to Oregon — they employ the majority of the state's private workforce (55%), create economic opportunities in communities across the state, and spur innovation. Our state's economic health is dependent on thriving small businesses, but official economic development programs and private lending are often out of reach for small businesses, particularly those run by women and people of color.

As small business owners ourselves, we have learned that in 2018, less than 20% of Small Business Administration-backed loans in Oregon went to women-owned businesses, and the number of SBA loans made to black-owned businesses has dropped 96% over the past decade. Five years ago, Oregon had 24 state-chartered banks, which are often the first to lend to small and medium-sized businesses. Today, that number has dropped to just 14. For the big banks that now control 80% of deposits in the state, the profit margin for underwriting loans of less than \$1 million isn't worth the effort, leaving small businesses with few options. In the Pacific Northwest, startups receive less than 7% of all angel investment in those crucial early days when institutional lenders aren't ready to back them.

In response to this new economic climate, it's time we shift our strategy and meet the needs of emerging small business owners who are heads down in the hustle of building their enterprises.

That's why we joined forces with Business for a Better Portland to help us and other small business owners help our legislators to hear more about the challenges that come along with bringing a new organizations to life — like accessing seed capital. During the 2020 legislative session, lawmakers have an opportunity to support emerging entrepreneurs — especially women, people of color and veterans — both in urban centers, but also in rural communities where support is even more limited.

To bring this vision to life, BBPDX supports a three-prong legislative approach that will create a collective loan reserve, establish basic research infrastructure, and expand funding to the Oregon Growth Board. So, what does this all mean for Oregon's innovators? Well, first and foremost, it will help level the playing field and make access more fair and equitable.

What started out as conversations between small businesses and elected leaders has now become a bill — HB 4033 — that will be considered by the Oregon Legislature during the February "short session." The bill includes the creation of a collective loan reserve with a one-time investment of \$5 million from the state that will allow lenders to issue loans weighted less on credit and collateral and more on character and vision. Helping expand financing options for small businesses and decreasing risk, this new loan fund would represent unprecedented legislative support for more equitable statewide economic development, and in a very real way, help safeguard entrepreneurs from personal financial burdens. This is important for anyone hoping to start a small business. Credit-based loan approval and the risk of high-interest loans can bar people from securing the funding they need before they even begin, no matter how solid their business plan is.

Access to startup capital isn't the only roadblock potential businesses face — launching an enterprise is hard, and technical assistance is essential. The legislation includes funding for research convenings that will help shed light on the gaps in Oregon's small business support infrastructure, with a focus on the skills and assistance emerging businesses need to succeed. This will give us a birds-eye view of the real barriers new entrepreneurs and small business owners face. It will also help us reimagine the landscape of people and communities all across Oregon served by a network of resources to help in the most challenging moments of starting and sustaining a new business.

Finally, the bill includes a \$3 million investment in the Oregon Growth Fund (OGF) to provide additional financing and assistance across a range of programs. The OGF is designed to address capital gaps encountered by Oregon businesses with a focus on businesses from underserved communities — including those in rural geographies.

While building a business is never easy, the path to viability is filled with additional hurdles for women, entrepreneurs of color, and business owners in rural communities. In 2020, we have an opportunity to change the game and begin offering the support small business owners need to achieve success.