

SMALL BUSINESS BRIEF

**ONE STOP CAPITAL SHOP: PROVIDING
ASSISTANCE FOR INNER-CITY SMALL BUSINESSES**

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"It's the economy, stupid!" and that now famous campaign slogan did not manifest itself more forcefully than the Los Angeles Riots in 1992. Many would argue that the L.A. Riots (and not Ross Perot) was the single most important event that caused the demise of George Bush's presidency and paved the way for Bill Clinton to claim the White House after the November elections. More than any other single event in the last decade, the L.A. Riots focused the attention of Americans on the growing disparity in living standards between middle-class America and the impoverished inner city.

Once in office, the Clinton Administration immediately set out to develop an economic development strategy that would bring results to communities across the country who had longed missed out on the economic prosperity the rest the country was experiencing. Thus the idea of the Empowerment Zone was hatched.

In actuality, Empowerment Zones were not new ideas. The Clinton Administration first studied various enterprise zones and other geographically based economic enhancement programs scattered throughout the country. Then after much deliberation, the best ideas and strategies were combined to form the Clinton Administration's Empowerment Zone initiative.

To select the communities that would be targets of this program, the Federal Government solicited proposals from around the country. Requests for Proposals were issued by the Departments of Housing and Urban Development, Agriculture and Health and Human Services to apply for Federal assistance to help facilitate economic development in the most disadvantaged communities. Communities were told that the Federal Government would be looking for economic development strategies that used innovative ideas, relied on local resources and most importantly, encouraged broad community participation from the targeted areas.

Since the project was to be narrow in focus, only the poorest communities can benefit from Federal Empowerment Zone funds. Only Census Tracts that met certain low-income criteria would be eligible for Empowerment Zone status.

Cooperation among Federal agencies, both working together and with the local communities, is one of the key innovations of the Empowerment Zone initiative. Federal Agencies were directed by the President to develop programs that support the initiative. In response, the U.S. Small Business Administration (SBA) developed the One Stop Capital Shop program.

Fifteen cities across America were designated to receive SBA One Stop Capital Shops (Table 1). These Shops are an innovative attempt to streamline SBA services by offering all services at one convenient location in the heart of the target community. One Stop Capital Shops are intended to foster the growth and development of small businesses in Empowerment Zone communities. These Shops are partnerships between the local government, SBA, private lending institutions, and other service providers which collectively offer an integrated network of business support and lending assistance under one roof, centrally located to each Empowerment Zone.

Table 1 - One Stop Capital Shops

Atlanta, Georgia	Baltimore, Maryland	Boston, Massachusetts
Chicago, Illinois	Detroit, Michigan	Houston, Texas
Kansas City, Missouri	Kentucky Highlands	Los Angeles, California
Lower Rio Grande	Mississippi Delta	New York, New York
Oakland, California	Philadelphia, Pennsylvania	Tacoma, Washington

Services include:

- A variety of business loan programs including SBA Guarantee loans, municipal loans and micro-enterprise loans.
- Business counseling and technical assistance provided by SBA resources--the Small Business Development Center (SBDC), One Stop Capital Shop Business Coaches (comprised of successful professionals and entrepreneurs who live and work in the community) and the Service Corps of Retired Executives (SCORE).
- A variety of training programs, including *How to Start and Manage a Small Business*, *Developing a Business Plan*, *Financing Your Small Business*, *Marketing your Small Business* and *Credit Repair*.
- Various private sector financial organizations including banks, factoring companies and non-profit community business development corporations provide business loans and financing to qualified small businesses.
- For small businesses trying to sort out all of the government programs and regulations, trained staff from city, state and federal agencies provide counseling and guidance.

The heart of every One Stop Capital Shop is the SBA Business Information Center (BIC). The "BIC" is a high-tech business reference library that includes the latest computer hardware and software, CD-Roms, more than 200 sample business plans developed by the same people that publish the *Entrepreneur Magazine*. The new and innovative Center is designed to help small businesses research and develop highly effective business plans and feasibility studies. The tools of the BIC also assist them in their market research, development of marketing tools and other software-based needs. The BIC provides clients with free Internet access.

EMPOWERING POOR COMMUNITIES ***One Stop Capital Shop Makes a Difference***

Maria Baraccas owns a small retail record store in the Fruitvale Empowerment Zone of Oakland, California. The company called Aculpulco Records sells a variety of CD titles popular with the local Latino community. And while the company is profitable and has been in business for several years, Maria still found it difficult to get capital for her business.

Eventually she received a loan from The Community Bank of the Bay and the City of Oakland through the Empowerment Zone Loan Program. But before she could get financing, Maria first met with a consultant provided by the East Bay Small Business Development Center. The consultant helped her assemble the financial records required by the bank for a loan. All of the services provided to Maria were provided through the Oakland One Stop Capital Shop.

Each One Stop Capital is designed to address the specific needs of clients based in the Empowerment Zones. In the case of Oakland, three separate areas are designated as part of the Zone and include East Oakland, West Oakland and San Antonio/Fruitvale. The Zone is a community that lacks access to the most basic services. It is the goal of the Oakland One Stop Capital Shop to encourage the development of small businesses in each of these communities.

The City of Oakland embodies one of the most diverse populations in the San Francisco Bay Area. In Oakland, 132,941 of the population are white, 57,723 Asian, 164,932 African American, and 50,110 Hispanic. There are 388,574 individuals and 20,763 businesses within the city of Oakland.

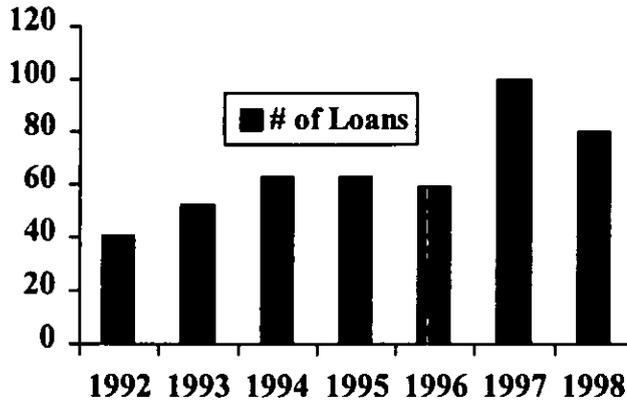
The Enhanced Enterprise Community (EEC) is made up of three separate communities within the City of Oakland: West Oakland, Fruitvale/ San Antonio and East Oakland. The total population within the entire EEC is 46,354. 61% of the population is Black; 16% Asian; 10% White; less than 1% Native American and 13% Other. The Median Household Income in the EEC averages \$13,500. It ranges from \$8,000 to \$24,000. This should be compared to the Median Household Income of the San Francisco-Oakland-San Jose MSA that is \$41,459. In the EEC, 6% of the households receive some source of non-farm self-employment income. In the San Francisco-Oakland-San Jose MSA 16% of Households receive non-farm self-employment income. In the EEC as a whole, 40% of the Households receive public assistance income. As high as 60% of households in some census tracts receive public assistance income. In the San Francisco-Oakland-San Jose MSA, 8% of households receive Public Assistance Income.

RESULTS

The Oakland One Stop Capital Shop has been in operation since November 1996 delivering comprehensive services to the local community. In 1998, the Oakland One Stop Capital Shop made:

- 80 SBA guaranteed loans in Oakland for a total of \$20 million (See Figure 1).
- 12 SBA guaranteed loans in the Empowerment Zone for \$3 million.
- \$ 16.25 million in direct City of Oakland Empowerment Zone Flagship loans designed to support and improve the local infrastructure.
- 12 direct City of Oakland Empowerment Zone small business loans totaling \$1.55 million.

Figure 1 - SBA Loans in the City of Oakland 1992-1998
(One Stop Capital Shop established 12/96)



In addition to loans, One Stop Capital Shop clients received a wide variety of assistance:

- One Stop Capital Shop Business Coaches counseled 120 clients & trained over 1400 in a variety of basic small business management classes – Business Coaches is a volunteer program with no added cost to tax payers.
- The East Bay Small Business Development Center (part of the SBA Small Business Development Center program) counseled 556 clients and trained another 3913 clients in the One Stop Capital Shop.
- SCORE (Service Corps of Retired Executives) counseled over 906 clients and trained 193 clients. SCORE is also a volunteer program and is provided with little costs to taxpayers.
- Oakland Business Development Corporation operates the SBA Women and Minority Pre-qualification Loan program. Through this program, women and minority small business owners receive intensive assistance to improve their chances of receiving SBA guarantee financing. In 1998, Oakland Business Development Corporation and SBA packaged, pre-qualified and funded 22 loans for \$1.85 million; it is likely that without our assistance these loans would never have been made.

CHALLENGES AHEAD

Many of the clients that come to the One Stop Capital Shop lack basic computer skills and may also know little or nothing about basic business management skills. This doesn't mean that they cannot be successful small business owners, in fact many do manage to run successful businesses. However, these clients need help to fill in the gaps so they can grow and expand their businesses and compete more successfully in the future global economy.

Since many of the clients require intense one-on-one support, especially when working in the Business Information Center, interns from various colleges work with clients on-site. This has proven to be a successful partnership: students gain valuable experience counseling and aiding local small businesses, and the businesses themselves receive valuable assistance that they would not otherwise be able to afford.

Outreach also proves to be a great challenge. While the One Stop Capital Shops serve a large number of clients (over 30,000 in 1998), it is still a small number when compared with the size of the communities served.

CONCLUSION

Small businesses are the major key to urban revitalization. They provide employment to the local communities, they provide valuable goods and services sorely needed in these communities, and most importantly, the owners of these firms, typically live in the community as active participants with a stake in the future.

This last point is important. Many cities are now courting large firms from out of state or internationally to invest in large-scale projects devoted to economic development and job creation. However, will these companies stick around for the long-term and what price must be paid in tax rebates and infrastructure improvement to attract these firms? Small locally owned companies are usually committed to a community for the long-term. They may, in the end, be the best investment for government supported economic development programs.

Programs like the One Stop Capital Shop provide an ideal mechanism to tie together federal and local small business support programs to make a more efficient and convenient use of these precious economic development dollars. Having all programs located under one roof is especially desirable to the small business owners. "Finally we don't have to drive all around the county looking for someone who can help us with our problems," is a comment heard at the One Stop Capital Shop every day.

Michael Elkin is the manager of the Oakland One Stop Capital Shop. The One Stop Capital Shop is a major economic development initiative of the U.S. Small Business Administration. In Oakland, this program delivers a wide range of resources to local small business. Last year alone, SBA guaranteed 80 loans for over \$20 million dollars to Oakland businesses.

Mr. Elkin has been with the Small Business Administration for 10 years. Prior to managing the Oakland One Stop Capital Shop, he was the Regional Manager for SBA's International Trade program and was responsible for developing the Agency's trade programs throughout California, Arizona, Nevada and Hawaii. He served as a U.S. Peace Corps volunteer in Kenya from 1986-1988 providing management consulting to small businesses in the Mt. Kenya region. Mr. Elkin has a Bachelor of Science degree in Business Administration and a Bachelor of Arts in Economics from San Francisco State University.

Note: Michael Elkin was the luncheon speaker at the 1999 SBIDA Conference in San Francisco.