

Economic Opportunity

The goal of the Economic Opportunity Initiative's Microenterprise Program is to increase the incomes/assets of low-income microentrepreneurs over a three-year period by at least 25%.

PROGRAM NEEDS

Many low-income individuals believe that their best avenue to economic self-sufficiency is through operating their own very small business, rather than seeking employment in a company owned by some other entity. Their business success depends on many factors, including their ability to access technical services, legal services, capital, peer support and the assistance of experienced mentors, and their own skills and hard work. The EOI microenterprise program has been designed to meet these needs, as well as to address any personal barriers that may prevent success.

While the recession has generally been hard on very small businesses, the Economic Opportunity Initiative (EOI) has demonstrated great success in promoting microenterprise growth in its first two graduating classes. Most of the Microenterprise Program graduates came close to increasing their business revenues by 300%. Even in the downturn, we are finding that Microenterprises whose owners are participating in the EOI program or have graduated from it are, for the most part, holding on and losing less than other similar businesses. We attribute this to the support and training Initiative participants receive.

PROGRAM DESCRIPTION

The Economic Opportunity Microenterprise program funds eight non-profit community-based organizations to provide financial and/or technical assistance to specific groups of low-income people. Each organization has identified the specific group of low-income people it will serve, e.g. home-based child care providers, N/NE contractors, aspiring Latino businesses. The organization must have demonstrated competency at serving this group. The activity must increase the incomes and/or assets of the identified group by 25% over three years. The activity must also contain program elements tailored to the needs of the identified group, including support services and peer support.

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The program funds financial and/or technical assistance to specific groups of low-income people, including home-based child care providers.

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PROGRAM TOOLS

PROJECT SELECTION AND OPERATIONS

Economic Opportunity Projects were initially selected by a Request for Proposals (RFP) process. Continuation in the program is determined annually based on performance. Project and Economic Opportunity staff work together constantly to identify performance issues, resource needs and potential policy recommendations as a result of their work.

The NW Area Foundation awarded funds to the EOI for FY 2010-11 to support a new Microenterprise project, Metropolitan Contractor Support Program (MCIP). NWAFF wanted its funding to assist minority contractors fulfill the opportunity created by the Community Benefit Agreement which EOI staff helped draft for the Clean Energy Works Portland project.

PROGRAM ELIGIBILITY

In the past, EOI has limited enrollment in the program to owners of very small businesses whose incomes did not exceed 50% MFI. Beginning in FY 2010-2011, EOI will allow up to 50% of its Microenterprise participants to have incomes up to 80% MFI. This recognizes the consensus in microenterprise organizations in Portland and around the U.S. that microentrepreneurship entails a great deal of financial pressure and that the owners have a better chance of success if they enter with a greater degree of financial stability.

POTENTIAL BARRIERS

The skill and motivation of a small business owner affect the likelihood of success as much as the economic marketplace. Because funders and agencies do not have control over these variables, and because of the risks inherent in any small business enterprise, microenterprise projects have a greater chance of failure than conventional community development projects that produce tangibles like units of housing, miles of pavement, or community centers. However, a successful microenterprise will directly benefit the low-income participants and their families.

The credit freeze that has prevailed during this recession has a direct impact on micro-entrepreneurs who need capital investment. The EOI has developed a dedicated working capital program with Albina Bank for microenterprises that have been enrolled in EOI for at least six months and have completed an

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application. Assistance with the application is available from the applicant's EOI technical assistance provider.

PARTNER AGENCIES AND ORGANIZATIONS

- The Oregon Microenterprise Network (OMEN) and the ASPEN Institute review and assess the EOI Microenterprise Program's performance data.
- The United Way of the Columbia-Willamette, the NW Area Foundation and the Oregon Department of Labor all provide match for our funding of Microenterprise projects.
- Albina Bank supports the working capital needs of EOI participants.
- Metropolitan Family Services provides in-depth credit repair services.
- The Lewis & Clark Small Business Legal Clinic, established with the help of EOI, provides free legal services to EOI microenterprise participants.

COMPLEMENTARY LOCAL, REGIONAL AND NATIONAL EFFORTS

This program's strategy differs from, and complements, most regional, state, and federal economic development efforts. Those efforts commonly focus on investing loan capital in more developed, higher revenue businesses, or on developing infrastructure to attract businesses. Low-income business owners do not benefit from these investments, either directly or through trickle-down. EOI is focused on providing training and development for discrete groups of low-income residents, rather than just securing access to loan capital. Loan-led strategies for this group can result in bankruptcies. The EOI's approach is premised on best practice research indicating that when low-income small business owners participate in comprehensive programs that build and nurture their skills, increased incomes and assets will result.

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GEOGRAPHIC SERVICE AREAS (INCLUDING AREAS OF LOW-INCOME FAMILIES AND/OR RACIAL MINORITY CONCENTRATION)

City-wide. Over 50% of EOI Microenterprise Program participants are members of minority racial and/or ethnic groups. An additional 10% are from white immigrant communities.

MONITORING

All contractors are pre-screened for CDBG compliance during the RFP process. A description of Portland Housing Bureau's monitoring program can be found in Section One.