

CAPITAL

Access to capital remains a challenge for small businesses in Montgomery County and is even more pronounced for diverse retailers. When capital exists in the marketplace, many eligibility and reporting requirements typically award businesses with bookkeeping and staff support over cash-based, lower-profit retail entrepreneurs. Additionally, the fund/grant administrator's time is also limited. Managing a successful program with the target diverse retailer audience requires follow up and translation services, especially when aiming to reach equity goals. Despite these challenges, there are clear opportunities to support existing and emerging diverse retailers in the financial burden of their brick-and-mortar spaces: subsidizing capital expenditures; and, easing recurring tax burdens.

LOAN POOL

Geography Assigned: Silver Spring, Takoma-Langley Crossroads, Wheaton

Like the Small Business Assistance Program (SBAP) and other targeted financial tools (see Appendix), a loan pool provides resources and incentives to particular kinds of local, independent businesses. This tool intends to support re-tenanting space through subsidized tenant improvement loans for small businesses. To protect the investment, require provisions in the lease that provide options to the tenant for continued occupancy (e.g., options to renew, assignment, and few limits on permitted uses).

The loan pool could also support business owners in purchasing their properties.

This program should be designed with low-interest rates and less stringent underwriting requirements than traditional bank loans. Businesses have little reason to use the program without these features in place.

Recommendation 1: Explore a range of funding sources

To seed the loan pool, consider federally allocated Community Development Block Grants (CDBG)/Section 108 loans with additional support from four to six banks. This approach utilizes the county's investment to leverage more Community Reinvestment Act funds from banks.

Recommendation 2: Establish a geographically targeted pilot program

This tool is intended to primarily support small, independent retailers in Silver Spring, Takoma-Langley Crossroads, and Wheaton. Rather than establishing a program countywide, utilize the diverse retail clusters to increase the viability of securing enough funds to deem the program useful. Consider tactics to market to and prioritize the targeted geographies.

Recommendation 3: Target legacy and minority designated businesses

In the application process, create ways to escalate Legacy and Minority Designated Businesses' applications for immediate consideration or provide a point system that prioritizes them for funding.

Recommendation 4: Fund fixed assets

Loans resulting from the pool should be used for fixed assets to offset risks, limiting allocations for working capital and mitigating risks for the county. These assets should include real estate, equipment, vehicles, and other items that hold value with or without the business in operation.

Recommendation 5: Consider creating a new application process

Application processes for such programs as the COVID-19 Relief Loans are considered cumbersome and ineffective by business owners and county staff alike but are required in order to meet reporting and evaluation requirements. Design a new process that mitigates the frustrations, while increasing the success rate of minority-owned retailer applicants.

Recommendation 6: Integrate a needs assessment

To ensure the programs greatest effectiveness, consider requiring a needs assessment to draft a plan for the loan's use. This assessment conducted by small business support organizations can serve as a component for qualification.

MONTHLY TAX BILL

Geography Assigned: Countywide

In Montgomery County, real and personal property tax bills arrive near the end of the year with a narrow time window to pay. This poses an issue for property owners and business owners that receive pass-through bills. These costs can be challenging for small businesses on tight budgets. An option to pay real estate taxes monthly could help independent businesses incorporate those costs into a monthly budget, limiting the burden of annual bills.

Staff time will increase the costs of operationalizing and maintaining this program, potentially having a negative externality of increased taxes or the program's sunseting. Utilizing automation could circumvent this issue.

When implementing this strategy, consider the role of the County Executive's office and council. One strategy should include coordinating with entrepreneurial support, non-profit organizations, and diverse businesses to speak directly to the needs.

Recommendation 1: Require that landlords provide the opportunity to pay pass-through fees monthly

This policy is intended to support the diverse retailer, who often does not own their building or directly pay real property taxes. Consider requiring property owners to provide their tenants with monthly pass-through fees if they decide to participate in the program.

Recommendation 2: Extend policy to other assessments

Specifically, the Takoma-Langley Crossroads assessment was mentioned as a challenge for business owners to pay annually. As other assessments arise to support retailing environments, such as Business Improvement District fees, consider ensuring options exist for monthly assessments.