

Small Business Lending Committee  
 Meeting of December 6th 2018

**Draft Minutes**

Attendees:

Paul	Horwitz	FDIC
Alexandra	Jaskula-Ranga	OFN
Anne	Linehan	Santander
Michelle	Meiser	Cambridge Trust
Karleen	Porcena	LISC- Boston
Jazmine	Ramirez	Santander Bank
Karl	Renney	Eastern Bank
Jose Luis	Rojas	Boston Private Bank & Trust
Charles	Smith	Eastern Bank
Vicky	Stein	Community Reinvestment Fund
Regan	St. Pierre	MCBC
Robin	Wood	Asian American Civic Association, Inc.
Phone:	Franky	Descoteaux
	Meagan	Teale
		Community Teamwork/ Merrimack Valley Small Business Center
		Wells Fargo

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The meeting began at 9:30 a.m. at Eastern Bank, 265 Franklin Street, Boston and was chaired by Charles Smith.

1. Approval of the Meeting Minutes from October 25<sup>th</sup>, 2018.  
 Motion to approve minutes from October 25<sup>th</sup> was made and seconded.
2. Updates and Announcements  
 MCBC's Small Business Committee (SBC) is looking for a committee co-chair to represent community organizations and CDFIs. Inquiries about the role and responsibility as well as the nomination process can be sent to Regan St. Pierre. The co-chair will work along with Charles Smith, SVP, Small Business Lending at Eastern Bank, to provide committee oversight and direction.

Treasury issued [initial guidance](#) on Opportunity Zones. Karleen shared that the MA Executive Office of Housing and Economic Development is hosting an Opportunity Zone conference on Wednesday December 12<sup>th</sup> at the UMass Lowell Conference Center.

Interise released a white paper November 13th with the Federal Reserve Bank of New York, the Stanford Latino Entrepreneurship Initiative: [Latino-Owned Businesses: Shining a Light on National Trends](#). The report builds on work done earlier in the year by the Stanford Latino Entrepreneurship Initiative (SLEI) and the Aspen Institute.

Regan provided an overview of community development events happening the week of December 10<sup>th</sup> and 17<sup>th</sup>.

### 3. Santander Cultivate Small Business

Cultivate Small Business is designed to help early-stage entrepreneurs: particularly women, minorities, and immigrants working to build and sustain food-related in businesses in emergent neighborhoods. In June 2018, Santander graduated its first cohort of the Cultivate Small Business program. The first cohort was comprised of 20 small businesses; women lead 70% of businesses in the inaugural class.

Santander engaged ICIC to conduct market research, which showed there was a lot of support for start-up businesses as well as established businesses looking to grow and scale, however there was a lack of programmatic support around for businesses that are *sustaining but are not sustainable*. As such, Cultivate Small Business focuses on early-stage entrepreneurs who have been in business for 1-3 years (average was 3.6 year for the first cohort).

Santander selected the food industry based on a cluster analysis and market research that showed a low barrier to entry and large immigrant population in that sector. Santander is staying with the food industry with its second cohort.

Cultivate Small Business began with a six month recruitment process. ICIC was also engaged to do direct outreach and participant recruitment.

Businesses applied for the program through a designated website. There were 30 applicants for the first cohort; Santander saw a 100% increase with the second cohort attracting 75 applications.

Cultivate Small Business has three components: education, networks and mentoring, and capital grants. Santander partners with Babson College to provide an eight-course 'mini MBA' program focused on the food industry.

Santander funded \$85,000 in capital grants with its first cohort; with the second cohort Santander increased the capital grant funding to \$100,000. Commonwealth Kitchen, a nonprofit test kitchen and food industry incubator located in Dorchester, is the fiscal agent and administrator of capital grants to the program participants. Release of the grant funding is tied to the successful completion of programmatic benchmarks built into the lifecycle of the program. The capital grant cycle continues after the program conclusion. In addition, Santander covered parking and food expenses associated with classes taken at Babson's downtown campus.

There are two different volunteer components to the Cultivate Small Business program. Mentoring is provided through Santander Bank employee volunteer hours. Depending on the need of the small business owner, a bank volunteer might provide help with a marketing plan, financial statement analysis or strategy. Mentorship is also provided through a partnership with Commonwealth Kitchen. Commonwealth Kitchen connects Cultivate Small Business participants with successful and established business owners in the Boston area.

The program ran from January to June 2018. Santander learned that a six-month program was too long and truncated the program to four months (January to April) with the second cohort. Participant turnover/drop off was 15%. There will be the same number of classes, but they will meet twice a week instead of once a week. Santander is looking at developing an alumni network for the program. Alumni were invited to the launch of the second cohort.

Santander welcomed its second cohort of small businesses in early December 2018. Of the 75 applicants in the second cohort, 61% were female-owned businesses; 41% minority-owned businesses; and 45% located in LMI communities. Santander expanded recruitment statewide with the second cohort.

It was raised, in the constellation of small business programs in Boston, including Sam Adams Brewing the American Dream and 10,000 Small Businesses, where there are other organizations that do something similar with some of the same partners, how did Santander try to differentiate itself within the existing ecosystem? Santander focused on the food industry not only in its participant recruitment but also in the curriculum development with Babson and partnership with Commonwealth Kitchen. Santander Cultivate Small Business is intentionally industry specific, almost a niche focus solely on early stage entrepreneurs in the food industry, and is hyper-local in that it is not a regional or national campaign. Santander is exploring piloting the program out-of-state next year.

Santander discussed that the round of applicants in the second cohort was more competitive because of the increase in awareness of the program. Of the 75 businesses that applied, 50 were invited to interview. Those who were not interviewed did not satisfy the selection criteria. The pool of 50 was further narrowed down by businesses that were not early stage entrepreneurs and were either 1/applicants whose businesses were too advanced (poised for something like 10,000 Small Businesses) or 2/too early and just starting out (less than a 1 year in business).

#### 4. Eastern Bank

Eastern Bank's Business Equity Initiative program focuses on minority-owned businesses with \$250K revenue to \$2-\$3 million of annual revenue. The program is not sector specific. It is a three-year \$10 million investment by Eastern Bank currently run through its charitable foundation. Glenn Lloyd leads the Business Equity Initiative.

Each business, of which there is 7-10 in each cohort, is paired with a current or former CEO or high-ranking executive who works with him or her on a strategic plan and provides guidance or consultative services on strategic initiatives as they go forward. In the beginning of the program, 80% of the cost of mentorship is covered by Eastern. For additional consulting services, the fee split flips with Eastern contributing 20% of the cost of services.

Eastern has partnered with the Boston Chamber of Commerce and their Pacesetter program to bring strategic procurement services to the small businesses. The Pacesetter program is focused on driving sales to minority owned businesses.

Eastern used \$2 million out of the \$10 million commitment to seed an investment fund in partnership with the Boston Foundation to provide private equity and lending capital. Eastern is also working with Mass Growth Capital Corporation to raise capital long-term to make the initiative sustainable.

Eastern acknowledged that the initial Business Equity Initiative cohort targeted minority-owned small businesses with \$750K to \$1 million in annual revenues, but the eligibility criteria needed to be expanded because of the limited pool of businesses at that growth stage. Like Santander, Eastern Bank found that there is a gap in financing, mentorship from seasoned professionals, and technical assistance to help small businesses in their growth stage.

The third cohort is going through the BEI program now. The BEI received the Economic Inclusion Award from the American Bankers Association.

#### 5. CDFI Women's Network

CDFI Women's Network ("CWN") fosters opportunities for a diverse and inclusive group of women in the community development finance industry to connect, share and learn from each other to advance their professional development. Industry is defined broadly as banks, CDFIs, consultants, and government agencies.



Massachusetts Community & Banking Council

CWN is an independent organization launched in 2016 at the OFN annual conference in Atlanta. It operates through a committee structure; it has a steering committee, technology/communications committee, and professional development/programming committee and local/regional chapters.

Since starting in 2016, nearly 1,000 members across 20 chapters throughout the country (including one in Boston) have joined. There is a lot of momentum currently: CWN has 30 members participating in LandIt, a career development platform, with scholarships sponsored through Morgan Stanley as well as a survey study on women in the industry conducted by the FUND Community Institute.

The Boston Chapter hosted an event at Haley House in January 2018 that was attended by 30 women from the CDFI Industry in Boston. There will be another event with the Boston chapter in the spring of 2019.

Why this? Why now? This is a pivotal time in the CDFI industry where there is an opportunity to attract the next generation of diverse young women and provide opportunities for knowledge sharing & learning, mentorship & coaching, and professional & leadership development. There is also the business case for attracting and retaining a workforce of diverse women lenders who can identify and understand the needs of women entrepreneurs.

Goals for 2019 include growing the online community from 1,000 to 1,250; completing a survey of member interests; 2-4 programming/professional development events (speakers, webinars, etc.); expanding the number & geographic reach of chapters (place-based & virtual); continuing the collaboration with LandIt; and exploring and implementing a mentoring program.

CWN is looking for opportunities to collaborate with MCBC and its member organizations around webinars, speaking, networking events featuring women entrepreneurs, and other ways to promote programs/initiatives supporting women entrepreneurs to CWN Members. Regan noted that MCBC's membership is predominantly women and this is another great opportunity to get involved in a cross-sector collaboration.

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