

## **Joint Venture Proposal Investment in Education and Local Community**

### **Executive Summary**

Community economic development requires partnerships that support entrepreneurial education and training, as well as access to capital. Based on the shared belief in community services, poverty eradication, and power of education, we propose to form a partnership with Seattle University in the following manner:

- Seattle University Foundation makes a financial investment to the community it serves through Community Capital Development (CCD). The investment will earn a moderate 3% annual rate of return with quarterly interest payments. The initial investment will be a sum of \$100,000 for 5 years.
- CCD has the fiduciary responsibility to deploy the fund to local entrepreneurs in the form of microloans (loan size  $\leq$  \$35,000) and pay quarterly interest based on 3% annual rate owed to Seattle University Foundation. It will submit its audited annual financial statements to Seattle University Foundation as it does for all investors.
- CCD will receive 2 to 3 students from Seattle University, through its Microenterprise program, as Microlending Interns to work on dispersing the initial \$100,000 fund to small businesses with the guidance and supervision of senior loan officers at CCD. While the initial student efforts will be to support the lending of the SU investment, the intent is that this program will continue after the money is lent out for ideally multiple years. We will have periodic reviews to evaluate the program to ensure that the proper learning objectives are attained.
- Seattle University Foundation intends to evaluate and decide whether to expand its investment in CCD based on benefits to Seattle University students' education and community economic development.

### **About Community Capital Development**

Community Capital Development is a consortium of three sister 501(c)(3) nonprofit organizations that were formed in 1997 with the overall mission to provide economic self-sufficiency and job creation through entrepreneurial development and access to capital. CCD's mission is to provide business assistance and financing to micro and small businesses in distressed communities and targeted women and minority owned businesses that:

- Create livable-wage jobs
- Develop life-long, transferable skills
- Create opportunity for entrepreneurs.

CCD primarily serves businesses in distressed communities in Seattle and throughout Western Washington, as well as women- and minority-owned businesses that would otherwise not be financed under conventional criteria. CCD's three sister corporations are the Seattle Business Assistance Center (SBAC), which provides business education and development services; the Seattle Economic Development Fund (SEDF), which provides small business financing primarily in Western Washington; and the Seattle Economic

Development Association (SEDA), which provides USDA loans, SBA Microloans in 20 counties throughout Washington, and also provides administrative, fundraising, and strategic planning support for both SBAC and SEDF. The three organizations are legally distinct, but operate in the same office space and do business collaboratively under the trade name of Community Capital Development.

CCD's target market includes and women, low-income and minority business owners across Western Washington. Approximately 60% of CCD's customers are either minority-owned businesses or low-income-owned businesses, while 55% are women-owned businesses. SBAC has a staff of nine business assistance officers and operates three Women's Business Centers as well as a statewide Minority Business Enterprise Center. SBAC's business assistance officers provide business counseling and guidance for SEDF's loan applicants and customers, as well as counseling for outside (bank) loan applicants and non-loan customers. SEDF's primary financial products are term loans. These loan products meet the needs of SEDF's target market because its customers can have limited investment (as low as 0% for micro-loans) into starting or growing a business. Traditional financial institutions require a 25-33% investment, especially when dealing with new, unproven businesses. SEDF differs from traditional lenders in their underwriting requirements in regard to credit history and capital investment for new and expanding businesses. SEDF offers flexible underwriting criteria to meet the needs of the client, accepts nontraditional forms of collateral, and provides closing costs assistance when necessary.

Through the partnership between SEDF (which offers access to capital) and SBAC (which offers business assistance), clients have the opportunity to "start from scratch" by attending workshops that teach them how to build a business plan, research a business market, operate QuickBooks and other necessary business software, build and maintain a website, manage employees effectively, and many more business skills. The classes and business counseling provided by SBAC have helped motivate clients to successfully apply for a loan through SEDF. Together, these services meet the needs of small businesses from start-up, to sustainability, to expansion, and from one-person businesses to businesses with greater than 50 employees. The transition from business assistance to access to capital is seamless within CCD, and the results from SEDF loans are impressive. Since our inception in 1997, CCD has provided loans to 562 un-bankable small businesses, totaling over \$23 million. We have also provided technical assistance and business ownership education to over 12,000 entrepreneurs or prospective entrepreneurs located primarily in Western Washington. These businesses were responsible for creating or sustaining more than 2,220 jobs, 68% of which went to persons of low-to-moderate income.

### **Why Invest in CCD**

#### **Reason 1: We are local!**

CCD is located in the Seattle Central District, the same neighborhood where Seattle University's campus is. Most customers at CCD are small business owners who serve the local community. Local businesses create local jobs, which are the heart of a stronger local economy. An investment in CCD is leveraged, through lending, to become investments in

many of those local businesses which create jobs, provide services, and together make a vibrant local community.

### Reason 2: Successful Track Record

Attached please find our 2008 Annual Report, a collection of media coverage, and an independent rating summary by CARS (<http://www.carsratingsystem.net/>) that collectively illustrated CCD's success in carrying out its mission while sustaining its financial strength and organizational growth.

### Reason 3: Capable and Dedicated Management.

**James L. (Jim) Thomas**, CCD's **Chief Executive Officer**, is well-known and highly respected for his management skills and ability to work across organizations to accomplish goals that benefit the larger community. He is an economic developer with a background as a commercial loan officer. His 18-year banking career began at Rainier National Bank, which was formerly one of the premier banking institutions in the Pacific Northwest. In the late 1980s, Jim joined the Security Pacific Bank family when it purchased Rainier National Bank. In 1991 he became the Senior Loan Officer at Emerald City Bank, a community bank serving Seattle's Central Area community. When Key Bank purchased Emerald City Bank in 1993, Jim and a business partner formed Parker & Thomas, Inc., a financial management and consulting firm that managed loan funds for municipalities. This experience served as the foundation in the establishment of SEDF and its affiliates. In 1996, Jim began the research to establish community economic development entities which opened for business in August 1997 and has since exceeded all loan and job growth targets.

From 1999 to 2002 Mr. Thomas participated in The Denali Program funded by the Kauffman Foundation of Kansas City, Kansas. This purpose of the Denali Program was to educate and train 25 Executive Directors across the nation on how to be more entrepreneurial in developing economic projects for their communities. Mr. Thomas successfully completed this program and created a Franchise Development Plan that was approved by the Office of Community Service to create jobs in the inner city of Seattle. Mr. Thomas earned his undergraduate and graduate degrees in Business Administration at the University of Washington in Seattle. He also serves as an officer for several community organizations as a member of the Board of Directors. He believes strongly in business assistance tools for economic development that provide people with the opportunity to develop and grow their entrepreneurial skills and abilities. Contact information: 206.324.4330 ext. 108, [jimt@seattleccd.com](mailto:jimt@seattleccd.com).

**Deputy Director Suzanne Tessaro** has been with CCD since 1998. Her business planning experience in non-profit, private and highly regulated industries exceeds 30 years. Ms. Tessaro supervises the administrative, business assistance, and loan support staff, coordinates overall asset and liability management and risk efforts, and carries out employee relations programs and activities. Ms. Tessaro's banking experience includes eleven years at Metropolitan Savings of Seattle, where she was a Certified Financial Planner and served as an Assistant Corporate Secretary, Compliance Officer, and Risk Manager. She also spent six years at the Bank of California, in Seattle, WA, in both lending and operations. Her formal

education includes a BA and MBA from the University of Washington. Contact information: 206.324.4330 ext. 110, [suzannet@seattleccd.com](mailto:suzannet@seattleccd.com).

**Hongqing Chen, Chief Operating Officer**, oversees CCD's operations and financial performance. Prior to joining SEDF, she was First Vice President and Senior Manager in Risk Scoring Strategy in Small Business Banking at Washington Mutual Bank (WaMu). During her tenure over nine and a half years in WaMu, Ms. Chen led teams in Asset Liability Management, MSR valuation and hedging, prepayment research and modeling, portfolio analytics and strategy, and delivery of other analytics services supporting business initiatives. Before joining WaMu, Ms. Chen was a senior ALM analyst for Wilshire Financial Services Group and as Adjunct Professor of Finance at School of Business Administration at Portland State University. Ms. Chen holds a Ph.D. in Finance. In addition to serve at CCD, Ms. Chen is appointed as an adjunct professor teaching Fixed Income to Masters of Science students at Seattle University in September 2009. Contact information: 206.324.4330 ext. 140, [hongqingchen@seattleccd.com](mailto:hongqingchen@seattleccd.com).

### **Conclusion**

Seattle University Foundation will find CCD a great partner that is capable of distributes its funds to entrepreneurs it seeks to support in the community it lives and serves. More importantly, CCD's strong financial performance ensures that Seattle University Foundation will receive its principle back while making a modest return on its principle investment. In addition, students at Seattle University will gain working experience in community economic development through business counseling and lending at CCD.

CCD, in turn, will gain an additional community supporter and much needed capital to help entrepreneurs who turn to CCD because they are not bankable. As unemployment rate reached 26-year highs and continues to rise in US, many individuals turn to self-employment to support their families. It is this kind of self-reliance that our country was built on. However, this and the fact that banks are reluctant in making small business loans have put a great pressure on CCD as its capital was depleted by the greater demand. An investment from Seattle University Foundation, no matter what size it is, will help CCD to continue its good work.

Last but not least, the community will win from the alliance between Seattle University and CCD as both institutions share the same vision and passion to create a better community through education and financing activities. The investment from Seattle University Foundation in CCD, therefore, will achieve a triple bottom line: return, learning, and community benefit.