

Section 1: Community or Constituency (ies) to be served by the organization (5 points)

Introduction

As a Community Development Financial Institution (CDFI) and a community development corporation (CDC), Lowell Community Loan Fund (dba Mill Cities Community Investments (MCCI)), is both place-based (historically in the Merrimack Valley), and constituency-based (small largely minority-owned businesses and LMI households).

MCCI's service area consists of an Investment Area (IA) and a Target Market (TM). Our IA consists of contiguous low-income census tracts between the cities of Lowell, Lawrence and Haverhill (list of geocoding of the low-income census tracts is attached). Our TM is low-income families in Essex and Middlesex Counties of Massachusetts that meet 80% or below the area median income as per HUD standards. MCCI is recertified annually by the CDFI Fund and to maintain certification must continue to deliver more than 60% of its services to its approved service area.

Because of our growing partnership with the Foundation for Business Equity to provide low-cost capital to minority-owned small businesses, explained below, MCCI is expanding its CDFI Fund approved service area to include *a target population* (Black and Latinx business owners and homeowners) throughout Greater Boston and the Merrimack Valley.

MCCI formally applied to the CDFI Fund to "expand its target market" in December 2020 and expects to be approved in Q1 2021. Once approved, MCCI can provide lending and small business technical assistance services outside of Essex and Middlesex Counties, and have these contribute to its annual CDFI recertification, as long as these services are provided to a minority population.

MCCI's IA (contiguous low-income census tracts between the cities of Lowell, Lawrence, and Haverhill) encompasses a population of about 255,039 (Census v2019). The combined populations of Essex and Middlesex counties are estimated at 2,400,733 by the US Census Bureau. Located approximately 30 miles north of Boston, Lowell, Lawrence, and Haverhill are three of the major cities in the Merrimack Valley region interwoven by the Merrimack River and I-495. During the industrial revolution, these cities were developed as industrial planned towns and were once the regional center for textile manufacturing. All three cities have lost economic vitality with the erosion of manufacturing jobs. Poverty is an important issue facing the investment area: all three cities have census tracts with poverty rates over 20% (Census 2015). Low-income families in Haverhill are densely concentrated in and around the downtown area where poverty levels are as high as 26% (Census 2015). Investment area maps are attached.

There is significant diversity within and among the populations of the IA cities. These groups have been historically underserved in the housing market and in access to business capital. Segregation is a significant issue. According to CUNY Albany, Lawrence is the most segregated primary metropolitan statistical area (PMSA) for the Latinx population in the US and Lowell is the 7th most segregated for the Asian population. The 2010 Census bears this out: Lawrence's population is 74% Hispanic, whereas Essex County is only 15%. Lawrence's population is 36% foreign born and Lowell's is 25%. MCCI's trilingual loan staff and regional platform allow us to make headway in breaking down some of the segregation by providing needed financing and technical assistance regionally and encouraging people to seek out opportunity. More than half of Lawrence's housing was built before WW2 and 83% before

1980. An estimated 40% of Lawrence residents spend more than half of their income on housing (City of Lawrence 2015 housing study).

While the cities suffer from concentrated poverty, the suburbs house even larger numbers of poor people. The cities house only one quarter of the total 180,641 people (2019 estimate) living below the poverty line in the TM and much of the suburban poverty is unaddressed. Cities and towns here are independent and there are few mechanisms to coordinate regionally. MCCI is one of the few regional platforms to deliver needed financing and technical assistance, not just in the cities but also in the towns where poverty is less obvious but persistent.

Key Client Statistics 2019-2020

- Commercial loans to minority-owned businesses: 94% (15 of 16)
- Residential loans to minority homeowners: 51% (53 of 103)
- Residential loans to LMI homeowners: 54% (56/103)
- Total commercial clients served in 2019: 250
- Total commercial clients served in 2020: 450
- PPP loans (via Reading Cooperative) to minority owned businesses: 74% estimate

Competition and Expansion

No other CDFIs are based in MCCI's IA and TM. Larger Boston CDFIs offer different lines of business than MCCI. Most of MCCI's loans are under \$50,000, with no other loan fund or CDFI competing for these loans. Our larger small business loans are developed specifically through our partnership with the Foundation for Business Equity's "Business Equity Initiative." Small business loan funds exist but target single municipalities and are small scale. Bank-based business lending typically targets English-speaking markets and large enterprises. MCCI plays a strong role in addressing the need for small businesses started by low-income, minority and immigrant entrepreneurs. MCCI has little competition in the lead remediation loan market. MCCI, working with Mass Housing, has been the #1 lead paint remediation lender in MA for five straight years.

Successful new partnerships and client demand have expanded our services into Salem, MA as the lender manager of the newly announced Salem Loan Fund (small business); and our partnership with the Foundation for Business Equity (minority-owned small business focus) has expanded our lending in Greater Boston. MCCI's residential low-cost loans for home de-leading and home improvement have always had a footprint focused on Essex and Middlesex counties but include a smaller number of loans throughout eastern Massachusetts counties.

Access to Capital

Access to capital has always been a challenge for small business owners, particularly in minority communities, and is now even more relevant as businesses look to reopen and thrive in a new business landscape, catch up on bills, rehire and retain employees, repurchase inventory and in many cases adapt their cost structure to a lower demand environment. Businesses with 2-10 employees in MCCI's investment area are particularly vulnerable to both capital and staffing disruptions and uncertainty. The regional gaps in small business lending particularly to minority owned businesses include:

- Businesses with less than \$1MM in revenue
- Businesses with fewer than 20 employees
- Businesses seeking loans for less than \$100K

- Businesses that may be using credit cards for working capital needs
- Businesses in growth states
- Businesses with poor credit but growth potential

Section 2: Involvement of community residents and stakeholders (20 points)

MCCI is dedicated to lifting up community needs and voices and actively seeks out the insight and recommendations from business owners to inform program design and implementation. In April 2020, shortly after the onset of the COVID-19 crisis, MCCI began holding weekly virtual business owner meetups in both English and Spanish. These meetups quickly became a safe space for business owners to network with each other and share their experiences, challenges, information and encouragement. Guest speakers from the community were invited to meetups based on specific requests from meetup participants. Ninety-two (92) businesses attended these sessions April - October 2020. These meetups allowed MCCI to specifically adapt classroom training offerings to best meet the needs of business owners as they expressed them during the health crisis.

MCCI encouraged Merrimack Valley businesses to participate in a Statewide survey of businesses conducted by Mass Inc. following the coronavirus pandemic. The data collected from that survey helped to inform us of the current needs in the business community so we could better design our programs. The MCCI approach to business education encourages participation and discussion, knowing that business owners themselves already have a wealth of knowledge and experience and can learn from each other. Course offerings were expanded, from basic bookkeeping/accounting training, to additional workshops on QuickBooks, small business taxes, and credit building based on input from participants.

Additionally, MCCI consistently seeks to build and deepen relationships with business leaders and members of the small business ecosystem who also help provide a range of perspectives about the needs of the local small business community.

- MCCI has a deep ongoing partnership with the City of Lawrence department of Community and Economic Development. MCCI has become an integral part of the City's economic development activities and the close working relationship with the community and economic development team has increased MCCI's knowledge of the most urgent needs for the City's businesses owners.
- MCCI is a key member (and the only lender) of the Merrimack Valley Small Business Coalition, composed of the Lawrence Partnership, business owners and 13 small business technical assistance partners. MCCI believes the best way to understand and address the problems small business owners are facing is through an 'ecosystem' approach. By meeting regularly, sometimes several times a month, with other ecosystem partners MCCI constantly has its ear to the ground for what businesses owners are experiencing, as well as maintaining a granular understanding for other available resources. Our 'one plus one equals three' ethos and approach has helped MCCI build trust in the community and mitigates against unnecessary duplication of effort, making it easier for businesses to understand which services they can receive where. This model was pioneered in Lawrence after the Colombia Gas explosions and is now being replicated in Salem and Haverhill with MCCI as a lead organizing force.

- MCCI's deepening of its partnership with the Foundation for Business Equity further strengthens our ability to serve the needs of our communities. FBE listened carefully to small business needs as the pandemic's impact became evident, and pivoted its model to address the immediate, short-term needs of businesses (i.e., surviving and stabilizing), and has reflected these lessons back to MCCI and the larger small business support ecosystem as a model for how to engage particularly Black- and Latinx-owned businesses across the state.

MCCI expertise in emergency response to small businesses, developed of necessity through the combined Columbia Gas explosion and the Covid-19 health crisis, has provided deep working insights into the situations of small businesses impacted by these natural and man-made crises. The depth of interaction with 700+ businesses during these crises have provided MCCI with an unusual opportunity to understand the current needs of target market businesses. MCCI's business financial education program was born out of the aftermath of the Columbia Gas explosions. Small business owners in Lawrence, Andover and North Andover struggled to recover their financial losses through the claims process because they did not have access to strong financial records. Unable to substantiate their loss of income through financial statements, they were left to absorb the shock of the crisis using their own cash reserves which were little to none. Training design was focused on being accessible and relevant, and targeted to businesses that were ready to make the changes necessary to be better prepared to sustain their business in the long-term. The COVID crisis further emphasized the need for the development of core financial capabilities to help businesses survive in changing and uncertain times.

MCCI board of directors is composed of 13 volunteer members, who are primarily target market constituents and some community minded individuals whose skills and expertise provide valuable contributions to governance. Eight directors (62%) live in the target market area, one being an LMI representative, and four directors represent two well-known local CDCs per MCCI bylaws (two from Coalition for a Better Acre and two from Lawrence Community Works). Eight out of thirteen board members (62%) are constituents of the organization. MCCI holds monthly meetings and an annual meeting, with standing committee meetings taking place in parallel. Most directors attend at least 75% of the board meetings each year. Three of the board members are Hispanic, two are Black and two members are Asian.

In conclusion, while acknowledging that we are in a period of significant change and unpredictability, we will continue to engage and collect feedback from the small businesses and broader support ecosystem stakeholders to ensure we are meeting the needs, learning and improving.

Section 3: Plan goals (7 points)

Goals

Expand Small Business Lending

- Grow geographic funds: We target additional geographic loan funds to be established over the period. The cities of Lynn and Peabody and the expansion of the Lawrence Venture Fund to Andover and North Andover are top priorities but other locations may emerge.
 - Add a flexible Merrimack Valley funded via MCCI balance sheet. This will enable MCCI to be still more adaptable to community needs as they evolve.
- Support to minority-owned businesses - MCCI targets a minimum level of 90% of our small business loans to be made to minority owned businesses. Historically, we are at 92%.

- Number of companies and lending volume targets:
 - Number of loans: From 78 in 2019 to 176 in 2025
 - Volume of loans: From \$2.9M in 2019 to \$8.36M in 2025
 - Number of Business Equity Initiative loans: From 7 (Dec 2019 to Dec 2020) to 12 in 2025
 - Volume of Business Equity Initiative loans: From \$2.3M (Dec 2019 to Dec 2020) to \$3M in 2025
- Credit Building Loans: 150 loans by 2025 for \$75,000, supporting businesses to improve credit history and scores, greater access to capital, lower interest rates on capital, increased negotiating power and access to better housing options.

Expand Residential Impact

- Residential Lending Program with MassHousing for home improvement and lead loans (Get the Lead Out Program). (For context MCCI completed 83 lead loans in FY17 and 75 loans in FY18. 2019 lending was significantly impaired by MCCI organizational focus on Columbia gas explosion support and in 2020 by the pandemic.)
 - 166 loans closed per annum by 2023 and 176 loans per annum by 2025
- MCCI currently has a Home Improvement Loan on balance sheet portfolio of \$653,000. The bulk of our current loans are sold to Mass Housing. With the rapid expansion of our banking partnerships via geographically based lending funds and the growing partnership with Foundation for Business Equity we target an expansion of our capital for these programs and target residential on balance sheet lending portfolio to \$2.5M by 2025.

Expand Capital Base to \$16M in loans and \$18M balance sheet by 2025

- Growing MCCI's own capital base supports several key aims: 1) It allows us to lend more flexibly and regionally, 2) It would lower MCCI's cost of capital – savings MCCI can then pass on to borrowers, 3) It would allow us to significantly grow the home improvement loan program and 4) It improves the sustainability of MCCI's revenue model and reduces reliance on grant-based funding.

Section 4: Activities to be undertaken (7 points)

Introduction

Like many organizations MCCI has had to adapt and pivot its offerings to meet community needs during the pandemic. This is particularly apt for the small business community in our region. The approach we developed we are calling the Recovery and Resilience Initiative (RRI). We have realized that despite the extraordinary circumstances faced by small businesses during COVID-19 that RRI is not a one-off initiative but a specialized application of our core methods and competencies to continue through and beyond the pandemic. Thus, Phases 1, 2, and 3 articulated below (through a post-Covid-19 period) are happening simultaneously and reinforcing each other. As MCCI expands into new geographies or within current geographies our relationships and visibility grow.

Recovery and Resilience Initiative

Phase I, begun in autumn 2020, includes credit building loans (CBL), classroom training (CT) and one-on-one technical assistance (TA) to equip business owners to mitigate the impacts of COVID-19. During September through year end MCCI supported 147 businesses via classroom trainings and technical

support and provided \$1,325,000 small business loans. MCCI provided (TA) for these business owners to ensure they qualify for the maximum amount of Payment Protection Program loan forgiveness and then support them to apply for other government resources as they become available.

MCCI plans to make available a \$500 five-month 0% interest (Credit-Building Loan, or CBL). CBLs help businesses to repair credit that may have been damaged falling behind on bills during COVID-19. Acceptable uses of the CBL include accounting services to bring businesses financials up to date or bank fees that may be preventing businesses from opening a business bank account. MCCI plans to disburse 30-40 CBL's in February-April 2021 and then repeat the program annually. Access to the CBL requires a commitment from businesses to participate in a classroom-based workshop series. The integrated capital and business training program support borrowers to access longer term financial capital for future growth, create and retain jobs, build wealth and avoid common pitfalls such as high-interest private loans.

Classroom training topics include reopening assessments, planning business pivots, bookkeeping, credit building, establishing banking and accountant relationships, emergency planning, obtaining forgiveness on PPP loans, and developing action plans to mend businesses and pave the way for sustainability and future growth. One-on-one TA will be delivered by MCCI's highly trained staff and by partners focused on business planning, P&L projections, marketing, and credit building. (TA) clients will benefit for an average of 8 hours of training, coaching, and mentoring time.

Phase II, initially scheduled for the first two quarters of 2021, will be extended throughout 2021 due to pandemic impacts and will provide more advanced technical assistance (TA) and classroom training (CT) for Phase I graduates, geared to longer-term strategies. Altogether, Phase 1 activities continue during Phase 2 with adaptations as appropriate to pandemic developments. New businesses will be introduced who would benefit from Phase 1 (TA) and 'graduates' move into more advanced (TA) and capital access (loans and grants). Phase II businesses will have access to additional longer-term capital. MCCI can access lending capital through its Lawrence, Haverhill and Salem loan funds as well as the Business Equity Fund. MCCI is actively seeking other low-cost lending capital through our partnership with the Foundation for Business Equity.

Loans normally range between \$5,000 to \$100,000 with an average loan size of \$50,000. MCCI expects to deploy 40 loans from the geographic based funds within RRI in the next two years for a total of \$2,000,000 - \$2,500,000. Business Equity Fund loans average \$300,000 and we expect to make 15-20 of these loans in the next two years for a total of \$4.5M - \$6.0M.

Phase III, beginning Q1 of 2022, will transition businesses to traditional sources of capital through banking and credit union relationships developed in the first two phases, paired with one-on-one strategic advising focused on growth. Banking and credit relationships are built by strengthening businesses financials, building personal credit and helping business owners, many of whom are immigrants, understand how bankers look at businesses.

- Early stage or less sophisticated businesses participate in classroom and/or one to one TA. They may have come to MCCI seeking a loan or directly for an MCCI training. If appropriate they may participate in the CBL program.
 - New businesses continue to arrive while others have matured to Phase 3.

- Training and TA may be sufficient for some businesses while others want to access growth capital through one of our funds.
 - Intensive TA is then an integral part of the underwriting process for such loans.
 - MCCI continues in relationship with these businesses - sometimes referring them to other small business TA providers.
 - Some businesses will eventually re-finance their MCCI loan with a bank or seek follow up financing either with MCCI or a banking partner.

With successful loan funds established in Lawrence and Haverhill, MCCI, with its partners, has expanded the model in the Northshore region of Massachusetts. A \$1M loan fund has been launched in Salem, MA and once the participating banks feel comfortable with the model this fund will expand to other North Shore communities such Lynn, Peabody, Beverly and Gloucester. Ultimately, MCCI's goal is to be a statewide lender by 2022, either as an SBA lender, or through the support of its membership Opportunity Finance Network.

Growing the MCCI Partnership with FBE on the Business Equity Initiative

Throughout the grant period MCCI will expand its support (as Business Equity Fund lender) to businesses participating in FBE's Business Equity Initiative which provides high-touch, strategic advisory to Black and Latinx-owned small businesses throughout our three-county area, to enable and drive sustainable growth. See Section 7 for more detail on this partnership.

Residential Lending Activities

- Business Development conversations and presentations to prospective bank partners. MCCI is already successfully partnering with 15 local and regional banks through its geographic loan funds. Due to a lack of capital MCCI has not pursued business development for its residential programs since early 2018.
- Once staff members of the Local Rehab Authorities return to their offices post-pandemic MCCI's residential team will communicate and strategize with these offices to meet pent up demand.
- MCCI has been asked by MassHousing to expand the geography of its home improvement and Get the Lead out lending statewide and we will explore such expansion post-pandemic.
- Continued streamlining of our residential lending technology infrastructure.

Section 5: How success will be measured and/or evaluated (10 points)

The key outcomes that MCCI currently tracks include number of businesses financed, total value of dollars lent/granted, number of full time and part time jobs created and retained as a result of MCCI's activities, increases in business's profitability, increases in credit scores, increases in tested competency of standard business topics, demographic information.

Baseline data is collected on businesses via an intake survey. Follow-up semi-annual surveys are administered for business borrowers or training program graduates to track progress and capture additional outcomes. Many of MCCI's classroom training courses, as appropriate, have a pre- and post-course exam to capture the knowledge students gained from their participation. Clients that attend all training sessions receive a certificate of course completion.

MCCI has worked to strengthen its data collection and evaluation capacity over the past year by investing in a robust client tracking software called Downhome Solutions. Downhome Solutions is a loan servicing and data collection system that is customized specifically for CDFIs. This system allows MCCI to keep more accurate records of demographics, indicators and outcomes for its technical assistance and loan programs. MCCI has also invested in its cloud capabilities and moved away from dependency on paper records and excel spreadsheets for tracking.

Our integrated partnership with FBE will only serve to strengthen the organization's M&E capabilities. In the past, FBE has worked with an external evaluator to assess its technical assistance programs and we will be leveraging those relationships going forward as appropriate for MCCI operations. FBE has worked closely with Mt. Auburn Associates—a leading Boston-based economic development consulting firm with deep expertise in impact measurement and evaluation—FBE has developed a robust Theory of Change and data collection process for the Business Equity Initiative (where MCCI is the CDFI lender). Data collection and impact tracking are woven into the program for each cohort, not as a compliance measure but as a tool to strengthen the program and ultimately the success of Black and Latinx entrepreneurs. While we have not yet completed the review of optimal application of this work to MCCI programming, data collection touchpoints used by FBE include:

1. Bi-annual data reporting from Participating Enterprises both while they are participating in BEI and after they have graduated (this includes revenue, EBITDA, loan activity, number of employees, number of underrepresented minority employees)
2. Electronic cohort survey for PEs (conducted by third party)
3. Electronic survey for Strategic Advisors (conducted by third party)
4. Report out on Strategic Growth Plan progress by SA (via monthly invoice)
5. End of program interview with PEs and SAs (conducted by third party)
6. End of program BEI wrap-up interview with PEs (conducted by BEI staff)
7. Annual follow-up electronic survey for graduates of BEI (conducted by third party for a minimum of three years post-program, focused on state of the business and the business's role in the community)

Section 6: Collaborative efforts to support implementation (12 points)

Introduction

MCCI's work is fundamentally a partnership/collaborative approach due to the nature of our work. Several elements of our collaborative structure are important to note at a high-level and these include both our small business and residential programs and our revenue model/financing strategy:

- MCCI partners with multiple banks to conduct the work of our geography-based venture funds (currently Lawrence, Haverhill, Salem). MCCI as a mission-based lender is willing to take lending risks the banks would not otherwise consider and to spend the time needed to support responsible lending. The banks provide both financing and part of our pipeline of potential borrowers, thus supporting both financing strategy and mission.
- The CITC program is very important for MCCI's financing strategy at this stage of its development as is the technical assistance grant program of the US Treasury CDFI Fund. This will be the case until MCCI reaches at least \$20M in assets and can provide a higher percentage of revenue via earned income, which is projected over the next several years.

- MCCI works with other providers of small business technical assistance through the Merrimack Valley Business Coalition, within the Salem Loan Fund and the Massachusetts Equitable PPP Access Initiative, and with the Foundation for Business Equity within our partnership on the Business Equity Initiative. MCCI has internal technical assistance capability and could choose to serve all borrowers and companies that approach us for help; however, we choose to work with and through a range of partners with varying TA expertise because our experience has indicated this approach offers the best outcomes for small businesses.
- As the historical hub of MCCI's work we have developed a strong ongoing partnership with the City of Lawrence.
- MCCI's deepening partnership with the Foundation for Business Equity will be critical for its plan implementation.

Partial List of Projects & Partners

Geographic Loan Funds

- Lawrence Venture Fund: the City of Lawrence, the Lawrence Partnership and ten banks including Eastern Bank, Enterprise Bank, Pentucket Bank, The Savings Bank, Jeanne D'Arc Credit Union, Reading Cooperative Bank, Merrimack Valley Credit Union, Bridgewater Credit Union, Mass Growth Capital and Align Credit Union.
- Haverhill Loan Fund banks: Haverhill Bank, Pentucket Bank, Enterprise Bank and Align Credit Union and the Merrimack Valley Planning Commission, UMass Lowell Innovation Hub, Haverhill Chamber of Commerce, Essex County Community Foundation and the City of Haverhill.
- Salem Loan Fund banks: Eastern Bank, Mass Growth Community Capital, Berkshire Bank, Boston Private Bank, East Boston Bank, North Shore Bank and St. Jean's Credit Union, with the Essex County Community Foundation, the City of Salem and the Salem Partnership and Technical Assistance Partners - The Enterprise Center and Northshore CDC.
- Lawrence Community Works Lending Circles Program: MCCI is the lender and administrator of this peer-based lending fund for women.

Small Business Technical Assistance Partnerships

- Merrimack Valley Small Business Coalition: The Lawrence Partnership, Amplify Latinx, EParaTodos, TLE Center for Entrepreneurship, Business Equity Initiative, Janin Consulting and the Enterprise Center.
- The Massachusetts Equitable PPP Access Initiative (MEPPPAI) is a coalition formed to provide timely and equitable access to forgivable federal loans from the U.S. Small Business Administration under the Paycheck Protect Program (PPP) for underbanked businesses and historically disadvantaged and underserved demographic groups, including businesses owned by women and people of color. The coalition includes community development financial institutions, banks, business support organizations, foundations, and other supporting partners.

Residential Lending

- Mass Housing and Local Rehab Authorities: MCCI works hand in hand with Mass Housing and Local Rehab authorities to identify and service homeowners in need of low-cost home de-leading and home improvement loans. Within the lending process MCCI provides up front funding for the loans and associated fees and then sells these loans to Mass Housing. MCCI has been the #1 lead remediation lender in MA for six consecutive years.

Foundation for Business Equity

In 2019, MCCI partnered with FBE to become the lender for the Business Equity Fund (BEF). FBE's flagship program provides high-touch, strategic advisory to Black and Latinx-owned small businesses to enable and drive sustainable growth. Graduates of this program are eligible to apply for financing from the BEF, designed in 2018 to address long standing barriers to growth financing and technical assistance that have historically limited opportunity for entrepreneurs of color.

City of Lawrence

MCCI has a deep ongoing partnership with the City of Lawrence Department of Community and Economic Development. MCCI has become an integral part of the City's economic development activities and the close working relationship with the community and economic development team has increased MCCI's knowledge of the most urgent needs for the City's businesses owners.

Section 7: Integration of activities/consistency with community strategy and vision (7 points)

Framing Benefit to Constituents

MCCI's IA and TM do not have clear and agreed upon economic development plans. A clear regional plan for small business support and MCCI's residential lending products does not exist; nor does the City of Lawrence, Essex County or Middlesex County have such a plan. We have chosen two frames to provide a wider objective background for our plan goals: 1) Governor Baker's Latino Advisory Commission and Black Advisory Commission Reports from 2017/18 and 2) Elements from the Lawrence Partnership's Framework for Action, the City of Lawrence being a critical hub of MCCI activity.

Governors Latino Advisory Commission

Priority: Advance the competitiveness of the Latino workforce and businesses

Recommendation: Increase competitiveness of Latino owned businesses by growing access to capital, capacity building and supplier diversity opportunities

Measurements and indicators of success include:

- Increased in funding dedicated to building capacity of Latino owned businesses.
- Increase in percent of Latino businesses with access to capital for growth.
- Increase in the number of Latino owned businesses that compete and win state contracts.

Governors Black Advisory Commission

Priority: Grow the competitiveness of Black owned businesses

Recommendations:

- Increase competitiveness of Black owned businesses by growing access to capital and capacity building resources.
- Working with established community organizations to assist in increasing the participation rates of Black owned business in business development programs to grow their businesses.
- Creating opportunities for Black owned business to increase their social and business networks, which can then be leveraged to support greater business partnerships. These can be convened by larger Black owned business and/or established business resource organizations,

such as small business development centers and chambers of commerce in various regions of the state.

Measurements and indicators of success include:

- Increase in funding dedicated to building the capacity of Black-owned businesses.
- Increase in percent of Black-owned businesses with access to capital for growth.

Lawrence Partnership Framework for Action (Business Development)

A healthy local economy includes businesses that compete in regional and global markets, local service providers who meet the needs of people in the community, and a robust Main Street. Large businesses offer workers steady jobs with opportunity for learning and advancement while entrepreneurship contributes to wealth creation and economic resilience.

· **Small Business Development:** Small businesses are the engines of economic growth and job creation, adding unique character to communities and keeping money circulating in the local economy. Small business ownership offers a path to financial independence and generational mobility, along with the ability to meet the unique needs of a community. This is particularly true in Lawrence, where there are many immigrant and minority small business owners who are improving their lives by offering food items, services, and goods which are hard to find elsewhere. There is a high correlation between immigrants and entrepreneurship, yet language and cultural barriers, along with gaps in “bootstrap capital” and access to social capital, can make it hard for even the most dedicated entrepreneur to turn a good idea into a viable business.

Organizational Context

The strategies indicated in Sections 3 and 4 of this plan represent a path for MCCI to both grow its impact and improve the sustainability of its long-term revenue model. For context, it is well known that smaller CDFIs are overly dependent on grant funding, both government and private, until the lending balance sheet reaches \$20 million+. MCCI began growing only in 2015 and now has an asset base between five and six million. The model we have been developing will continue to need substantial grant support until we reach the targeted capital base in five years.

Starting in January 2021, MCCI and the Foundation for Business Equity (FBE) will deepen the integration of its partnership, as FBE’s Executive Director, Glynn Lloyd, will also become the Executive Director of MCCI (MCCI will remain a separate 501c3 and a local/regional CDC & CDFI), via a Managed Services Agreement. With a CDFI under the same oversight as a leading small business strategic advisory organization, the winning combination of advice and capital for small businesses is expected to result in significantly increased impact. MCCI’s workshops and lighter touch technical assistance will also provide a complementary offering to FBE’s intensive, high-touch advisory services model. FBE and MCCI together will realize operational synergy, increased earned revenue leading to long-term sustainability, and ultimately greater impact for small businesses and entrepreneurs across the state.

Table – Correlating Plan Goals/Activities with Community Strategy & Vision

Note: Foundation for Business Equity = FBE and its Business Equity Initiative = BEI

<i>Community Strategy/Vision</i>	Plan Goals/Activities
<i>Advance the competitiveness of the Latino Workforce and businesses</i>	Growth of MCCI partnership with the FBE/BEI Implement Credit Building Loan program

	Continue to build on MCCI success with classroom-based business training and 1 to 1 assistance (bi-lingual)
<i>Grow Latino access to capital and capacity building</i>	Growing MCCI capital base to increase funding flexibility. Develop a flexible Merrimack Valley loan fund. Grow number of cities with MCCI venture loan funds (high minority populations) Growth of MCCI partnership with the FBE/BEI Implement Credit Building Loan program Expand Lawrence Venture Fund to Andover, North Andover and continue to deepen partnership with City of Lawrence
<i>Increase in percent of Latino businesses with access to capital for growth</i>	Growing MCCI capital base to increase funding flexibility. Develop a flexible Merrimack Valley loan fund. Grow number of cities with MCCI venture loan funds (high minority populations) Growth of MCCI partnership with the FBE and its Business Equity Initiative. Implement Credit Building Loan program Expand Lawrence Venture Fund to Andover, North Andover and continue to deepen partnership with City of Lawrence
<i>Grow the competitiveness of Black owned businesses (BOB)</i>	Growth of MCCI partnership with the FBE/BEI Implement Credit Building Loan program Continue to build on MCCI success with classroom-based business training and 1 to 1 assistance
<i>Grow access to capital and capacity building resources for Black owned businesses</i>	Growing MCCI capital base to increase funding flexibility. Develop a flexible Merrimack Valley loan fund. Grow number of cities with MCCI venture loan funds (high minority populations) Growth of MCCI partnership with the FBE/BEI Implement Credit Building Loan program
<i>Increase in percent of BOB with access to capital for growth</i>	Growing MCCI capital base to increase funding flexibility. Develop a flexible Merrimack Valley loan fund. Grow number of cities with MCCI venture loan funds (high minority populations) Growth of MCCI partnership with the FBE and its Business Equity Initiative. Implement Credit Building Loan program
<i>Create opportunities for BOB to increase social and business networks which can be leveraged to support greater business partnerships.</i>	Growth of MCCI partnership with the FBE and its Business Equity Initiative. FBE cohort model supports this goal directly. MCCI lends to and under-writes these companies.

Section 8: Financing strategy (20 points)

Financial Overview

Over the next 3-5 years, MCCI is expecting significant growth in lending volume. Based on continued growth in MCCI’s core products (commercial loans, lead remediation loans, and home improvement loans) as well as growth from BEI loans (50% of BEI-company loans, assuming 60% of participating enterprises are financed), MCCI is projected to reach 176 loans totaling \$8.36M annually by 2025 (166 loans and \$7.06M by 2023). Based on this activity, total assets are projected to grow from \$4.3M in 2019 to \$12.9M by 2023 (and nearly \$17M in 2025).

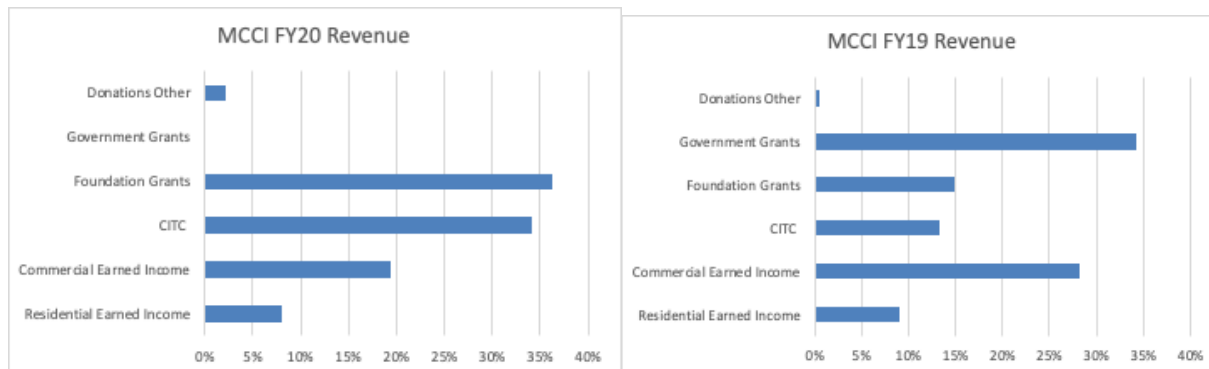
MCCI’s earned revenue is projected to grow from \$181k in 2019 to \$783k in 2023, which will increase self-sufficiency (48% in 2023) given operating expenses are planned to growth from \$1.4M in 2020 to \$1.6M in 2023.

Projected Lending Activity, 2021 to 2025

	2020	2021	2022	2023	2024	2025
Business Equity Initiative Loans						
Originations (\$)	1,325,000	2,500,000	2,500,000	3,000,000	3,000,000	3,000,000
Originations (#)	3	10	10	12	12	12
Other Commercial Loans						
Originations (\$)	0	1,400,000	1,800,000	2,000,000	2,000,000	2,000,000
Originations (#)	0	28	36	40	40	40
Lead Paint Loans (Sold)						
Originations (\$)	565,570	2,100,000	2,400,000	2,700,000	3,000,000	3,000,000
Originations (#)	25	70	80	90	100	100
Home Improvement Loans						
Originations (\$)	232,339	360,000	360,000	360,000	360,000	360,000
Originations (#)	12	24	24	24	24	24

2019 Loan Production for Context

- BEI: 1,000,000 - 4 loans
- Commercial: 362,500 - 6 loans
- Lead Paint: 1,326,609 - 54 loans
- Home Improvement: 229,450 -14 loans



Projected Financial Performance, 2021 to 2025

	2021	2022	2023	2024	2025
Originations (\$)	2,500,000	2,500,000	3,000,000	3,000,000	3,000,000
Loan Interest Income	348,693	503,272	668,527	832,099	960,623
Less Cost of Delinquency	(32,219)	(27,797)	(32,989)	(40,810)	(46,940)
Origination Fees	113,100	130,100	146,600	166,100	178,600
Investment Income	204	203	514	380	408
Operating Grants	755,000	755,000	755,000	755,000	755,000
New Restricted Grants	350,000	650,000	600,000	500,000	500,000
Total Revenues	1,534,778	2,010,778	2,137,652	2,212,770	2,347,691
Loan Loss Expense	170,962	280,750	383,534	481,198	557,385
Corporate operating expense	1,039,268	1,111,016	1,103,561	1,116,288	1,129,204
Interest Expense	69,948	100,780	140,013	179,663	213,528
Total Expenses	1,280,178	1,492,546	1,627,108	1,777,150	1,900,117
Net Surplus (Deficit)	254,601	518,232	510,544	435,620	447,575
<i>Self-sufficiency Ratio</i>	<i>34%</i>	<i>41%</i>	<i>48%</i>	<i>54%</i>	<i>58%</i>
Accounts Payable	108,202	108,202	108,202	108,202	108,202
Short Term Debt	141,592	141,592	141,592	141,592	141,592
Current Liabilities	249,794	249,794	249,794	249,794	249,794
Long Term Debt	5,988,283	8,226,599	10,170,288	12,051,637	13,225,052
Total Liabilities	6,238,077	8,476,393	10,420,082	12,301,431	13,474,846
Unrestricted Net Assets	571,464	1,089,696	1,600,240	2,035,859	2,483,434
Restricted Net Assets	892,453	892,453	892,453	892,453	892,453
Total Net Assets	1,463,917	1,982,149	2,492,693	2,928,312	3,375,887
<i>Net Assets Ratio</i>	<i>19%</i>	<i>19%</i>	<i>19%</i>	<i>19%</i>	<i>20%</i>
Total Liabilities & Net Assets	7,701,994	10,458,542	12,912,774	15,229,743	16,850,732

Capital Sources

MCCI's creditors include Enterprise Bank, Berkshire Bank, Northern Trust, Pentucket Bank, and Woodlands Bank. Non-bank creditors include Coalition for a Better Acre, Lawrence Community Works and the CDFI Fund. Due dates and amounts outstanding are also listed.

Loan Capital Sources

Creditor	Balance	Rate	Maturity	Notes
Lines of Credit				
Enterprise Bank	\$0	3.75%	on demand	\$50,000 available
CBA	\$0	0%	on demand	\$50,000 available
Peoples Bank	\$0	4.75%	on demand	\$50,000 available
Term Loans				
Berkshire Bank	\$1,000,000	1%	thru 2029	non-recourse
Enterprise Bank	\$466,775	3.5-5.5%	As loans repay	16 notes (non-recourse)
Northern Trust	\$250,000	2%	2024	
Pentucket Bank	\$84,807	4.25-5.5%	As loans repay	
Woodlands	\$100,000	2.25%	2023	
US Treasury	\$83,300	1.95%	2028	
Lawrence Comm. Works	\$50,000	1%	2025	
Woodlands	\$20,000	2.5%	2023	

Eastern Bank	1,325,000	1.5%	2031	non-recourse
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To fund the lending activity described above, MCCI plans to utilize the following:

- Credit facility for BEI loans: MCCI plans to borrow 90% of BEI origination volume through 2022 and subsequently 85% of BEI volume thereafter at an interest rate of 1%.
- Credit facility for other commercial loans: MCCI plans to borrow 90% of origination volume through 2022 and subsequently 85% of BEI volume thereafter at an interest rate of 3%.
- Loan capital grants: MCCI plans to secure \$350,000 of capital grants in 2021; \$650,000 in 2022; \$600,000 in 2023; and \$500,000 annually thereafter.

Grants and Donations

As can be seen in the above tables MCCI has 4 primary sources of operating funding - Government Grants; Foundation Grants; Lending Fees and Interest Earned: CITC Program.

Lending fees and interest earned increase along with the size of our lending programs. MCCI has significant space to grow its lending without hiring additional lending staff. The most significant government grants MCCI receives are from the CDFI Fund - it is a safe assumption that MCCI will receive in the range of \$300,000-500,000 *every other year* from this source. MCCI foundation grants have primarily come from the Essex County Community Foundation (ECCF) and bank charitable foundations (due to our CDFI status). These have usually totaled in the \$100,000-200,000 range per year. MCCI's FY21 budget for Lending Fees + Interest Earned is \$281,000.

MCCI income from CITC allocations looks unsteady but this is deceiving. We raised only \$106,000 in 2019 but more than \$280,000 in 2020. This was primarily a function of effort. In 2019 MCCI was completely consumed by its involvement in supporting Lawrence area businesses impacted by the Columbia gas explosion. Although Covid-19 support has also been intense it was actually less impactful on operations for MCCI than the gas explosion. Banks receive excellent CRA credit for participating in the tax credit program with MCCI because it is a CDFI. It is fairly easy for MCCI to raise these funds with banks. This is part of the synergy going forward with MCCI's plan to expand the number of geographic loan funds it supports - we increase the number of bank partners we work with and thereby increase excellent potential partners in the CITC program. ECCF has also made a very large CITC commitment for 2021. With the enhanced support MCCI will receive from the development team at Foundation for Business Equity and FBE's own circle of bank relationships it should not be difficult for MCCI to raise \$400,000-\$500,000 per year within CITC.

Committed Funds for 2021:

Essex County Community Foundation - \$100,000

Mass Growth Community Capital - \$85,000

Digital Credit Union - \$18,000

LISC - \$30,000

Section 9: History and track record (12 points)

History and Accomplishments

MCCI works with multiple communities, banks, municipal officials and non-profits to quickly identify small business financing and technical assistance market gaps and works to fill them. MCCI is certified

as a Community Development Financial Institution (CDFI) by the U.S Treasury Department's CDFI Fund, licensed as mortgage lender by the MA Division of Banks and as a Community Development Corporation by the MA Department of Housing and Community Development. Our vision is that capital and technical assistance to businesses form an integrated whole to support success.

In late 2015, MCCI joined, as CDFI lender, with the City of Lawrence, ten banks and the Lawrence Partnership to capitalize the Lawrence Venture Fund at \$2.5M. In 2017, MCCI joined four banks to capitalize the Haverhill Venture Fund at \$500,000. In December 2020 MCCI became the CDFI lender for the \$1M Salem Loan Fund, in partnership with seven area banks, the Essex County Community Foundation and several small business technical assistance partners.

In 2019, MCCI partnered with the FBE to become the lender for the Business Equity Fund (BEF). FBE's flagship program provides high-touch, strategic advisory to Black and Latinx-owned small businesses to enable and drive sustainable growth. Graduates of this program are eligible to apply for financing from the BEF, designed in 2018 to address long standing barriers to growth financing and technical assistance that have historically limited opportunity for entrepreneurs of color.

Disaster Response

MCCI played a lead role in responding to small business needs following the 2018 Colombia Gas explosion which resulted in the temporary or permanent closure of hundreds of small and overwhelmingly minority-owned businesses. MCCI partnered with Mass Growth Capital Corporation, the Lawrence Venture Loan Fund, Mayor Rivera and Governor Baker, to administer a \$3M emergency loan fund to support Merrimack Valley businesses impacted by the gas explosion. This work greatly expanded MCCI's name recognition as a small business lender across the Merrimack Valley. MCCI administered the fund and distributed and serviced loans and grants throughout 2019. To support businesses' ability to file claims, MCCI held 14 bookkeeping courses in 2019 graduating 170 small business owners. By March 2020 recovery for area businesses was far from complete when COVID-19 arrived. MCCI's high visibility following the gas explosion, interacting with more than 500 businesses, helped us become sought-after experts, statewide, on COVID-19 small business response efforts. During May and June 2020, MCCI, through its banking partners, helped 158 area businesses submit a successful PPP application, resulting in access to \$2M+ of new capital.

Results (Small Business Lending)

Since 2016, MCCI has helped bridge the need for low-cost capital in the Merrimack Valley by providing 53 loans to small businesses. The majority of our loans are under \$50,000 but we have completed loans as large as \$800,000. Ninety-two percent (92%) of these loans were received by minority-owned businesses and 40% by minority women business owners. MCCI complements these loans with small business planning, education and training and one-on-one coaching. MCCI's programs have many success stories, including the early-stage financing of a Lawrence based woman-owned retail apparel manufacturing company (99 Degrees) that now employs an estimated 200 employees (<https://www.99degreescustom.com>). MCCI financing of other start-up businesses has resulted in the creation of an additional 70+ jobs, almost entirely for minorities and women. MCCI's small business programming has resulted in the creation or retention of an estimated 660 jobs.

Please see attachment for two detailed success stories (one business and one homeownership).

Residential Programming

MCCI residential services provide two types of mortgage loan products: a lead paint remediation program and a home improvement program, both offered in partnership with MassHousing. MCCI is one of the few lenders available to make these low-cost products to low-income borrowers statewide. MCCI has been the MassHousing #1 volume lead remediation lender in the state each of the past 5 years.

Key Results 2017-19

- MCCI invested \$5.6M to help preserve and improve 220 homes. 188 of the 220 homeowners received loans for de-leading their homes with \$5.1Million invested in lead remediation across the state. MCCI was the number one provider of lead loans in Massachusetts over this period.

Key Results 2020

- Only 10% of borrowers in our residential portfolio suffered hardship due to COVID and were in need of mortgage assistance.
- Despite the fact we were not able to increase the number of home improvement loans we closed. We were able to meet our 3-year home improvement average of ten loans per year, closing 11 home improvement loans this year for a total investment of \$232,339.
- Despite the turmoil of 2020 MCCI kept its position as #1 Mass Housing Lender for both The Get the Lead out program and MH home improvement loan programs.

Foundation for Business Equity Partnership

Over the past two years, MCCI has worked closely with FBE through the Business Equity Fund held at the Boston Foundation (for which MCCI is a lender). This partnership has worked to address long standing barriers to growth financing and technical assistance that have historically limited opportunity for entrepreneurs of color, and deeper integration of the two organizations serves to strengthen these efforts. With a CDFI under the same oversight as a leading small business strategic advisory organization, the winning combination of advice and capital for small businesses is expected to result in significantly increased impact. MCCI's workshops and lighter touch technical assistance will also provide a complementary offering to FBE's intensive, high-touch advisory services model. FBE and MCCI together will realize operational synergy, increased earned revenue leading to long-term sustainability, and ultimately greater impact for small businesses and entrepreneurs across the state. **In just the first 12 months of the formal partnership with FBE MCCI made seven growth financing loans to minority owned businesses for a total of \$2,325,000.**

MCCI and the MA Sustainable Development Principles

While none of MCCI's work is in conflict with the spirit or letter of the Sustainable Development Goals our work as Community Development lenders most readily supports Sustainable Development Goal eight.

- 8. Increase Job and Business Opportunities: Attract businesses and jobs to locations near housing, infrastructure, and transportation options. Promote economic development in industry clusters. Expand access to education, training, and entrepreneurial opportunities. Support the growth of local businesses, including sustainable natural resource-based businesses, such as agriculture, forestry, clean energy technology, and fisheries.