File No. 130888

Committee Item No. 1
Board Item No. 13

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget and Finance Committee **Date:** 10/09/2013

Board of Supervisors Meeting **Date:** October 22, 2013

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Completed by: Victor Young **Date** October 4, 2013
Completed by: Victor Young **Date** 10/18/13

[Authorizing the Office of Economic and Workforce Development to Identify and Recommend Small Businesses - Kiva Zip's Microlending Platform]

Resolution authorizing the Office of Economic Workforce Development to identify and recommend small businesses on behalf of the City and County of San Francisco for participation in a Microlending Program operated by Kiva Microfunds, a California non-profit public benefit corporation.

WHEREAS, The City and County of San Francisco desires to create, encourage, and spur economic development and job creation within our local small business community; and

WHEREAS, The City and County of San Francisco works diligently to support local businesses with available resources from the city while also working with additional partners from outside the city to provide additional and adequate resources to the small business community; and

WHEREAS, Kiva is an innovative online microfinance platform that has provided over $470 million in loans to over a million entrepreneurs world-wide since 2005 through its website, Kiva.org; and

WHEREAS, Kiva's loans, mostly in the developing world, have been crowdfunded by nearly a million individual lenders, who make these loans in increments as small as $5; and

WHEREAS, At the end of 2011, Kiva launched a new program called Kiva Zip in the United States to directly connect Kiva lenders to small business entrepreneurs focused on economic and social need and thereby, furthering the City and County of San Francisco's goals of creating, encouraging, and spurring economic development and job creation; and

WHEREAS, The aim of Kiva Zip is to expand financial opportunities and access to capital for small business borrowers who otherwise lack them; reduce the cost of capital for borrowers who need it; and enhance connectedness between lenders and borrowers; and

WHEREAS, Kiva Zip relies on “Trustees” to identify and recommend small businesses to the Kiva Zip website where small businesses can become eligible to raise up to $5,000 in crowdfunded capital at zero percent interest – with the opportunity to raise additional capital after the first loan is successfully paid in full; and

WHEREAS, Kiva Zip’s program provides that such “Trustees” solely identify and recommend small businesses for the Kiva Zip platform, but do not finance, guarantee or have and fiduciary responsibilities to these small businesses; and

WHEREAS, Kiva Zip’s program specifies that “Trustees” do not have any contractual obligation with any Kiva lender or borrower, do not hold onto anything of value for anyone’s benefit, and have no financial responsibility for any Kiva Zip loans; and

WHEREAS, Over 12,000 lenders have loaned to United States entrepreneurs and small business owners on Kiva Zip; and

WHEREAS, Kiva Zip has helped entrepreneurs and small businesses access more than $1 million in loan capital in just two short years; and

WHEREAS, 47% of the loans made on Kiva Zip have been to female entrepreneurs and over 50% of the loans made on Kiva Zip have been to ethnic minorities who typically face more severe financial exclusion; and

WHEREAS, the City and County of San Francisco desires to become a Kiva Zip “Trustee” and facilitate small business owners’ access to zero percent interest loans on the Kiva Zip platform for businesses focused on social and economic need in San Francisco; and

WHEREAS, There is no cost whatsoever to the City and County of San Francisco in becoming a “Trustee;” and

WHEREAS, The City and County of San Francisco sees the partnership with Kiva Zip as an additional resource to help the small business community city-wide; and

WHEREAS, The City and County of San Francisco may utilize a recognized third party to review and recommend small businesses focused on economic and social need based on criteria established by Kiva; now, therefore, be it

RESOLVED, That the Board of Supervisors further authorizes the Office of Economic and Workforce Development to take any necessary actions to become a Trustee, including entering an agreement with Kiva, provided that the Board must approve any agreement that would be subject to approval under Charter Section 9.118.

SMALL BUSINESS COMMISSION
OFFICE OF SMALL BUSINESS

CITY AND COUNTY OF SAN FRANCISCO
EDWIN M. LEE, MAYOR

October 8, 2013

Ms. Angela Calvillo, Clerk of the Board
Board of Supervisors
City Hall Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File No. 130888 [Authorizing the Office of Economic and Workforce Development to Identify and Recommend Small Businesses – Kiva Zip's Microlending Platform]

Small Business Commission Recommendation: **Approval**

Dear Ms. Calvillo:

On October 7, 2013, the Small Business Commission (SBC) voted 6-0 to recommend approval of BOS File No. 130888.

The Commission enthusiastically supported this resolution to provide greater access to financing for very small businesses. Commissioners indicated that Kiva Zip's program guidelines and lending terms struck a favorable balance between simplified access to capital and high probability of repayment. Furthermore, the commissioners were excited about Kiva Zip's leveraging of technology to manage all aspects of the program, from initial application to disbursement to repayment. The Commission is eager to have this additional resource at the disposal of the Office of Small Business.

Sincerely,

Regina Dick-Endrizzi
Director, Office of Small Business

Cc: Supervisor Mark Farrell
Jason Elliot, Mayor's Office
Victor Young, Office of the Clerk of the Board