

Expanding Horizons in Hastings: Opportunities for Small Business Owners

*Research Report
2014 Internship Project*

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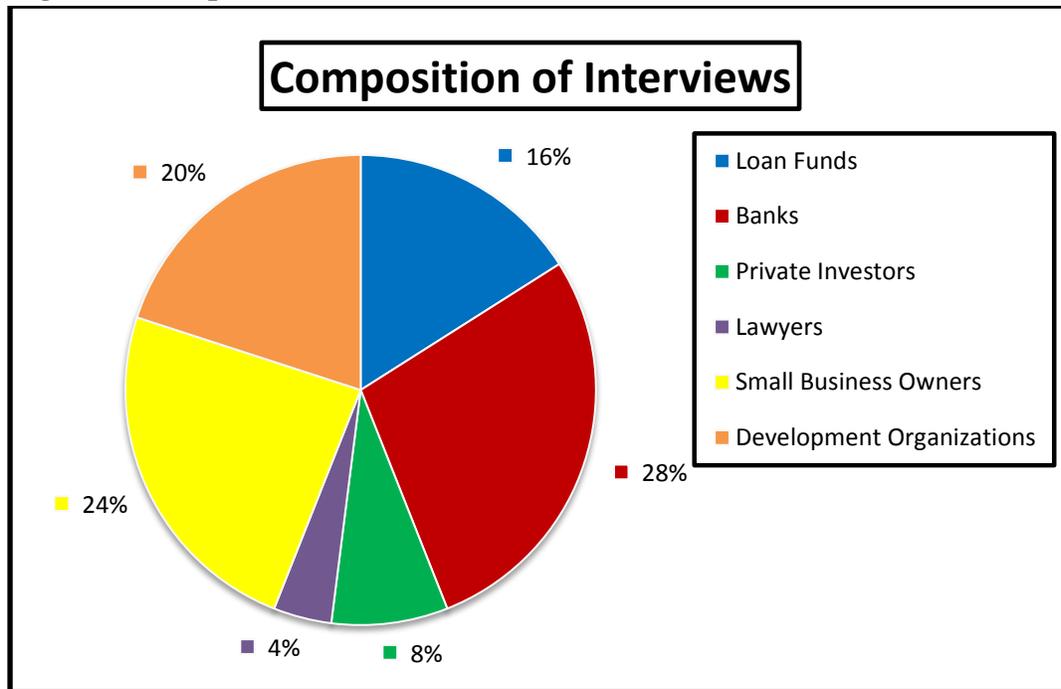
Table of Contents

	<u>Page</u>
1. Introduction	2
a. Figure 1: Composition of Interviews	2
b. Table 1: Summary of Interview Participants	3
2. Findings	4
3. Discussion	4
4. Recommendations	7
5. Conclusion	8
6. Appendix	
a. Table 2: Local Development Organizations	10
b. Table 3: Contact Information for Local Organizations	10
c. Profiles	
i. Hastings Economic Development Corporation	11
ii. CFRA: Rural Enterprise Assistance Project	12
iii. CFRA: Hispanic Business Center	13
iv. Community Redevelopment Authority	14
v. Hastings Corporation	15
vi. Nebraska Business Development Center	16
vii. Small Business Institute	17

I. Introduction

The original purpose of this project was to evaluate the opportunities available in Hastings, Nebraska to entrepreneurs or business people seeking to start a business or expand an existing one, and within this framework to examine the role of HEDC in facilitating small business development. To truly determine the extent and availability of opportunities, interviews were conducted with a variety of people involved in different aspects of business: banks, loan funds, development organizations, lawyers, private investors, and finally small business owners. In total, twenty-four interviews were conducted, falling under these broad categories (see Figure 1). These provided a variety of perspectives and different experiences, highlighting both areas of strengths and weaknesses within the Hastings community. Several of the identified areas are probably known, but this can serve as confirmation or will provide a new line of thought.

Figure 1: Composition of Interviews



Also, on behalf of HEDC, I would like to extend a thank you to all the individuals and organizations who contributed their time and expertise to this project by consenting to be interviewed. We really appreciate your assistance and continued dedication to the community of Hastings.

Table 1: Summary of Interview Participants

Local Loan Fund Contacts	
Dee Haussler	Hastings Corporation
Randy Chick	Community Redevelopment Authority
Don Hulme	CCC Watley Fund
Dean Moors	CCC Watley Fund
Bank Contacts	
Jeanette Dewalt	Wells Fargo
Terry Anstine	Five Points Bank
Bob Morris	Heritage Bank
Scott Kvolz	Pinnacle Bank
Jeremy Anderson	Geneva State Bank
Craig Marble	Bank of Doniphan
David Hughes	US Bank
Private Investment Contacts	
Doug Oakeson	Oakeson Steiner & Lindsteadt
Josh Yost	Oakeson Steiner & Lindsteadt
Lawyer	
Daniel Pauley	Dunmire Fisher & Hastings
Accountant	
Connie Harvey	Efficiency Enterprises
Small Businesses Owners	
Scott Barwick	Drake Tool & Design
Andrew Vrbas	Pacha Soap
Roger Doerr	Pacha Soap
Matt Stevens	Platte River Valve
Doug Runcie	Runcie's Catering
Lisa Tschauner	Open For Business Magazine
Development Organizations	
Dena Beck	Center for Rural Affairs (REAP Business Specialist & Senior Project Leader)
Imelda Catalan	Center for Rural Affairs (Hispanic Business Center)
Odee Ingersoll	UNK NE Business Development Center (NBDC) (Director)

II. Findings

A. Community Strengths

- Variety of loan funds available for small loans or gap financing
- Variety of options to receive technical assistance or business counseling
- Overall a positive environment in the community that is conducive to growth
 - Established banks and other professionals are favorable to business development

B. Community Weaknesses

- Little awareness of the different opportunities available
- Lack of cohesion among different organizations
- Limited ability to fund larger projects

C. Main Challenges to Business Development

- Lack of financing
 - Many potential business owners have little collateral to receive a formal bank loan.
 - Need for gap financing
 - Need for a line of credit
- Lack of Business Knowledge
 - Need an individual counselor to explain technical aspects of starting and running a business
 - Example: explanation of legal terms, detailed accounting information, and technical loan terms etc.

III. Discussion

A. Community Strengths and Weaknesses

i. Lack of Awareness

Overall, it was apparent that there is a wide variety of options available for potential or existing business owners to receive assistance in Hastings, but there is not a high level of awareness of those options. This general lack of awareness on the behalf of the enterprising entrepreneurs is a barrier to development in Hastings because it hinders people from receiving assistance or impacts their decision to locate in Hastings. More concerning is the low level of knowledge relating to the available loan funds and development organizations at the initial ‘contact points’. ‘Contact points’ are defined here as the people or organizations with whom the aspiring businessmen and women interact, such as banks, lawyers, accountants, marketing firms, or realtors. For example, the common first step of people who are trying to start a business is locating a source of funding and many begin by speaking with a bank loan officer. If the bank is unable or unwilling to finance the business, many times the loan officer does not know about the other available funding options. This lack of awareness extends to many other contact points as well and hinders small business development. To extend the previous example, there is a variety of organizations in Hastings that could assist the business owner, and through this assistance, the bank may then be able to finance the loan. These organizations include the Community

Redevelopment Authority (CRA), Small Business Institute at Hastings Central Community College, Hastings Economic Development Corporation (HEDC) and Hastings Corporation. This is a weakness that can be addressed by simply providing reference information to the contact points and increasing awareness of the different available options.

To meet this need, one of the goals of this project became to create a comprehensive summary of the opportunities available to Nebraska entrepreneurs, specifically those in Hastings and the surrounding area, to secure funding and technical assistance for their businesses. This will take the form of short profiles of each organization that will be provided for contact points who can then pass the information along to entrepreneurs or business people. Hopefully, this will result in more people receiving the information and assistance needed to begin the process of building a business. In addition to the provision of these profiles, there has been strong interest expressed in a meeting between these different 'contact points', especially banks and development organizations. This meeting could serve as an educational outlet where each organization could briefly describe the services they provide, supplementing and expanding upon the information provided in the profiles. The frequency of this meeting would have to be determined by the interest and need of the groups involved.

ii. Lack of Cohesiveness

In addition to the lack of awareness, another issue that has surfaced from the interviews is a lack of cohesiveness among the different organizations. This may be a somewhat controversial point and depending on the interviewee, the perspective on this issue changed. For example, it is very apparent that many of the development organizations such as HEDC, Community Redevelopment Authority, Hastings Corporation, and the CCC Watley Fund, often collaborate to provide funding or partial funding to business owners, many times assisting them in receiving a traditional bank loan. The leaders of all these organizations cooperate and interact on a frequent basis, often working towards the same goals. However, there also needs to be collaboration between these organizations and other professionals, such as lawyers and banks, to fully assist small business development. Simultaneously, in any collaboration a leader or initial contact point is needed. The numerous organizations with slightly different specializations can be daunting to a person who does not regularly navigate these waters. They may not know the best person with whom to talk. It may be more beneficial to potential business owners if there was a designated leader, or contact point, who could then direct them to the correct organization, simplifying and streamlining the process. In the absence of a central leader, an awareness of all the different organizations by the contact points will result in people being directed towards the right group.

iii. Limited Ability to Fund Larger Projects

Finally, one of the greatest barriers to development in Hastings is the limited ability to fund larger projects which for some reason cannot receive traditional financing. As can be evidenced by a close examination of the maximum amount most loan funds have available, even a combination of several funds will result in a total accumulation of less than \$100,000. The previous example excludes REAP, whose programs have traditionally been underutilized in

Hastings. This makes it very difficult for local development organizations to finance projects over \$100,000 without searching for individual investors.

This weakness could be addressed through the creation of a larger fund, possibly an angel investment fund. Several of these funds currently exist in Nebraska, like the Invest Nebraska's Angel Sidecar Fund. There are also opportunities for angel investors to receive tax credits through the Nebraska Angel Investment Tax Credit Act, helping to negate the risk of their investment and increase their rate of return. A larger investment fund would give development organizations, such as HEDC, the ability to finance larger projects. If potential business owners are aware that this financing opportunity exists in Hastings, they are more likely to stay in the community to start their business. As detailed below, financing is the greatest challenge faced by new businesses and removing this barrier will help increase development in Hastings.

B. Challenges to Businesses

i. Financing

The most common and greatest challenge faced by small businesses is securing financing. Hastings has several organizations that can help meet this need if a potential business owner is ineligible for a bank loan. These groups can possibly step in to provide gap financing to help clients secure a traditional bank loan.

Options for non-traditional financing: (see profiles for detailed information)

- Small Business Institute: CCC Watley Loan Fund
 - Maximum of \$20,000
- Community Redevelopment Authority (CRA):
 - Microenterprise Loan Program: maximum of \$50,000
- Hastings Corporation
 - No maximum loan amount
- HEDC
 - NDO Fund: balance of approximately \$100,000 and maximum project participation of 50%
- REAP
 - Direct lending: up to \$50,000
 - Rapid or Quick GROW loan: up to \$10,000

ii. Lack of Business Knowledge

Another challenge that was identified most often by contact points and sometimes by business men or women was a lack of general knowledge on behalf of the aspiring business person. Sometimes this was in regards to formulating a realistic business plan or it was a need for assistance with very technical aspects of starting a business – perhaps for someone to explain specific terminology. This need for technical assistance can be readily addressed by a variety of organizations already present in Hastings or surrounding communities.

- HEDC
 - Initial business planning and networking
 - Direct potential business owners to organizations or people that can provide the type of assistance needed
- Small Business Institute (located at Hastings Central Community College)
 - Business planning, including formation and critique of a business plan
 - Additional resources and opportunities through a SCORE counselor
 - Small Business Incubator: provides temporary work space
- Center for Rural Affairs: REAP and Hispanic Business Center
 - Business planning or troubleshooting consultations
 - Loan packaging or general financial assistance
 - Business training opportunities
 - Hispanic Business Center has bilingual staff to provide assistance in these areas
- Nebraska Business Development Center (NBDC)
 - General business counseling
 - Business planning assistance
 - Exit and succession planning

IV. Recommendations

In general, several immediate actions can be taken to start addressing some of the community weakness and challenges faced by small businesses, while building on the community strengths.

A. Increased Utilization

First, a greater utilization of the current organizations like SBI, HEDC, and REAP is an important step. To increase utilization, there must be an improved awareness of these opportunities. This weakness is being addressed by the distribution of the previously mentioned profiles and also through a gathering of the contact points and involved organizations in May 2014.

B. Regular Meetings

Another idea that has been proposed by several interviewees is a monthly meeting between entrepreneurs, contact points and development organizations. This has previously been tried and seems to have achieved mixed results. The benefits of a regular meeting, even if it just involves contact points, development organizations and organizations that provide technical assistance, is that it would increase communication and knowledge between these groups. It would facilitate a free flow of information and ideas that could benefit everyone involved.

In addition, both of these actions- greater utilization of local organizations and a regular meeting- will simultaneously increase cohesiveness through an increased awareness of the different options available to business owners.

C. Improved Financing Options

Finally, the main challenge to new business owners is undercapitalization - an issue that is not easily solved. In part, the burden must fall on the aspiring business owner to accumulate savings and assets before deciding to start a business. It can also be addressed by a greater

utilization of the loan funds that will provide partial financing until the business owner can secure a loan in the formal credit market. However, as previously discussed these local loan funds are limited in the size of project that they have the ability to finance. Therefore, the creation of a larger investment fund, such as an angel investment fund, would give development organizations the flexibility to support larger projects and keep those jobs in the community of Hastings.

V. Conclusion

This project was intended to provide an evaluation of the opportunities currently available to new or existing small business owners in Hastings, Nebraska and also to examine the role of HEDC in facilitating small business development. Through the interviews with local banks, professionals, and development organizations it was discovered that Hastings, as a community, is favorable to business development, but still has several weaknesses which must be addressed. The conversations generated by the interviews initiated the process of addressing these issues and provided several important ideas to assist developing small businesses. Another benefit of this project was community outreach. Through the interviews, HEDC was able to connect with many different people and organizations, increasing awareness and also establishing or renewing relationships. This is especially important for the other developmental organizations, like REAP or NBDC, so that we can cooperate on future projects. Overall, Hastings provides a positive environment conducive to small business growth, but several steps must be taken to further expand the opportunities available to new and existing small businesses.

Appendix

Table of Contents

	<u>Page</u>
Appendix	
a. Table 2: Local Development Organizations	10
b. Table 3: Contact Information for Local Organizations	10
c. Profiles	
i. Hastings Economic Development Corporation	11
ii. CFRA: Rural Enterprise Assistance Program	12
iii. CFRA: Hispanic Business Center	13
iv. Community Redevelopment Authority	14
v. Hastings Corporation	15
vi. Nebraska Business Development Corporation	16
vii. Small Business Institute	17

Table 2: Local Development Organizations

	Loan Funds	Technical Assistance
Hastings Economic Development Corporation (HEDC)	X	X
Community Redevelopment Authority (CRA)	X	
Hastings Corporation	X	
Small Business Institute (SBI) [at Hastings CCC]	X	X
Center for Rural Affairs: REAP	X	X
Center for Rural Affairs: Hispanic Business Center	X	X
Nebraska Business Development Center (NBDC)		X

Table 3: Contact Information for Local Development Organizations

Organization	Contact	Phone Number	Email
Hastings Economic Development Corporation (HEDC)	Dave Rippe	402-461-8403	drippe@hastingsedc.com
Community Redevelopment Authority (CRA)	Randy Chick	(402) 469-0733	bidcra@windstream.net
Hastings Corporation	Dee Haussler	(402) 461-8389	dhaussler@hastingsedc.com
Small Business Institute (SBI)	Don Hulme	(402) 984-1457	hhulme@ccneb.edu
Center for Rural Affairs: REAP	Dena Beck	308-528-0060	denab@cfra.org
Center for Rural Affairs: Hispanic Business Center	Imelda Catalan	308-850-4820	imeldac@cfra.org
Nebraska Business Development Center (NBDC)	Odee Ingersoll	308-865-8344	ingersollo@unk.edu

Hastings Economic Development Corporation (HEDC)

<http://www.hastingsedc.com>

Location: Chamber of Commerce Building
301 South Burlington Avenue
PO Box 1104
Hastings, NE 68902

Contact: Dave Rippe, Executive Director
402-461-8403
drippe@hastingsedc.com

HEDC was established to stimulate growth in all phases of economic development: local industry, new industry, agri-business and retail. HEDC is not specifically a lending institution, but it is a financial packager, collaborating with organizations such as Hastings Corporation and the Community Redevelopment Authority. HEDC can also refer new or potential business owners to organizations that can provide technical assistance and support.

I. Non-profit Development Organization (NDO) Fund

Purpose: HEDC's revolving loan fund that is used for business development: primarily geared toward high growth potential small businesses and entrepreneurs.

- a. No limitations on the size or type of project
- b. Fund balance of approximately \$100,000
 - a. Maximum project participation of 50%
 - b. Funds must be guaranteed or backed by collateral.
 - c. 0% interest loans available. Flexible terms.
- c. Generally used in participation with other financing programs.
- d. Must be used within Adams County or Clay County locations within Industrial Park East

II. Land

Purpose: HEDC also owns land which they will sell for developmental purposes.

- A. Industrial Park North
 - a. Location: North edge of Hastings on US on HWY #281
 - b. Available industrial lots ranging in size from 1.5 acres to 12 acres
 - c. Available 97,500 square foot industrial building
 - d. Owner financing available

Center for Rural Affairs: REAP Hispanic Business Center

<http://www.cfra.org/reap/hbc>

Staff located statewide (rural): <http://www.cfra.org/reap/staff>

Location: Home office: 145 Main Street
Lyons, NE 68038

Adams County Contact: Imelda Catalan
Loan Specialist, Southeast Nebraska
imeldac@cfra.org
308-850-4820

The Center *for* Rural Affairs (CFRA) was founded in 1973 to establish strong rural communities and enabling people to participate in decisions that affect their quality of life and their communities. One aspect of rural development is support for locally owned and operated businesses. The Center *for* Rural Affairs program that addresses this goal is Rural Enterprise Assistance Project (REAP).

REAP Hispanic Business Center is a ‘center without walls’ with dedicated bilingual staff around the state. It was established to create new economic opportunity, higher incomes, asset growth and improved skills for Hispanic entrepreneurs with a program consisting of four elements: networking, business management training, credit, and technical assistance.

I. Technical Assistance

Purpose: REAP staff provide individual help to business owners – start-ups or existing businesses.

- a. Business planning or trouble shooting consultations
- b. Cash flow and budget assistance
- c. Loan packaging assistance

II. Microloan Funds

A microenterprise eligible for these funds is defined as 10 or fewer employees located in rural Nebraska (populations of 50,000 or less).

- a. Direct lending
 - i. Participants eligible for loans up to \$50,000
 - ii. Target low to moderate income entrepreneurs in the rural areas; also women and Spanish speaking
- b. Rapid loan
 - i. Up to \$10,000
 - ii. Online application available
- c. Quick GROW Loan
 - i. Collaboration between REAP and GROW Nebraska
 - ii. Must be a GROW Nebraska member to be eligible
 - iii. Loans up to \$10,000 – online applications available
- d. All entrepreneurs can receive loan packaging assistance

III. Business Training –

- a. Business Plan Basics (5 week NxLevel Course)
- b. Basic Accounting Principles
- c. QuickBooks
- d. How do I Know this Business is Feasible?
 - i. Assessing whether a market exists for this idea
- e. Legal Structures: advantages and disadvantages of each
- f. Sessions targeted to start-up businesses

IV. Networking: Roundtable Groups

- a. A partnership between REAP and the local community to form a group of business people or potential business people who meet monthly for networking, discussion topics and education.
- b. Access to benefits and services

Community Redevelopment Authority (CRA)

<http://www.hastingsdowntown.com/development/community-redevelopment-authority.html>

Location: Chamber of Commerce Building
301 South Burlington Avenue
PO Box 1104
Hastings, NE 68902

Contact: Randy Chick, Director
Business Improvement District
Community Redevelopment Authority
bidcra@windstream.net
Phone: (402) 461-8415
Fax: (402) 462-8402

Summary:

The CRA was established in 1987 to conserve and rehabilitate substandard or blighted areas within the City of Hastings.

- I. Microenterprise Loan Program (or Small Business Loan Fund)**
 - a. Purpose: Provides low interest loans to ‘small businesses’ in conjunction with Nebraska Enterprise Fund.
 - i. A ‘small business’ is defined as 10 employees or less
 - b. Need a business plan. If needed, CRA will refer to REAP or the SBI at CCC.
 - c. Maximum loan amount is \$50,000
 - i. If someone requires more funding, collaboration with other local loan funds is possible.
- II. Revolving Loan Fund**
 - a. Purpose: Assist businesses and developers by providing low interest loans.
 - i. This is not targeted towards microenterprises and is often used to finance downtown projects.
- III. Façade Improvements**
 - a. Purpose: Restore or improve the facades of commercial buildings in the downtown Central Business District.
 - b. It is a grant in which the CRA matches the owner/tenant dollar for dollar expenditure.
 - i. Up to \$7,500 for facades, storefronts and awnings
 - ii. Up to \$1,000 for signage

Hastings Corporation

Location: Chamber of Commerce Building
301 South Burlington Avenue
PO Box 1104
Hastings, NE 68902

Contact: Dee Haussler
402-461-8389
dhaussler@hastingsedc.com

Summary:

Hastings Corporation was founded in 1946 as a for-profit organization to assist community development and the Hastings and Adams County economy.

- Will loan to existing and new businesses, sometimes in collaboration with the HEDC, CRA, CCC Watley Fund, the City Reuse Fund or local banks.
- Loan requests should include:
 - a. Business plan
 - b. Financial data
 - c. Collateral available

Nebraska Business Development Center (NBDC)

<http://nbdc.unomaha.edu/home.cfm>

Location:	<u>Kearney</u> West Center Bldg. Room 127E 1917 W. 24 th Street Kearney, NE 68849-4440 308-865-8344	<u>Grand Island</u> 309 W. 2 nd Street Grand Island, NE 68801 308-382-9210 Ext. 19
Contacts:	Odee Ingersoll Kearney (308) 865-8344 ingerollo@unk.edu	Sarah McMillan Grand Island (308) 382-9210 mcmillansa@unk.edu

NBDC is a statewide organization dedicated to helping Nebraska businesses grow and create jobs with individual centers that provide core services:

- I. General Business Counseling for existing and new businesses**
 - a. Basic consulting is free and confidential
- II. Business Planning Assistance**
 - a. Develop a business plan including detailed financial projections
 - b. Refine your target market
 - i. NBDC has access to market industry research
 - ii. GIS: demographic analysis to better understand the market
 - c. Define your business goals
 - d. Structure the administrative and operational aspects of your business
 - e. Compare financial estimates to industry standards
 - f. Conduct a cash flow analysis
 - g. Complete financing packaging using your financial data
- III. Exit and Succession Planning**
 - a. Business transition
 - b. Ownership transfer assistance
 - c. Maximize sale price

Small Business Institute

<http://www.cccneb.edu/foundation/smallbusinessincubator-1.html>

Location: Hastings Central Community College Campus in the Platte Building

Contact: H. Don Hulme
Small Business Incubator/Institute Coordinator
Direct: 402-461-2461
Toll Free: 1-877-CCC-0780
hhulme@cccneb.edu

The SBI offers a variety of services to potential and existing small business owners. One of these services includes counseling people in various opportunities/problems in their business. The SBI also assists with business planning, including formulating and critiquing a business plan. As Don is also a SCORE Counselor, he can provide additional resources and networking opportunities. Some of the other SBI services, such as the small business incubator and the CCC Watley loan fund are described below.

A. Small Business Incubator

- a. Purpose: Assist new and growing businesses by providing a work space, allowing them to establish themselves before finding a permanent location. Job creation is the main focus of the Incubator.
- b. Size: 5,000 square feet (two available spaces).
- c. 1 year lease with two additional 1 year leases available. Most clients opt for 3 years.
- d. Shared maintenance responsibility for the incubator between the tenant and SBI.
- e. A business plan is requested of new tenants.
- f. Currently investigating opening a second incubator for office-type businesses.

B. CCC Watley Fund

- a. Purpose: Provide loans for existing and start-up businesses:
 - i. Any type of business is welcome
 - ii. Requires a business plan. If needed, the SBI will assist in developing the plan.
- b. Founded in 1990 by local entrepreneur Dale Watley.
- c. Current maximum loan amount is \$20,000
 - i. If additional funding is required, SBI will partner with other local lenders to obtain the needed amount.
- d. The SBI has made over 60 loans
- e. Flexible interest rate and length of repayment (amortization), negotiated on a case by case basis.
- f. Eligibility
 - i. Collateral is required, but the SBI may be more flexible than other lenders and works with the client to fulfill this requirement. Financial contributions from the applicant are expected.
 - ii. Credit worthiness: Review personal financial statements and tax returns; also evaluates any outstanding debts and/or bankruptcy filings.
 - iii. Can only loan money in the Central Community College's jurisdiction (25 counties).