

9

ACCESS TO CAPITAL FOR YORK REGION SMALL BUSINESSES

The Planning and Economic Development Committee recommends the adoption of the recommendation contained in the following report dated May 19, 2009, from the Commissioner of Planning and Development Services.

1. RECOMMENDATION

It is recommended that:

1. This report be received for information.

2. PURPOSE

This report informs Council of the creation of the "York Region Small Business Guide to Capital Sources" to support expansion of existing business enterprises by facilitating greater access to capital.

3. BACKGROUND

York Region small and medium sized businesses require knowledge of access to capital sources

Business owners want information and products that work for them quickly, efficiently and have real world applications for the issues and problems they face. A major obstacle for the creation, advancement and growth of small business is access to capital and the knowledge of the resources available here in York Region.

Over 80% of small business clients that the York Small Business Enterprise Centre Program encounters request knowledge of capital sources and how to access public funds, private finance and alternative sources of capital. Capital access is a complex field for small and medium sized businesses to navigate. A comprehensive guide to sources of capital is not currently available for businesses. The "York Region Small Business Guide to Capital Sources" addresses the needs of small and medium sized enterprises.

The diverse mix of public funding and private finance resources will be included in the "York Region Small Business Guide to Capital Sources"

York Region's financing and funding resource encompasses a range of programs and practices, reflecting the unique mix of funding institutions and their diverse interests across the Region. Government funding and procurement programs support artistic

expression, business expansion and advancing human services through support for non-profit organizations. Other funders, such as United Way, Community Foundations, Lottery Board and credit unions, have played important roles as well, underwriting high-risk ventures, for instance, or providing support for capacity development. Traditional financing is available through banks and institutions like Business Development Bank of Canada. Higher risk capital is provided selectively by angel investors and venture capital firms. Knowledge of the diversity of capital organizations is crucial to the evolution of the business and non-profit sectors in York Region's economy.

4. ANALYSIS AND OPTIONS

The project will result in the creation of a comprehensive guide for all York Region entrepreneurs to the sources of public funding and private finance including descriptive content, capital availability and a list of resources.

Project Scope and Objectives

The "York Region Small Business Guide to Capital Sources" will be comprehensive of funding, finance, and alternative sources of capital available to small and medium sized enterprises for York Region entrepreneurs in the nine local municipalities.

The "York Region Small Business Guide to Capital Sources" will be broadly communicated and disseminated across York Region. It will create opportunities for all organizations to discuss the implications in their own communities and industry sectors.

Content of the Guide is Comprehensive

- Identify public (federal and provincial and foundation) funding opportunities and private finance alternatives.
- Alternative funding mechanisms and sources will be included.
- The guide will contain descriptive paragraphs of financial terminology for the various forms of available capital.
- An index and glossary of terms will complete the publication.

Private sector financing will include all financial institutions

Banks authorized \$84.9 billion in financing to 1.2 million small and medium sized enterprises in 2007. Of these, 72% of these enterprises maintain a credit relationship with a financial institution, including items like lines of credit.

The section on private sector financing will contain:

- Banks, including the banking industry's 20 domestic banks, 24 foreign bank subsidiaries and 7 foreign bank lending branches operating in Canada.
- Descriptions and advantages and disadvantages of asset-based financing, capital lease/operating lease, conditional sales contract, credit card, debt and equity financing, export financing, factoring, non-residential mortgage, operating loan/line of credit, term loan, vehicle lease, and working capital.
- The financial institutions business capital criteria and finance range will be indicated.
- The guide will categorize and describe banks, commercial mortgage lenders, credit unions, cooperatives, insurance, securities, and venture funds available to York Region entrepreneurs.

Public sector funding from federal and provincial government programs and foundations will be supplied and categorized

Public sector funding is available from the federal and provincial government and foundations in a variety of programs (at least 100).

The section on public sector funding will direct York Region businesses to the availability of funding programs categorized by the fund industry focus, such as programs for: aboriginal, agriculture, apprenticeship service grants, arts and media, research and development, rural, small business, wage subsidies, women, youth, and veterinary.

Alternative financing providers

There are a variety of other sources of capital to be covered in the guide. Examples of three of these include:

- A combination of forms of finance/funding is available from organizations such as the Business Development Bank of Canada (BDC) and the Export Development Canada (EDC), and the National Research Council Canada's IRAP program. These entities have various financing mechanisms such as equipment finance, finance to foreign buyers, guarantees, research and development support, risk management, working capital and even a venture capital division.
- A third party (Factor) pays a company a percentage, typically 90% of the face value of its accounts receivable. This form of finance is typically used during critical growth periods and by those businesses requiring immediate cash.
- Philanthropic organizations can encourage brilliant ideas, the approaches that work, and the structures that will have impact. And public funders can come in to make them sustainable and permanent. Philanthropic foundations and affinity groups are formal or informal collaborations of grant-makers with a shared interest in a particular subject or funding area. They represent a variety of different causes, issues

and population groups. The foundation sector in Canada holds about \$11 billion in assets.

Methodology and Timeline

Step 1: Research and consultative reviews (July - October 2009)

- Engage a researcher to deliver the content.
- Interview the chartered banks and other institutions if needed to determine their business capital criteria and range of finance.
- Create and develop the guide by Economic Strategy staff.
- Conduct a consultation session with capital stakeholders to review the draft guide.
- Conduct a consultation session with small and medium sized enterprises to review the draft guide.

Step 2: Revise and create (November - December 2009)

- Finalize creative graphics and design.
- Review the first draft of the guide at PEDC.
- Deliver the draft guide internally and to the Economic Development Offices in York Region for review and comment.

Step 3: Actions for 2010

- Finalize guide, review with PEDC and Regional Council and release.
- Encourage capital providers to sponsor and participate in a "Capital for Business" event in York Region and launch the guide in February 2010.
- Examine the opportunity for the creation of additional small business investment funds in 2010.

Impact on an Innovative and Sustainable Economic Future

- As part of this project, sustained linkages with capital organizations and network engagement for the Economic Development Branch will lead to financial discussion and partnership/sponsorship opportunities for the York Small Business Centre and other Economic Development programs.
- Knowledge of business capital sources and opportunities will be provided to the small and medium sized business community in York Region to advance their business growth.
- Consultation time for York Region's four Small Business Centres will be reduced significantly (over 30%) by providing the guide to clients.
- The long term benefit of the "York Region Small Business Guide to Capital Sources" is to develop business capability for job creation in York Region.

Relationship to Vision 2026

The program and the guide "York Region Small Business Guide to Capital Sources" supports the Vibrant Economy Vision 2026 goal through business start-up and the incubation support, expansion and diversification of business and public and private partnership development.

5. FINANCIAL IMPLICATIONS

Funding for this project is available in the 2009 Economic Development budget.

6. LOCAL MUNICIPAL IMPACT

The outcome is to advance business creation and promote economic success and growth of businesses in York Region. This project supports the goal to strengthen entrepreneurship and industry clusters through facilitating access to capital from York Region's 2005 Economic Strategy. Economic success and growth of business is as a key component of regional economic development. All nine York Region municipalities will have access to the "York Region Guide to Capital Sources".

7. CONCLUSION

This report provides an outline of the development of the publication "York Region Small Business Guide to Capital Sources". This information will be of significant importance to small and medium sized enterprises to enable investment in business growth and job creation.

For more information on this report, please contact Sharon Végh, Program Manager, Economic Strategy at (905) 830 4444 Ext. 1509 or Patrick Draper, Director, Economic Strategy and Tourism at Ext. 1503.

The Senior Management Group has reviewed this report.