

**Region of Waterloo**  
**Planning, Development, and Legislative Services**  
**Economic Development**

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**To:** Planning and Works Committee

**Meeting Date:** December 6, 2022

**Report Title:** Microloan Application

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**1. Recommendation**

That the Regional Municipality of Waterloo:

- (i) Approve a one time contribution up to \$250,000 from the Strategic Investments for Business Supports Fund for a new Microloan program for small business in Waterloo Region as outlined in report PDL-ECD-22-011, dated December 6, 2022, and,
- (ii) Authorize the Commissioner, Planning, Development and Legislative Services to execute agreements with the Government of Canada in respect of funding received from the Community Economic Development and Diversification fund, and with Wellington-Waterloo Community Futures Development Corporation (WWCFDC) and Waterloo Region Small Business Centre (WRSBEC) for the implementation of the new Microloan Program, as outlined in report PDL-ECD-22-011, dated December 6, 2022, and on terms and conditions satisfactory to the Regional Solicitor.

**2. Purpose / Issue:**

As a result of the pandemic, start-ups and small businesses in Waterloo region are experiencing challenges, accessing funding to support capital costs. If approved, the Region will contribute a one time amount up to \$250,000 to support an application to the Federal Economic Development Agency for Southern Ontario (FedDev Ontario) for funding to establish a new micro-loan program.

**3. Strategic Plan:**

This update aligns with Strategic Objective 1.1 of Thriving economy to create a competitive business-supportive community and specifically 1.1.1 to work with area municipalities on economic cluster development initiatives.

#### 4. Report Highlights:

- Start-ups and small businesses in the Waterloo Region continue to be impacted by the pandemic, however, COVID--19 grant programs have slowed, leaving businesses struggling to find funding to recover, start, continue and expand operations.
- The federal government is accepting applications for the Community Economic Development and Diversification fund. Projects can receive funding for \$250,000 to \$5 million that they are not required to repay. The Community Economic Development and Diversification fund aims to develop, diversify and transform local economies by promoting small business development, community innovation, and strategic collaborations. The program aims to support businesses rebounding from the impacts of the pandemic.
- Through a partnership between Wellington-Waterloo Community Futures Development Corporation (WWCFDC), Waterloo Region Small Business Centre (WRSBEC), the Region of Waterloo, and area municipalities, the Region of Waterloo has submitted an application for \$3 million dollars to fund a new microloan program which will provide scale-up and start-up sized businesses with loans of \$3,000 to \$30,000 across Waterloo region
- If approved, the Region of Waterloo will contribute a one time payment of \$250,000 towards the overall project costs for marketing and administration of the microloan project. The funding will come from the Strategic Investments for Business Supports fund approved by the council in March 2021 to support pandemic recovery. The program will be administered by WWCFDC and run from 2023 to 2026 providing financing opportunities to 200-300 small businesses

#### 5. Background:

FedDev Ontario has created a new application for a non-repayable grant that aims to develop, diversify and transform local economies by promoting small business development, community innovation, and strategic collaborations. Staff from the City of Cambridge, Township of Woolwich, and the Waterloo Region Small Business Centre approached Regional staff to partner with, and lead a region-wide application for \$3 million to start a microloan program in Waterloo Region. The \$3 million microloan program is a revolving loan program that has perpetuity as loan recipients are expected to repay loans plus interest.

Scale-up and start-up-sized businesses, with fewer than ten employees, and start-ups, are struggling to get loans from traditional lenders due to prerequisites such as having a history of strong financial performance. In addition, conventional lenders like banks have moved away from smaller loans due to low returns on investment. This shift for

banks is one of the impacts from the pandemic and is a structural shift in the lending market. This leaves a significant gap in funding, which puts scale-up, and start-up-sized businesses that need access to microloans at a disadvantage.

The proposed \$3 million microloan program will aim to fill this gap in Waterloo Region by providing scale-up and start-up-sized businesses with access to essential funding that is otherwise unattainable through traditional lending mechanisms. Providing additional support for this portion of the business community as the economic recovery continues is especially important. The impacts of the pandemic continue to be felt, however, COVID--19 grant programs have slowed, leaving businesses struggling to find funding to start, continue and expand operations.

In addition to pandemic impacts, business owners from equity-deserving groups also experience additional struggles in obtaining loans, as they often do not meet traditional lending outlet prerequisites such as a history of strong financial performance. This program helps businesses access conventional loans in the future by allowing them to create proof of strong financial performance with the microloans and gain a good credit rating. The microloan program will support equity-deserving business owners with growing or starting a new venture by creating a new sustainable source of income. The microloan program will prioritize equity-deserving groups when selecting loan recipients.

Over the next three years, 2023-2026, the microloan program will provide financing opportunities to 200-300 small businesses, supporting the Waterloo Region business community with new funding that will directly assist with the creation of economic diversification, integration and transformation.

#### Partnership Breakdown:

The WWCFDC will contribute \$40,000 and will manage the loan portfolio. They will act as the administrator for the program, provide the final approval of the business plans, disburse loans, collect payments, and document the client reports.

Approximately \$63,000 from the WRSBEC will promote the program through its current channels. They will review applications from businesses, provide advisory services and conduct site visits. They will review applications with a volunteer loan review committee and forward the application to Wellington-Waterloo Community Futures Organization. They will provide ongoing advisory services to monitor the progress of the loans and collect application fees to support all administration services.

If approved, the Region of Waterloo will contribute \$250,000 to the program, which will be used for administration and marketing. The Region of Waterloo will promote the program through existing channels and contribute money to create a marketing push. They will also use their contacts to promote the program to equity-deserving groups.

Area Municipalities, the Region of Waterloo, WWCFDC, and the WRSBEC will support

outreach to start-ups and small businesses. All partners will use their networks to promote the program across Waterloo Region.

**Area Municipality Communication and Public/Stakeholder Engagement:**

Wellington-Waterloo Community Futures Organization, Waterloo Region Small Business Centre, Area Municipalities and the Region of Waterloo have all collaborated on the microloan application. Given this initiative is Region-wide, the Region of Waterloo will lead the application to FedDev Ontario and administer the program delivery with partners.

**Public/Stakeholder Engagement:**

Nil

**6. Financial Implications:**

As part of the 2021 budget, Regional Council approved \$3 million for the Strategic Investment in Business Supports in order to help businesses with programs designed to help them through the pandemic. This investment is funded through Safe Restart Funding. Of the \$3 million, \$1.8 million has been spent or committed leaving sufficient funds for the marketing and administration costs as outlined in this report.

**7. Conclusion / Next Steps:**

Staff will provide an update to Council following the results of the FedDev Ontario application.

**8. Attachments:**

Nil

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**Reviewed By:** Matthew Chandy, Director, Innovation & Economic Development

**Approved By:** Rod Regier, Commissioner, Planning, Development and Legislative Services