

**LIBERTY CITY RISING: ACHIEVING UPWARD
MOBILITY THROUGH SMALL BUSINESS
AND COMMUNITY PARTNERSHIPS**

FIELD HEARING

BEFORE THE

**COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP
UNITED STATES SENATE**

ONE HUNDRED SIXTEENTH CONGRESS

FIRST SESSION

FEBRUARY 1, 2019

Printed for the Committee on Small Business and Entrepreneurship



Available via the World Wide Web: <http://www.govinfo.gov>

U.S. GOVERNMENT PUBLISHING OFFICE

35-697 PDF

WASHINGTON : 2019

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP
ONE HUNDRED SIXTEENTH CONGRESS

MARCO RUBIO, Florida, *Chairman*
BENJAMIN L. CARDIN, Maryland, *Ranking Member*

JAMES E. RISCH, Idaho	MARIA CANTWELL, Washington
RAND PAUL, Kentucky	JEANNE SHAHEEN, NEW HAMPSHIRE
TIM SCOTT, South Carolina	EDWARD J. MARKEY, Massachusetts
JONI ERNST, Iowa	CORY A. BOOKER, New Jersey
JAMES M. INHOFE, Oklahoma	CHRISTOPHER A. COONS, Delaware
TODD YOUNG, Indiana	MAZIE K. HIRONO, Hawaii
JOHN KENNEDY, Louisiana	TAMMY DUCKWORTH, Illinois
MITT ROMNEY, Utah	JACKY ROSEN, Nevada
JOSH HAWLEY, Missouri	

MICHAEL A. NEEDHAM, *Republican Staff Director*
SEAN MOORE, *Democratic Staff Director*

C O N T E N T S

OPENING STATEMENTS

	Page
Rubio, Hon. Marco, Chairman, a U.S. Senator from Florida	1

WITNESSES

Panel 1

Edmonson, Hon. Audrey, Chairwoman, District 3, Miami-Dade County Board of Commissioners	6
Wilson, Hon. Frederica, Representative, Florida's 24th Congressional District	14

Panel 2

Bendross-Mindingall, Dr. Dorothy, School Board Member, Miami-Dade County School Board	17
Liu, Mr. Michael, Executive Director, Miami-Dade County Department of Public Housing & Community Development	19
Van Hook, Mr. Brian, Associate Director, Florida SBDC at Florida International University	26
Baker, Ms. Mary Burke, Government Affairs Counselor, K&L Gates LLP, Washington, DC	33

ALPHABETICAL LISTING

Bendross-Mindingall, Dr. Dorothy	
Testimony	17
Baker, Ms. Mary Burke	
Testimony	33
Prepared statement	35
Edmonson, Hon. Audrey	
Testimony	6
Prepared statement	10
FIU Report on Small Businesses in Miami-Dade County	
Report titled "Small Business, Big Impact"	52
Liu, Mr. Michael	
Testimony	19
Prepared statement	23
Rubio, Hon. Marco	
Opening statement	1
Van Hook, Mr. Brian	
Testimony	26
Prepared statement	29
Wilson, Hon. Frederica	
Testimony	14

**LIBERTY CITY RISING: ACHIEVING UPWARD
MOBILITY THROUGH SMALL BUSINESS
AND COMMUNITY PARTNERSHIPS**

FRIDAY, FEBRUARY 1, 2019

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP,
Miami, FL.

The Committee met, pursuant to notice, at 9:08 a.m., in the Sandrell Rivers Theater, Fantasy Theater Factory, 6103 NW 7th Avenue, Hon. Marco Rubio, Chairman of the Committee, presiding.
Present: Senator Rubio.

**OPENING STATEMENT OF HON. MARCO RUBIO, CHAIRMAN, A
U.S. SENATOR FROM FLORIDA**

Chairman RUBIO. Today's hearing of the Senate Committee on Small Business and Entrepreneurship will come to order.

I want to thank everyone for making the time to be here on this topic, which I know is important to this community.

This hearing is significant to me. It's my first as the Chairman of the Senate Committee on Small Business and Entrepreneurship, and I'm very happy to be able to do it here at home and here in the heart of Liberty City. I also want to be able to use this gavel.
[Laughter.]

So anyway, it was originally scheduled, actually, to be last summer when I wasn't the Chairman. Unfortunately, we had a tragic situation in Jacksonville that we had to respond to or pay attention to, so we couldn't do it. And then we got off to a slow start in Washington this year, as you may have followed on the news, so I'm glad that it was able to be resolved and we were able to get to this point today.

I want to thank all of our witnesses, and I want everybody to understand that the record—this committee has numerous members, a bipartisan committee, obviously. The testimony here becomes part of the record, which then becomes part of our work. Members and staff will look at that, and we use it to justify and to point to as the reasons why we need to do certain things and the laws that we're going to be thinking about doing.

So my number-one priority as the Chairman is to pass bipartisan legislation, which in the Senate, if it's not bipartisan, it's very difficult to pass anything, but bipartisan legislation that is going to expand economic opportunity for small businesses and for entre-

preneurs who are forced to take on personal risk and sacrifice to compete in the global marketplace.

Entrepreneurship relies on ingenuity, it relies on innovation, and it also relies on access to capital. If you don't have access to money, you can't start businesses, and that's a huge challenge for small business.

And for a small business to be able to compete and to thrive, it has to have access as well to markets, it has to have access to funding, it has to have access to a workforce, to the people that can work there.

These are enormous challenges. Big companies can afford all of this, and it is why you have seen growing consolidation of business activity at the expense of small business activity.

And I can just tell you that I have nothing against big businesses, but they are no replacement for small businesses, because small businesses are rooted in the community. They are from the community. They hire people from the community. The leader, the founder, the president of a small business is likelier to be your PTA president, your Chamber of Commerce president, involved in your community than some large chain.

And so that's why we're so deeply committed to ensuring that we can do everything we can to get small business activity going in this country and focused in the right places.

Inherently, when you start a small business, you're growing jobs, you're growing opportunity. And when these are done successfully, then that's when upward mobility becomes possible.

The issues of upward mobility in South Florida, which is close to home for me, and that's both geographic and personal—I was born, raised most of my life, and still reside about 30 minutes from here, at this time of day maybe, and I don't know how much in tolls. That's another topic. But about 15 minutes or 20 otherwise, and so I'm acutely aware of this community, and everyone identifies this community with shining buildings and beautiful access to the ocean and all the fun things there are to do here. All of that is true. What I try to explain to people about South Florida is that within just a few blocks from some of these landmarks, internationally recognized buildings and activities are people who are really struggling for a lot of different reasons.

And so I hope that we can find a way, not just for the families of Florida but across the country, to have the ability to build better lives for themselves and for their loved ones, and I truly believe that that begins with dignified work.

Work is not just about a paycheck. Work is about the dignity that comes attached with the fact that you get up in the morning and that your efforts are rewarded, and with that, it feeds the spirit and human soul, and the lack of access to dignified work has the reverse effect. It's corrosive to the individual, ultimately to families, and then to communities.

I believe our economic policies should be anchored first and foremost in the creation of dignified work. You can't have it without economic growth, you can't have it without prosperity. But the goal of that prosperity and that growth should always be to provide our people the opportunity to acquire dignified work, and small businesses are an incredible engine for that.

And it's reflected in the policies we've pursued; for example, the increase to the Child Tax Credit. We didn't get there all the way but we got a lot, and this year millions of American families will have more of their own money—this is their money—in their pocket, particularly lower-income Americans who are working and whose primary tax liability is the payroll tax.

Everybody pays the payroll tax, and more and more American families are going to have that money left in their pocket because, I don't need to tell people in South Florida, raising children is more expensive than it's ever been. There are more costs than ever, and everything costs more.

We are also working in a bipartisan way with Congresswoman Wilson on enhancing safety standards at HUD-assisted housing. It's great to have facilities that, obviously from a physical structure perspective, are appropriate, but they also have to be safe. You can't prosper, you can't have upward mobility if you can't sleep at night because you're worried about the gunshots, you're worried about your children even being outside, you're worried about the violence and the security standards are not in place.

So we really want to continue to press HUD to ensure that both the funding and the requirements are in place so that people living in HUD-assisted housing are living in a safe environment.

We also want to sort of deal with the regulations that have an inordinate impact on small business. Big businesses hire these large law firms that help them navigate this stuff, and accountants that help them find loopholes. Small businesses are stuck. So we all agree we have to have regulations that keep us safe and keep it fair. But when those regulations become an onerous cost of being in business, small businesses really struggle because they just can't afford the lobbyists, lawyers, and accountants to figure their way through all of this, and that's what we've pushed our agenda here to do.

Being here today is an honor. Liberty City has a long and proud, and yet a complicated history. It's something I don't need to tell people here today, but my colleagues need to know, and it needs to be in the record.

In recent years, Liberty City has been characterized as a community that suffers from poverty and schools that have struggled and majority single-parent households and a declining workforce. However, history tells us that this is a community that not that long ago was a thriving community of entrepreneurs with economic opportunity, with strong families. I think those virtues, those values, and those ambitions remain in the heart and in the soul of the people who live here.

It was built during the New Deal as one of the first housing projects in the South. It was the home, as I said, of a thriving African-American middle class. And when I-95 was built in the 1960s, the landscape of this community changed, and so did the socioeconomics.

Obviously, we've seen what's happened since then, the economic opportunities disappearing and too often being replaced with gangs and drugs and violence. And despite that, resilient families still live here and are raising their children and finding a way forward. They're incredible success stories.

This is a resilient community. It's made incredible contributions. Individuals who grew up and were raised here have gone on to do extraordinary things on behalf of our county, our city, the State of Florida.

Obviously, a recent—maybe some of you have seen the series on Starz on the Warriors, which is a program we're familiar with because of my own sons' participation in youth football. Our record wasn't very good against them, but it just highlights the extraordinary success stories that have emerged despite all these challenges from this community.

I think it's also the home of the Bulls. Is that right, Dorothy? Well, I don't want to get into the football rivalry.

[Laughter.]

I saw them up there in—they were up in Orlando this year, and they did very well. But Booker T's coming back. They'll have a good year this year. Okay. Right? You have both of those in your district? Okay. I don't want to put you in a tough spot.

[Laughter.]

So what is the thing that turned the community around? That is what we are here to find out about. I have some thoughts coming in, but I can tell you that it's going to take a combined effort, a partnership of local, State, Federal, school board, elected officials, community leaders and, of course, the residents. We shouldn't be in a position of telling people what they need. We need to be in a position of giving people the opportunity to tell us what needs to happen.

And I want you to know, that does happen. Last year, we were in South Florida, we were in Broward and Palm Beach, and we heard about a local problem with sober homes, where people were opening up these fake rehab centers and it was undermining the community, and we were able to take that local concern and turn it into Federal legislation, and that's what we're hoping to do here today.

Now, with that in mind, let me just give you my one thought. This is about upward mobility. But oftentimes, upward mobility means the people living there have to move out. That's what upward mobility has meant. Yes, tax changes or something happens and there's investment in a community, but then it gets too expensive for the people who are there to stay, or housing is replaced by something else.

We are not here to talk about upward mobility in that sense. We're here to talk about an upward mobility that belongs to the people who are here, that this can continue to be home, that people don't have to find a way to move out because, frankly, there is nowhere to go. There are no other housing options, and plus this is a community that belongs to the community.

So we are not here today to promote gentrification. We are here today to try to figure out what we can do at the Federal level to promote upward mobility for the men, women, children and families of Liberty City, what can we do in Federal policy to work alongside our local and State officials to make that happen.

It's my hope that the hearing today will highlight the impact that small business and entrepreneurs and other community stakeholders can have to help this community achieve that because, as

I said, small business is rooted in the community. When the small business owner grew up in the community, lives a few blocks away from the business, they're going to hire locals, and they are going to be contributors to local partnerships and local organizations. There is no way—we are grateful to the big businesses that give the big checks to the organizations once a year—nothing wrong with that. But we understand the intrinsic value of businesses that are deeply rooted in the community that they work in and serve.

In 2017, there was a provision in the tax law that created Opportunity Zones. This law was championed by my very close friend, Senator Tim Scott of South Carolina. That law is going to encourage investment in communities such as this. It will allow investors to defer certain taxes on income when they choose to invest in qualified areas like Liberty City. But it's important that that be done in a way that's long term and that doesn't force out the people that are here and the opportunities for locally based investment.

We've experienced that here firsthand in South Florida. As I mentioned at the outset, the disparities in Miami are a testament to the uneven prosperity of globally driven rapid growth of a 21st century economy. This new economy has been very good for a lot of people, and God bless them, we're not against them, but it has left some people behind, and that is what we need to figure out, how we can balance out.

And that is where the Opportunity Zones can come in if appropriately used as a tool. When investors are in a global economy, they are always seeking a bigger bottom line by taking jobs and sending them somewhere else, maybe another country. We don't want to see that happen. Instead of sending those jobs to another country, being able to bring those jobs to the communities that have been left behind by the 21st century economy.

And one of the things that this law does to prevent that from being short-term thinking, like how can I get somewhere and maximize my gains and then move on somewhere else, is you have to hold the investment for at least 10 years. You don't get this benefit unless you are anchored in for at least 10 years. That's not a long time, and we want this to be permanent. But if you can anchor someone down to 10 years, they're probably staying, especially as the roots grow deeper.

By the way, and I've already highlighted this, Congresswoman Wilson and I, who will be here later, we have sponsored two pieces of bipartisan legislation. The first is Liberty City Rising Act. What it does is it increases the safety standards and prioritizes funding for additional security measures at public housing projects located in areas that statistically have suffered from high crime.

We introduced the Safe Temperature Act to allow HUD to require air conditioning units be installed in properties located in very hot places. Miami's a very hot place in July. Actually, it's okay right now too, especially if you live in Chicago and it's 74. It's cold up there. But no family, particularly no child, should be forced to live in a home that doesn't have air conditioning and the temperatures are over 100 degrees.

Last year I had a bill that passed called the Spurring Business in Communities Act that was signed into law. This encourages the creation of new small business investment companies. We're going

to hear more about that today. But it encourages setting them up in under-licensed states, and Florida is an under-licensed State. This will encourage more private-equity investment to fund small business entrepreneurship and innovation, particularly focused on left-behind communities like Liberty City has been, and we've talked about that at the outset. One of the biggest impediments to small business formation is you need money to make money sometimes. You need money to start a business. This will hopefully drive more of that investment in that direction.

These are a few of the measures that we can do at the Federal level. There's probably more that needs to be done. These are very useful to us because it allows us to come up with ideas that we wouldn't otherwise have thought of, because as I said, there is a lot of technological advances, shifting economic trends globally, but we have to fight to remain economically competitive, and that begins with our people. And we are going to work with our colleagues to make sure that we see this through.

So today what we have is two panels that will testify, and their testimony will be a part of our record, and from it we're going to pull out ideas, and they're going to be able to speak to that further.

I want to thank the Deputy Mayor of the county, Maurice Kemp, for joining us today. I know Mayor Gimenez couldn't be here today, but our first panel is going to be Congresswoman Wilson, when she gets here, and Chairwoman Edmonson. We have a tight timeframe as well, because we've got to be out by 10:45, so we have an hour-and-a-half here. So I'd just ask everybody to keep that in mind with their comments, because we have a second panel that's coming up.

Maybe I'll start with you, Madam Chair, because you represent this community on the school board. You've worked on the issues of the tenants.

Did I say school board? You're not the Chair of the school board yet, are you?

[Laughter.]

That's probably what confused me. Of the county. I apologize. You're Chair of the county, but you're also the Chair of the Housing and Social Services Committee and the Building Safer Neighborhoods Subcommittee.

As a member of the Youth Crime Task Force, your activity on Operation Restoration, which is an anti-crime strategy group, your expertise in youth development runs deep.

You've worked here for a long time, and I can't think of a better witness to start off our hearing with, so thank you for being here.

[Applause.]

**STATEMENT OF HON. AUDREY EDMONSON, CHAIRWOMAN,
DISTRICT 3, MIAMI-DADE COUNTY BOARD OF COMMISSIONERS**

Ms. EDMONSON. And thank you, Senator. I liked the introduction. Maybe one day I'll be school board and Dorothy will be on the county—

Chairman RUBIO. Don't start rumors.

[Laughter.]

Ms. EDMONSON. Good morning and welcome to Miami-Dade County and Commission District 3. I was honored to accept the invitation to be a part of this distinguished panel, along with Congresswoman Frederica Wilson and Mayor Carlos Gimenez, who I think is not here, but we do have Deputy Mayor Maurice Kemp, and they have provided tremendous support on the Liberty City Rising project.

As the District Commissioner for this area, I'm honored that you have chosen this community to convene this hearing of the U.S. Senate Committee on Small Business and Entrepreneurship as we discuss Liberty City Rising specifically and achieving economic growth around our housing communities in general.

After being elected by my colleagues to serve as Chairwoman of the Board of County Commissioners, I have now said affordable workforce and public housing would be one of my top priorities. The Board of County Commissioners recently received a report that indicated that since 1989 the county has funded 238 affordable housing projects, and that's including public housing.

In spite of these efforts, because of our rapidly growing population and the rising cost of housing, we still have thousands of people who cannot afford to live in greater Miami and struggle with the cost of housing. I am committed to ensuring that the county continue to redevelop our aging public housing and to build suitable, affordable housing for our working class and our most vulnerable residents and our elderly.

I know that we must explore collaborative ways of working with private entities and developing community partnerships, as well as fostering small business creation and entrepreneurship to achieve upward mobility for distressed communities. So I thank this committee for coming to Miami-Dade County to put a spotlight on this issue.

We welcome the Federal Government's participation and support in our efforts to rebuild our communities from the ground up. This county has certainly done its part to prove our commitment to this cause by putting a great deal of our own skin in the game. The Liberty City Rising project is one of the fine showcases of these efforts, and I have devoted countless hours working to ensure this multi-million-dollar plan to revitalize Liberty Square and other public housing projects are a success.

The Liberty Square redevelopment, which was first announced in February of 2015, seeks to address the issues of crime and poverty in the area by raising the standard of living for residents and creating opportunities to earn a decent living. The project, which broke ground in May 2017 and is expected to be completed by the end of next year, involves demolishing and rebuilding Liberty Square's 709 public housing units in phases without displacing any residents.

The end product will be a bustling mixed-income community with shops, parks, and 1,400 condos, townhouses, and apartments. It will transform residents' lives in the community by bringing health care, early childhood education, educating for youth and adults, job training, youth programs, elderly programs and, yes, small business development to the area.

I am grateful to Senator Rubio for addressing the need for safety and security in our public housing across this Nation and to know that we are not alone in this fight to redevelop our public housing and ensure the safety of our residents. Miami-Dade County has committed \$74 million for the Liberty City Rising revitalization initiative, which will be used to leverage over \$390 million of economic activity and private-sector investment.

Miami-Dade County has already allocated \$46 million in funding for the redevelopment of Liberty Square and Lincoln Gardens, which will generate over \$307 million in economic activity and private-sector investment.

Chairman RUBIO. You don't have to start over again.

[Laughter.]

Ms. EDMONSON. I'm not going to start over again.

[Laughter.]

They told me to stick to the script, so I'm trying to stick to the script so I won't go over.

Thank you. Okay. Can you all hear me better? Okay.

We have allocated an additional \$28 million to revitalize the Liberty City neighborhood. These funds will be utilized to create additional safety measures and economic activity through the construction of new multi-family housing, affordable and workforce housing, affordable home ownership opportunities, economic development, and capital improvements.

The Liberty City Rising revitalization initiative will create an estimated 2,300 jobs, in addition to addressing the high unemployment rate in this neighborhood, and ensure that many of these jobs are filled by local residents. The county established the Employee Miami-Dade Program to train and assist in the hiring of residents from the Liberty City Rising zip codes.

So often when a community has been plagued by the violence that tends to go hand in hand with poverty, it cannot attract small businesses and thrive economically unless these initiatives are combined with our efforts to address the epidemic of gun violence. That's why I have also made fighting the scourge of gun violence one of the top priorities of my two-year chairmanship. I'm strategizing with local law enforcement, our school systems, multiple agencies and community-based organizations to address this epidemic. I have introduced new legislation before the Commission to enhance these efforts with a boots-on-the-ground approach, which should be starting somewhere near March, next month. You will start seeing billboards out there warning the people that we are serious about gun violence.

We are working with local organizations, clergy, law enforcement, and our juvenile services department to bring peace and safety to our neighborhoods.

Working with my colleagues on the Board of County Commissioners, our Federal, State, and local partners, and especially our community partners on the front lines, I am confident that all the efforts will be approved and that Liberty City Rising will not only transform the community but will serve as a model of urban revitalization in other parts of our county and the entire Nation.

Thank you, and I look forward to continue working with you on these very important efforts. We welcome and appreciate your vital support and participation.

And before I step down, I don't think we introduced one of my colleagues, our former Chair of the board, Mr. Esteban Bovo.

[Applause.]

[The prepared statement of Ms. Edmonson follows:]

Audrey M. Edmonson
Chairwoman
Miami-Dade Board of County Commissioners

Good morning and welcome to Miami-Dade County and to County Commission District 3. I was honored to accept this invitation to be a part of this distinguished panel along with Congresswoman Frederica Wilson and Mayor Carlos Gimenez, who have provided such tremendous support on the Liberty City Rising project. As the District Commissioner for this area, I'm honored that you have chosen this community to convene this hearing of the U.S. Senate Committee on Small Business & Entrepreneurship as we discuss Liberty City Rising specifically, and achieving economic growth around our housing communities in general.

After being elected by my colleagues to serve as Chairwoman of the Board of County Commissioners, I announced that enhancing Affordable, Workforce and Public Housing would be one of my top priorities.

The Board of County Commissioners recently received a report that indicated that since 1989, the County has funded 238 affordable housing projects, including public housing. In spite of these efforts, because of our rapidly growing population and the rising cost of housing, we still have thousands of people who cannot afford to live in greater Miami and struggle with the cost of housing. I am committed to ensuring that the County continues to redevelop our aging public housing and to build suitable, affordable housing for our working class and our most vulnerable residents and our elderly. I know that we must explore collaborative ways of working with private entities and developing community partnerships as well as fostering small business creation and

entrepreneurships to achieve Upward Mobility for distressed communities. So I thank this committee for coming to Miami-Dade County to put a spotlight on this issue.

We welcome the federal government's participation and support in our efforts to rebuild our communities from the ground up. This County has certainly done its part to prove our commitment to this cause by putting a great deal of our own skin in the game. The Liberty City Rising project is one of the fine showcases of these efforts, and I have devoted countless hours working to ensure this multimillion-dollar plan to revitalize Liberty Square and other public housing projects are a success.

The Liberty Square redevelopment, which was first announced in February 2015, seeks to address the issues of crime and poverty in the area by raising the standard of living for residents and creating opportunities to earn a decent living.

The project, which broke ground in May 2017 and is expected to be completed by the end of next year, involves demolishing and rebuilding Liberty Square's 709 public housing units in phases without displacing any residents. The end product will be a bustling, mixed-income community with shops, parks, community facilities and 1,400 condos, townhouses and apartments. It will transform residents' lives and the community by bringing healthcare, early childhood education, education for youths and adults, job training, youth programs, elderly programs and yes, small business development to the area.

I am grateful to Senator Rubio for addressing the need for safety and security in our public housing across this nation, and to know that we are not alone in this fight to redevelop our public housing and ensure the safety of our residents.

Miami-Dade County has committed \$74 million for the Liberty City Rising revitalization initiative, which will be used to leverage over \$390 million of economic activity and private sector investment.

Miami-Dade County has already allocated \$46 million in funding for the redevelopment of Liberty Square and Lincoln Gardens, which will generate over \$307 million in economic activity and private sector investment.

We have allocated an additional \$28 million to revitalize the Liberty City neighborhood. These funds will be utilized to create additional safety measures and economic activity through the construction of new multifamily housing, affordable and workforce housing, affordable homeownership opportunities, economic development and capital improvements. The Liberty City Rising revitalization initiative will create an estimated 2,300 jobs. In addition, to address the high unemployment rate in this neighborhood and ensure that many of these jobs are filled by local residents, the County established the Employ Miami-Dade program to train and assist in the hiring of residents from the Liberty City Rising zip codes.

So often when a community has been plagued by the violence that tends to go hand in hand with poverty, it cannot attract small businesses and thrive economically unless these initiatives are combined with our efforts to address the epidemic of gun violence. That's why I have also made fighting the scourge of gun violence one of the top priorities of my two-year chairmanship. I am strategizing with local law enforcement, our school system, multiple agencies and community-based organizations to address this epidemic.

I have introduced new legislation before the Commission to enhance these efforts with a “boots on the ground” approach – working with local organizations, clergy, law enforcement and our County’s Juvenile Services Department to bring peace and safety to our neighborhoods.

Working with my colleagues on the Board of County Commissioners, our federal, state and local partners and especially our community partners on the front lines, I am confident all these efforts will bear fruit, and that Liberty City Rising will not only transform the community but will serve as a model of urban revitalization in other parts of our County and for the entire nation.

Thank you, and I look forward to continue working with you on these very important efforts. We welcome and appreciate your vital support and participation.

Chairman RUBIO. Thank you so much. I know you're going to be here for a while, but if you need to step out early—she's got the whole county to overlook now. She's the Chair. But we appreciate you being a part of it, and we want to thank Commissioner Bovo, who is the previous Chair, and a lot of the projects he's been very supportive of that started under his Chairmanship. So it's important to see that continuity in this county-wide commitment. I appreciate your comments and in particular your goal, which is something I should have said, and I'm glad you did.

Our hope here is not just to get this right but to do it in a way that other people are coming down and asking us how did you guys do it, because we want to do what you did.

But thank you for everything you're doing. I really look forward to working closely with you on all of this. Thank you.

Ms. EDMONSON. Thank you.

[Applause.]

Chairman RUBIO. Congresswoman Wilson, are you ready?

[Applause.]

As she walks up and gets ready, I've already outlined our two projects that we're working on together with Liberty City Rising and the safety features of HUD, and also the air conditioning requirement. But we've been working together for a long time. It goes all the way back to our time in Tallahassee. So it's been a great partnership, and it will take a Federal and State partnership here, and having her as the leading voice in the House on these issues is going to be incredibly important.

So, thank you for being here today.

**STATEMENT OF HON. FREDERICA WILSON, REPRESENTATIVE,
FLORIDA'S 24TH CONGRESSIONAL DISTRICT**

Ms. WILSON. It's so wonderful to be here with you. It's so great to be here with you this morning. This is what we call a field hearing, and a field hearing is when Congress leaves Washington and comes to a particular community to talk with you and listen to you. We all know that everyone can't come to Washington to meet with us, so we have field hearings. So I want to thank my good friend and partner in crime on so many issues, Senator Rubio, for organizing this field hearing in the heart of Liberty City.

We have some economic situations that we need to discuss today, and this is the kind of bipartisan working relationship that puts people first that voters envisioned when we went to the polls last fall.

As some of you may know, I grew up in Liberty City. I was born in Overtown, and I was raised in Liberty City. We were among the first black families to own a home. Our family was very fortunate because my father was both a small business owner and a small business employer. Although we maybe had advantages, we were very much aware of how little other people had, and my parents never passed up an opportunity to help someone in need.

During the recent government shutdown President Trump said—he made a very insensitive comment in which he suggested that furloughed workers who have difficulty buying food, they should make an arrangement with their local grocer. That doesn't work today, but that's how things used to work. I'm sure some of you re-

member that back in the day if you went to the grocery store and you didn't have the money, Chairman Edmonson, you could say to the grocer, well, we don't have the money, but we'll come back and pay you later.

So decades later there are still many, many people in this community who are greatly in need of assistance in being safe and keeping a clean roof above their family's head, having a job, and putting food on their tables. Public housing residents are particularly vulnerable, which is why I have introduced in the House legislation to increase and enhance security provisions in public housing, and another bill requiring comfortable and safe temperature levels in Federal-assisted housing. Senator Rubio has introduced companion bills in the Senate.

But a very big part of living with dignity is having a job. If you don't have a job, you don't have dignity, and that's what's wrong with so many people in our community, especially men of color. There are Liberty Cities in just about every State where month after month, and sometimes for years, seeking employment has become a full-time job, always trying to make enough money so you won't have to work three jobs or to just keep food on the table.

Since my first day in Congress, my mantra has been "jobs, jobs, jobs." I've introduced several bills to increase employment. In fact, today I'm co-hosting a Jobs and Career Fair in Miami Gardens that I hope will result in a lot of job offers to people in that area, and I hope that many people will be hired who have been looking for a job for a long time.

So I'm very intrigued by the potential of the economic zones program that will bring jobs to this area that for too long has experienced high poverty and sluggish job and business growth. It also would mandate property owners to make improvements that will in turn attract new home and business owners, and we hope lots of new jobs. In theory, it sounds like a win-win situation.

Spurring Business in Communities 2018, which was signed into law in December, the Safe Temperature Act, and the Liberty City Rising Act.

Now, Liberty City has gained a reputation for high levels of poverty and high crime rates. According to 2014 data from a report of the Miami-Dade Economic Advisory Trust and National Liberty University, the Liberty City neighborhood has an unemployment rate of 25 percent, a poverty rate of 27 percent, a high school graduation rate of 82 percent, and a violent crime rate of 25 crimes per 1,000 people.

It wasn't always like this. The neighborhood that was created in 1937 aimed to relieve overcrowding and decrepit living conditions for African-American families living in what was called the Overtown neighborhood. Liberty Square housing project was one of the first housing projects in the Nation and is the oldest housing project in Miami-Dade County. From the 1930s to the 1950s, the neighborhood was seen as the ideal housing project, with a low crime rate and people of various income levels living around the project.

In the 1960s and 1970s, absent affordable housing in the neighborhood, some claim that led to deteriorating conditions. In 1980, the neighborhood was the epicenter of a three-day riot after the ac-

quittal of police officers accused of beating a resident to death, and Liberty City never came back after that. Attempts to spur business development have been largely unsuccessful, and struggling schools have been found to be a major problem for the community. The \$307 million redevelopment of Liberty Square began last year. All units will be demolished in phases, and 400 mixed-income condos will be constructed within approximately five years.

I represent this community, and my district staff meets at least once per month with residents and has been very engaged in the Liberty City Rising project. Our concern is that as these improvements are being made, they will be pushed out, and I get that. Gentrification is a very real fear of low-income people, and there are cities all around the Nation that are prime examples of how it can push people out of their homes and communities. Because these are uncharted waters, I want to learn more about what successful models investors will follow that will mutually benefit them and the people of this community, because we want Liberty City to come back.

Has any research been done to determine what kinds of businesses have the best chances of succeeding in a community like this? Have job creation benchmarks been set? Is helping local residents start small businesses an option?

I look forward to hearing your perspectives today and hope that these and other questions will be answered. And just keep in mind, we all want Liberty City to come back. Thank you.

[Applause.]

I want to shout out to Mr. George Ray.

Stand up, George.

George is a product of the 5,000 Gold Bottles of Excellence Project. Wherever I go, he's there, and he likes me to introduce him.

[Laughter.]

Chairman RUBIO. Congressman Wilson, I remember when it was 500. It went from 500 to 5,000, and maybe it will be 50,000.

So, how long will you be able to stay with us? A little bit? Are you going to be able to stay with us a little bit before you have to go to the job fair?

Ms. WILSON. I'm going to stay as long as I can.

Chairman RUBIO. Okay. And as we get to our witnesses on the second panel, if you have any questions, just come on up. We'd like to have any input that you have on that, as well.

All right. So we're going to introduce our panel now, our second panel, who are going to talk a lot about some of these issues.

Before you arrived, I pointed out that the goal here is not just to redevelop. We can redevelop our community, you can attract investment, but we want to do it in a way where the families that are already here can stay, so their kids when they graduate from college don't have to move to Atlanta or move to Chicago or move to Washington in order to have opportunity. They may choose to do so, but it's because they chose to, not because they have to. We want to figure out how that investment can be geared at rebuilding and not transforming it in a way that people have to leave, and that's been a challenge.

Redevelopment largely in the country has meant the people who are there have to go because we're going to put some expensive condominiums in, and so forth. So we do want to focus on that, and I'm really happy that you mentioned something that I touched on but didn't get into the detail you did, and that is that it wasn't always this way. And the same could be said for Overtown, by the way. These were thriving communities that were in many ways models of extraordinary success, and there are people still around today that remember that time and that were key instruments of it, and your own family's experience of owning a small business—I don't know all the details of it, but I guarantee that your customers and many of the employees were from the community.

So small business was rooted in the community, not just located in the community. There's a difference between being rooted in a community and located in a community, and that's what we're hoping to achieve.

Our second panel has four really great witnesses, and we thank them all for being here today. I think we should start first with Dr. Bendross-Mindingall, who serves on the Miami-Dade School Board and is, again, someone who I've worked with for a long time as well. She's been a strong voice on these issues for a very long time, and her experience on this topic as both an educator and now as an elected official, first at the State level and now on the school board, is going to provide an incredibly helpful background in the community and what makes it unique, and something I know is very close to Congressman Wilson's heart and her heart is the number of successful young men and women who, once they completed their degrees, even advanced degrees, they have to move somewhere else, not even out of Liberty City but out of Miami-Dade County, in order to find opportunities. We can't rebuild our communities if we can't keep our talented young men and women and have opportunities for them to be here.

So as I said, I'm glad you're here, and we really look forward to your testimony.

STATEMENT OF DOROTHY BENDROSS-MINDINGALL, SCHOOL BOARD MEMBER, MIAMI-DADE COUNTY SCHOOL BOARD

Dr. BENDROSS-MINDINGALL. Good morning, everyone. I'm delighted to be here. I am so proud of Senator Marco Rubio. As he said, I worked with him on issues to make sure that our children and families do better, and we've been creeping along.

Marco, I don't know why I'm sitting here because there are others who could tell this story, but I'm just happy that someone saw the name and said Dr. Christian will be sitting on the front row, and Dorothy needs to speak, because that was not always the case. So we're just going to move along with knowing that in Liberty City we welcome all people.

But as you said earlier, we don't want to be pushed out. Part of what I will tell you is that I grew up in Liberty Square housing projects. I spent 15 years of my life there, and that's why I am the person that I am today, because there were those there—I'm going to do my best to stick to the script, but it's hard, it's very hard.

So there were those there who did not look at the zip code and, of course, told us that we are the very best. We went to the high

schools. We went to the elementary schools. As you said, some of us came back. It's not because we didn't have other places to go, but there is so much more to be done, and we will continue to work, and we will work with everyone to get it done.

I think that I should talk a little bit about how I got to where I am. I started that, but I want you to know that I'm one of seven children, the first in my family to go to college. Why? Because I had older brothers, and they followed my life closely, and as my parents said in the kitchen, in Liberty Square housing projects having the best breakfast in the world, because my mom was probably one of the best cooks ever, and one of my brothers, Deacon James Bendross, told them she's too smart not to go to college.

Well, my daddy was doing construction work, and I heard him say to my mom, "How is she going to go?" So my brother said, well, if we can all pull out of this house in the morning, she will go. And they trusted to send me to a private college. I was a little girl on welfare, and I didn't know I was on welfare, Senator, until I got to college, because the best days of my life were in Liberty Square housing projects. That's why I visit 6312 NW 14th Court, Unit 115 every year. It doesn't look the way it used to, and I've been concerned about that for a long time.

I spoke with Director Liu, and he was coming to the school board, and we were having great conversations. But for some reason, the story that I'm telling today was not allowed to be entered in any meeting. Very, very concerned. I didn't call you because when things get a little tough, you know I'll call you. But I had no idea that I'd be sitting here, as I said earlier.

In my life I've been evicted twice; gentrification. And I see, I guess you would say, generation three back there somewhere. We were evicted from colored addition—not "edition," "addition." And then from there we went to Liberty Square because we didn't have anywhere else to go, but I didn't know it was going to be the best years of my life.

And my dad, who was doing construction work—they built Liberty City [inaudible] some of the hotels on the beach that we could not enter. So the story started back in, as I said, railroad shop colored addition, where we were put out of our houses in the rain, 35 families, all off [inaudible] again, Mr. Senator.

But I'm telling you, my heart breaks when I go by some places knowing that the treatment is still there. I don't know all that is happening in Liberty Square because, as I said to you at the start, I was trying to keep up by being a school board member, trying to educate children. I could not keep up, and I don't know whether that was by design or what, but I'm going to do my best to get back involved in what is happening there.

From the time I went to college and became a teacher, and then from a teacher to a reading specialist, then to an administrator, then to a principal, and met you in Tallahassee on the school board, that's not the story of most people who lived in Liberty Square. It just isn't.

So I want you to know that I'm working very, very, very hard to do my due diligence with the circle of brotherhood who thought it not robbery to name the former Floral Heights Elementary

School in my honor, the Dr. Dorothy Bendross-Mindingall Socio-economic Institute, doing a great job, but that's not enough.

Again, as you said earlier, jobs. My dad would always say to us when we started our careers, get up in the morning and act as if you will not have a job, so go in there and do your very, very, very best, otherwise you won't.

I'm very, very, very, very happy to let you know that without what we're doing today, a lot of people in this room will not know it, a lot of people don't know that we are here. So my goal is to meet with some of the people who have struggled and made sure that the word got out that we are doing something in Liberty Square. I don't know all that we're doing in Liberty Square, as I said earlier.

We've got to keep up with what's going on there because the people—and I wrote down the note. You said that we want to do what we can for our communities, but we do not want the people that are there not to participate and not to have homes, not to be able to go to stores.

It was a thriving community. We didn't have to leave for anything. Liberty Square is just what it says, it's a square. We walked across the street to our stores, and they were owned by people of color, to our restaurants. We even had what was called a little night club scene. I couldn't go because I was a little too little for that.

[Laughter.]

But 15th Avenue was the place. When I ran my election last August I was asked over and over, are you crazy? Have you lost your mind? Why are you setting up a campaign office there? To give people jobs.

I want you to know that I'm going to follow this. Please do what you did in Tallahassee for MCI. If it were not for you and your telling others, whatever Dorothy wants for that community, you give it to her—Marco, we're working very, very hard. The Chairwoman can attest to this. That was supposed to do more than it did, but we're going to do our best to move forward with MCI.

Thank you again. No, I didn't stay on the script, but I tried to. Well, no, I didn't try to.

[Laughter.]

Thank you so much for the time. God bless.

[Applause.]

Chairman RUBIO. Well, we're going to hear now from Director Liu, who directs the Miami-Dade County Public Housing and the work at Liberty Square.

We thank you for coming. We want to hear that update and see how that fits into [inaudible].

STATEMENT OF MICHAEL LIU, EXECUTIVE DIRECTOR, MIAMI-DADE COUNTY DEPARTMENT OF PUBLIC HOUSING AND COMMUNITY DEVELOPMENT

Mr. LIU. Thank you very much, Mr. Chairman. It's an honor to be here, and a special thank you for those visits.

Chairman RUBIO. Do you want to pull that mic closer?

Mr. LIU. I want to say thank you for the visits, and I want to underscore the “s,” plural, the visits that you have made to Liberty Square and Liberty City to assess what is going on in reality.

As Director of Miami-Dade County’s Department of Public Housing and Community Development, I have followed the direction of Mayor Carlos Gimenez and the Board of County Commissioners, the Chairwoman and District 3 Commissioner, Audrey Edmonson, in the vanguard of managing the Liberty City Rising initiative, and in particular the component of the effort that encompasses the redevelopment of the Liberty Square public housing.

Liberty City Rising, announced in early 2015, as previously mentioned and referenced by Chairwoman Edmonson, is not just about public housing. Liberty City Rising comes with a financial commitment by the county of over \$74 million, \$46 million in base financing for Liberty Square, which has resulted in a redevelopment project that’s going to cost at the end of the day over \$350 million, which is a leveraging factor of about seven to one; and in addition, \$28 million in economic development and other non-public housing in Liberty City.

Indeed, Liberty City has great potential to become a vital part of the county’s growth and strength in the future. With a population of approximately 50,000 persons and 15,500 households, Liberty City, if it were a formal city, would be the seventh largest in the county. Economists have said this “market area” to reach over 500,000 persons with an aggregate household income for the market area of over \$5 billion.

Chairman RUBIO. I think they’re saying they can’t hear you in the back.

Mr. LIU. Over \$5 billion, which represents significant purchasing power. It should be of particular interest to the committee that of the total number of businesses in Liberty City, 1,599, 92 percent of them employ less than 20 people, and 94 percent are single-location businesses, small businesses.

Hence, it makes economic sense to allocate resources that will support area small businesses and provide education and job training options to assist Liberty City residents and businesses to link up and maximize job opportunities for Liberty City residents. This is a direction that the county is embracing as it proceeds with the Liberty Square redevelopment component of Liberty City Rising.

Our private-sector partner in the project is obligated—this is not aspirational—is obligated to provide 20 percent of the 1,158 projected construction jobs to HUD Section 3, that is public housing and lower-income residents of Miami-Dade County, and 75 percent of the approximately 257 post-construction jobs to Section 3 residents of the county. Priority is given to the residents from area zip codes of 33142 and 33147. In addition, 50 percent of all subcontracts, with an estimated value of \$90 million, must be awarded to Section 3 small businesses, minority-owned businesses, and women-owned business enterprises.

As of today, as we move through Phase I of the project, \$50 million of the total development costs of that first phase, \$25.5 million, has gone to small businesses. That’s 59 percent of the subcontracts of that total development cost.

To date, there have been over 13 subcontractors that have been awarded contracts to Phase I, Section 3 small businesses, and there have been—beginning this summer there are 42, but as of today there are 105 jobs that have been captured, that have been hired by Section 3 qualified workers, and another 93 of them come from 33142 and 33147 zip codes.

Employ Miami-Dade has been a key component of this. Employ Miami-Dade brings together Career Source of South Florida, which is the business and operational entity for the South Florida Workforce Investment Board, created pursuant to the Federal Workforce Innovation and Opportunity Act, Miami-Dade College, and county and private-sector interests. By the time the backhoes and shovels are in the ground, there were Employ Miami-Dade trade workers with skills that could be considered for hiring.

The construction firms doing the work in Phase I could not and cannot plead that there are no qualified Section 3 workers to be hired, and that's a huge difference here that the direction of Chairwoman Edmonson and Mayor Gimenez made a requirement, that Section 3 hiring of low-income residents would be a requirement, not just to the extent feasible, which is the HUD regulation, which has been a huge loophole in Federal policy for the 34 years that Section 3 "requirements" have been in place. Federal law does not really require it, it just says "to the extent feasible."

We have gone a step further in Miami-Dade County. We have made it a contractual requirement under penalties of not meeting those requirements to, in fact, make those hires real.

In addition, as again referenced by Chairwoman Edmonson, the project by contract, under threat of penalties, will have 15,000 square feet of retail commercial space along NW 15th Avenue specifically set aside for mom and pop small businesses.

Phase I of Liberty Square is well underway, and the first two buildings are on target to be completed by the end of this first quarter of this calendar year. Mr. Chairman, we'll make sure that you and all of your committee members get invitations to come to the grand opening there.

Phase II is ready to close. All of our documents on our end are ready to go, and we're planning on closing in February. We're just hoping that HUD will be able to catch up after this Federal shutdown. We've been in communication with them, and we hope that we can make that happen.

You picked a very auspicious day to have this hearing, because beginning today, actual assignments of units in Phase I are being made to the residents who will temporarily transfer to units on site, so there is no displacement, units on site, and they will see and get to pick the units that they will be moving into in Phase I.

Finally, we are hopeful, as you have mentioned, sir, that the new Opportunity Zone Program contained in the Tax Cuts and Jobs Act will be an added incentive for private-sector investment in this area. It was included in the Governor's designation of Florida Opportunity Zones, and we have been reaching out to a number of funds that are in the process of being formed and educating them on what has happened in this community.

Liberty City is really happening. The attention to this community by the United States Senate and your committee could not have come at a better time. Any resources that the Federal Government can set aside for Liberty City to help in its economic revitalization I assure you will not be wasted, and I pledge that my department, under the direction of the county, will assist in leveraging those resources to the maximum extent possible. We know how to make use of those resources and how to engage the private sector at the local level here.

Thank you for giving me the opportunity to participate on this panel, sir.

[The prepared statement of Mr. Liu follows:]



Public Housing and Community Development
701 NW 1st Court, 18th Floor
Miami, FL 33136-3914
T 786-469-4100 • F 786-469-4199
miamidade.gov

Michael Liu, Director

Miami-Dade County Dept. of Public Housing and Community Development

February 1, 2019

Testimony on "Liberty City Rising: Achieving Upward Mobility through Small Business and Community Partnerships"

Senator Rubio, Chairman of today's hearing of the Senate Committee on Small Business and Entrepreneurship, and favorite son of South Florida, it is an honor to have you here. And Mr. Chairman, a special thank you for your visits to Liberty Square and for providing the leadership to hold this field hearing.

As Director of Miami-Dade County's Dept. of Public Housing and Community Development, I have followed the direction of County Mayor Carlos Gimenez and the Board of County Commissioners with Chairwoman and County District 3 Commissioner Audrey Edmonson in the vanguard, in managing the "Liberty City Rising" initiative, and in particular the component of the effort that encompasses the redevelopment of Liberty Square public housing.

However, Liberty City Rising, announced in early 2015, is not just about public housing. Liberty City Rising comes with a financial commitment by the County of over \$74 million: \$46 million in base financing for Liberty Square (which has resulted in a redevelopment project that is attracting over \$320 million in private sector and other public investment, a leverage factor of 7); but also \$28 million for economic development and other non-public housing purposes in Liberty City.

Indeed, Liberty City has great potential to become a vital part of the County's growth and strength in the future. With a population of approximately 50,000 persons, and 15,500 households, Liberty City if it were a formal city would be the 7th largest in the County. Economists have pegged its "market area" to reach over 500,000 persons with an aggregate household income for the market area of over \$5 billion which represents significant purchasing power.

Page 2

It should be of particular interest to this Committee, that of the total number of businesses in Liberty City--1,599, 92% of them employ less than 20 people and 94% are single location businesses.

Hence, it makes economic sense to allocate resources that will support area small business and provide education and job training options to assist Liberty City residents and businesses to link up and maximize job opportunities for Liberty City residents.

This is a direction that the County is embracing as it proceeds with the Liberty Square redevelopment component of Liberty City Rising. Our private sector partner in the project, Related Urban Development Group, is obligated to provide 20% or 1,158 of projected construction jobs to HUD Section 3 (i.e., public housing or low income) residents of Miami-Dade County, and 75% or approximately 267 of post construction jobs to Section 3 residents of the County. Priority is given to residents from the area zip codes of 33142 and 33147. In addition, 50% of all sub-contracts, with an estimated value of \$90 million, **must** be awarded to Section 3, Small Business, Minority-Owned Business, and Women-Owned Business Enterprises.

To date, 13 subcontracts that have been awarded for the 214-unit Phase 1 of the project have been to Section 3 and small businesses, 42 jobs have gone to Section 3 qualified workers, and 93 jobs are being held by workers who reside in the 33142 and 33147 zip codes. Key to the success in hiring has been the County's coordinated job training effort called Employ Miami-Dade which initially targeted residents of 33142 and 33147 and began in 2015. This brings together CareerSource South Florida (the business and operational entity for the South Florida Workforce Investment Board created pursuant to the federal Workforce Innovation and Opportunity Act), Miami-Dade College, the County, and private sector interests. By the time the backhoes and shovels were in the ground, there were Employ Miami-Dade trained workers with skills that could be considered for hiring. The construction firms doing the work at Liberty Square Phase 1, could not and cannot plead that there are no qualified "Section 3" workers to be hired.

In addition, by contract with the county, the project will have 15,000 square feet of retail/commercial space along NW 15th Avenue specifically set aside for "mom and pop" enterprises.

Phase 1 of Liberty Square is well underway, and the first two buildings are on target to be completed by the end of this first quarter of this calendar year. (Mr. Chairman, we will

Page 3

make sure that all Committee members get invitations to tour the finished product.) All documents on our end are ready for a planned closing on financing on Phase 2, and we await to hear from HUD on whether it will be able to make things happen on its end.

Finally, we are hopeful that the new Opportunity Zone program contained in the Tax Cuts and Jobs Act passed by the Congress and signed into law by the President will be an added incentive for private sector investment in Liberty City, which was included in the Governor's designation of Florida Opportunity Zones. We have been reaching out to a number of funds that are in the process of being formed or which have been formed, educating them on Opportunity Zones in Miami-Dade County.

Liberty City really is "happening." The attention to this community by the United States Senate and this Committee could not have come at a better time. Any resource that the federal government can set-aside for Liberty City to help in its economic revitalization will not be wasted, and I pledge that my Department will do all it can to assist in leveraging that resource to the maximum extent possible. We know how to make use of those resources and how to engage the private sector in doing so.

Thank you for inviting me to participate on this panel, and I am open to answer any questions you may have.

Chairman RUBIO. Thank you so much. I appreciate it.

Now we're going to hear from Brian Van Hook, the Associate Regional Director of the Small Business Development Center, and I believe a former staffer of this committee at one time.

Mr. VAN HOOK. Yes, sir. It's a little weird to be on this side of the witness table.

Chairman RUBIO. So, there's life after the Senate.

[Laughter.]

We're interested to hear from you about the services that you provide to small business, helping them to gain access not only to SBA programs but other programs that are available. Thank you for being here.

**STATEMENT OF BRIAN VAN HOOK, ASSOCIATE DIRECTOR,
FLORIDA SBDC AT FLORIDA INTERNATIONAL UNIVERSITY**

Mr. VAN HOOK. Thank you, Chairman Rubio, and thank you for the opportunity to appear before the committee today.

As you mentioned, I'm a former staffer of the committee, so it's extra special for me that your first field hearing is here in Miami, here in Liberty City.

Chairman RUBIO. My first hearing, period.

Mr. VAN HOOK. Your first hearing, wow.

Chairman RUBIO. I can't lose the gavel. We've got to take this back.

[Laughter.]

Mr. VAN HOOK. It's a pretty cool gavel.

But I know the amount of time that you have to spend in terms of putting these field hearings together, and I know, as you said, this is your opportunity to bring Washington to the community. So I know it's very important, and I think it's very important that you're holding it here in Liberty City.

As you mentioned, my name is Brian Van Hook. I'm Associate Director of the Florida Small Business Development Center at FIU. Our center is a Small Business Administration, SBA, resource partner, and we're focused on helping businesses in Miami-Dade County grow and succeed. It's a really great job. It's not a tough sell that we basically say, hey, we want to help you start a business, we want to help you grow a business. Actually, we did such a good job here in Miami-Dade County that they also let us expand to Monroe County as well. So we have the tough job to say, hey, we're going to help businesses in Miami, but also we get to go to the Keys and help businesses to grow down there as well, so it's a really tough job.

But we help these businesses through our dedicated team of 17 experienced experts. They're not jack-of-all-trades/master of none. They're all specialists in a particular area. And since Congresswoman Wilson recognized George Rain III, I'd ask him to stand up again for a second shout out because he's one of our business consultants. Each of these, as I said—

Chairman RUBIO. Is he in charge of the keys?

Mr. VAN HOOK. No.

[Laughter.]

He does have a couple of clients down there, though. I don't know how he worked it, but he got a couple of clients down there.

But they're each a specialist in a specific area, and they work one-on-one with the business owners in access to capital, government contracting, international trade, HR, business plans. This consulting is confidential and it's provided at no cost to the business owner.

Overall, our center works with approximately 900 business owners a year. Actually, one of these clients that I'm proud to talk about is Ed Haynes.

Ed, can you stand up? I didn't recognize you because you didn't have your security outfit on. You're dressed to impress.

But Ed Haynes is the founder of Haynes Security Services. He's been in law enforcement for more than 30 years. He served in the United States Marine Corps, and he was also the first black police officer in the Village of Miami Shores. Actually, Ed started his business in 2011 right near here in Liberty City, and his first client was Congressman Wilson. He has kind of grown since then, and basically Haynes Security Service has expanded to provide security for real estate development companies at events, and also Miami-Dade Metrorail. Our center worked with Ed in terms of maintaining existing contracts that he had, and also securing the capital to go after new contracts.

In particular, our team worked with him to prepare financial documents and also find the right lender. The result was a \$50,000 loan from the Miami Bayside Foundation for equipment and working capital to help with payroll costs, and this has allowed Ed to grow his company from eight employees in 2015 to more than 35 today. Our center has continued to work with Ed—I don't let him off the hook now that he's going after larger contracts and larger projects.

Now that we've talked about Ed, one of the great clients we work with, let's focus on what's going on here in Liberty City. As you guys mentioned, the Liberty City Square project is one of the largest affordable housing projects in the country. It's almost \$300 million total. The redevelopment promises new opportunities for families, for the community as a whole and, as we're here to discuss, local small businesses.

It's my understanding that, as Director Liu mentioned, the developer has committed to create small business programs for construction and goods and services for the project. There's a commitment to provide contracts to Section 3 small business enterprises, minority business enterprises, and women-owned business enterprises. But with any redevelopment project this size, it's common for larger out-of-state firms to come in and compete to be part of this project, and a lot of times also there's a local preference office that's set up to kind of filter the local small businesses, but a lot of times those LPOs, businesses don't get much farther from that.

So you see a lot of also national restaurants and retail establishments that come in to set up shop in the community. As Chairman Rubio mentioned, it's important to not lose sight of the successful locally grown anchor businesses that have been here and that are committed to being here for the long term.

In terms of the challenges that these businesses face when they're bidding on these contracts and winning them, access to capital, as the Chairman mentioned, is a major issue. As businesses

grow and compete for larger contracts, they often struggle to maintain the cash flow necessary to service the contract, and that's actually where groups like SBDC come in.

We work with business owners to improve their financial management. It's a better budget for expected growth. Otherwise successful businesses, they struggle because they have those standard 30-day, 60-day, 90-day delays from when you do the work and it's completed until you get paid. So access to capital is a necessity, not just for these contractors but also for businesses in the community that are looking to grow.

So for our center's purposes, we cast a wide net when we're helping local small businesses obtain capital. We basically want to help people access loans, but also equity investors or other types of financing as well. We want as many tools in our toolbox as we can get. So for that reason, we appreciate the attention that you put on the SBA's SBIC program. It's my understanding that the original intent behind that program was to address gaps in long-term funding for scalable, growth-focused small businesses. But actually today, Chairman Rubio, if you go to the SBIC website on the SBA's website, they list, as you mentioned, seven SBICs in Florida. Of those seven, three are listed as likely not still investing. And two of the ones that are likely not investing are here in Miami. They're actually right down the street from my office.

So to better help those small businesses grow, it's important, as I said, to have as many tools in the toolbox as possible. That's because, depending on the business size, the business stage, the expected use of the funds and industry, suitable financing options are going to differ from business to business. Therefore, we encourage opportunities such as your legislation that is going to increase the pool of capital that's available to grow Miami-Dade and Liberty City's small businesses.

In closing, I just want to thank you again for the invitation to speak today. It's our hope that this field hearing is going to ensure that development here in Liberty City is going to create opportunities for local small businesses, as well as jobs for the community. And for SBDC's part, we're looking forward to any collaborations that come out of this hearing or any of the groups that we can work with. I actually see Jordan from Legal Services Miami, and we've actually been working with them on an Opportunity Zone Working Group to try to find businesses that are in the Opportunity Zone so that we can market them and hopefully get investors.

Thanks again for your time.

[The prepared statement of Mr. Van Hook follows:]

29

Testimony of

Brian Van Hook

Associate Director

Florida SBDC at Florida International University

United States Committee on Small Business and Entrepreneurship

“Liberty City Rising: Achieving Upward Mobility through Small
Business and Community Partnerships”

February 1, 2019

**“Liberty City Rising: Achieving Upward Mobility through
Small Business and Community Partnerships”
February 1, 2019**

**Prepared Testimony of
Brian Van Hook, Associate Director, Florida SBDC at FIU**

Chairman Rubio, thank you for chairing this hearing and for the opportunity to appear before the committee today. I appreciate your and the Committee’s attention to small businesses in Miami-Dade County, particularly those here in Liberty City.

My name is Brian Van Hook and I am Associate Director of the Florida Small Business Development Center (SBDC) at Florida International University (FIU). Our center is a U.S. Small Business Administration (SBA) resource partner focused on helping grow businesses in Miami-Dade County. Recently, we also expanded our service area to cover Monroe County as well.

In particular, our dedicated team of seventeen experienced experts provides quality one-on-one business consulting to entrepreneurs and business owners in order to help them grow and succeed. This consulting is confidential and is provided at no cost to the business owner. Areas of assistance include: Access to capital; financial management; business plan assistance; growth strategies; startup assistance; operations management; data/research; human resources; procurement assistance; international trade and more.

Our center works with more than 900 entrepreneurs a year and does not take for granted that we are able to do so because of support from the Federal government and the State of Florida, along with private sector and foundation partners. As such, we are laser focused on tracking our client outcomes, as required by Congress and the SBA. This helps us ensure that we are providing a positive return on investment for the taxpayer. The best part: the impact is counted and attributed to our center only if it is verified by our clients.

One reason we love our jobs is that, for our center to be successful and to achieve goals, we need to generate tangible successes and outcomes for our small-business clients. When we help generate additional sales for a local business that often translates to more money in the pockets of a local family. When we help a business secure capital to expand, that often means they hire additional workers or invest in the local community. And every business successfully launched creates opportunities for other businesses, funders and the local community.

With that in mind, I am proud to report that since 2014, our consulting team has worked with more than 2,800 Miami-Dade County businesses to:

- Generate more than \$1.07 billion in additional sales
- Access more than \$121.3 million in business capital (loans and equity investments)
- Create, retain or save more than 9,990 jobs
- Launch more than 147 new businesses; and
- Train more than 2,697 entrepreneurs and business owners via events with Florida SBDC at FIU and our sister center, FIU’s Pino Global Entrepreneurship Center

Additionally, with regard to government contracting, we work with a Florida Procurement Technical Assistance Center (PTAC) specialist. This program is funded in part through a cooperative agreement with the U.S Department of Defense’s Defense Logistics Agency. Our partner PTAC Specialist helps businesses obtain registrations and certifications, prepare bids, and even match them with contracting opportunities from agencies that buy goods and services. Since 2014, our PTAC Specialist and the rest of our

SBDC consulting team helped local businesses secure more than \$45.7 million in federal, state and local contracts.

One of these clients is Ed Haynes, founder of Haynes Security Services. Ed has been in law enforcement for more than 30 years. He served in the U.S. Marine Corps and was the first black police officer in the Village of Miami Shores.

Ed Haynes started the business in 2011 near Liberty City and his Congressional representative was one of his first clients. Haynes Security Services has since expanded to provide security for real estate development companies, at events and the Miami-Dade Metrorail. The company also trains guards to obtain the appropriate licenses and certifications. In 2017, Haynes Security Services received both the SBA South Florida District Office and State of Florida Veteran-Owned Business of the Year awards from the SBA.

Florida SBDC at FIU assisted Haynes Security Services with maintaining existing contracts and securing necessary capital to go after new contracts. In particular, our team worked with the company to prepare financial documents and find the right lender. The result was a \$50,000 loan from the Miami Bayside Foundation for equipment and working capital to help with payroll costs. This has allowed Ed to grow his company from 8 employees in 2015 to more than 35 today.

Ed is proud to remind you that he has the awesome responsibility of providing for more than 30 families, including his own. Two of his daughters work in the business and his wife is the Chief Financial Officer. Our center has continued to work with the company as they grow and pursue larger contracts.

Now that you have some background on our center and learned about one of our great clients, I would like to discuss the redevelopment that is occurring here in Liberty City. As you know, the Liberty Square project is one of the largest affordable housing projects in the country – almost \$300 million in total. The redevelopment promises new opportunities for families, the community as a whole, and, as we are here to discuss, local small businesses.

It is my understanding that the developer, Related Urban Development Group, committed to create a small business program for all construction, goods, and services related to the project. There also was a commitment to provide contracts to Section 3, Small Business Enterprises (SBEs), Minority Business Enterprises (MBEs), and Women-Owned Business Enterprises (WBEs).

With redevelopment projects of this size, it is common for larger out-of-state firms to come in to compete to be part of the project. You also see national restaurant and retail establishments come in to set up shop in the community. It is important to not lose sight of the successful, locally grown businesses that have been here and are committed to be here for the long term. These anchor businesses can play a vital role in the community's growth.

For this reason, I look forward to the testimony of other witnesses at today's hearing for an update on progress made toward these small business goals. There are countless businesses in this community, including a number of our SBDC at FIU clients, which are qualified for the work and would love to participate in the project.

In terms of challenges that these businesses face in bidding on and winning contracts, access to capital is a major issue. As businesses grow and compete for larger contracts, they often struggle to maintain the cash flow necessary to service the contracts. This is where groups such as SBDC come in. We work with business owners to improve their financial management and better budget for expected growth. Furthermore, otherwise successful businesses struggle with standard 30, 60, or 90-day delays between when

work is completed and when they receive payment. We encourage business owners to focus on building their bonding capacity and to remember the best time to get a line of credit is when business is good. Too often, business owners don't explore financing options until they are in dire straits or are pressed for time with an upcoming contract.

Access to capital is a necessity not only for contractors but for all businesses seeking to grow. Our center casts a wide net when helping our local small businesses obtain capital – by assisting businesses not only in obtaining loans but also obtaining equity investors.

For this reason, we appreciate your attention to the SBA's Small Business Investment Company (SBIC) program. It is my understanding that the original intent behind creating the SBIC program was to address gaps in long-term funding for scalable, growth-focused small businesses. As such, many of SBA's great success stories such as Apple, FedEx, Callaway Golf and Outback Steakhouse received SBIC funds and went on to become the global brands they are today.

These days, if you visit the SBIC Directory on the SBA website, you'll find it lists seven SBICs in Florida. Of those seven, three are listed as "Not Likely Still Investing". Two of the SBICs that appear to be inactive are from here in Miami. The remaining three SBICs that are active are located in Tampa (2) and in Orlando (1).

To better help small businesses grow, it's important to have as many "tools in the toolbox" as possible. That is because depending on the business size, business stage, the expected use of funds, and industry, suitable financing options will differ from business to business. Therefore, we encourage opportunities to increase the pool of capital available to grow Miami-Dade's small businesses.

In closing, I know that your committee is not just looking for our perspective but also for available data that will help guide redevelopment in this community. It just so happens that our center last summer issued a report that gives a snapshot of Miami-Dade businesses. The Florida SBDC at FIU commissioned the report, which was produced by the FIU Metropolitan Center. The name of the report is "Small Business. Big Impact: Report on Small Businesses in Miami-Dade County 2018"

Among the findings of the study:

- 81.3 percent of all businesses in the county are microbusinesses or companies with fewer than 10 employees;
- Miami-Dade had the highest percentage of microbusinesses among six comparison counties studied;
- Half of the businesses with only one employee paid an average wage of \$24,000 or less;
- For businesses with 2 to 9 employees, half the companies had average wages of \$30,667 or less;
- Between 2005 and 2015, the number of non-employer establishments in the Miami-Dade area rose 55.9 percent, almost three times the national rate

Along with this written testimony, we have submitted a full copy of the study so that you may review its findings in greater detail.

It is our hope that the hearing today will help ensure that development in Liberty City helps create opportunities for local small businesses, as well as jobs for our community. We also look forward to any collaborations that our center can foster with groups in attendance.

In closing, thank you again Chairman Rubio for the invitation to speak today. As a former staffer of this Committee, I am grateful for your time and focus on growing our nation's small businesses.

Chairman RUBIO. Thank you. The bill that we passed, it's not a law. It's designed, we hope, to fix that issue with the SBICs, the investment companies in Florida. As you said, Florida really only has three or four active ones, and they have to be a key cornerstone of driving that investment into the right communities. Florida is the third largest State in the country. It doesn't make a lot of sense that we're that low on the totem pole.

Our last testimony on this panel, and then I'm going to have a few questions, we're going to hear from Mary Burke Baker. She works as a Government Affairs Counselor at K&L Gates, but she has extensive background in tax implementation, with a special focus on the newly enacted Opportunity Zone provisions. We kind of want to hear how similar provisions have worked in the past and how these programs are likely to succeed now, especially given our very clear goals here locally.

**STATEMENT OF MARY BURKE BAKER, GOVERNMENT AFFAIRS
COUNSELOR, K&L GATES LLP, WASHINGTON, DC**

Ms. BAKER. Thank you, Chairman Rubio. Thank you for inviting me to testify today about Opportunity Zones. I should note that I'm participating in this hearing on my own behalf, and my comments are not necessarily reflective of K&L Gates or our clients.

Chairman RUBIO. The lawyers wrote that. I bet a lawyer wrote that.

[Laughter.]

It's like the car advertisement with that little stuff on the bottom. All right, we got it.

Ms. BAKER. And I have to say that I've just been very inspired by meeting folks today and listening to the comments and the stories, and I do believe that Opportunity Zones is entirely consistent with the goals that are being expressed here today.

Today is an important step toward ensuring that Liberty City and other Opportunity Zone locations in Florida are well positioned to reap the considerable advantages of the Opportunity Zone Program, including long-term investment leading to a sustained stronger local economy and the creation of well-paying jobs for residents.

It is important that city officials, economic development advocates, and business and community leaders understand the potential of the program, how it works, and what they can be doing in order to maximize OZ benefits for Liberty City. Accordingly, my testimony focuses on ways that the OZ program can help Liberty City and what champions of the city can do to help attract OZ investment into the area.

Liberty City's selection as an Opportunity Zone is significant because it provides Federal tax incentives to investors to make quality, long-term investments in the community. Chairman Rubio mentioned that these investments need to occur for at least a 10-year period, minimum. These incentives include deferral of income taxes on capital gains that are invested in Opportunity Funds that must hold at least 90 percent of their assets in new businesses or new tangible property physically located in the Opportunity Zones, and tax-free treatment of capital gains arising from those investments that are held for at least 10 years.

OZ incentives can reduce the cost of capital for development projects, new businesses, and emerging technology initiatives, and attract capital to areas that otherwise might be passed by.

Opportunity Zones have the potential to be a win for everyone involved, including the investors, developers, entrepreneurs, but most especially and most importantly the communities that can benefit from new affordable housing, accessible retail like grocery stores, services like daycare and medical clinics, industry and good jobs. OZ is particularly effective when paired with other Federal, State, and local development incentives.

It's important to stress that tax benefits accrue only if the investments are in Opportunity Zone assets and businesses that are substantially located, used, and operated within the Opportunity Zone. Businesses must be active trades or businesses of the type that will generate economic activity and new jobs. Passive investment activity is outside the scope of the policy and severely curtailed. For example, Opportunity Zones do not permit speculators to buy up and sit on land unused for 10 years and then sell it at a profit. The Opportunity Zone incentive is deliberately designed to boost the local economy through active investments.

So what type of investments are we talking about? The OZ incentive can help attract investment dollars for a wide variety of projects and businesses. Rehabilitation of outdated or abandoned buildings or new construction can provide affordable housing for residents. Commercial real estate development can provide accessible and modern space for new enterprises. New and expanding businesses, including manufacturing, assembly, warehousing, distribution, retail, restaurants, daycare, start-ups, energy, research facilities, medical and other services can provide the base for long-term economic sustainability by offering permanent, well-paying jobs within practical commuting distances of current residents in the Opportunity Zone, all while improving the quality of day-to-day living.

Further, the ripple effects of stable investment in the city, particularly from related suppliers and service providers, can result.

How can Liberty City get in on this? The impact of Opportunity Zones on any particular area, including Liberty City, is largely dependent on the Opportunity Zone's ability to attract investment. There are no statutory caps or allocations limiting the use or the investment in Opportunity Zones. However, there is competition for investor dollars in projects among communities as awareness of the program and as potential to create substantial economic growth and job creation spreads across the country.

To compete, economic development authorities, government agencies, business associations, and community leaders in urban and rural areas throughout the country are taking steps to proactively encourage investment in their Opportunity Zones by publicizing the program and their community needs and coordinating with investors, developers, and business owners to facilitate the use of Opportunity Zones.

It's vitally important that communities like Liberty City understand the OZ incentive and act promptly in order to maximize their ability to attract investment and ensure they receive their fair share of OZ benefits.

Thank you again, Mr. Chairman, for inviting me to participate,
and I'm happy to take any questions.
[The prepared statement of Ms. Baker follows:]

Mary Burke Baker
Government Affairs Counselor
K&L Gates LLP

Testimony of

Mary Burke Baker
Government Affairs Counselor
K&L Gates LLP

Before the
United States Senate
Committee on Small Business and Entrepreneurship

Hearing on
Liberty City Rising: Achieving Upward Mobility
through Small Business and Community Partnerships

February 1, 2019

Mary Burke Baker
 Government Affairs Counselor
 K&L Gates LLP

Chairman Rubio,

Thank you for the opportunity to testify at today's hearing about Opportunity Zones. My name is Mary Burke Baker, and I am a government affairs counselor in the Washington, D.C. office of the international law firm K&L Gates LLP, where I lead the firm's Tax Policy Practice and co-lead the firm's cross-disciplinary Opportunity Zone initiative ("OZ Team"). Prior to joining K&L Gates, I spent six years working on tax issues on the Senate Committee on Finance and before that I served at the Internal Revenue Service ("IRS") for over 25 years in a variety of technical and senior management roles.

I am participating in this hearing today on my own behalf and my comments are my own and do not necessarily reflect the views of K&L Gates LLP, my colleagues or any firm clients.

This field hearing is particularly timely as investors, developers and entrepreneurs are making decisions about when and where to utilize Opportunity Zone ("OZ") incentives for projects and businesses that will provide affordable housing, employment and long-term economic stability in disadvantaged communities. The hearing demonstrates the strong commitment of Chairman Rubio and other Members of the Committee on both sides of the aisle to facilitate and accomplish these fundamental objectives in our nation's low-income urban and rural areas. It is important that city officials, local economic development authorities, and business and community leaders understand the potential of the program, how it works, and what they can be doing in order to maximize OZ benefits for Liberty City, its businesses and its citizens. Accordingly, my testimony includes discussion about the OZ program generally and ways that the program can help Liberty City specifically to build up the local economy, create jobs and improve the quality of life for its residents. My comments are based on the terms of the incentive as described in the OZ legislation included as part of the 2017 Tax Cuts and Jobs Act ("TCJA"), proposed regulations issued in October, 2018, and the Joint Committee on Taxation's ("JCT") Blue Book explanation of the TCJA. Additional proposed regulations and guidance are expected from the U.S. Department of Treasury ("Treasury") and the Internal Revenue Service ("IRS") further clarifying the mechanics and implementation of the OZ incentive.

Since enactment of the OZ incentive, I have seen first-hand the tremendous interest in the program across the country. In response to this enthusiasm about OZs, K&L Gates has established a cross-practice, multi-office OZ Team to assist clients with the procedural, legal and regulatory requirements and questions stemming from the program. Our OZ Team includes lawyers from the tax, policy, investment management, private equity, real estate, renewable energy, and tax-exempt organizations/nonprofit institutions practices, and is designed to help clients understand and engage in the program.

How Can Opportunity Zones Help Liberty City?

Liberty City is located in an OZ. Since nominations for OZs were limited by law to only 25 percent of qualifying low-income census tracts in a state, Florida Governor Rick Scott's nomination and Treasury Secretary Stephen Mnuchin's approval of Liberty City as an OZ is significant.

Mary Burke Baker
 Government Affairs Counselor
 K&L Gates LLP

The OZ program can help attract investment dollars to Liberty City that can be deployed in a variety of ways to improve the quality of life for residents, bolster the economy and create well-paying jobs. Rehabilitation of existing buildings or new construction can provide affordable housing for residents. Commercial real estate development can provide accessible and modern space for new enterprises. New and expanding businesses — including manufacturing, assembly, warehousing, distribution, retail, day care centers, restaurants, start-ups, incubators, research facilities, and medical and other services — can provide the base for long-term economic sustainability by offering permanent, well-paying jobs within practical commuting distances of current residents. Further, the ripple effects of stable housing and new businesses and jobs could support additional investment in the city, particularly from related suppliers and service providers.

How Does the Opportunity Zone Incentive Work?

To maximize the potential of OZs, it is necessary to understand the incentive and how it works. While additional regulations are expected in the near future that will provide more specifics on how to maximize OZ benefits, the statute and the initial round of proposed regulations provide a solid foundation into the basics of OZ.

Policy

OZs were created to incentivize long-term investments to spur economic activity and create jobs in low-income areas by offering tax benefits to investors and potentially reducing the cost of capital for business owners, developers, innovators and entrepreneurs. Consistent with the policy of the incentive, OZ generally requires an investment in new or substantially improved property, and OZ assets and businesses are required to be substantially located and used within the OZ. Businesses must be active trades or businesses; passive investment activity is outside the scope of the policy and is severely curtailed.

Overview

Individuals, corporations and many pass-through entities can delay paying federal income tax on capital gains until as late as their tax year including December 31, 2026 if those gains are invested in Opportunity Funds (“OF”) that hold at least 90 percent of their assets in businesses or tangible property located in low-income areas designated as OZs. Further, the capital gains on an investment in an OF can be federal income tax-free if the investment is held for at least ten years. The tax benefits could reduce the cost of capital for these projects, making them more viable, especially when paired with other development incentives such as the New Markets Tax Credit. Unlike many federal, state and local development incentives, there are no caps or allocations limiting the extent of investment in OZs. Congress intended that the OZ program operate with minimal restrictions in order to maximize investor participation and thus economic activity and job creation.

What are the Requirements to Qualify as an Opportunity Zone?

The threshold requirement to be an OZ is a population census tract with at least a 20 percent poverty rate or median income that does not exceed 80 percent of the larger of the average

Mary Burke Baker
 Government Affairs Counselor
 K&L Gates LLP

median income in the state or applicable metropolitan area. Twenty-five percent of qualifying tracts in each state, including Florida, have been named as qualified OZs upon nomination by state governors and designation by the Secretary of the Treasury. The designation of all OZs has been completed and this information is available on the Treasury website. Because OZs were identified at the local and not the federal level, states (and possessions, and the District of Columbia) have more control over the development of underserved communities.

Opportunity Funds

A qualified OF is any investment vehicle organized as a corporation or a partnership (including a multi-member LLC) for the purpose of investing in and holding at least 90 percent of its assets in qualified OZ property. An OF may invest directly in tangible property used in a trade or business of the fund, or hold an equity interest in a corporation or partnership (including a multi-member LLC) operating a qualifying business in an OZ. An OF may invest in property and businesses in only one OZ or in multiple OZs. Funds will be required to self-certify annually to the IRS whether they comply with the 90 percent test, measured on an annual basis based on the averages of investments held at the six-month marks of the OF's taxable year.

Investor Incentives

Any individual or corporation, and most pass-through entities, including partnerships and trusts, with taxable capital gains arising from the sale or exchange with an unrelated person of business or nonbusiness property, including stock, real estate, personal property, or an enterprise, may invest the capital gains in an OF within 180 days of the transaction (counting the day of the transaction) and enjoy tax deferral on the gains. This can include foreign investors with a U.S. capital gains tax obligation. Taxes on the capital gains invested in the OFs are delayed until the earlier of the disposition of the investment in the OF or December 31, 2026, with 10 percent and 5 percent increases in basis at the five- and seven-year holding periods, respectively (a total of up to 15 percent). In addition, capital gains on OF investments (but not the deferred capital gains) held for at least 10 years will not be subject to federal income tax. Proposed regulations state the investments can be held as late as 2047. In total there are three benefits to investors: the tax deferral and the increase in basis on the original capital gains invested, and the tax-free treatment of capital gains on the investment in the OF if held at least 10 years. To achieve the maximum OZ benefit, investments in an OF must be made by December 31, 2019. Investments in an OF must be made no later than December 31, 2026.

Qualified OZ Property

Qualified OZ property includes any qualified OZ stock, any qualified OZ partnership interest, and any qualified OZ business property acquired by an OF by purchase after December 31, 2017. Property must be held by an OF to be qualifying property. As discussed below, qualified stocks and qualified partnership interests must be in domestic corporations and domestic partnerships that are qualified OZ businesses.

Qualified OZ Business Property

Qualified OZ business property is tangible property owned by the OF directly or by an OZ

Mary Burke Baker
 Government Affairs Counselor
 K&L Gates LLP

business owned by the OF and substantially used within the OZ. Qualifying tangible property must be acquired by purchase after December 31, 2017. The original use of the property must be in the OZ or the OF must “substantially improve” the property. Original use is not defined in the statute, but the JCT’s explanation of the term defines it to mean new property. There is speculation that forthcoming Treasury regulations may allow property that has been abandoned or in disuse for a certain period of time to be deemed original use. To meet the substantially improved requirement, the OF must invest an amount equal to or greater than the adjusted basis of the building within any 30-month period after the date of acquisition. Proposed regulations clarify that the value of the land on which the building is sitting is not taken into account for purposes of the substantial improvements test. The beginning of the 30-month period is unclear. The JCT’s Blue Book indicates that it begins on the date of acquisition of the property, but the term “any” in the statute suggests it could begin on a date later than the date of acquisition. Anticipated proposed regulations are expected to clarify many of these important questions.

Qualified OZ Business

A qualified OZ business is an active trade or business located in an OZ. Per proposed regulations, at least 70 percent of the tangible property used in the business must be qualified OZ business property. At least 50 percent of the total gross income of the business must be from the active conduct of the business. It is unclear whether this means that at least 50 percent of the gross income must arise from within the OZ, or that 50 percent of the income must arise from operating the business within the OZ but that sales can occur anywhere within or without the OZ. Forthcoming proposed regulations are expected to answer this important question and will have a significant impact on the types, sizes and numbers of businesses that can qualify to be OZ businesses. A substantial portion of the entity’s intangible property must be used in the active conduct of the business. Certain types of businesses, including golf courses, racetracks, gaming facilities, and establishments selling alcohol for off-premise use do not qualify.

Less than 5 percent of the business’ aggregate unadjusted bases in assets may be in nonqualified financial property, including stock, partnership interests, long-term debt, options, and certain other financial products. Proposed regulations provide a safe harbor for working capital held by the business. Funds that the business holds but is not ready to invest toward the acquisition, construction or substantial improvement of tangible property will be excluded from nonqualified financial property if the business has a written plan showing that the funds will be spent within 31 months on qualifying property, a timeline demonstrating the expenditure of the funds, and the business substantially adheres to the plan and the timeline. Funds accounted for in the written plan will be treated as qualifying property for purposes of the 90 percent test that OFs must meet to avoid penalties. At this time, the safe harbor is available only to OZ businesses and not to OFs that directly hold their tangible assets. The safe harbor helps resolve potential bottlenecks that can arise when investors must invest in OFs within 180 days of the capital gains transaction and the OF must invest at least 90 percent of its assets in qualifying OZ property, yet the OZ business is not yet ready to spend the funds because it is waiting for building or zoning permits or experiencing other delays.

The 70 percent threshold and the working capital safe harbor represent advantages of an OF

Mary Burke Baker
 Government Affairs Counselor
 K&L Gates LLP

holding an equity interest in a qualifying OZ business compared to an OF having direct ownership of tangible property.

Examples of Opportunity Zones in Action

While the statutory terms and conditions of OZ may seem confusing and complex, the program is intended to be user-friendly in order to facilitate participation and maximize the potential for economic growth and job creation. The following examples demonstrate how OZ can be implemented as well as the flexibility of the program to accommodate a wide array of projects in order to achieve these policy goals. Note that these are simple examples for illustrative purposes and additional details would apply for actual transactions.

- **Affordable housing.** An abandoned warehouse is located in an OZ near schools, public transportation and a grocery store. A developer sees the potential to convert the building into affordable housing. The developer sets up an OF in January 2018 to accept capital gains from investors that the OF will use to purchase the warehouse and convert the warehouse into housing. In February 2018, investors invest \$1 million of capital gains into the OF within 180 days of their realizing the gains. Later in February 2018, the OF acquires the warehouse property for \$1 million. \$600,000 of the cost is allocated to land and \$400,000 to the warehouse building. Over the course of the next 30 months, the OF spends \$400,001 to substantially improve the property, funded by a series of capital calls of additional capital gains being invested within 180 days from when they arise. At all times, the OF holds at least 90 percent of the capital gains invested in the OF in the warehouse property and the ongoing improvements. The rehabilitation is completed in August, 2020. Investors hold their investment in the OF until 2031.

In tax year 2026, investors pay tax on deferred capital gains, including \$850,000 on the first tranche (\$1 million less a 15 percent increase in basis), and on each capital call tranche invested thereafter, calculated based on the holding period of each additional investment and the applicable percentage increase in basis. In tax year 2031, investors dispose of their investments in the OF at a capital gain of \$7 million. The entire \$7 million capital gain is not subject to federal capital gains tax. This project meets all of the timing, location and investment requirements of the OZ incentive.

Manufacturing. An entrepreneur invents a product and wants to manufacture the product in an OZ. Entrepreneur forms a domestic corporation in 2018 that will build, own and operate the manufacturing facility. The entrepreneur locates a fund sponsor who sets up an OF for the purpose of investing in the new manufacturing corporation. Later in 2018, the OF sponsor lines up investors with \$5 million in capital gains to invest in the OF within 180 days of the transactions giving rise to their capital gains. The OF buys newly issued stock in the manufacturing entity for \$4.8 million, meeting the 90 percent test. The corporation has a written plan and spending timeline demonstrating how it will spend the \$4.8 million within 31 months to build the structure and install production equipment. The business adheres to the written plan and the timeline. The manufacturing facility is located within an OZ, including plant and equipment, and all manufacturing is performed in the OZ. At least 50 percent of the sales are within the

Mary Burke Baker
 Government Affairs Counselor
 K&L Gates LLP

OZ. The corporation's income is from the active trade or business of manufacturing, patents held by the corporation are used in the trade or business, and the company holds minimal passive financial assets.

Investors retain their investment in the OF for at least 10 years. In tax year 2026, investors pay tax on deferred capital gains of \$4,250,000 (\$5 million less 15 percent increase in basis). In 2029, investors sell their interest in the OF at a gain of \$5 million, which is not subject to federal capital gains tax. This project meets all of the timing, location and investment requirements of the OZ program.

Retail. A local grocery store chain with a robust corporate responsibility initiative identifies the need for a full service grocery store in an OZ. In 2018, the chain forms a new partnership for purposes of constructing and operating a store in the OZ. The grocery chain's bank has set up an OF for the purpose of investing in OZ projects and the OF will invest to build the new store. The bank locates investors who invest \$3 million in capital gains into the OF within 180 days of the applicable transactions giving rise to the capital gains and the OF invests \$2.9 million in the new grocery store partnership. The partnership has a written plan demonstrating how it will spend the \$2.9 million within 31 months to construct the building, acquire fixtures and purchase delivery vehicles and other tangible assets necessary to operate the store. The business adheres to the written plan and the timeline. Upon completion of construction, the store is an active business with at least 50% of its income arising from sales within the OZ.

In 2026, investors pay tax on deferred capital gains of \$2.55 million (\$3 million less 15 percent increase in basis) and when they dispose of their investment in the fund in 2030 for \$8 million, the entire capital gain from the investment is not subject to federal capital gains taxes. This project meets all of the timing, location and investment requirements of the OZ program.

How Liberty City Can Compete Successfully for OZ Investments

The impact of OZ on any particular area, including Liberty City, is largely dependent on the OZ's ability to attract investment. There are no statutory caps or allocations limiting the use of or investments in OZs. However, there is competition for investor dollars and projects among OZs as awareness about the program spreads among investors, developers, entrepreneurs and communities throughout the United States. To compete, economic development authorities, government agencies, business associations and community leaders in urban and rural areas throughout the country are taking steps to proactively encourage investment in their communities by publicizing the program and community needs, and coordinating with stakeholders to facilitate the use of OZs. These steps include:

- Understanding the policy goals of OZ and the requirements and mechanics of the program to be able to maximize the use and benefits of the program
- Identifying the types of businesses and services needed in the community that could be provided using the OZ program
- Working with local financial institutions to set up OFs to facilitate investments and projects in the community

Mary Burke Baker
 Government Affairs Counselor
 K&L Gates LLP

- Working with local business and community leaders, entrepreneurs and innovators to encourage their participation in the program by sponsoring funds, locating investors and starting businesses
- Coordinating the OZ program with the Community Reinvestment Act and other federal, state and local development initiatives and programs
- Coordinating zoning and permitting guidelines and requirements to cut red tape, promote businesses and developments that will serve existing residents of OZs and prevent undue gentrification
- Developing messaging to address potential investor and entrepreneur questions and concerns about risk, return on investment and why Liberty City is a good place to invest
- Marketing the OZ program through websites, roundtables, panels, public meetings and informational materials

The Future of OZ

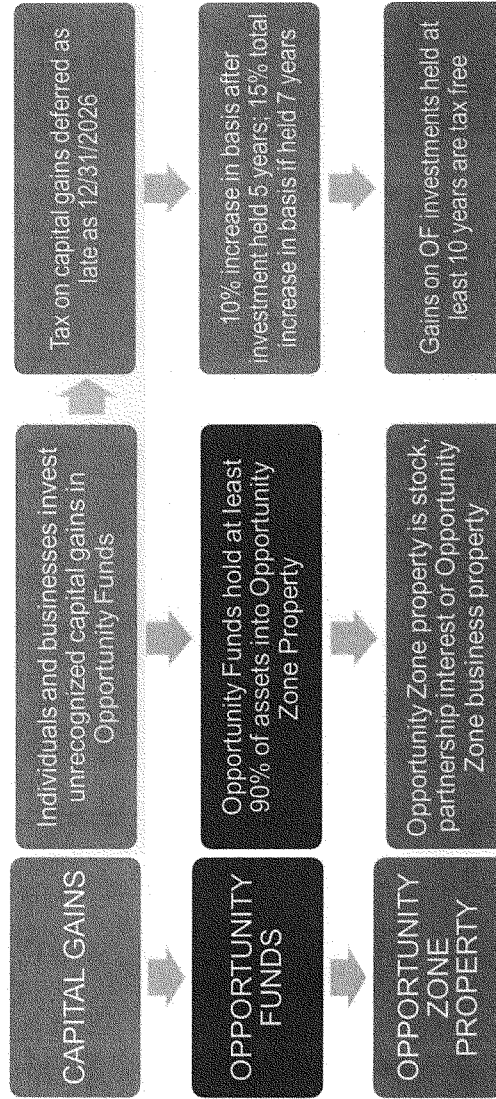
This is an opportune time to determine how OZ can benefit Liberty City and for the city to launch aggressive efforts to attract investors and projects. Now that Treasury has released an initial round of proposed regulations, many investors and project developers who were waiting for guidance are ready to take action on OZ. Entrepreneurs are eagerly anticipating additional regulations more focused on businesses and will be ready to act when those regulations are released. Additional legislation to facilitate use of the incentive also may be on the horizon, including adaptations of OZ for disaster recovery or infrastructure.

However, this window of time is not open-ended. Certain time parameters in the legislation limit how long investors can wait. To benefit from the 10 percent step-up in basis, investments in OFs must be made no later than December 31, 2021, and to benefit from the total 15 percent step-up investments must be made by December 31, 2019. Investors must invest no later than December 31, 2026 to qualify for tax-free treatment of capital gains on a 10-year or longer OF investment. In addition, investors face a strict 180-day limit in which to invest realized capital gains in an OF and qualify for beneficial tax treatment. Project planning and permitting lead times, the 30-month time frame to meet the substantially improved requirement, and the 31-month working capital safe harbor present additional time constraints and pressures.

Opportunity Zones are aptly named and offer tremendous opportunities to disadvantaged communities like Liberty City to stimulate economic growth and job creation and to improve the quality of life for residents on a long-term basis. OZ tax incentives for investments in low-income areas can reduce the cost of capital for development projects and attract investments that might otherwise be directed elsewhere. It is vitally important that communities like Liberty City understand the program and act promptly in order to maximize their ability to attract long-term investments and ensure they receive their fair share of OZ investments and projects.

Enclosure: OZ Flow Chart

THE MECHANICS OF OZ



Chairman RUBIO. Thank you.

Let me just start by saying that all this talk about reinvesting and revitalizing our community, sometimes there's a perception created that we're talking about charity, that this is a nice thing to do. This is not charity. The biggest challenge of the 21st century is the competition with China in every realm, okay? China has 1.4 billion people. The U.S. has 330 million people. We need everybody. They have four times as many people as we do. We can't afford to be leaving anybody behind.

So the idea that we have communities with incredibly intelligent and talented young men and women who, because of the circumstances they find themselves in, sometimes born with four or five strikes against them, and you start adding it up—substandard housing, dangerous neighborhoods, a difficult family situation—when you start adding all of that up, these children are going to struggle to succeed unless some dramatic things happen to change that cycle, and that was the thought process behind the Miami Children's Initiative and the Magic City Initiative. It now has been renamed a couple of times, but it's based on the Harlem Children's Initiative.

Oh, it's Miami Children. Was it Magic City at one time? Then it went back to Miami. It started out as—what was the original when we first did it? Magic City Initiative, right. Children's Zone, exactly. And expanding, hopefully. And there are similar groups now in Jacksonville, Orlando, and some other places. That was the idea behind that, and that continues to grow.

To break that cycle, you have to get involved in those factors. But ultimately, it's in our geopolitical interests as a country to deal with it. That's how big this is.

So I want to start with Dr. Bendross-Mindingall. We've talked a lot about talented young men and women. This doesn't get enough coverage, but there are children and students growing up in this community that are going away to incredible colleges, getting advanced degrees, and then we don't see them again. People have the right to do that. But in these instances, many times they cannot come back. There's nothing to come back to in terms of a job or employment.

So I wanted to talk to you a little bit about what do you think is a major obstacle to keeping our talent here.

Dr. BENDROSS-MINDINGALL. Thank you, Mr. Senator.

Partly, almost in a sense shutting them out. I'm looking at the audience, and I don't see what I expected to see. When you come to Liberty City, I expect to see Liberty City. And if they're here, if they were here, they could take the message out.

The district that I serve on the school board includes 65 schools, but I'm up for the challenge, the idea that we want to have as much curricula in the system so that children can find a pathway to success. And I don't like the statement that all children are not going to college. You should add to that, "but they can go here."

So right now we're looking at more technology is needed because, as you said, children in Liberty City are absolutely bright, and I pat myself on the back because I'm one of them. Liberty City is known for just being closed out.

In my opinion, when I look at certain neighborhoods and I travel all over because I can, I don't see our children sought after to be in parts of the neighborhood. I just saw something on TV last night where two young men of color were arrested. Why? Because the officers said you don't look like you should be in this neighborhood.

Well, I think the first look at me, you would not think that I was evicted twice. So what does that look like?

We've got to provide—and as you said, Mr. Senator, we don't have now the housing that's needed. We're working as hard as we can bringing programs into schools. I have 15 traditional high schools and five alternative high schools. We are filling those alternative high schools as fast as we can. Lindsey Hopkins is one. D.A. Dorsey is another.

We have to make sure that we have something for the children to come back home for, and the jobs are not there. But if you're not educated, how are you going to get those jobs?

I'm glad we have this panel where we're reaching out to small businesses, but that has to be something—I'm digressing now—that the circle of brotherhood—and I keep saying that, they are creating jobs. I don't know if you know Leroy Jones, Mr. Senator? Good. They create jobs. They are now helping those people, our people, all people, who are returning citizens. But before they were able to go ahead and interview for a job, they were allowed to become their own bosses.

But our children don't have to come back and struggle as maybe generations before them did. They can go everywhere and anywhere other than Miami. I have a daughter who works for the City of Miami. Her efforts were looked at by one of the former mayors, and when she came home from Spellman she came out of high school to that job.

But we have to look out for the other children, and I don't think we're doing enough of that. I really, really don't. Schools are trying as hard as they can, but we've got to combine all efforts, all efforts. The zip codes that Mr. Liu mentioned, those are hard core zip codes, and we should be trying our very best to go in there almost daily, what's going on.

And let me just add this before I close. Years ago I worked with a beautiful woman named Janet Reno. We rewrote the lease. We met Monday nights talking about what was supposed to be done in public housing. Mr. Senator, I don't know if you have the time or want to send someone in. Please take a look at that lease. Things that were supposed to be done were not done. One was either a resident would go to school or get a job. That was not enforced. So it's like a domino effect. If the parents cannot take care of the children, then the children will take care of themselves in a fashion that we don't like.

So it's not the greatest place for our children to come back to, but we can do it. I know a little bit about your family. We didn't come from greatness, but somebody in that house said to us you're going to get an education because that's going to be your key and your pathway to success. Well, parents who have not seen that kind of a world will not insist that their children go to school.

So it's not here for our children to come back. We have to work as a unit to bring them back.

Chairman RUBIO. We're going to try.

The committee rules limit—we're bumping up on the time here, but that's why I want to rush through it real quick. But let me just say this. We do have to highlight success, and many of you are aware of Judge Rodney Smith, who is from the community, grew up in the community.

Dr. BENDROSS-MINDINGALL. Yes.

Chairman RUBIO. He's going to be a Federal judge as soon as we work through the labyrinth that is the Senate rules and how complicated it all is. But we're very proud of that nomination.

[Applause.]

And children in the community will know there's a Federal judge—he's still in the community. "That could be me" is what we hope they'll think.

I want to rush quickly because I don't want to run out of time.

On the issue of feasibility, you talk about the feasibility loophole and the local hiring. One of the things I was most interested in when I went down is that there are still challenges. One of the things is it's great to hire someone and do the construction work, but it's also important that as a result of that work they acquire the licensing and the skills so that's not the last job they have. They now become people working in that industry that can be hired by somebody else. How have you worked through that?

Mr. LIU. Well, in partnership with Related Urban—and Alfred Milo, the principal of Related Urban, is here. To their credit, and working with us and the school board, as an example, we have created for the first time ever a legally operating school board-endorsed apprenticeship program that formally will assist these entry-level workers to work up the scale to become actual tradesmen. There are a number of examples right now on Phase I. If you go out there, you will see people working who have worked through that program and are working in the program that then, even after this project is over, they will have the skills to continue to work with the subcontractors they're working with now or with other companies, and there are mentorship programs that are being facilitated right now, again in partnership with Related and a number of their subcontractors.

I would also mention that there's strong collaborative work going on with the county's boot camp effort where we're taking young people who have a record, ex-felons, and giving them a trade, giving them an opportunity to increase their level of skills so that they will be able to continue in the line of work that they're involved with.

Chairman RUBIO. Okay. And I do have to hurry. I got a note that the Vice President is in town at an event I'll be at later, but they're closing roads. They don't close them that often. Our traffic is bad enough as it is.

But, Mr. Van Hook, quickly, about the SBDC's, a lot of people aren't even aware they exist. If you could briefly just tell us what do they do, how do they help a small business?

Mr. VAN HOOK. SBDC, as I mentioned, we have a team of consultants such as George Rain, who's here, and they basically work one-on-one with the business owner to help them start a business or grow a business. Actually, we don't sit in an office basically

waiting for people to come to us. We actually go out into the community and meet with the business owners at their place of business, go out to events such as here and around. So we pretty much try to be out of the office, and we intentionally set up our center to be kind of decentralized versus kind of the traditional SBDC model.

VOICE: [Inaudible.]

Mr. VAN HOOK. I can give it to you, ma'am. SBDC.FIU.EDU is our website, and our phone number is 305-779-9230.

Chairman RUBIO. Ms. Baker, I wanted to ask, you talked about briefly the type of investments that communities like this should be focused on to anchor it in the community so that we can ensure that this is not leading to gentrification, forcing people out, and actually is employing people here locally.

Ms. BAKER. Sure. The initial round of interest in Opportunity Zone, simply because of the guidance that's been issued, has been focused on real estate development. So we're seeing a lot of clients that are interested in affordable housing. That's been a particularly important aspect of investing in Opportunity Zone property.

We do expect, as additional guidance and clarification comes out from the Department of the Treasury, that we're going to see much more interest in businesses, because that's really where you get the long-term sustained economic growth and the job creation.

So this can be virtually any type of a trade or business, as long as it's an active trade or business and a new trade or business. It's not intended to take a business that exists and retrofit it into qualifying. It needs to be new economic activity that's going to create new jobs, and it can be anything from retail to grocery stores to clothing stores to a movie theater to a medical clinic to daycare, as well as any industrial or any type of manufacturing. It's really a very resilient, flexible program.

Chairman RUBIO. They will all be staying after because we've run up against the clock here for the time allotted for the hearing. All of this stuff is now included in the record, and we're going to continue to engage with everybody who is here and all the partners.

We wanted really to do this so we can get it in the record as we go back, and even from here we've already developed ideas about what we can do on those loopholes on hiring and what we need to do to ensure that we're attracting not just investment but the right type of investment, and where we can work, whether it's through the HUD programs or the Small Business programs, to ensure that the Federal laws reflect—or even on the lease. Someone mentioned how the leases were reworked and how all that has been sort of left behind, and the programs that need to be at the housing and HUD level to ensure that they're tied to employment opportunities so that you're not just providing housing, you're providing more than housing. You're providing the opportunity to get skills and/or a job so you move forward. It's a hand up. So we're hoping people prosper and move forward.

We did it with about one minute to spare. Everything here can be followed up on. By the way, the record is going to remain open for two weeks. So if anybody has anything written that they want to see part of this record, we're going to give you the opportunity

to submit that here. We'll give you our contact information, because in about two weeks——

VOICE: May I say something?

Chairman RUBIO. I'm sorry?

VOICE: May I say something?

Chairman RUBIO. It will have to be real quick because we're going to run out of our rule time here that we have.

Yes, sir?

VOICE: First of all, thank you for coming. I would just echo some of the concerns——

Chairman RUBIO. Just use your preacher voice so we can all hear you.

[Laughter.]

VOICE: I want to echo some of the concerns that the Congresswoman made when it comes down to gentrification and making sure that as we are for upward mobility, we are for economic development, we are for all of those things, but we are also for traditional neighborhoods such as Brownsville, Livingston, Overtown——

Chairman RUBIO. Don't forget anybody. You'll get in trouble.

[Laughter.]

VOICE: We are concerned about the rich culture that these communities exhibited many, many years ago. If given time, in Overtown, you can walk down the street and you'll see a James Brown or an Aretha Franklin or many other greats of that time.

What we're seeing is that when we talk about the programs, the housing project that we have at Liberty Square and Brownsville, those are two rich communities. Out of Liberty Square you have not only our great school board member, we have Miss [inaudible]. I can just name many, many great people who came out of Liberty.

Let me just wrap this up right here. I want to be respectful to the Senator because he has to go with the Vice President.

But what we're seeing is that when we have this public-private partnership, we want to make sure that all of the regs, all of the regulations are followed, and especially the 1968 Public Fair Housing Act, which Dr. King, in the 1964 Civil Rights Act, had this in mind. He had this vision that low- and moderate-income housing individuals would not be taken advantage of, and gentrification would not exist.

So what we're saying is that we would like for you, as our U.S. Senator, to monitor this, making sure that the civil rights are not violated of the citizens in those low-income neighborhoods because many of our communities—you take Brownsville, you take Adam [inaudible], Overtown, we have a project going on right now, an \$802 million project going on by 395, the 836, and the I-95 project.

I attended a meeting the other day with the Department of Transportation, and we asked whether or not there was any minority participation on the Federal level. They said they don't have to put set-asides, but they're going to try to reach a 10 percent threshold; and whether or not there was community engagement. There was not any community engagement. I represent the district, and I have not heard about one meeting in these projects where we have \$802 million.

Let me just say this, because there are so many things I wanted to say, and I like to talk fast. I will make my statement in writing since we've got a two-week period——

Chairman RUBIO. Yes, yes.

VOICE: I'll put it in writing so that you will be monitoring these Federal dollars. These are dollars in the Constitution and in acts that are supposed to protect low-income families and people.

We are concerned about the fact that our neighborhoods are changing. Liberty City and Brownsville and all of these areas, Overtown, they just ripped out eminent domain, 85 housing in this 395 project.

So what we're seeing, Senator, we need your help. You're doing a good job representing us, but we're not going to sit back. Those of us who have children and grandchildren, when we leave here on this earth, we want to make sure that they can live in Liberty Square, they can live in Overtown. We don't have Overtown [inaudible].

So I'm not busting at you, Senator, because that wouldn't be the right thing to do, but I will say this: We need your help.

Chairman RUBIO. Yes, sir. And that was the purpose of this hearing, to ensure that we just don't have redevelopment.

[Applause.]

The purpose of this hearing was not just to have redevelopment but to have redevelopment that allows the community to be the community, because it's easy to just—we've seen it happen all over the country. It's happened all over the country, and we thought this was a great place to start focusing on because it was the opportunities there. But if it's not properly managed, you're going to wind up with a community that has really fancy, \$2 million condominiums, but the people who made it what it was aren't there anymore to enjoy it.

So the record will remain open for two weeks. Please submit in writing everything you have.

And I apologize. We had an hour and 45 minutes allocated for this. But we thank you, and we're going to take these ideas and turn them into something.

And with that, the meeting is adjourned.

[Whereupon, at 10:39 a.m., the hearing was adjourned.]

APPENDIX MATERIAL SUBMITTED

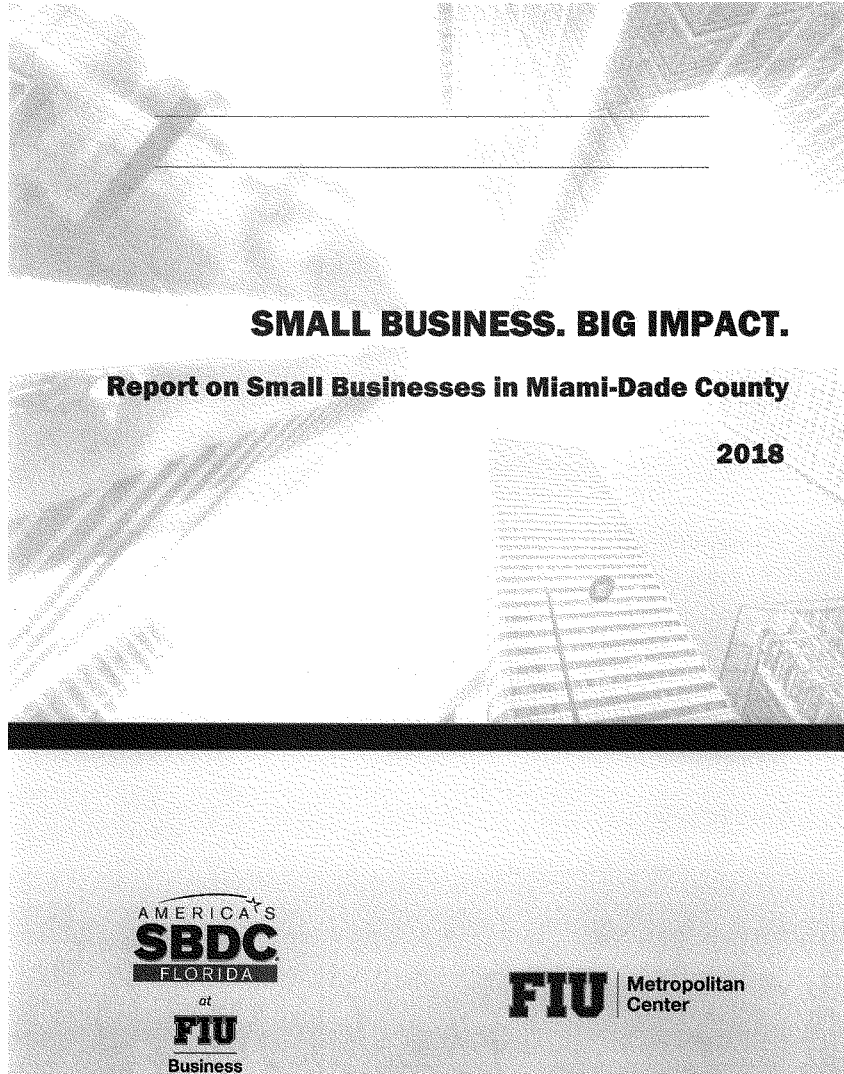


Table of Contents

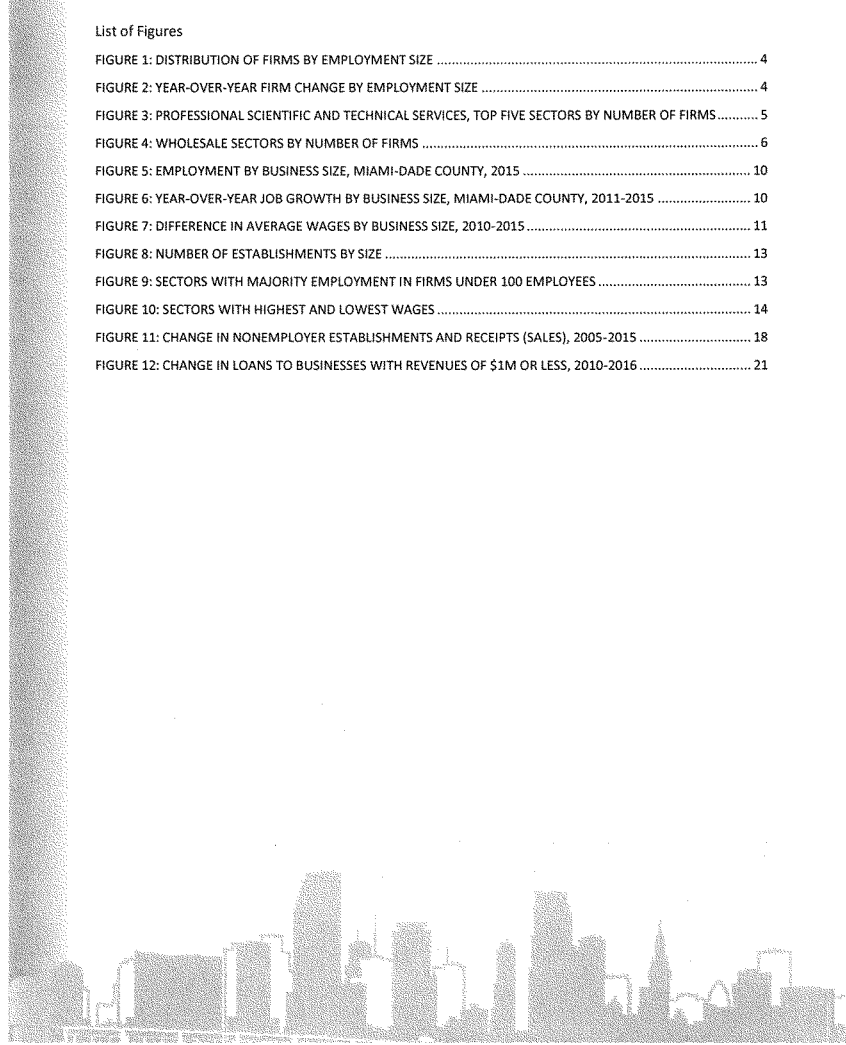
Small Business Economy Snapshot	1
Overview of the Small Business Economy of Miami-Dade County	2
Miami-Dade's Small Business Profile.....	4
Trends of Firms by Employment Size	4
Employer Establishments by Sector	5
Private Employment and Wages by Firm Size	9
Employment and Wages in All Establishments	12
The Gig Economy: Self-Employment and Nonemployer Establishments	17
Small Business Loans.....	20
Appendix A: Methodology	22
Appendix B: Distribution of Establishments by Sector and Size.....	23

List of Tables

TABLE 1: DISTRIBUTION OF FIRMS BY EMPLOYMENT SIZE	5
TABLE 2: DISTRIBUTION OF FIRMS BY SECTOR AND SIZE	5
TABLE 3: MIAMI-DADE BUSINESS COUNT BY SIZE, 2015	9
TABLE 4: MIAMI-DADE EMPLOYMENT BY FIRM SIZE, 2010-2015	10
TABLE 5: AVERAGE WAGES BY ENTERPRISE SIZE, 2015	11
TABLE 6: MIAMI-DADE AVERAGE WAGES BY FIRM SIZE, 2010-2015	11
TABLE 7: MIAMI-DADE EMPLOYMENT BY ESTABLISHMENT SIZE	12
TABLE 8: MIAMI-DADE EMPLOYMENT AND WAGES.....	12
TABLE 9: MIAMI-DADE SINGLE-EMPLOYEE ESTABLISHMENTS	14
TABLE 10: AVERAGE WAGE IN MIAMI-DADE ESTABLISHMENTS BY SIZE AND YEAR CREATED	15
TABLE 11: MIAMI-DADE ESTABLISHMENTS BY SIZE AND YEAR CREATED	16
TABLE 12: SELF-EMPLOYMENT IN BENCHMARK COUNTIES AND THE UNITED STATES BY OCCUPATIONS	17
TABLE 13: AVERAGE RECEIPTS IN NONEMPLOYER ESTABLISHMENTS.....	18
TABLE 14: TOTAL LOAN AND SMALL BUSINESS LOAN ORIGINATION FOR SBA-BACKED LOANS, 2016.	20

List of Figures

FIGURE 1: DISTRIBUTION OF FIRMS BY EMPLOYMENT SIZE	4
FIGURE 2: YEAR-OVER-YEAR FIRM CHANGE BY EMPLOYMENT SIZE	4
FIGURE 3: PROFESSIONAL SCIENTIFIC AND TECHNICAL SERVICES, TOP FIVE SECTORS BY NUMBER OF FIRMS.....	5
FIGURE 4: WHOLESALE SECTORS BY NUMBER OF FIRMS	6
FIGURE 5: EMPLOYMENT BY BUSINESS SIZE, MIAMI-DADE COUNTY, 2015	10
FIGURE 6: YEAR-OVER-YEAR JOB GROWTH BY BUSINESS SIZE, MIAMI-DADE COUNTY, 2011-2015	10
FIGURE 7: DIFFERENCE IN AVERAGE WAGES BY BUSINESS SIZE, 2010-2015	11
FIGURE 8: NUMBER OF ESTABLISHMENTS BY SIZE	13
FIGURE 9: SECTORS WITH MAJORITY EMPLOYMENT IN FIRMS UNDER 100 EMPLOYEES	13
FIGURE 10: SECTORS WITH HIGHEST AND LOWEST WAGES	14
FIGURE 11: CHANGE IN NONEMPLOYER ESTABLISHMENTS AND RECEIPTS (SALES), 2005-2015	18
FIGURE 12: CHANGE IN LOANS TO BUSINESSES WITH REVENUES OF \$1M OR LESS, 2010-2016	21



Small Business Economy Snapshot

NUMBER OF ESTABLISHMENTS

- With 1-4 employees: 54,754
- With 5-9 employees: 12,139
- With 10-99 employees: 13,913
- With 100-499 employees: 1,340
- With 500+ employees: 147

82,293
employer
establishments

SECTORS

Top sectors by number of firms with under 100 employees:

- Professional, Scientific, and Technical Services (13,457)
- Retail Trade (10,607)
- Wholesale Trade (9,025)
- Healthcare and Social Assistance (8,701)
- Other Services (6,011)

EMPLOYMENT

- Private employment increased by 23.3% from 2010 to 2016
- 53.3% of private employment in the county was in firms with fewer than 500 workers
- 10.8% of employment is in microbusinesses (174,246 workers)
- The largest job growth (2010-15) was in businesses with 20-99 employees (22.9%), 100-499 employees (23.7%) and 500+ workers (19.8%).

WAGES

- Workers in Miami-Dade earn on average \$49,343 across all sectors
- Workers at microbusinesses earn 19% less than workers in firms with 100+ employees
- The highest earning sectors employ under 200k workers and the lowest earning sectors account for over 600k of the workforce

LOANS

- A sharp increase in SBA-backed loans to businesses with gross annual revenues of \$1 million or less to 99,030 in 2016, up from 11,647 in 2010
- Total amount to businesses with revenues of \$1 million or less in Miami-Dade increased by 336.7% from 2010 to 2016
- Average loan amount to small businesses decreased by 48.6%

Overview of the Small Business Economy of Miami-Dade County

The private sector and local entrepreneurial activity are the foundation of the U.S. economy, but the manifestation of that axiom is amplified in Miami-Dade County, where a very high portion of the workforce is employed in for-profit activities. More than two thirds of workers in Miami (70.8 percent) work for private companies, and 6.4 percent are self-employed in their own incorporated business. Private employment is slightly higher than the national figure of 68.6 percent while self-employment is almost double that of the country's 3.6 percent (U.S. Census, American Community Survey (ACS), 2016). A comparison over time also shows private sector employment continues to increase at a faster pace than other sectors (nonprofit or government). From 2010 to 2016, employment in private companies increased by 23.3 percent, outpacing the 19.9 percent workforce growth. Self-employed workers in their own incorporated businesses increased by 22.4 percent for the same period. Self-employed unincorporated business workers increased by 19.1 percent.

Miami-Dade Employment Profile

- Workforce: 1,290,097
Change from 2010: 19.9%
- Private Employment: 913,338
Change from 2010: 23.3%
- Self-Employed in own incorporated business: 82,795
Change from 2010: 22.4%
- Self-Employed in own not incorporated business: 111,531
Change from 2010: 19.1%

Source: U.S. Census, ACS 2010 and 2016

Most private sector workers are employed in Retail (15.6 percent), Healthcare and Social Assistance (12.8 percent), Accommodation and Food Services (12.5 percent), Transportation and Warehousing (7.8 percent), and Professional Scientific and Technical Services (7.0 percent). Altogether, these five sectors employ 56 percent of the workforce. Another important sector for the Miami-Dade economy is Construction, which employs approximately 7.0 percent of the private workforce. While the retail sector employment in Miami-Dade is on par with national figures, Miami has a higher proportion of the workforce in Accommodation and Food services, and Transportation and Warehousing. Conversely, a higher portion of the U.S. workforce is employed in the Manufacturing sector, 13.4 percent vs. 5.8 percent in Miami. Other sectors in the United States with a higher share of private employment include Professional, Scientific and Technical Services, Agriculture and Information. (ACS, 2016)

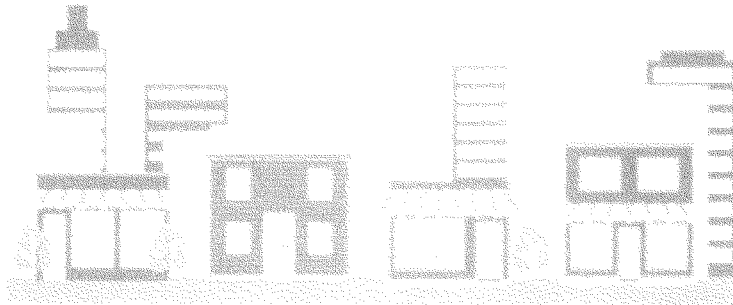
Over the last five years, the Miami metro area has consistently ranked in the top three in entrepreneurial activity, as measured by the number of new business startups (Kauffman Index of Entrepreneurship produced by the Ewing Marion Kauffman Foundation). In 2017, Miami surpassed Austin, TX, for the first spot in the ranking of new business creation. However, Miami ranked fifth from the bottom in entrepreneurship growth, with only Detroit ranking lower in start-up employment and revenue growth.

According to the most recent United States Global Entrepreneurship Monitor (GEM) survey, 22 percent of working age adults in Miami are starting or running new businesses, compared to the national average of 12.6 percent. The survey also found that 19 percent of entrepreneurs in Miami are starting out of necessity versus opportunity. Nationally, an average of only 11 percent of entrepreneurs start out of necessity. A larger percentage of entrepreneurs in Miami (24 percent) have at least some graduate education compared to the national average (19 percent). In terms of industry, Miami shows high startup activity in the Manufacturing/Transportation and Finance/Real Estate sectors, compared to national averages.

Miami-Dade has over 82,000 business establishments across a range of industry sectors. The U.S. Census defines an establishment as “a single physical location at which business is conducted or services or industrial operations are performed. It is not necessarily identical with a company or enterprise, which may consist of one or more establishments.” (U.S. Census, County Business Patterns Glossary)

Combined, the top four sectors in terms of number of business establishments account for almost 52 percent of businesses. These four sectors include Professional, Scientific, and Technical Services (16.4 percent), Retail Trade (13.3 percent), Wholesale Trade (11.1 percent), and Health Care and Social Assistance (10.8 percent). (U.S. Census, County Business Patterns, 2015). Almost all businesses in Miami-Dade are small, with 98.2 percent employing fewer than 100 workers.¹ The majority of businesses – 81.3 percent – are microbusinesses, i.e. they employ fewer than 10 workers. Nationally, 97.6 percent of firms have fewer than 100 employees and 76.0 percent are microbusinesses (U.S. Census Bureau, Business Dynamics Statistics, 2015).

Most of the U.S. workforce (51.8 percent) is employed in firms with more than 500 employees, while about 10.5 percent are employed in firms with fewer than 10 workers. In Miami-Dade, the employment dynamics are different, with most of the workforce concentrated in firms with fewer than 500 employees (53.3 percent). Micro businesses account for 10.8 percent of employment.



¹ For description of the criteria for small business designation, see the U.S. Small Business Administration guide on size standards, <https://www.sba.gov/contracting/resources-small-businesses/determining-business-size>

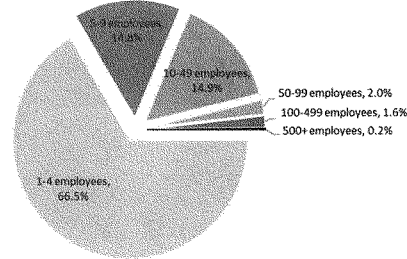
Miami-Dade's Small Business Profile

Trends of Firms by Employment Size

Miami-Dade has over 82,000 small businesses that employ over 900,000 workers (U.S. Census, County Business Patterns, 2015). Microbusinesses have consistently accounted for most of the private establishments in the county, around 81 percent of the total. Conversely, large companies (over 500 employees) are typically only 0.2 percent of firms.²

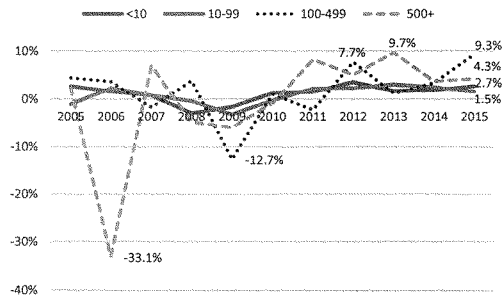
The 2007-2009 recession shrunk the number of establishments in the county by 4.6 percent, from 76,176 in 2007, down to 72,673 in 2009. This decrease signifies the occurrence of more business deaths than business births. It affected firms of all sizes, but firms with under 100 employees declined by only 4.5 percent, while those with 100-499 employees and businesses with over 500 employees decreased by 9.3 percent and 10.6 percent respectively. These figures also likely reflect the downsizing of larger companies.

FIGURE 1: DISTRIBUTION OF FIRMS BY EMPLOYMENT SIZE



New business creation began to outpace business deaths in 2010 and the latest available data for 2015 shows an overall 2.6 percent year-over-year growth of firms (See Figure 1). The most significant growth (9.3 percent) was in mid-size establishments between 100 and 499 employees. (U.S. Census, County Business Patterns)

FIGURE 2: YEAR-OVER-YEAR FIRM CHANGE BY EMPLOYMENT SIZE



² Unless indicated otherwise, the report uses the definitions of the U.S. Census for enterprises, firms and establishments (<https://www.census.gov/programs-surveys/cbp/about/glossary.html>). Enterprises and companies are used interchangeably. For small-size enterprises (under 100 employees), the number of firms and establishments overlap, therefore they will be used interchangeably. 'Business' will be used as a general reference for privately-owned organizations of any size.

Miami-Dade's distribution of firms by employment size is different from six other benchmark counties selected for comparison (See [Appendix A](#) for more discussion on methodology). The six counties and their cities are San Diego County (San Diego, CA), Orange County (Orlando, FL), Fulton County (Atlanta, GA), Mecklenburg County (Charlotte, NC), King County (Seattle, WA) and Harris County (Houston, TX). Miami has a lower percentage of both mid-size (100-499 employees) and large businesses (500+ employees) than the other counties (See Table 1). Conversely, Miami has the highest percentage of microbusinesses (81.3 percent) of the comparison counties.

TABLE 1: DISTRIBUTION OF FIRMS BY EMPLOYMENT SIZE

Size	San Diego	King	Orange	Fulton	Mecklenburg	Harris	Miami-Dade
Under 10	74.1%	73.3%	73.3%	71.5%	69.4%	69.0%	81.3%
10-99	23.6%	24.1%	23.7%	24.9%	27.4%	27.3%	16.9%
100-499	2.1%	2.3%	2.6%	3.2%	2.8%	3.2%	1.6%
500+	0.2%	0.3%	0.4%	0.4%	0.4%	0.4%	0.2%
Total Firms	81,710	66,891	35,327	35,391	30,039	99,121	82,293

Source: U.S. Census, County Business Patterns, 2015

Employer Establishments by Sector

Most businesses in Miami-Dade are in five industry sectors: Professional, Scientific and Technical Services; Retail Trade; Wholesale Trade; Healthcare and Social Assistance; and Other Services. Combined, these five sectors account for 58.9 percent of all businesses.

TABLE 2: DISTRIBUTION OF FIRMS BY SECTOR AND SIZE

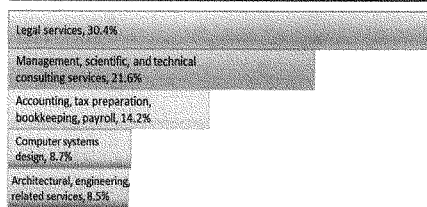
	<10	10-99	100-499	500+
Professional, Scientific and Technical Services	12,272	13,457	72	3
Retail Trade	8,367	10,607	301	11
Wholesale Trade	7,660	9,025	77	9
Healthcare and Social Assistance	7,098	8,701	152	33
Other services	5,170	6,011	29	1
Total Firms across all Sectors	66,893	13,913	1,340	147

Source: U.S. Census, County Business Patterns, 2015

Professional, Scientific and Technical

Services: These establishments are engaged in activities that require a high degree of expertise and training. Some of the activities performed include legal services; accounting, bookkeeping, and payroll; architectural, engineering, and specialized design services; computer services; consulting; research services; advertising; photographic services; translation and interpretation services; veterinary services; and others.

FIGURE 3: PROFESSIONAL SCIENTIFIC AND TECHNICAL SERVICES, TOP FIVE SECTORS BY NUMBER OF FIRMS



The sector includes over 13,000 businesses, of which only three have 500 or more employees. Nine out of ten businesses in this sector (90.7 percent) are micro businesses with fewer than 10 employees.

Firms providing legal services are almost a third of establishments in this sector, followed by businesses providing management, scientific and technical consulting services (See Figure 3). The three large establishments, with over 500 employees each, are in the Advertising/Public Relations, Engineering and Computer Systems, and Accounting subsectors. Overall, less than one percent of firms in these subsectors have more than 100 employees.

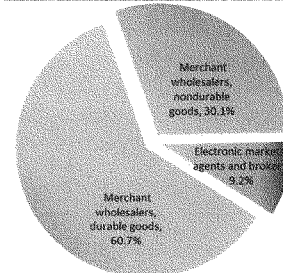
Retail Trade: These establishments sell merchandise and provide after-sales services such as repair and installation.

Approximately a third of the almost 11,000 businesses in this sector are clothing (20.5 percent) or food establishments (14.2 percent), followed by health and personal care stores (11.1 percent), motor vehicle and parts dealers (10.0 percent) and miscellaneous store retailers (9.0 percent). Only eleven businesses in the sector employ 500 or more workers – nine in general merchandise, one in food and beverage, and one in health and personal care. Approximately two-thirds of firms in this sector are microbusinesses (76.6 percent), while overall 97.1 percent employ fewer than 100 workers.

Wholesale Trade: This sector comprises two main types of wholesalers: merchant wholesalers that sell goods on their own account and business-to-business electronic markets, agents, and brokers that arrange sales and purchases for others generally for a commission or fee.

The majority of the over 9,000 establishments in this sector are merchant wholesalers of durable goods (60.7 percent), followed by merchant wholesalers of nondurable goods, and wholesale electronic markets, agents and brokers. There are only nine companies employing over 500 workers, six of which are classified as nondurable goods merchant wholesalers. Similar to the other sectors, most firms are microbusinesses (84.1 percent), and 99.1 percent employ fewer than 100 workers.

FIGURE 4: WHOLESALE SECTORS BY NUMBER OF FIRMS



Healthcare and Social Assistance: The industries in this sector are arranged on a continuum starting with those establishments providing medical care exclusively, continuing with those providing health care and social assistance, and finally finishing with those providing only social assistance. The services provided by establishments in this sector are delivered by trained professionals.

This sector has 33 establishments that employ 500 workers or more, the largest of any other sector. Twenty-four (24) of them are hospitals. Most of the approximately 9,000 establishments in this sector (79.0 percent) are ambulatory health care services, including physicians, dentists, medical and diagnostic laboratories, and home health care services. This sector also includes social assistance establishments, which provide individual and family services, rehabilitation, and child day care (14.4

percent). There are also 550 nursing and residential care facilities (6.2 percent) and 32 hospitals (0.4 percent).

Approximately 79.9 percent of establishments in the sector have fewer than 10 employees, while overall 97.9 percent employ fewer than 100 workers.

Other Services: Establishments in this sector are primarily engaged in activities such as equipment and machinery repairing; promoting or administering religious activities, grant making, advocacy; and providing dry-cleaning and laundry services, personal care, death care, pet care, photofinishing, temporary parking, and dating services.

Over 6,000 establishments in this sector are distributed across three subsectors: Repair and Maintenance (32.1 percent), Personal and Laundry services (39.0 percent), and Religious, Grant Making, Civic, Professional, and similar organizations (29.0 percent). The only firm in the sector that employs over 500 workers is classified as a parking lot/garage. Overall, 99.5 percent of firms employ fewer than 10 workers, while 85.6 percent are microbusinesses.

Almost half of the Miami-Dade workforce (49.1 percent) is employed in Healthcare and Social Assistance (12.4 percent), Retail (11.8 percent), Accommodation and Food Services (9.7 percent), Construction (7.8 percent), and Educational Services (7.3 percent). These figures include all classes of workers, encompassing both private firm and self-employment, as well as government employees. Most private sector workers are in Retail (15.6 percent), Healthcare and Social Assistance (12.8 percent), Accommodation and Food Services (12.5 percent), Transportation and Warehousing (7.8 percent), and Professional Scientific and Technical Services (7.0 percent). Altogether, these five sectors employ 56 percent of the workforce. Only three of these sectors are in the top five in terms of number of firms: Professional, Scientific and technical Services, Healthcare and Social Assistance, and Retail. The following section describes the distribution of firms in the other economic sectors.

The Real Estate and Rental and Leasing sector ranks sixth by number of establishments, with approximately 5,700 firms. The sector employs only about 25,000 workers. Almost nine of ten establishments in this sector (88.9 percent) are engaged in real estate activities, while the remaining firms provide rental and leasing services, or are lessors of nonfinancial intangible assets. Three businesses in this sector employ over 500 workers, while 93.1 percent have fewer than 10 employees.³

Accommodation and Food Services: The sector comprises establishments providing customers with lodging and/or preparing meals, snacks, and beverages for immediate consumption.

The sector is comprised of approximately 5,300 establishments. Accommodation businesses account for 91.4 percent of establishments and the remaining 8.6 percent provide food services. Microbusiness are 52.9 percent of companies, while overall 96.5 percent of firms employ fewer than 100 workers. Most large businesses in this sector (12) are in the Accommodation subsector while three are classified as 'Food Services and Drinking Places' - food contractors and restaurants.

Construction: The sector comprises establishments primarily engaged in the construction of buildings or engineering projects (e.g., highways and utility systems). Establishments primarily engaged in the

³ The U.S. Small Business Administration uses sales figures in the classification of real estate businesses. The U.S. County Business Patterns does not collect business sales data.

preparation of sites for new construction and in subdividing land for sale as building sites also are included. Construction work done may include new work, additions, alterations, or maintenance and repairs.

Approximately 67.0 percent of about 4,600 businesses in this sector are specialty trade contractors, including foundation, structure, and building exterior contractors; building equipment contractors, building finishing contractors and others. Establishments in the Construction of Buildings subsector accounts for 27.6 percent of firms. This subsector comprises establishments of the general contractor type and for-sale builders involved in the construction of buildings. Heavy and civil engineering construction firms are 5.3 percent of companies.

There are no establishments with over 500 workers in this sector. The majority (99.2 percent) have fewer than 100 employees, while 84.8 percent employ fewer than 10 workers.⁴

Finance and Insurance: This sector is also a major contributor to Miami-Dade's economy, with approximately 4,500 businesses and approximately 48,000 workers. Most establishments (82.8 percent) employ fewer than 10 workers, while 98.2 percent have fewer than 100 employees.

Educational Services: Establishments in this sector provide instruction and training in a wide variety of subjects. The instruction and training is provided by specialized establishments, such as schools, colleges, universities, and training centers. These establishments may be privately owned and operated for profit or not for profit, or they may be publicly owned and operated. Establishments that manage schools and other educational establishments on a contractual basis are also included in this sector.

Six establishments in this sector employ 500 workers or more. One establishment is classified as 'Elementary and secondary schools', and five are in the category of 'Colleges, universities, and professional schools'. Almost two-thirds of the over 1,000 establishments in this sector employ fewer than 10 workers (65.8 percent), while 95.5 percent have under 100 employees.

See [Appendix B](#) for detailed breakdown by number of establishments.

⁴ The Small Business Administration defines small businesses in the Construction sector as establishments with less than \$15. million in sales for specialty trade contractors subsectors, and \$36.5 million for the Construction of Buildings and the Heavy and Civil Engineering subsectors. The U.S. Census County Business Patterns database does not contain information on sales.

Private Employment and Wages by Firm Size

Small businesses are important contributors to Miami-Dade's economy as they account for the majority of establishments and private employment in the county. In fact, 81% of the over 82,000 private businesses have fewer than 10 employees. By comparison, 73% of businesses in the United States are in that size class. (U.S. Census Bureau, 2015 County Business Patterns) The U.S. Census, the Small Business Administration, the Bureau of Labor Statistics and other sources for business data make a distinction between enterprises, firms and establishments. An establishment generally refers to a single location, while a single firm may consist of many separate establishments. An enterprise may be a single firm or a combination of firms that engages in economic activities that are classified into multiple industries.⁵ Analysis of Business Employment Dynamics data from the Bureau of Labor Statistics shows that enterprise- and firm-level series consistently track each other and follow a similar pattern of peaks and troughs over the business cycle.⁶ Table 3 shows the distinction between firms and establishments. Firms with fewer employees are less likely to have multiple locations and the difference between the number of firms and establishments is smaller. The employment and annual payroll figures are shown for each enterprise category.

TABLE 3: MIAMI-DADE BUSINESS COUNT BY SIZE, 2015

Enterprise Size	Firms	Establishments	Employment	Annual Payroll (in \$1,000)
<20 employees	66,612	66,764	210,802	\$8,577,678
20-99 employees	4,219	4,653	154,199	\$6,265,677
100-499 employees	1,291	2,208	141,028	\$6,467,558
500+ employees	1,642	8,668	443,326	\$23,523,698
Total	73,764	82,293	949,355	\$44,834,611

Source: U.S. Census Bureau, Statistics of U.S. Businesses, 2015.

The employment data by business size is supplied by the U.S. Census in the Statistics of U.S. Businesses (SUSB) annual series, which were developed in cooperation with, and partially funded by, the Office of Advocacy of the U.S. Small Business Administration (SBA). SUSB covers most of the country's economic activity. The series excludes data on nonemployer businesses, private households, railroads, agricultural production, and most government entities. The analysis that follows will focus on employment distribution in enterprises rather than firms or establishments. 'Enterprise', 'company', 'business' and firm will be used interchangeably. It should also be noted that approximately 30% of workers in Miami-Dade are not accounted for in the private employment analysis as they work in nonprofit or government agencies, or they are self-employed. Subsequent sections will discuss overall employment in the county as well as the "gig economy" data, which deals with self-employed workers and nonemployer businesses.

According to SUSB, in 2015, the majority of private employment in the county (53.3%) was in enterprises of fewer than 500 employees. In other words, smaller companies are a bigger job contributor to Miami-Dade's economy than 500+ employee companies. By comparison, while only about 0.3% of U.S. businesses have over 500 employees, they account for 53% of employment.

⁵ For definitions of each category, see Statistics of U.S. Businesses (SUSB) Glossary, <https://www.census.gov/programs-surveys/susb/about/glossary.html>

⁶ See Akbar Sadeghi, David M. Talan, and Richard L. Clayton, "Establishment, firm, or enterprise: does the unit of analysis matter?", Monthly Labor Review, U.S. Bureau of Labor Statistics, November 2016, <https://doi.org/10.21916/mlr.2016.51>.

Additionally, small businesses are also a significant contributor to *job growth*. Between 2010 and 2015, employment in companies of fewer than 500 employees increased by 17.1%, slightly lower than the 19.8% employment growth in 500+ employee firms. Since 2007, employment in businesses of fewer than 500 employees in Miami-Dade has hovered between 53-55% of total employment. Table 4 shows a more detailed breakdown by four employment size categories. The most significant job growth in the 2010-2015 timeframe was in companies of 100 to under 500 employees (23.7%). Job growth in businesses with fewer than 20 employees was only 9.4% in the same period. Approximately 147,000 private jobs were added to the economy from 2010 to 2015. Large businesses (500+ employees) accounted for 49.8% of the job growth, adding over 73,000 jobs.

FIGURE 5: EMPLOYMENT BY BUSINESS SIZE, MIAMI-DADE COUNTY, 2015

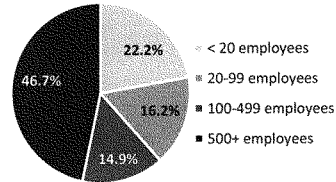


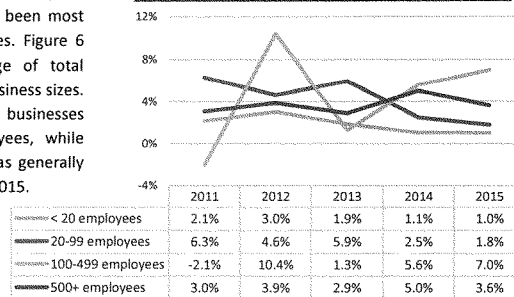
TABLE 4: MIAMI-DADE EMPLOYMENT BY FIRM SIZE, 2010-2015

SIZE CATEGORY	2010	2011	2012	2013	2014	2015	CHANGE 2010-2015
<20 employees	192,679	196,820	202,769	206,527	208,714	210,802	9.4%
20-99 employees	125,476	133,404	139,533	147,826	151,492	154,199	22.9%
100-499 employees	113,980	111,643	123,260	124,811	131,809	141,028	23.7%
500+ employees	369,974	381,249	395,973	407,333	427,844	443,326	19.8%
Total	802,109	823,116	861,535	886,497	919,859	949,355	18.4%

Source: U.S. Census Bureau, Statistics of U.S. Businesses, 2010-2015.

Since 2010, employment in the four business size categories has increased year-over-year, but the growth has been most consistent for larger businesses. Figure 6 shows the percentage change of total employees in the respective business sizes. Job growth slowed down for businesses with fewer than 100 employees, while growth in larger businesses was generally higher, especially in 2014 and 2015.

FIGURE 6: YEAR-OVER-YEAR JOB GROWTH BY BUSINESS SIZE, MIAMI-DADE COUNTY, 2011-2015



Another way to examine the contribution of small businesses to the Miami-Dade economy is with the analysis of wages. SUSB data reports aggregate data by business size which only allows for the calculation of the average wages. It should be noted that the distribution of workers by wage level is highly skewed, as the average is affected by very high income earners. The median wage is substantially less than the

average wage. The Office of the Chief Actuary, U.S. Social Security Administration, calculated that the ratio of national median to average wage in the 2010-2015 period was approximately 65%.⁷ A subsequent section on *Employment and Wages in All Firms* which relies on individual firm data will demonstrate the difference for Miami-Dade workers. However, the comparison of wages across enterprise size categories shows that wages of businesses with fewer than 100 employees were 14% lower than the overall average wage for workers in private companies.

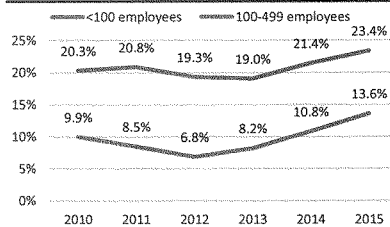
TABLE 5: AVERAGE WAGES BY ENTERPRISE SIZE, 2015

Enterprise Size	Employment	Annual Payroll (in \$1,000)	Average Wages
<20 employees	210,802	\$8,577,678	\$40,691
20-99 employees	154,199	\$6,265,677	\$40,634
100-499 employees	141,028	\$6,467,558	\$45,860
500+ employees	443,326	\$23,523,698	\$53,062
Total	949,355	\$44,834,611	\$47,226

Source: U.S. Census Bureau, Statistics of U.S. Businesses, 2015.

The gap in average wages between small and large companies expanded in 2014 and 2015. Figure 7 shows the percentage difference between average wages paid to workers in enterprises with fewer than 100 employees and companies with 100-499 workers, in comparison to large companies with 500 or more employees. As previously noted, companies with fewer than 500 employees account for most of employment in the county, and the gaps have broader economic implications for overall wage structure in the area. Historically, the gap between large companies and those employing fewer than 100 workers has been significantly higher than for mid-size enterprises. The figure shows that after a dip in 2012, it began to increase again.

FIGURE 7: DIFFERENCE IN AVERAGE WAGES BY BUSINESS SIZE, 2010-2015



The increasing gap is also linked to the slower wage growth in smaller companies. For accurate comparisons, the nominal wages for each year were adjusted for inflation. Overall, the average wage of private company workers increased by 4.7%, mostly as a result of the 6.5% increase of mean wages of workers in large companies. In fact, when adjusted for inflation, from 2010 to 2015, wage growth in companies employing fewer than 100 workers was only 2.4%.

TABLE 6: MIAMI-DADE AVERAGE WAGES BY FIRM SIZE, 2010-2015

SIZE CATEGORY	2010	2011	2012	2013	2014	2015	CHANGE 2010-2015
<20 employees	\$39,170	\$39,177	\$39,510	\$38,892	\$39,485	\$40,691	3.9%
20-99 employees	\$40,548	\$39,377	\$40,480	\$40,468	\$39,713	\$40,634	0.2%
100-499 employees	\$44,864	\$45,393	\$46,056	\$44,834	\$44,939	\$45,860	2.2%
500+ employees	\$49,816	\$49,594	\$49,441	\$48,844	\$50,382	\$53,062	6.5%
Total	\$45,105	\$44,878	\$45,168	\$44,564	\$45,372	\$47,226	4.7%

Source: U.S. Census Bureau, Statistics of U.S. Businesses, 2010-2015.

⁷ See *Measures Of Central Tendency For Wage Data*, Office of the Chief Actuary, U.S. Social Security Administration.
<https://www.ssa.gov/OACT/COLA/central.html>

Employment and Wages in All Establishments

This section presents employment and wage data by size of firm from the Quarterly Census of Employment and Wages (QCEW) program of the Florida Department of Economic Opportunity (DEO), which collects the number of employers or reporting units, monthly employment, average employment, total wages, and average wages by industry classification. The database covers 98 percent of U.S. jobs available by industry at the county level, and includes both public and private organizations. Unlike the analysis in the previous section, which relied on the *Statistics of U.S. Businesses (SUSB)* data from the U.S. Census, the QCEW includes the whole universe of employers, including public agencies such as the local school board and the U.S. Postal Service.⁸ The dataset provided by the Florida DEO contains 79,526 organizations that employed at least one employee in mid-2016. Because the QCEW is collected based on the location of employers, the total employment in QCEW is larger than the Miami-Dade workforce. In other words, the total employment includes workers who commute from other counties. While not directly comparable to other government sources of firms, employment and wages, this dataset provides more current information than the *County Business Patterns* and allows for more detailed analysis by employment size, firm establishment and wages. To remain consistent with term use in the QCEW, this section refers to all reporting units in the QCEW as establishments.

In 2016, most of the workforce was in establishments with fewer than 500 employees (See Table 7). These establishments also accounted for 54.4 percent of wages paid. Table 8 shows a detailed breakdown of employment and wages by organization size. Wages at larger employers in Miami-Dade are generally higher. Workers at establishments with over 100 employees earn on average approximately \$51,800, or about five percent more than the overall average wage.

Almost 81 percent of establishments in Miami-Dade employ fewer than 10 workers. The average wage at these small employers is four percent lower than at establishments with a workforce of 10 to 99, and almost 19 percent lower than establishments with over 100 employees. Average wages were calculated by dividing the total wages in each size category by the total number of employees in these establishments. In addition, Table 8 also

TABLE 7: MIAMI-DADE EMPLOYMENT BY ESTABLISHMENT SIZE

Establishment Size	Employment	Percent
1 employee	25,327	1.6%
2-9 employees	148,919	9.3%
10-99	409,019	25.4%
100-499 employees	322,435	20.0%
>500 employees	703,978	43.7%
Total	1,609,678	

Source: Florida Department of Economic Opportunity, Quarterly Census of Employment and Wages, 2016.

TABLE 8: MIAMI-DADE EMPLOYMENT AND WAGES

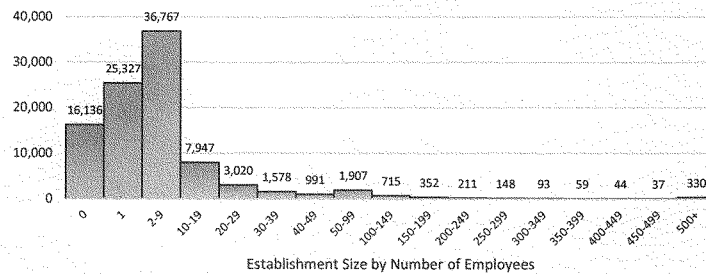
Size	Establishments	Employment	Total Wages	Average Annual Wage	Aggregate Median
1	25,327	25,327	\$283,681,783	\$44,803	\$24,000
2-9	36,767	148,919	\$1,617,155,982	\$43,437	\$30,667
10-99	15,443	107,429	\$4,661,479,504	\$45,587	\$33,890
100-499	1,659	169,924	\$4,234,712,209	\$52,534	\$61,815
500+	330	1,026,413	\$9,059,425,813	\$51,476	\$43,190
Total:	79,526	1,609,678	\$19,856,455,291	\$49,343	-

Source: Florida Department of Economic Opportunity, Quarterly Census of Employment and Wages (QCEW), 2016.

⁸ The reporting units in the QCEW database are firms, rather than establishments. Reporting practices of multi-establishment firms vary across states depending on state law requirements. Florida law permits firms with multiple establishments to report as a single entity.

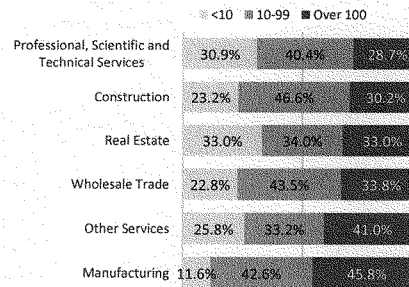
shows the aggregate median wage for each size category. The aggregate median value is simply the middle value in the sorted list of average wages for each size class. In other words, this is the median of average values rather than a median based on employee-level data. For example, the last column shows that the aggregate median for microbusiness establishments is \$30,667, which means that half of the establishments in that class pay an average wage lower than that figure, and half have average wages above it.

FIGURE 8: NUMBER OF ESTABLISHMENTS BY SIZE



Overall, 36.2 percent of employment is in smaller establishments of under 100 workers. However, there are six sectors in which the *majority* of the workforce is concentrated in smaller firms, as shown in Figure 9. The firms in these sectors employ less than a quarter of the total workforce in the county. Only two of these sectors - Manufacturing and Other Services - have wages above the average county wage. The Professional, Scientific and Technical Services sector has the highest concentration of employment in microbusinesses (30.9 percent). In fact, this sector leads in the number of single-employee firms (5,294), followed by 'Other Services' with 3,352 firms. Table 9 shows that approximately one in three establishments with a single employee are in these two sectors. These two sectors are at opposing ends of the wage spectrum, with an average wage of \$79,333 in the Professional, Scientific and Technical Services sector, and \$31,523 in the 'Other Services' sector. (See following section on *Wages*)

FIGURE 9: SECTORS WITH MAJORITY EMPLOYMENT IN FIRMS UNDER 100 EMPLOYEES



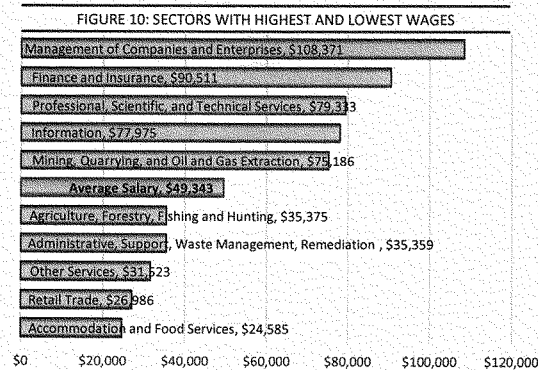
The workforce in the top sectors by employment – Retail, Healthcare and Social Assistance, and Accommodation and Food Services – is primarily concentrated in larger establishments of over 100 employees. Over 70 percent of the workforce in the Retail and Healthcare and Social Assistance sectors is in establishments of 100 employees or more. In the Accommodation and Food Services, 51.9 percent of employees are in firms of over 100 employees. Approximately 80 percent of the Transportation and Warehousing sector workforce is in establishments over 100 employees.

Size	Establishments	Percent
Professional Scientific and Technical Services	5,294	20.9%
Other Services	3,352	13.2%
Retail Trade	2,711	10.7%
Healthcare and Social Assistance	2,274	9.0%
Wholesale Trade	2,191	8.7%
Real Estate	2,022	8.0%
Construction	1,521	6.0%
Administrative and Support	1,296	5.1%
Finance and Insurance	1,149	4.5%
Transportation and Warehousing	851	3.4%
Total:	25,327	

Source: Florida Department of Economic Opportunity, Quarterly Census of Employment and Wages (QCEW), 2016.

Wages

Overall, across all industry sectors and size of establishments, employees earn an average of \$49,343 in Miami-Dade County (QCEW, 2016). However, wages vary depending on the industry sector of employment. Figure 10 shows a comparison of the top five and bottom five industry sectors by wages, and in comparison to the average wage in the county. The highest earning sectors employ under 200,000 workers, while the lowest earning sectors account for over 600,000 of the workforce.



Establishment size in terms of employment also affects wages, as shown in Table 10. While establishments younger than 2 years have average wages of under \$42,000, those who have been in existence for 10 years or more pay on average over \$52,000.

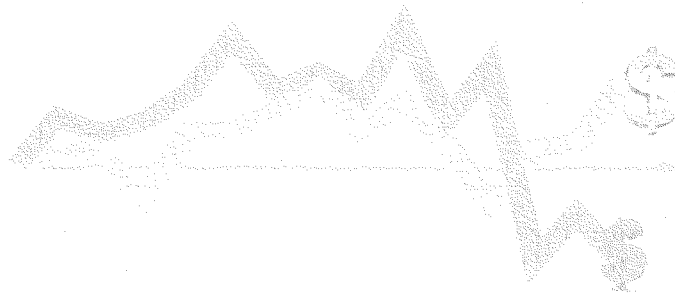
TABLE 10: AVERAGE WAGE IN MIAMI-DADE ESTABLISHMENTS BY SIZE AND YEAR CREATED

Firm Size	Total by Size	Years of Existence			
		<2 years	2-4 years	4-10 years	10+
1	25,324	\$42,251	\$43,241	\$48,249	\$45,802
2-9	36,758	\$38,546	\$44,101	\$44,304	\$44,715
10-19	7,943	\$40,230	\$42,504	\$44,932	\$48,617
20-49	5,587	\$38,191	\$43,422	\$44,197	\$48,026
50-99	1,904	\$39,071	\$46,299	\$44,584	\$51,502
100-499	1,658	\$48,869	\$44,843	\$51,513	\$55,649
500+	330	\$42,408	\$35,477	\$49,923	\$52,801
Overall	79,504	\$41,484	\$42,997	\$47,792	\$52,229

Source: Florida Department of Economic Opportunity, Quarterly Census of Employment and Wages (QCEW), 2016. (Note: Table excludes establishments for which year of creation or employment size are not available.)

The analysis of wages by size of the establishment within sectors shows that in most sectors, the average wages are higher in larger companies. For example, employees of construction companies with 100 or more workers earn 38 percent more than the average wage for the sector. Conversely, those employed in firms with fewer than 100 employees, earn seven percent less than the average wage for the sector. The average wage of employees of transportation and warehousing companies with more than 100 workers is four percent higher than the salary for the sector, while workers in companies of fewer than 100 workers earn 13 percent less on average.

There are three sectors in which the average wage in smaller establishments is higher than the wage for the respective sector overall. In the Management of Companies and Enterprises sector which employs just over 10,000 workers, the average wage for smaller companies (under 100 workers) is 19 percent higher, and in companies over 100 workers it is 7 percent lower than the wage for the sector. Similar differences are observed in the Administrative and Support and Waste Management and Remediation Services, and the sector that combines all other services.



Another factor that may affect wages is the age of the firm. In 2016, approximately 19 percent of all establishments were less than two years old. Table 11 shows the relationship between size and age from the QCEW database. Almost a quarter (24.1 percent) of single-employee firms reporting employment and payroll data in 2016 were established in 2015 or 2016. The table shows a positive correlation between firm age and size. Smaller establishments are more likely to be younger. The median year of establishment for all companies in the QCEW database is 2010. The median age for single employee companies is 4 years (median year of establishment 2012). In contrast, the median year for the 330 companies of 500 employees or more is 1999.

TABLE 11: MIAMI-DADE ESTABLISHMENTS BY SIZE AND YEAR CREATED

Firm Size	Total by Size	Years of Existence			
		<2 years	2-4 years	4-10 years	10+ years
1	25,324	24.1%	28.3%	23.9%	23.8%
2-9	36,758	17.8%	21.8%	25.6%	34.9%
10-19	7,943	14.6%	19.7%	27.4%	38.3%
20-49	5,587	15.4%	19.4%	26.0%	39.2%
50-99	1,904	14.3%	17.6%	24.9%	43.1%
100-499	1,658	8.9%	14.9%	23.7%	52.5%
500+	330	4.5%	9.1%	18.2%	68.2%
Overall	79,504	19.0%	23.2%	25.1%	32.7%

Source: Florida Department of Economic Opportunity, Quarterly Census of Employment and Wages (QCEW), 2016. (Note: Table excludes establishments for which year of creation or employment size are not available.)

Almost 140,000 workers are employed in “young” establishments with less than two years of existence, and another 190,000 in firms that have been around for only two to four years. However, approximately 60 percent of Miami-Dade’s workforce is in establishments that have been in business for 10 or more years.



THE GIG ECONOMY: SELF-EMPLOYMENT AND NONEMPLOYER ESTABLISHMENTS

The rate of self-employment and the number of nonemployer establishments are often used as measures of the “gig” economy, in which workers perform specific tasks on a contractual basis for the duration of the task completion. Many gig workers fit the Census definition of a nonemployer: in most cases, a self-employed individual operating a very small, unincorporated business with no paid employees.⁹

Miami-Dade County has had historically higher rate of self-employment than the United States. The 2016 Census estimates put Miami’s self-employment rate at 15.0 percent of all workers over age 16. That rate has stayed stable over time, only fluctuating slightly with the lowest self-employment at 13.6 percent in 2011. The area’s self-employment rate is also higher than any of the other benchmark counties.

Table 12 also shows self-employment rates for broad occupational groups. Almost a third of the Miami workforce employed in natural resource, construction and maintenance occupations are self-employed. Almost one in six employees in service, as well as management, business, science and arts occupations are also self-employed.

TABLE 12: SELF-EMPLOYMENT IN BENCHMARK COUNTIES AND THE UNITED STATES BY OCCUPATIONS

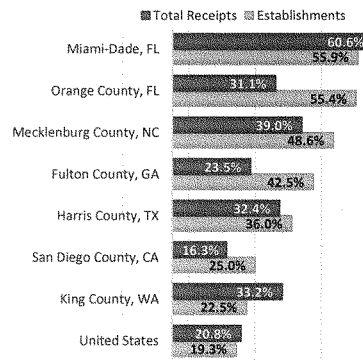
	King (WA)	San Diego (CA)	Orange (FL)	Fulton (GA)	Mecklenburg (NC)	Harris (TX)	United States	Miami-Dade (FL)
Overall Rate	10.2%	12.5%	10.0%	10.4%	9.5%	10.0%	9.8%	15.0%
In Management, business, science, and arts occupations	10.3%	13.1%	10.8%	10.4%	8.8%	9.4%	10.4%	15.6%
In Service occupations	12.9%	14.3%	8.6%	12.9%	13.1%	13.9%	10.7%	15.3%
In Sales and office occupations	8.0%	9.0%	8.8%	8.2%	8.5%	7.6%	7.3%	10.4%
In Natural resources, construction, and maintenance	13.3%	17.5%	14.8%	15.4%	13.7%	13.4%	16.3%	30.9%
In Production, transportation, and material moving	7.9%	9.1%	8.7%	9.4%	6.5%	7.3%	5.9%	10.7%

Source: U.S. Census Bureau, 2016 American Community Survey 1-Year Estimates

⁹ A nonemployers business is one that “has no paid employees, has annual business receipts of \$1,000 or more (\$1 or more in the construction industries), and is subject to federal income taxes. Most nonemployers are self-employed individuals operating very small unincorporated businesses, which may or may not be the owner’s principal source of income.” Receipts figures include gross receipts, sales, commissions, and income from trades and businesses, as reported on annual business income tax returns. (Source: U.S. Census, <https://www.census.gov/ipeds/nonemployer/view/define.html>)

Nonemployer establishments are another reliable measure of the rise of the Gig Economy – that is the self-employed, freelance workers and independent contractors. Nonemployer establishments can be incorporated (categorized as “corporations”) or unincorporated (categorized as individual proprietorships or partnerships). Between 2005 and 2015, the number of nonemployer establishments in the Miami area rose 55.9 percent, almost three times the national rate. Figure 11 also shows that Miami leads among the comparison counties in growth of establishments as well as total sales. The growth in nonemployer establishments in Orange County, FL, was slightly smaller than Miami’s (55.4 percent), and Mecklenburg County (Charlotte, NC) came close (48.6 percent).

FIGURE 11: CHANGE IN NONEMPLOYER ESTABLISHMENTS AND RECEIPTS (SALES), 2005-2015



The growth in the number of establishments indicates strong entrepreneurial activity in Miami-Dade and is consistent with Miami’s leading position in the United States in terms business creation, as ranked by the Kauffman Index. However, with average receipts per nonemployer establishment of \$41,829, Miami lags the national average of \$47,211, an 11.4 percent difference. The average receipts in almost all other comparison counties were above Miami’s, with King County (\$56,223) and Harris County (\$51,174) at the high end. Only Orange County (FL) recorded lower average receipts per nonemployer establishment (\$40,519).

Another significant finding is the decrease of the average sales per nonemployer establishment over time in most benchmark counties from 2005 to 2015 (Table 13). There was a modest increase of the average receipts for nonemployer establishments in the United States and in Miami-Dade. From 2005 to 2015, the average sales for nonemployer establishments in the United States increased by 1.2 percent.

Average receipts in Miami-Dade increased by 3.0 percent, from \$40,627 in 2005 to \$41,829 in 2015. King County (Seattle, WA) had an increase of 8.8 percent. In contrast, the other counties had significant decreases in average receipts – 15.7 percent in Orange County, 13.3 percent in Fulton County, and 6.9 percent in San Diego. The average receipt decrease was smaller for establishments in Mecklenburg (-6.4 percent) and Harris County (-2.7 percent).

TABLE 13: AVERAGE RECEIPTS IN NONEMPLOYER ESTABLISHMENTS

Area	Avg. Receipt (2015)	Avg. Receipt Change ('05-'15)
King County, WA	\$56,223	8.8%
Miami-Dade County, FL	\$41,829	3.0%
United States	\$47,211	1.2%
Harris County, TX	\$51,174	-2.7%
Mecklenburg County,	\$46,479	-6.4%
San Diego County, CA	\$50,390	-6.9%
Fulton County, GA	\$50,995	-13.3%
Orange County, FL	\$40,519	-15.7%

Source: U.S. Census Bureau, 2015 Nonemployer Statistics

Miami has the highest percentage of nonemployer establishments in the “Other Services” sector, 18.0 percent, which is the top sector in terms of number of firms. The top five sectors account for 62.5 percent of firms. The average receipts of firms in that sector in 2015 were \$24,257.

The other four sectors with a high concentration of nonemployer firms include:

- Administrative and support and waste management and remediation services (12.5 percent),
- Real estate and rental and leasing (12.1 percent),
- Professional, scientific, and technical services (10.4 percent), and
- Transportation and warehousing (9.5 percent)

Average receipts in the Administrative and support services sector were only \$18,197, significantly lower than the countywide average of \$41,829 for nonemployer establishments. Real estate and rental and leasing establishments had average receipts of \$77,153, while receipts in Transportation and warehousing were \$40,531.

One notable difference between Miami and the six comparison counties is the lower percentage of nonemployer firms in the Professional, Scientific and Technical Services sector. Firms in this sector provide specialized services, which require a high degree of expertise and training, including legal services, engineering, accounting, research etc. Nationally, 14.0 percent of nonemployer firms are in that sector. Of the six comparison counties, King County (Seattle) has the highest percentage of nonemployer firms in this sector (23.7 percent), followed by San Diego (19.9 percent), and Fulton County (19.1 percent). Only 10.4 percent of nonemployer establishments in Miami-Dade are in that sector, lower than the 12.4 percent reported in Orange County, FL. Average receipts for establishments in that sector in Miami-Dade were \$49,377, or 18 percent above the county average.

Small Business Loans

Entrepreneurs rely on access to capital to supply the financing they need to commercialize innovation, seize marketplace opportunities, and compete locally and internationally. The Community Reinvestment Act of 1977 (CRA) seeks to ensure that banking institutions reinvest a significant portion of the deposits they take from local communities back into those communities. A 1995 revision to the CRA established that insured depository institutions must report their lending to small businesses and their provision of small loans to businesses. Approximately 2,000 financial institutions are subject to the reporting requirements of the CRA regulations.¹⁰ The CRA data are the most comprehensive publicly available data on small business lending, covering approximately 86 percent of all loans of \$1 million or less.¹¹

According to the Federal Financial Institutions Examinations Council (FFIEC), there were 125 small business lenders in Miami-Dade in 2016 who provided SBA-backed loans.¹² However, the average size of business loans in Miami-Dade was significantly lower than the six comparison counties (See Table 14). In the United States, the average business loan to firms with revenues of \$1 million or less was \$26,626. The highest average loan of the six counties was in Mecklenburg, NC (Charlotte). However, Miami-Dade had the highest number of loan originations to businesses with gross annual revenues of \$1 million or less – 49,595. With the exception of Harris County, in all other counties, loans to businesses with revenues of \$1 million or less are the majority of loans.

TABLE 14: TOTAL LOAN AND SMALL BUSINESS LOAN ORIGINATION FOR SBA-BACKED LOANS, 2016.

County	Total Loans		Loans to Businesses with Gross Annual Revenues <= \$1 Million				
	Number of Loans	Amount (in 1,000s)	Number of Loans	Amount (in 1,000s)	Average	% of Total Loans	% of Total Amount
King County	51,357	\$2,029,168	25,696	\$676,187	\$26,315	50.0%	33.3%
San Diego County	87,941	\$2,649,566	45,456	\$923,488	\$20,316	51.7%	34.9%
Orange County	30,435	\$896,470	15,830	\$303,766	\$19,189	52.0%	33.9%
Fulton County	32,672	\$1,217,810	17,749	\$422,563	\$23,808	54.3%	34.7%
Mecklenburg County	23,256	\$1,153,342	12,421	\$402,621	\$32,415	53.4%	34.9%
Harris County	95,860	\$3,892,702	42,245	\$1,231,241	\$29,145	44.1%	31.6%
Miami-Dade County	91,682	\$2,298,996	49,595	\$787,403	\$15,877	54.1%	34.2%
USA	6,106,355	\$229,278,587	3,052,400	\$81,274,583	\$26,626	50.0%	35.4%

Source: Federal Financial Institutions Examinations Council, FFIEC CRA Aggregate Reports, 2016

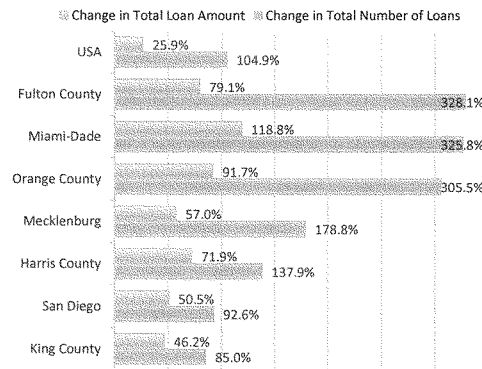
¹⁰ All state member banks, state nonmember banks, national banks, and savings associations that are not small or special-purpose institutions are subject to the data collection and reporting requirements of the CRA. A small institution is a bank or thrift that, as of December 31 of either of the prior two calendar years, had total assets of less than \$250 million. (A Guide to CRA Data Collection and Reporting, https://www.ffiec.gov/cra/pdf/cra_guide.pdf)

¹¹ Small business loans are defined as business loans of \$1 million or less. The CRA data also includes the number and dollar amount of those loans to businesses with gross annual revenues of \$1 million or less. See Greenstone, Michael, Alexandre Mas, and Hoai-Luu Nguyen. 2015. "Do Credit Market Shocks Affect the Real Economy? Quasi-Experimental Evidence from the Great Recession and Normal Economic Times." *NBER Working Paper No. w20704*. Cambridge, MA: National Bureau of Economic Research.

¹² Under the Community Reinvestment Act regulations, lending institutions report information on loans originated or purchased, but not on applications denied. Institutions also indicate whether a loan is extended to a borrower with annual revenues of \$1 million or less, but the data do not include demographic information about the applicant.

The comparison with loan originations and amounts between 2010 and 2016 shows a sharp increase in the number of loans to businesses with gross annual revenues of \$1 million or less to 49,595 in 2016, up from 11,647 in 2010. The total amount of loans also increased but not as steeply, from \$360 million to \$787 million (See Figure 12). As a result, the average loan amount decreased by almost 50 percent. These dynamics are also present in the six comparison counties, as well as in the national figures. From 2010 to 2016, the average loan to businesses with revenues of \$1 million or less decreased by 38.6 percent in the United States. From among the six comparison counties, the highest decreases in average loan amount were in Orange County (52.7 percent) and Fulton County (58.2 percent), higher than Miami-Dade's 48.6 percent decline.

FIGURE 12: CHANGE IN LOANS TO BUSINESSES WITH REVENUES OF \$1M OR LESS, 2010-2016



Appendix A: Methodology

The *Report on Small Businesses in Miami-Dade County* relies on a number of data sources that produce statistics on the Miami-Dade economy and the establishments that operate within it. Some of these sources provide publicly accessible data sets, which include:

- U.S. Census: American Community Survey, Business Dynamics statistics, Survey of Business Owners, County Business Patterns, Statistics of U.S. Businesses (SUSB) and others, various years
- U.S. Small Business Administration: business definitions and size categories

The report also relies on the Quarterly Census of Employment and Wages (QCEW) collected by the Florida Department of Economic Opportunity. The raw data supplied the statistics for employment and wages by firm size and sector. Since the database contains information allowing the individual firm to be identified, it has aggregation and confidentiality restrictions.

Where data is available, the report also makes comparisons between Miami-Dade and six benchmark counties. Four of these counties – Mecklenburg (Charlotte, NC), Fulton (Atlanta, GA), King (Seattle, WA), and Harris (Houston, TX) – are also used as benchmarks in other prominent report, for example the Miami-Dade Beacon Council's *One Community, One Goal* report. One benchmark county was selected from Florida – Orange County (Orlando, FL). The sixth benchmark county – San Diego, CA – was selected for its size (3.3 million) and large Hispanic population (33.5 percent).

Notes on Data Sources:

County Business Patterns (U.S. Census): The series covers more than 6 million single-unit establishments and 1.8 million multi-unit establishments. An establishment is a single physical location at which business is conducted or services or industrial operations are performed. An establishment is not necessarily equivalent to a company or enterprise, which may consist of one or more establishments. A single-unit company owns or operates only one establishment. A multi-unit company owns or operates two or more establishments. The series excludes data on self-employed individuals, employees of private households, railroad employees, agricultural production employees, and most government employees.

Statistics of U.S. Businesses (SUSB): Statistics of U.S. Businesses (SUSB) is an annual series that provides national and subnational data on the distribution of economic data by enterprise size and industry. SUSB covers most of the country's economic activity. The series excludes data on nonemployer businesses, private households, railroads, agricultural production, and most government entities.

Quarterly Census of Employment and Wages (QCEW): The Quarterly Census of Employment and Wages (QCEW) program collects the number of employers or reporting units, monthly employment, average employment, total wages, and average wages by the North American Industry Classification System (NAICS). The count covers 98% of U.S. jobs available by industry at the county, Metropolitan Statistical Areas, state and national levels; by major industry or by detailed industry categories.

Appendix B: Distribution of Establishments by Sector and Size

ESTABLISHMENT COUNT													
	Total	Professional, Scientific and Technical Svcs	Wholesale Trade	Retail Trade	Finance and Insurance	Administrative	Healthcare and Social Assistance	Accommodation and Food Services	Other services	Construction	Transportation and Warehousing	Real Estate	Education
1 to 9 employees	66,893	12,272	7,660	8,367	3,723	3,162	7,098	2,819	5,170	3,930	3,127	5,333	663
10 to 49 employees	12,291	1,072	1,246	1,982	623	498	1,491	1,955	767	596	580	344	249
50 to 99 employees	1,622	113	119	258	67	119	112	364	74	72	83	30	51
100 to 499 employees	1,340	72	77	301	73	134	152	172	29	39	98	16	39
500+ employees	147	3	9	11	8	17	33	15	1	0	19	3	6
	82,293	13,532	9,111	10,919	4,494	3,930	8,886	5,325	6,041	4,637	3,907	5,726	1,008
PERCENTAGE DISTRIBUTION WITHING TOTAL NUMBER OF FIRMS IN RESPECTIVE ESTABLISHMENT SIZE													
1 to 9 employees	66,893	18.3%	11.5%	12.5%	5.6%	4.7%	10.6%	4.2%	7.7%	5.9%	4.7%	8.0%	1.0%
10 to 49 employees	12,291	8.7%	10.1%	16.1%	5.1%	4.1%	12.1%	15.9%	6.2%	4.8%	4.7%	2.8%	2.0%
50 to 99 employees	1,622	7.0%	7.3%	15.9%	4.1%	7.3%	6.9%	22.4%	4.6%	4.4%	5.1%	1.8%	3.1%
100 to 499 employees	1,340	5.4%	5.7%	22.5%	5.4%	10.0%	11.3%	12.8%	2.2%	2.9%	7.3%	1.2%	2.9%
500+ employees	147	2.0%	6.1%	7.5%	5.4%	11.6%	22.4%	10.2%	0.7%	0.0%	12.9%	2.0%	4.1%

Source: U.S. Census, County Business Patterns, 2015.

Small Business. Big Impact Report on Small Businesses in Miami-Dade County

*This report was created by the **Metropolitan Center** and commissioned by the **Florida SBDC at FIU***



The Metropolitan Center is the leading urban “think tank” in South Florida and an applied research unit in the School of International and Public Affairs (SIPA) at Florida International University. The Center has a solid record of providing technical services to communities in the areas of economic development, housing, transportation and land use planning. The Center’s approach to providing technical services is to take into account the unique needs of individual communities, while adhering to recognized methodologies for data analysis and reporting. The Center houses the ongoing South Florida Regional Database Project, which includes asset mapping, best-practice research, and full in-house Remote Sensing and Geographic Information Systems (GIS) capabilities. Moreover, the Metropolitan Center is a Census Information Center (CIS), which allows for early access to embargoed data and data with restricted use.

FIU @ I-75
1930 SW 145th Avenue, Ste. 302
Miramar, FL 33027
954-438-8650
metropolitan.fiu.edu



The Florida SBDC at FIU is the small-business development center located within the FIU College of Business. Part of the Florida SBDC Network*, the center each year works with more than 900 entrepreneurs and business owners in Miami-Dade with the objective of helping them grow. The SBDC at FIU provides no-cost one-on-one advisory services with regard to financial management, access to capital, market growth, international trade, government contracting and more. In addition, the center offers market and industry data and information to guide business decisions. Since launching in 2014, the SBDC at FIU has helped launch more than 107 businesses and has helped Miami-Dade businesses access more than \$100 million in capital, as well as create, save or retain more than 7,500 jobs.

Florida SBDC at FIU
1101 Brickell Avenue,
South Tower, 11th Floor
Miami, FL 33131
305-779-9230
sbdc.fiu.edu

*The Florida SBDC Network is state Designated as Florida’s Principal Provider of Business Assistance [§ 288.001, Fla. Stat.] The Florida SBDC at FIU is a member of the Florida SBDC Network, a statewide partnership program nationally accredited by the Association of America’s SBDCs and funded in part by the U.S. Small Business Administration, Defense Logistics Agency, State of Florida, and other private and public partners, with the University of West Florida serving as the network’s lead host institution. Florida SBDC services are extended to the public on a nondiscriminatory basis.