Challenge and Solution

Gentrification threatens established small businesses that create and nurture communities. Drawing on lessons learned while helping Baltimore businesses rebuild after protests in 2015, LEDC is helping to preserve small businesses with a foothold in changing neighborhoods. The CDFI’s business retention goals are to protect individual and family livelihoods, preserve and create community jobs, and maintain the integrity and uniqueness of business corridors, communities, and cities. Two examples include:

- **Redevelopment in Wheaton, Montgomery County, Maryland.** Wheaton shopping district is a popular hub of “mom and pop” shops and restaurants. Recently, the county began construction of a new building on Lot 13, a central open-air parking lot that anchored Wheaton small businesses. The project threatens business by blocking customer access, eliminating parking, and changing the neighborhood’s look and feel.

  **Solution:** In 2016, LEDC developed a strategy to help businesses survive construction and thrive after completion: LEDC staff embedded in Wheaton during the project offer ongoing consultations; for businesses identifying a need, LEDC provides targeted technical assistance at no cost in areas like marketing, operations, business planning, and more to help businesses modernize and be more competitive; partnering with the Greater Washington Hispanic Chamber of Commerce, LEDC markets Wheaton businesses to the community; and Montgomery county offers capital infusion grants to businesses demonstrating construction-related losses with the stipulation that the businesses work with LEDC.

- **Shifting Communities along Georgia Avenue, D.C.** With revitalization of the Georgia Avenue corridor, rents in the area are rising and demographics are changing, resulting in longtime small businesses closing shop.

  **Solution:** In a 2017 pilot program, LEDC applied its Wheaton retention strategy to Georgia Avenue. The CDFI invited businesses along the corridor to apply for technical assistance. LEDC chose 20 to work with, providing them tailored technical assistance and familiarizing them with LEDC small business loans when capital is needed. LEDC also works with D.C. Council to identify different ways of supporting small businesses in the area.

Impact

Although it’s early in both efforts, LEDC reports that in Wheaton, the CDFI has helped 62 businesses create technical assistance plans. Among the outcomes: 9 businesses have integrated QuickBooks; 48 have created social media accounts; 7 have launched new websites; 19 have created marketing strategies; and 17 have successfully submitted Small Business Assistance Program grant applications. Because of these efforts, five businesses to date have stabilized and prevented closure. In D.C., the success of the Georgia Avenue pilot has led LEDC to expand its prevention strategy to Columbia Road Northwest, another gentrifying corridor.
About Latino Economic Development Center

LEDC’s mission is to drive the economic and social advancement of low- to moderate- income Latinos and other underserved communities in the D.C. and Baltimore Metropolitan Areas by equipping them with the skills and tools to achieve financial independence and become leaders in their communities.

Founded: 1991
Type of CDFI: Loan Fund
Target Market: Greater D.C. and Baltimore, Maryland region
Types of Lending: LEDC’s Micro-Lending Program provides business loans between $5,000 and $250,000 to qualified start-ups and existing businesses that have difficulty obtaining credit from mainstream financial institutions.

These loans have supported a broad range of small business owners, including restaurants and boutique shops to cleaning and catering companies.

Other Services: LEDC’s Small Business Development Department equips aspiring and established entrepreneurs with the skills and tools necessary to run and strengthen a small business.

Loan Products: Small business/micro-loans
Financing Outstanding (2017): $3.4 million
Clients Served (2017): 1,203 (Technical Assistance and loans)
Website: ledcmetro.org

“LEDC’s work has historically been about helping people build assets. We have clients who have achieved the American dream — they have built assets — and now because of external forces like gentrification, the dream is at risk of slipping away. Our work in areas like Wheaton has become about helping these business owners protect and preserve the assets they have worked long and hard to build.”

— Marla Bilonick, Executive Director, LEDC

This is one in a six-part series of cases studies spotlighting CDFIs (community development financial institutions) in the Wells Fargo Diverse Community Capital network, which is funded with a $175 million commitment in capital and has already supported more than 40,000 jobs and $390 million in financing for diverse small businesses. CDFIs are private financial institutions dedicated to delivering responsible, affordable lending and financial services to help underserved people and communities join the economic mainstream.

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