

# Help for the region's smallest businesses

Open to Business partners deliver coaching, loans to suburban entrepreneurs

BY MARK ANDERSON  
Staff Writer

Lara Babalola has operated Diva's Ave Boutique, a women's clothing and accessories shop in Brooklyn Park, for just over a year, and here's the surprise: In a still anemic economy, Babalola's first-year sales are exceeding her targets; she's current on the rent for her 1,600-square-foot store; and she's beginning to turn a profit.

That's a story that 14 cities in Hennepin County want to repeat as they join Open to Business, a partnership that aims to deliver technical assistance and financing of up to \$25,000 apiece to tiny and startup businesses in the suburbs. It's the program that gave Babalola her start, too.

The effort was launched in early 2010 by the city of Brooklyn Park and the Metropolitan Consortium of Nonprofit Developers (MCCD), which has offered similar coaching and lending in Minneapolis for decades.

Brooklyn Park's city leaders had just reviewed their economic development strategy and saw that something was lacking, said Jason Aarsvold, Brooklyn Park's economic development director.

The city knew that it was outfitted to help established businesses build or expand but didn't have tools to help small-scale entrepreneurs who were showing up in greater numbers.

"We saw lots of people coming into city hall, wanting to start a small or home-based business," Aarsvold said. "They had good ideas and energy, but they needed one-on-one help to understand the technical side of starting and running a business. That isn't our forte."

But that's what the Open to Business director, Rob Smolund of MCCD, and other lenders at MCCD have practiced for years.

The two sides got together and agreed that Brooklyn Park would start channeling small business queries toward the Open to Business program. Smolund would schedule regular office hours in city hall to meet with entrepreneurs to review their business and marketing plans, tighten up expense structures, and figure out capital needs and sources.

If those business plans could be pounded into shape, both MCCD and the Brooklyn Park Development Corp. stood ready to use funds to lend up to \$25,000 to each borrower.

Twenty-five-year-old Babalola was one of the first entrepreneur hopefuls to make it through the process, and she was eager to start working. She was passionate about her goal, and she already had eight years of retail experience.

But Smolund's coaching helped her think more carefully about the myriad



The Open to Business initiative helped Lara Babalola hone the business plan for her Diva's Ave Boutique at 7648 Zane Ave. N. in Brooklyn Park. (Staff photo: Bill Klotz)

details of her business — everything from finding used store fixtures to seeking other ways to lower build-out costs.

"Some things I knew, but many things I didn't. Rob walked me through all the steps. I wouldn't have gotten started without that help," she said.

When she passed muster with Smolund, she also won \$33,000 in seven-year-term loans that were provided in equal portions by the MCCD, Brooklyn Park and WomenVenture.

It was the first loan Open to Business made, but it was already a good model for what Brooklyn Park hoped would follow, Aarsvold said.

"When we envisioned the way this should work this was it," Aarsvold said. "Rob, and the loans, put her on the path to success, and it leveraged outside money to get a new business up and running in Brooklyn Park."

Even following Smolund's rigorous vetting of every candidate, there's still risk in lending to small-scale entrepreneurs, who rarely have much collateral or a record of sales and revenue. Defaults at MCCD were about 8 percent of the agency's loan volume in 2011, Smolund said, and that typically pushes the price of loans up to 10 percent.

But the program gives entrepreneurs access to capital that they would not have otherwise, unless they turned to high-cost sources like credit cards, he said.

Five suburban cities joined the partnership in 2010 and 2011, and nine more are scheduled to join this winter and spring. Part of the reason for the growing interest is that Hennepin County got behind the program last summer, offering to pay half of the \$10,000 in annual fees participating cities pay to take part.

But the Open to Business record was persuasive, too, said David Lindahl, Eden Prairie's economic development manager, whose city joined the program this month.

"We looked at the work they were doing in Brooklyn Park, St. Louis Park and Minnetonka (which joined last year), and they were clearly meeting a lot of businesses. And especially in the wake of the Great Recession, those

businesses need a lot of help," Lindahl said.

Besides Brooklyn Park cities taking part in the program now or later this year are Minnetonka, North St. Paul,

St. Louis Park, Brooklyn Center, Eden Prairie, Edina, Robbinsdale, Golden Valley, New Hope, Hopkins, Independence, Maple Plan and Medina.

## Hamline University School of Law welcomes Thad Pope as Director of the Health Law Institute

Professor Thaddeus Pope has joined Hamline Law's Health Law Institute as its new director. Professor Pope joins Hamline from Widener University School of Law,



where he served most recently as Associate Professor of Law and focused his research on medical futility, internal dispute resolution, tort law, public health law, and normative jurisprudence. He authors a blog on legislative, judicial, regulatory, medical and other developments concerning end-of-life medical treatment.

Professor Pope has also taught at Albany Medical College and the University of Memphis. Prior to joining academia, he practiced at Arnold & Porter LLP and clerked on the U.S. Court of Appeals for the Seventh Circuit. Pope earned a J.D. and Ph.D. in philosophy and bioethics from Georgetown University.

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"We are truly excited about the arrival of Thad Pope and believe he has the ideal background to lead the Health Law Institute in this next exciting phase of its development."

—Hamline Law Dean Donald Lewis

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