

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Small and Local Business Development**



Performance Oversight Hearing for:

Department of Small and Local Business Development

Statement of
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Director

Before the
Committee on Business and Economic Development
Kenyan McDuffie, Chairman

John A. Wilson Building
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Washington, D.C. 20004
Room 500

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Good afternoon, Chairman McDuffie, members of the Council, staff, and residents of the District of Columbia. My name is Kristi C. Whitfield and I have the privilege of serving as the Director of the Department of Small and Local Business Development, also known as DSLBD.

I am excited to testify before you today about the many ways that DSLBD has fought, and continues to fight, for small and local businesses in the District. I want to start by recognizing Mayor Muriel Bowser for her leadership and resolute support in ensuring that DSLBD carries out its mission of helping District-based businesses grow and thrive. Since the beginning of her administration, Mayor Bowser has been committed to creating opportunities for small and local businesses in the District. She understands that when District businesses succeed, so do District residents who depend upon those businesses for employment, goods, and services.

I would also like to thank DSLBD's staff for their unwavering commitment to ensuring that small and local businesses in the District continue to get a fair shot at prosperity.

President John F. Kennedy once said that "a rising tide lifts all boats." And when I took the helm of DSLBD just over two years ago, it became clear that, despite the District experiencing a climate of economic boom, some District-based businesses felt that improvements in the economy were not reaching them.

As an entrepreneur and former business owner in the District, I understand these frustrations better than anyone. This is why I challenged myself and my staff to rethink how we can provide the support needed to those boats that haven't risen with this tide of prosperity, especially as the tide continues to rise.

This challenge forced us to re-envision how we champion the District's small business community, and to reimagine how we engage with the community to remain effective and relevant.

Fairness in life and in business is so important. To begin to lift all boats with the tide, we must guarantee fairness so that small businesses that follow the rules are not bested by bad actors who wish to gain unjust advantages. It was clear that CBE non-compliance needed to be a top priority for DSLBD.

In the beginning of FY19, my team and I hit the ground walking. Yes...walking. Swiftly. DSLBD's compliance and enforcement team were committed to conducting **the most unannounced spot checks on active CBEs in the agency's history**. They achieved this feat by walking throughout the District, knocking on doors to ensure that businesses that claim to be District-based, are, in fact, located in the District. In FY19, we performed spot checks at the listed principal offices of over 1,600 active CBEs.

These spot checks resulted in five (5) CBE revocations and eight (8) CBEs voluntarily rescinding their certification status. This ramped up community presence was just the beginning. In FY20, we will continue to be out in the community with our business cards and door hangers in hand, reminding people that we are here to enforce the law.

This past year, I have also heard from District businesses that are skeptical of the CBE Program because they believe that non-bona fide local enterprises are able to get certified. These concerns regarding entry into the CBE program are top of mind for me. I want to assure the business community that our certification division conducts its reviews in accordance with current law. But, no law is perfect, and as bad actors find ways to skirt the rules, there is always a need for improvement. This is why the Bowser Administration is exploring ways to tighten the letter of the law and close loopholes so that the CBE program aligns more closely with the spirit of helping genuine, local businesses.

I have also received complaints from CBEs about untimely payments or non-payment by primes. I understand that subcontractors rely on scheduled payments. I also understand the harm of not receiving one's money on time can have on daily operations and employee morale. My team and I are working to make that stop. In FY19, DSLBD helped subcontractors collect more than \$1.8 million dollars in late payments from primes.

In addition to payment issues, I know that certain primes had not been adhering to the CBE law's 35% subcontracting requirement. In FY19, under Mayor Bowser's leadership, DSLBD took a stand for the CBE community by **levying and collecting the largest amount of fines in the agency's history** from primes who failed to subcontract the required amount of work to qualified small businesses.

We used this money to distribute \$400,000 in grants which helped the retail shops along our Main Streets who were feeling the immediate impact of the 2019 federal government shutdown. But we did not stop there. We understood that retail shops were hurting on *and* off our Main Streets corridors so we infused an additional \$400,000 to expand the grants citywide. Businesses were able to use this money as a lifeline. For example, one shop owner was able to purchase dryers and floor mats for her salon to attract new booth rentals, which in turn, got her closer towards catching up on her rent payments.

We were also able to leverage \$200,000 in fines into more than 375 loans totaling \$1.7 million. These loans supported the creation or retention of over 310 jobs here in the District.

Mayor Bowser understands the power and impact that District procurement can have on the success of small businesses. In FY19, the Mayor challenged District agencies to commit to more local hiring and spending than ever before. This challenge led to the creation of more government contracting and procurement opportunities for SBEs to the tune of \$840 million.

The Administration did not just achieve this goal – we surpassed it by \$50 million, for a total of \$890 million. To accomplish this, my staff and I prioritized working in partnership with District agency directors, contracting officers, and CBE liaisons to identify more procurement opportunities for small businesses. The Mayor has set an even more ambitious goal of \$910 million for FY20. As the Mayor's designated advocate for small businesses, I am here to make sure that every bit of that \$910 million dollars makes its way into the pockets of certified business enterprises.

DSLBD also opened doors to opportunities for small businesses by pushing back on agency requests to waive the requirement that they contract with District small businesses on various projects. Waiver denials are DSLBD's last opportunity to hold the door open for the CBE community and one of the most serious responsibilities of my job as the Director of DSLBD. While procurement laws do not give DSLBD the power to place a specific CBE on a contract, we do have the power to deny waiver requests and compel our agency partners to take another look at the CBE community when one of them raise their hand to say that they can do the work.

Since Mayor Bowser appointed me two years ago, the dollar value of those waivers has decreased significantly each year, meaning we are keeping more money within the CBE community. In FY19, \$120 million in waiver denials meant \$120 million into the pockets of local CBEs thanks to the diligence, determination, and advocacy of our compliance team.

And, thanks to the tenacity of a Mayor determined to support the small business community, DSLBD included a waiver analysis in the annual Green Book which outlined potential areas of SBE growth based on the industries where the most waivers were granted.

In FY19, we also connected local businesses to more opportunities through our Procurement Technical Assistance Center division which helped local businesses secure \$32.5 million in federal and local contract awards. We also held our first annual Agency Bid Opportunity Rally with the U.S. Department of the Treasury which helped over 350 small District-based businesses improve their readiness to contract and procure with the federal government.

In this past year, the Administration set a national example with our work involving the Made in DC Program. In FY19, DSLBD launched a Made in DC kiosk at Reagan National Airport in partnership with the Metropolitan Washington Airports Authority. The success of this effort garnered national attention resulting in other jurisdictions hoping to replicate our work. I am also pleased to say that the kiosk was made permanent and various vendors grew to the point where they were able to open their own brick and mortar storefronts here in the District.

As I walk along the District's commercial corridors and attend community events in all eight wards, it is clear that gaining access to capital and growing capacity is at the forefront of business owners' minds. That's why, in FY19, my staff and I remained laser-focused on furthering the Mayor's vision by creating new and innovative ways for businesses to gain access to capital and grow capacity.

To do this, we prioritized matchmaking, education, and business development training.

I know that people need help getting connected to the right financial resources at the right times. Just last week, DSLBD and DISB launched the DC Capital Connector. This free, online matchmaking tool connects small businesses to Community Development Financial Institution (CDFI) lenders and bonding agents with the push of a button. This past September, we hosted our second annual District Connect event which connected over 400 District entrepreneurs with lenders, contracting officers, and business support services. Earlier in 2019, we hosted our first Small Business Open House to educate more than 120 District-based businesses on the breadth of DSLBD supports and services.

Mayor Bowser, in quoting Senator Cory Booker, says that “genius in this country is equally distributed but opportunity is not.” The Mayor understands that opportunity for entrepreneurship should be available for everyone. That being said, the Administration continues to focus on identifying and developing small business owners in traditionally marginalized communities and populations. With a focus on East-of-the-River entrepreneurs, DSLBD developed weekly programming in Ward 7 to support business leadership identification and ongoing development through the “Build a Dream” training series, and the “Investment Matters” intensive speakers’ series. We also supported the development and growth of microbusinesses in Wards 7 and 8 through the issuance of 17 Dream Grants totaling over \$160,000.

And through our Aspire to Entrepreneurship Program, we have furthered Mayor Bowser’s initiative of supporting the District’s returning citizens by helping them to implement plans for owning and maintaining a business. In FY18, we supported the creation of 18 businesses owned by returning citizens. We built on this program’s success in FY19 by expanding it from creating new businesses to also sustaining and building resilience in existing businesses. I am proud to note that, to date, the Program has a zero percent recidivism rate.

Returning citizens and small businesses, in general, have also benefited from our Clean Teams Programs. In FY19, this Program made District communities more livable, while creating over 100 jobs for District residents. These 34 Clean Teams also accomplished the herculean task of removing a combined 10 million pounds of trash and recyclables from over 50 miles of commercial corridors located in all eight wards.

Last, but not least, our Main Streets Programs are a welcomed fixture throughout the entire city. To date, the Main Streets have created over 900 businesses and 6,500 jobs, and infused over \$300 million in local, public improvements. In FY19, we facilitated the creation of an additional six Main Streets and offered comprehensive wrap-around support services to a total of 24 throughout all eight wards. In addition, the District Main Streets held the most successful Art All Night event to date this past September, with more than 111,000 people coming out to support the local economy while enjoying an evening of art and culture.

Looking ahead into the remainder of FY20, DSLBD will continue to advocate on behalf of our small and local business community and look for new ways to provide access to new markets, opportunities and capacity building. This will include: cementing a Mentor-Protégé Program with DGS and private partners that will help subcontractors grow their capacity; implementing a back office support program; and initiating a bonding program that creates \$20 million dollars in bonding capacity for qualifying CBEs, among other initiatives. We will also prioritize working with appropriate stakeholders to help combat the rising costs of doing business in the District, especially as it relates to commercial rents and property taxes, a problem we hear about all too often.

Again, I would like to thank Mayor Bowser for her leadership and direction and DSLBD’s staff for their dedication. And, I would be remiss if I did not express my great appreciation to the small and local business community whose candor has led to the great progress and accomplishments made so far.

I look forward to realizing this great momentum to make even more progress going forward into FY20. Thank you, again, to the Council for the opportunity to testify today. I look forward to answering your questions at this time.