[MS-0398-040-009-003]

SPRING VALLEY

NEEDS ASSESSMENT OBSERVATIONS

One-thousand one-hundred and fifteen questionnaires were distributed. Eighty completed questionnaires were received. That represents over seven per cent. One-hundred and seven questionnaires were "returned to sender". The responses were evenly distributed throughout Spring Valley.

Of those mailings returned to sender slightly more than half (60) judging by the business names, were retail stores. Of the retail operations the largest single group were auto related (repair, sales, etc.). The remainder were stores selling various and sundry goods.

The next largest group from which mail was returned by the post office were construction related business. Next were office type firms and non profit organizations. Mail was returned from three medical doctors.

These business may have gone out of business or simply moved from the Spring Valley area. It is not possible to determine where they moved to or why. It is speculative to assume so but of the questionnaires returned thirty percent of all respondents identified "availability of space" as the primary inhibitor to expansion. "Availability of credit" was the second largest inhibitor of expansion for twenty-four percent of respondents.

The mailing list was developed from the Chamber of Commerce Member Directory (157). The Pacific Bell Cross Directory was used for additional mailings (958). Businesses listed in the directory for census tracts 92078 (91977) and 92077 (91977) were included.

The development of the questionnaire involved a review of questionnaires utilized by the Federal Reserve Bank, Southeast Economic Development Corporation, The National League of cities, Daly City, California Economic Development Department, Great Western Bank, and First National Bank. Instructions to National Banks on credit needs assessments published in the Congressional Federal Register (12 CFR Part 25), City of Lawton and the Association of South Central Oklahoma Governments, City of Los Angeles.

The contents of the questionnaire were reviewed and revised by an assessment committee which included representatives from the County of San Diego, Wells Fargo Bank, Valle de Oro Bank, Mitsin Manufacturers Bank, The Money Store, Cuyamaca Bank, American Valley Bank, Bank of Commerce, and East County Economic Development Council

* Respondents employed 360 full time employees and 120 part-time employees. Thirty-two percent of the full time employees were employed by two large companies.

* Thirty-seven percent of those employed by responding companies were Spring Valley residents.

* The largest number of responses came from service related businesses; second-retail and third construction.

* Fifty-six percent of all businesses identified the County as their target area and half as many identified Spring Valley as their primary marketing area. Seven percent targeted sales outside of California.

* Financing for business growth comes mainly from non-bank sources (self & family) for nearly 70% of all respondents.

* Respondents have done business in Spring Valley from 1 to 30 years. The average length of time was over seven years. Nineteen of the 71 respondents have been in business less than three years. Most are established and fairly solid.

* Thirty nine percent of respondents had sales between $100.000 - 500,000. Sixteen percent did more than $1 million in sales annually.

* Average amount of space utilized for business was 5,614 square feet. Spaces ranged from 120 to 100,000 square foot. Only about 22% of the business owned the buildings in which they were doing business.

* A majority of respondents stated that their business had expanded in the past three years.

* The largest single item identified as a needed improvement in their business space was security. The second greatest need was for improvements in the buildings exterior. Complaints focussed on the appearance and the general condition of the property. The need for lighting and parking were also ranked very high.

* All respondents identified some areas of business management in which they could use some help.

  The two most commonly identified were:
  * sources of capital
  * marketing and promotion

  On the next level three very consistent needs were identified and included:
  * assistance for family owned business
  * business plan development
  * computing for small business

In terms of the need for sources of capital, the type and level of need were identified as:

* financing for business start ups
* venture capital
* accounts receivable loans

A majority of respondents placed highest priority on the need for business loans of under $25,000 (working capital for receivables/inventory).

Only 21% of all respondents had a written business plan. The need for assistance in developing one was listed as a priority need by many.

Twenty-seven percent said that financial institutions met community credit needs poorly. Forty percent said the institutions were average. Twenty-three percent rated then very well and twenty percent had no opinion.

It was generally felt that lenders served the overall neighborhood or community better than they served the respondents individually. Thirty per cent said financial institutions served their credit needs poorly while seventeen percent rated services very well.

Respondents generally felt that financial institutions served their residential customers better than their small business customers.

A majority of respondents had no opinion regarding the level of lender support for community development and corporate contributions of financial institutions. The next level of opinion was that they were doing poorly.

Sixty-three percent of respondents identified barriers to future expansion. The most commonly identified barrier was availability of space. The second most common barriers were availability of credit and availability of skilled labor.

The most commonly identified barrier to obtaining capital can be summarized in the phrase "banks don't understand small business." It was felt by many that banks "won't lend" to small business. In general the mis-communication between small business need for capital and financial institution receptivity were the demand for collateral for any lending done. Lenders are nearly incognizant of cash flow needs, value of accounts receivable and income consistency.

Most business would choose to expand their number of personnel if expansion were to occur.

Eighteen different lenders were identified as currently being used by respondents. The six most commonly used were:

Valle de Oro	27
San Diego Trust	8
Wells Fargo	7
Union	6
Bank of America	5
Grossmont	4

The most common reason for using a particular bank was location.

Most respondents do not feel that lender closing or consolidation would have any effect on their business.

Two respondents said they no longer use financial institutions due to fears of permanence.

Of those responding sixty-nine percent had gross sales over $100,000. Sixteen percent had sales over one million.

SAMPLE WRITTEN COMMENTS ON CREDIT FOR SMALL BUSINESS

"I owe non-one, pay all my bills on time, employ 15 people and am an asset to the Community yet I cannot even get a $5,00 line of credit"

Business owner with $400,000 - $450,000 annual sales.
Bank - Security Pacific

"Most lenders won't talk to any of us not grossing $200K".

Business owner with $50,00 - $100,000 annual sales
Bank - Bank of America

"Due to gang activity, increase in taxes, insurance and rent, I have found this business no longer profitable and I will be closing out at the end of this year."

Business owner with $100,000 - $500,000 annual sales and four employees
Bank - Valle de Oro

"I've been in business in Spring Valley for over 30 years. I owe $12,000 on a $400,000 commercial building and $6,000 on a $215,000 home. I recently turned my printing business over to my son and went into the copy machine business. I charged the initial inventory to my visa and master charge. After showing 3 quarters of solid business to the bank and other loans sources, I was turned down on my refinancing plan because "I had a cash flow problem".

Business owner with $100,000 - $500,000 annual sales
Bank - Valle de Oro - Union Bank

"Our business is 5 years old in September '91. SBA laughed when we asked for loan. Therefore, we funded our own business with savings".

Business owners with $100,000 - $500,000 annual sales
Bank - Home Federal

"I was a chiropractor with 7 years experience as an associate with another doctor in San Diego. When I opened my own practice in Spring Valley, the only loan I could obtain was from SEcurity Pacific of 20% interest on $15K. I was turned down by the local branches of Valle de Oro, Board of America and Union Bank. I repaid my loan early to Security Pacific and am very grateful to t hem. However, I was shocked at the difficulty in financing even with a substantial investment on my part, an ongoing business and a good credit record.

Business owner with $100,000 - $500,000 annual sales
Bank - Bank of America

RECOMMENDATIONS

A small business credit need has been identified. It is generally a financing source for loans under $50,000 at interest rates lower than a credit card. Efforts needs to be made to create such a source and to insure direct marketing to Spring Valley. This can occur in a number of ways.

1. Request local lenders with such a product to implement targeted marketing efforts in Spring Valley.

2. Encourage local lenders to join the "Small Bank Community Development Corporation" being formed in San Diego County as a for profit lender focussed on this product.

3. Request a special SBA marketing effort in the Spring Valley area by the Certified Development Corporation.

A second need that is fairly obvious in the data is the need for small business technical assistance in a number of clearly defined areas. A method for developing and making technical assistance accessible should be developed. Some options are:

1. For a small business incubator (for profit or non-profit) funded jointly by the County and lenders to establish and provide this training.

2. Request that the East County Economic Development Council develop such a program. Funding for the effort can come from CDBG funds, Business Improvement District Funds, Donations or through the formation of a County-wide economic development trust fund.

3. Examine interest of community college in developing these courses.

4. Develop a series of workshops to address these subjects through cooperation of existing organization.

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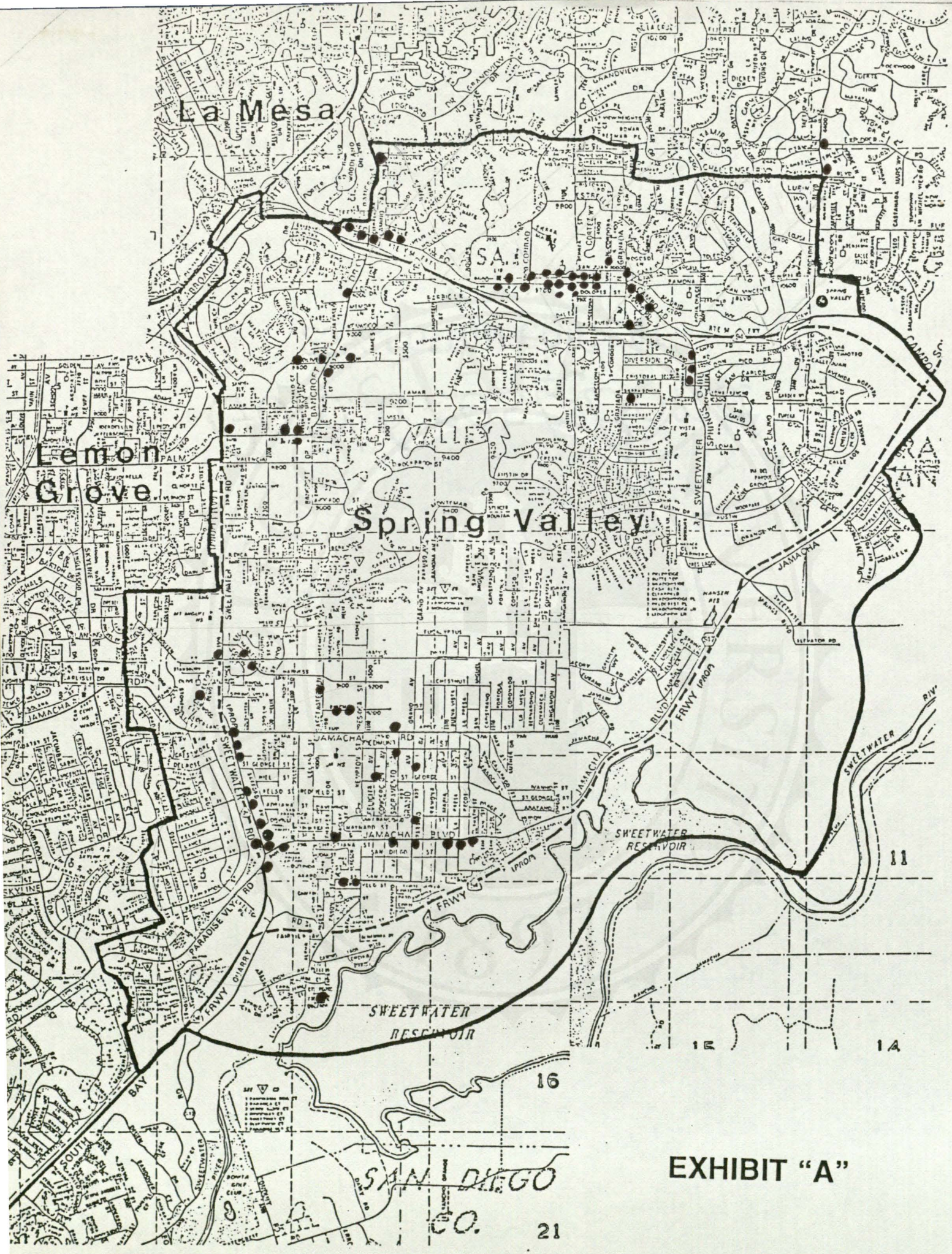
La Mesa
Lemon Grove
Spring Valley
SWEETWATER RESERVOIR
SWEETWATER RESERVOIR
SAN DIEGO CO.
JAMACHA BLVD
SWEETWATER RD
PARADISE VLY RD
FRWY
11
1E
1A
16
21

EXHIBIT "A"