

**Local Economic Expansion for Small Business**  
**House Small Business Committee**  
Subcommittee on Economic Growth, Tax and Capital Access  
Thursday, September 27, 2018

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Congressman Dave Brat, Chair, Subcommittee on Economic Growth, Tax,  
and Capital Access

Congressman Dwight Evans, Ranking Member, Small Business  
Subcommittee on Economic Growth, Tax, and Capital Access.

I am here and proud to be part of the Virginia's small business. The state which has been one of the top states to do business in, and is a wonderful place to live and work.

My story starts from about 50+ years ago when I was 9 years old and established my first corporate like business to sell fire works in a small community and hiring teens of almost twice my age to be my salespersons selling my commodity in the other neighborhoods and earning commission. Even though I finished my education in Finance and Management, I never stop working on new businesses and explore the best way to create more jobs for people in my community.

I consider myself a Live Statue of American Dreams, and born to be an Entrepreneur. I am proud to say in my entire life, I have not received any pay checks but have helped people to make a good living.

I have been active in Construction, Development, and Real Estate for last 30+ years. I Established A&K Development in 1988.

I served as a member of Board of Directors of a Virginia community bank for 7 years from late 1990 to early 2000. That experience helped me to see the problems in the economy and the banking in 2005 before all of the worst recession of our history got to a full force like a hurricane 5 and damaged most of what millions of small businesses had worked for in their life time. By making the early decision, I could be able to go through those years.

I am a member of the Board of Trustees of a PK-12 private school in Virginia.

With a few local friends about 8 years ago we established the Economic Development Partners Group of Orange County.

The Economic Development Partners Group is a collaborative discussion group comprised of the Thought- Leaders interested in the local economic development success especially the Germanna Wilderness Area. Our group includes local and state elected and appointed officials, local government professional staff, small business owners, public educators, community college leaders, real estate business owners real estate developers, retired professionals and congressional district staff leaders.

This group meets every month to be updated and discuss public and private sector initiatives involving Economic Development, K-12 public education, Workforce development, Transportation, Rural broadband Development, healthcare and overall quality of life for Germanna Wilderness Area of Orange County. Through these discussions local leaders are informed and become advocates in supporting these initiatives in a number of critical forums.

Small Business Environment

**About a year ago in a public meeting I asked Congressman Brat to give me a good reason to be happy about our future and our economy. His answer was:**

**“The free Market platform we have for small businesses and its owners in our system is what will help us to move forward at any time.”**

I still remember what he said because this is the best encouragement I could get from my Representative. As small business owners, we are in a much more comfortable situation now than we were few years ago.

Small business owner takes RISKS unlike almost any other component of our economy. Small businesses frequently, and uniquely, place a significant percentage of total personal assets at risk of loss for the benefit of the

business. For a small business owner, risk is not just an abstract concept.

Many external factors impact the level of risk the small business owner must take. Regulations, especially adding new requirements that could not have been anticipated, greatly impact a small business. Regulations affect the ability to borrow to start or expand a business. Regulations divert time and resources away from the main business. Regulations can slow implementation of a new project or the movement of a new product to the market. I encourage all legislators to thoroughly evaluate the risks that existing, or new, regulations imposed on the business climate especially regulations that cross a line and add risk to a level that discourages business startups or expansions.

Small businesses are a critical part of our economy. In Orange County, Virginia where I am a business owner, we have about 900 employers. Over 90% of them employ less than 20 people. But that represents nearly 30% of the entire workforce. At the local level, the financial stability of community and sensitivity to the impact of rules and regulations are helping create an environment that encourages investments by small business owners. In the last 24 months, we have 85 new startups companies.

One of the reasons that it has been difficult for my rural community and others to attract business is the lack of affordable and reliable broadband internet service. This kind of service is becoming more essential to conducting business today in a national or global economy and lack of that service limits growth. The lack of high speed internet even impacts local schooling in that students are often unable to access information resources to do their homework unless they go to the local libraries or other places if they can find it close enough to their house that offers such service. In any rural area, providing the last mile of connectivity is expensive and from a commercial internet service provider's perspective, not economically viable or profitable. Although high speed internet service has been available in urban areas for many years, it is still not migrating to the rural communities.

When commercial service providers are unwilling to provide the initial capital investment to reach remote areas, some other financing mechanism has to be found. My local government is willing to support such investments to the extent their resources allow. However, federal financial support to those localities would enable them to partner with commercial internet providers to provide high speed internet service to more of our

residents and businesses. It would also foster a more attractive environment for small or large businesses to locate in rural areas and revitalize areas that have experienced hard times in the past. We as a nation need to enable all of our citizens so that they can contribute to a strong America economy.

### Availability of Capital to Small Business Owners

To start this part of my testimony, I should say I believe most of the banks are almost closed when it comes to providing much needed capital to small businesses.

Because of what happened in our economy after 2007, banks are so afraid of making loans to small businesses after they made millions of bad loans between 2000 to 2006 which that was one of the reasons we had a recession. The present banking behavior is reminding me of a saying I heard from my parents:

“A person was standing on the flat roof of a high rise, someone told him be careful not to fall off the roof, he started to walk backward to avoid falling, but backed up more than being safe and fell from the other side.’

The banking underwriting system today is like a person who was bitten by a rattlesnake and is afraid of even a black and white rope for the rest of its life. This does not work for a bank when its livelihood depends on making loans to qualified businesses.

During the recession, most of the small business owners credit got hit and the banks that were giving loans to these businesses up to more than 80% loan to value, now I have seen many cases that they are not even approving 30-40% loan to value, just because of the bad experience they have and some because of the new regulations they have to deal with.

This is unfortunate that most of the available capital to small businesses are in hands of secondary market with 12 to 18% APR with very difficult terms which barely any small business owner can afford the consequences of those financing.

My hope is to see the banks, which are one of the most essential of our economic growth, find a way to be able to help small business owners with the much needed capital for their new and expansion ideas.

### New Tax Laws

I am not very good of understanding the new tax laws and effect but as this was the first major tax law change in several decades., for businesses, these cuts are beneficial and we all hope that reduced taxes will help economic growth. This year it will become clearer whether corporations and small business owners plan on reinvesting this money back into their businesses, creating growth and more jobs and the effect of that.

Based on the reports I read, it seems this tax cut is helping the larger corporations more than small business.

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