

**SENATE FINANCE COMMITTEE**

**Chair Dolan  
Vice Chair Burke  
Ranking Member Sykes**

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**Erika Anthony, Vice President of Government Relations & Strategy**

Chair Dolan, Vice Chair Burke, Ranking Member Sykes and members of the Senate Finance Committee, thank you for hearing my testimony today. My name is Erika Anthony and I am the Vice President of Government Relations and Strategy at Cleveland Neighborhood Progress. Neighborhood Progress is a nonprofit community development funding intermediary, which has been investing in community revitalization work in Greater Cleveland for the past 30 years. We are committed to fostering communities of choice and opportunity throughout Cleveland. Today, I am here to offer testimony for our budget amendment request to support - the *Cleveland Chain Reaction* project. This project is a testament to our continued efforts to build a place-based opportunity ecosystem, which aims to advance economic development in Cleveland's neighborhoods.

Greater Cleveland is home to an extensive and supportive ecosystem for new and existing small businesses, funded by both public and private dollars. However, what we have heard and observed is that the robust network of agencies that support small business development is overwhelming for an aspiring business owner. As a funding intermediary whose geographic focus is on the City of Cleveland, we aim to leverage the community development corporation infrastructure as an asset. We are duly positioned to bridge, connect and increase impact between the regional efforts, as well as neighborhood level small business development. To grow the regional economy, we must stabilize from within and strengthen where our residents live and work – our neighborhoods.

Over the past three years, Neighborhood Progress's economic development efforts have been defined by our work with *Cleveland Chain Reaction*, which is a neighborhood economic development project that matches small businesses with local investors to locate a few new or existing businesses in one city neighborhood each year. The goal of *Cleveland Chain Reaction* is to: **advance job creation; support economic mobility for residents; and, revitalize urban commercial corridors in disadvantaged communities.**

The *Cleveland Chain Reaction* partnership has been a collaboration between, Cleveland Neighborhood Progress, Council of Smaller Enterprises, Jumpstart, Greater Cleveland Partnership, and WJW Fox 8. Each year, existing and new businesses are invited to apply for participation in the pitch competition. After a rigorous review and evaluation of each business, 20 applicants are invited to pitch their business concept to the panel of partner agencies and investors in anticipation of securing private investment to grow their business within the host community. If you have ever seen Shark Tank, imagine that – Ohio style.

In 2017, the collaboration of partners identified Slavic Village as the first neighborhood to host the competition. Three businesses received \$510,000 from investors and an additional \$240,000 in real estate investment. Due to the immense success and demand of the inaugural year, we continued the efforts in the Old Brooklyn neighborhood in

2018. A total of seven businesses have received over \$750,000 of investment. Lastly, our latest competition kicked off a few weeks ago in Collinwood. While the application process does not officially close until next week, we do anticipate similar demand and commitment from investors as we have seen in the first two cohorts.

The first couple of years of this project have demonstrated the need to bring this project in-house to ensure we are affording small businesses owners, particularly women and minority owned, even more support to bring their business to fruition. Each round thus far has resulted in upwards to 100 applicants, with varying degrees of support needed to solidify or launch their businesses. While the current model and number of investors only allow us to support 3-5 business per neighborhood, smaller grants, incentives and technical assistance will enable us to serve many more businesses and create impact within multiple neighborhoods across the city that are in need of an economic infusion.

Members of the Senate Finance Committee, Neighborhood Progress is requesting a total commitment of \$1 million over the biennium to support the growth and expansion of the *Cleveland Chain Reaction* project. We have secured \$500,000 over the biennium from Members of the House and we are seeking an additional \$500,000 over the biennium from the Senate. Neighborhood Progress is committed to matching the requested investment with a \$1 million commitment (\$500,000 annually) in private funding partnerships to advance this effort. This \$1 million investment from the State will also leverage additional key investments to the targeted areas we plan on continue the project. These investments include, but are not limited to: Opportunity Zones, Mayor Jackson's Neighborhood Transformation Initiative, recent investments from the KeyBank Foundation, Quicken Loans Community Investment Fund and the Business Growth Collaborative.

The \$1 million investment from the State will specifically support: one-on-one financial coaching and planning for each small business, place-based support to reactivate commercial corridors and storefronts, direct investment to leverage that of the private investors and small dollar investments or viable start-ups that are not ready for full scale/investment, but still need a boost to cover costs essential to business growth/advancement (i.e. ancillary support: marketing/branding, incorporation/legal services, accounting, equipment, etc.) The anticipated outcomes include: **job creation, economic mobility for residents, and revitalized commercial corridors.**

Chairman Dolan and members of this committee, I appreciate your thoughtful consideration of this budget amendment. Thank you for the opportunity to testify today. I would be happy to answer any questions.



### **MAKING THE CASE**

Access to jobs and economic opportunity is a persistent challenge for Cleveland, resulting in income insecurity for its residents. This is evidenced by the fact that 36.2% of Cleveland residents are living below poverty, and 61.3% are living in or near poverty. Further, 33% of owner-occupied units and 58% of renter-occupied units present an unaffordable housing option for families, where housing costs are more than 30% of household income.<sup>1</sup> When these issues are assessed by race, barriers to economic security are further exacerbated for people of color. As highlighted in the report, *The Two Tomorrows*, by the Fund for Our Economic Future, “economic polarization and systemic racial exclusion are serious and growing threats to the region’s economic vibrancy.” In order to actualize sustainable economic transformation for Northeast Ohio, there must be an emphasis on strong local strategies, shared regional priorities, a focus on racially equitable and inclusive systemic solutions, and collaboration<sup>2</sup>.

To strengthen the viability and competitiveness of Cleveland’s regional economy, it is essential to implement a strong local strategy to stabilize and fortify Cleveland’s neighborhoods. Recognizing the city of Cleveland’s population is majority African American (52.3%), this work must be done in an inclusive and racially equitable way to close the polarizing wealth gap and work to build assets and economic mobility particularly for families of color.

### **OPPORTUNITY**

Greater Cleveland is home to an extensive and supportive ecosystem for new and existing small businesses, funded by both public and private dollars. As a funding intermediary whose geographic focus is on the City of Cleveland, we aim to leverage the community development corporation infrastructure as an asset. We are duly positioned to bridge, connect and increase impact between the regional efforts, as well as the neighborhood level small business development. To grow the regional economy, we must stabilize from within with a specific focus on racial inclusion and strengthening where our residents live and work – Cleveland’s neighborhoods.

Over the past three years, Neighborhood Progress’s economic development efforts have been defined by our work with [Cleveland Chain Reaction](#). Chain Reaction is a neighborhood economic development project that matches small businesses with local investors to locate at least five businesses in one city neighborhood each year (please see addendum for program highlights). This initiative provides a local economic stimulus to the national Main Street movement, a preservation-based economic development and community revitalization effort to preserve downtowns for over 35 years. The difference is an intentional focus on jobs, and increasing economic mobility while revitalizing commercial corridors. In its inaugural year, three businesses within the Slavic Village neighborhood received a total investment of \$510,000 and an additional \$240,000 in real estate investment was coordinated. In 2018, seven businesses in the Old Brooklyn neighborhood received total investment of over \$750,000, with additional real estate investment anticipated. As we launch 2019, there is interest from businesses, neighborhoods, and prospective investors to grow the economic resources attracted for communities. This intentional, targeted investment in neighborhoods is a trend that will reinforce and leverage several place-based partner investments planned or currently underway in Cleveland’s neighborhoods: Mayor’s Neighborhood

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<sup>1</sup> CCS City of Cleveland profile. <http://comunitysolutions.com/resources/community-fact-sheets/cleveland-neighborhoods-and-wards/>.

<sup>2</sup> “The Two Tomorrows.” Fund for Our Economic Future. February 2018. Accessed October 2018. <http://www.thefundneo.org/our-research-what-matters/two-tomorrows>.



Transformation Initiative Fund, KeyBank Foundation, Quicken Loans Community Investment Fund, and Opportunity Zone designations to name a few.

Neighborhood Progress is now seeking to leverage the success of *Cleveland Chain Reaction* across all of Cleveland's neighborhoods and to be intentional in efforts to support economic self-sufficiency for minorities, women, and other marginalized populations. **The goal: to advance job creation, support economic mobility for residents, and revitalize urban commercial corridors in disadvantaged communities.** One key lever to help advance this goal is to have intentional alignment with areas that have been designated as Opportunity Zones by the U.S. Treasury Department. Of the 64 census tracts designated as Opportunity Zones in Cuyahoga County, twelve neighborhoods are eligible all or in part from this investment strategy, to include Glenville, Fairfax, University Circle, Kinsman, Buckeye-Woodhill, Ohio City, Tremont, Old Brooklyn, Clark-Fulton, St. Clair-Superior, Collinwood, and Hough.

By harnessing the broader social and economic benefits that may come from Opportunity Zone investments, layered by a robust landscape of community development corporations and other local allies within the small business ecosystem, Neighborhood Progress is poised to advance this broader economic development investment strategy successfully. The result is much-needed public and private investment in neighborhoods - providing employment opportunities to local residents, stabilization to real estate market, and increased valuable goods and services in commercial districts. Further, aligning these efforts with the strong economic inclusion strategy provided by Neighborhood Progress' Community Financial Centers (CFC), which received a \$300,000 investment from the State during the last operating budget cycle, to provide extensive financial coaching to small businesses, will catalyze transformational economic impact for residents living in Cleveland's neighborhoods. These efforts fit directly within our core focus of strengthening urban neighborhoods and aligns with the work of our regional allies for sustained economic growth and competitiveness.

**ASK:**

Neighborhood Progress is requesting a State of Ohio commitment of \$500,000 per year over 2 years (total commitment of \$1 million) to support the growth and expansion of the Chain Reaction agenda. Neighborhood Progress is committed to matching the requested allocation with a \$1 million commitment (\$500,000 annually) in private funding partnerships to advance this effort. A proposed annual budget is below:



<b>STATE GRANT</b>	<b>PURPOSE</b>	<b>Anticipated Outcomes (Annually):</b>
<b>125,000</b>	CFC coaching contract to small business/entrepreneurs – improve bankability of clients; support financial security, access to capital, and wealth building	<ul style="list-style-type: none"> <li>○ Over 150 small businesses will receive financial coaching, resulting in reduction in debt, increased savings/liquid assets, increase in credit/greater access to capital, and increased revenue/profitability.</li> <li>○ 50 small businesses will secure loans and/or equity for growth needs (e.g., working capital, real estate, etc.)</li> <li>○ 10 small businesses will be supported through community lending circle efforts</li> </ul>
<b>225,000</b>	Place-Making Support for Neighborhood-Based Businesses to Activate/Stabilize Commercial Corridors <ul style="list-style-type: none"> <li>○ Real-estate capital incentives (e.g., interest rate write-down; equity contribution subsidy; origination fee coverage; options for purchase agreements; loan loss reserve for loans)</li> <li>○ Tenancy for business growth (e.g., lease subsidy; tenant improvements/build-out, etc.)</li> <li>○ Flex space to co-locate finalists for 12-24 months to seed business growth/development</li> </ul>	<ul style="list-style-type: none"> <li>○ \$500,000 in increased private investment into historically disadvantaged neighborhoods.</li> <li>○ 100% LMI or vulnerable populations served</li> <li>○ At least 10 vacant commercial storefronts will be leased/activated on corridors in neighborhoods with census tracts designated as Opportunity Zones, which will yield greater diversity of quality goods, services, and amenities</li> </ul>
<b>100,000</b>	Direct investment for up to 5 neighborhood-based small businesses (\$20,000 avg. investment) To leverage private investment and double business attraction in targeted neighborhoods Preference given to non-tech business that fills a need/demand in marginalized neighborhood	<ul style="list-style-type: none"> <li>○ 80 quality jobs will be created or retained in neighborhoods with census tracts designated as Opportunity Zones.</li> <li>○ 10 new and diverse businesses will establish a presence in neighborhoods with census tracts designated as Opportunity Zones.</li> <li>○ Over \$1MM in public/private investment attracted by small businesses with a presence in census tracts designated as Opportunity Zones (see addendum for list of previous investors).</li> </ul>
<b>50,000</b>	Auxiliary Fund for Neighborhood-Based Entrepreneurs – to seed proposals (\$0 – 3,000 max) for viable start-ups that are not ready for full scale/investment, but still need a boost to cover costs essential to business growth/advancement (e.g., marketing/branding, incorporation/legal services, accounting, equipment, etc.)	<ul style="list-style-type: none"> <li>○ 25 small businesses will receive on average \$2,000 to seed growth/advancement.</li> </ul>
<b>PRIVATE MATCH</b>	<b>PURPOSE</b>	
<b>500,000</b>	To target \$500,000 of direct investment in businesses that locate in Cleveland’s neighborhoods	An average of 5 small businesses will receive up \$100,000 each direct investment in the form of equity to grow their business in neighborhoods with census tracts designated as Opportunity Zones.



## Addendum:

### CLEVELAND CHAIN REACTION PROGRAM HIGHLIGHTS

**BUSINESS CRITERIA:** Businesses of any type (retail, service, manufacturing, etc.) are considered for Cleveland Chain Reaction and are required to have the following characteristics:

- A track record of some level of operations with customers and revenue that demonstrate a viable business.
- A pathway and a desire for significant growth.
- A willingness to bring on investment capital and a mentor to expand the business.
- The ability to produce business financials for review.
- A desire to locate business operations in the selected Cleveland neighborhood.
- An ownership team that is coachable.

**BUSINESS RECRUITMENT:** The recruitment process for each cohort of Cleveland Chain Reaction is a collaborative and multifaceted effort. For each round, referrals are solicited from all small business service providers within the ecosystem, as well as to various departments within the City of Cleveland, and other community partners (e.g., all community development corporations, existing businesses, residents, etc.). Additionally, promotions are conducted through the Cleveland Chain Reaction website, as well as various social media platforms. Through our partnership with Fox8 Cleveland, promotions are made during morning show segments, which draw 1 million viewers every morning. Segments are made available through the Fox8 website as well.

**PRIVATE INVESTMENT:** For each cohort of Cleveland Chain Reaction, a new neighborhood is identified as well as a new cohort of private investors. The following is a summary from the past two seasons:

#### 2018 Old Brooklyn Investors:

- Eddie Ni, owner of WindFall Group
- Rick Blaszak: founder of Exacta Companies
- Dan Zelman, owner of Paro Services/Cleveland Scene
- Vanessa Whiting, owner of A.E.S Management Corp./ Popeyes Louisiana Kitchen franchisee
- Bernie Moreno, owner of The Bernie Moreno Companies







2017 Slavic Village Investors:

- Fred Geis, owner of Hemingway Development
- Andrew Jackson, owner of Elson's International
- Justin Miller, owner of CleanLife Energy
- Claudia Young, owner of Velvet Tango Room & Citizen Pie
- Lillian Kuri, representing the Cleveland Foundation



**NEIGHBORHOOD EXPOSURE:** Cleveland Chain Reaction provides valuable exposure for the city's neighborhoods. Partnering with local station WJW Fox 8, Neighborhood Progress identifies multiple neighborhoods each year that will receive television exposure. Social media and online exposure is also provided as part of this effort.

