



Testimony to the Ohio Senate Finance Committee on House Bill 110

May 19, 2021

Chairman Dolan, Vice Chair Gavarone, Ranking Member Sykes, and members of the Senate Finance Committee, thank you for the opportunity to offer testimony on House Bill 110 on behalf of Cleveland Neighborhood Progress and our network of Community Development Corporations and small businesses in Cleveland.

My name is Tania Menesse, and I am the President and Chief Executive Officer of Cleveland Neighborhood Progress. Our mission is to foster inclusive communities of choice and opportunity, and we do that by assisting with neighborhood-level community development across the city. We work in partnership with organizations like the Greater Cleveland Partnership, the Urban League of Greater Cleveland, and other organizations focused on economic development to help our neighborhoods stabilize, revitalize, and thrive. From lending to small businesses and coaching neighborhood leaders, to making investments that attract private capital to disinvested areas, our goal is to strengthen Cleveland – and the state – one neighborhood at a time.

I am joined today by Jeff Verespje, Executive Director of the Old Brooklyn Community Development Corporation. We are here today to provide testimony in support of two requests in the state budget: Cleveland Chain Reaction and the Community Development Corporation Direct Impact Fund. Both of these requests will support small businesses, but they accomplish those goals in different ways. I will address Cleveland Chain Reaction, and Jeff will discuss the Direct Impact Fund.

Cleveland Chain Reaction

Strong neighborhoods have strong main streets. Strong main streets have a lively mix of small businesses. Unfortunately, Cleveland's main streets and small businesses have weathered decades of disinvestment, caused by the compounding effects of poverty. I imagine that many of you have seen the negative impact of these issues in your own districts, across communities and towns throughout Ohio. In many ways, our neighborhoods are just like any other town. It's the scale of problems in Cleveland – the nation's poorest big city, according the Center for Community Solutions – that make investment so urgent.

In the last budget, the Ohio General Assembly generously earmarked funds for Cleveland Chain Reaction, a small business support program led by Cleveland Neighborhood Progress. This program focuses on helping local small businesses along neighborhood main streets and commercial districts, outside of downtown. To be sure, we are proud of our downtown, especially how it was recently featured by the NFL Draft; however, the benefits of its resurgence do not spill over into all of our neighborhoods. The businesses I am talking about today are the mom-and-pop shops, the innovative, risk-taking entrepreneurs just getting started on streets like East 185th, Pearl, and Fleet Avenue. They rely on neighborhood-level support from us and from their community development corporations, represented today by my partner Jeff.

To help these businesses grow, we developed Cleveland Chain Reaction. By making strategic investments in local businesses on commercial corridors, Chain Reaction aims to stabilize main streets and catalyze small business growth. We accomplish that by:

- *Providing technical assistance to small businesses*, including financial coaching, business counseling, and connections to local and state programs that support their needs;
- *Activating their street presence* so that main streets look and feel alive;
- *Making direct grants* to fund investments that help them grow their business and stabilize their street presence; and
- *Supporting the smallest small businesses*, because they are often just getting started, they represent our most innovative entrepreneurs, they traditionally have access to the fewest resources, and they need a level of dedicated support that is otherwise unavailable to them.

To support Cleveland Chain Reaction, the Ohio House included funding at \$300,000 per year, or \$600,000 over the biennium. We are grateful for this support, but the need for small business support and services as we emerge from the pandemic will outstrip this investment. We are seeking an increase in funding to \$500,000 per year in order to help these small businesses and their main streets survive and grow.

Why We Need to Invest in Small Businesses

We know this and other similar investments are essential to helping small businesses access the help you have already appropriated. I would like to share some of our on-the-ground experience and observations at Cleveland Neighborhood Progress serving small businesses during the pandemic.

Last year, Cuyahoga County received millions of dollars from the CARES Act to use for small businesses support. The county administration wanted to deploy these funds quickly, to throw a lifeline to small businesses that needed it, and they knew that their infrastructure was not set up for this task. So they partnered with us to run the Cuyahoga County Small Business Stabilization fund, to make grants to small businesses, and to provide technical assistance to the small businesses that needed help accessing these funds. Through the Small Business Stabilization Fund, we provided almost \$8.7 million in support to small businesses with less than \$1 million in revenue and less than 25 employees.

During this process, we learned a lot about what small businesses need in order to succeed, and I believe there are important lessons here related to the bills that the General Assembly recently passed to help small businesses. Hundreds of small businesses who applied for support from the Cuyahoga County Small Business Stabilization Fund did not meet our most basic requirements. For example:

- Many entrepreneurs and small business owners had *never registered as a business* with the Secretary of State's office, despite years of paying taxes.
- Many others *never opened business accounts for their banking needs*, instead using personal accounts.
- Many more *did not have an online presence* – their own website or a page on Facebook, Yelp, or anywhere else – which was a barrier to customers finding them.

In all of these scenarios, our team worked with them to register with the state, to get a business account at a local bank, and to get online. We did all of this so that they could finally access the funds made available to support them, to keep them alive through the pandemic.

Chairman Dolan, Vice Chair Gavarone, Ranking Member Sykes, and members of the Senate Finance Committee, the more we can do to support entrepreneurs and small businesses in Ohio, the more successful our cities, our state,

and our economy will be. To do that, we have to meet small businesses where they are at. Strategic investments will yield transformational results. Let's bet big on small business.

When Jeff has finished his testimony, we would be happy to answer any questions that you may have.