



**Testimony to the Ohio Senate  
General Government Budget Committee  
on House Bill 110**

May 5, 2021

Chairman Schaffer, Vice Chair Wilson, Ranking Member Craig, and members of the General Government Budget Committee, thank you for the opportunity to offer testimony 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 development to disinvested areas, our goal is to strengthen Cleveland – and the state – one neighborhood at a time.

I am 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.

**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 to 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. We are proud of our downtown, especially how it was featured by the NFL Draft this past weekend, but the benefits of its resurgence do not spill over into all of our neighborhoods. Rather, these small businesses are the mom-and-pop shops and the innovative, risk-taking entrepreneurs just getting started on streets like East 185<sup>th</sup>, Pearl, and Fleet Avenue. And they rely on neighborhood-level support from us and their community development corporations.

To help these businesses grow, we developed Cleveland Chain Reaction. By making strategic investments in local businesses and on main streets, 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, 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 recognize that 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.

### **Direct Impact Fund for Community Development Corporations**

The other request is a one-time investment for a Direct Impact Fund for Community Development Corporations to support small businesses. Each Community Development Corporation in Cleveland serves a specific neighborhood, and every neighborhood is served by one. Because our communities are so diverse, this model helps meet the specific needs of every neighborhood without relying on rigid, bureaucratic municipal programs that many small businesses find nearly impossible to navigate.

However, these small businesses do rely on their community development corporations. Community Development Corporations market our neighborhoods and organize large-scale events to attract customers for businesses. They lead street beautification and safety efforts to create enjoyable experiences on our main streets for residents and visitors. And, most importantly, they are the economic development professionals at the local level, counseling small businesses and directing them to additional resources. Community development corporations are how many small businesses find out about and learn how to access services made for them, like grants, loans and technical assistance. When we think about our main streets, the small businesses that occupy their storefronts, and the neighborhoods they support, community development corporations tie those things together in a way that is both overlooked and undervalued.

To that end, community development corporations have played a critical role in keeping small businesses alive throughout the pandemic. They spread awareness about which businesses are open and what their hours of operations are. They organize “cash mob” events to infuse businesses with much-needed income. And they help implement innovative ways to reach new and existing customers.

Unfortunately, none of this work is funded by traditional revenue streams, like federal CDBG (Community Development Block Grant) funds. Keeping small businesses alive is good for our neighborhoods and our city, but community development corporations did it – and continue to do it – at a loss. If there is not support for this work, CDCs will go bankrupt trying to help local small businesses. That, in turn, will result in fewer small businesses growing and more closing.

That is why we are asking for an earmark of \$500,000 in both years of the budget to help our community development corporations assist small businesses through a Direct Impact Fund. These funds will be used to help

community development corporations help small businesses connect to the economic development ecosystem that has tools to meet their needs. While the Ohio House did not include funding for this proposal in their version of the budget, there is strong, bipartisan support for it. They did fund Chain Reaction, and we ask that you provide funding for this proposal, too.

I would also like to add that we are also seeking local and corporate funding for this fund. We believe that it will take a coalition of support from every corner of our community to strengthen support for small businesses as we emerge from the pandemic. We met last week with the Corporate Responsibility Team at KeyBank, and we have requested support from the City of Cleveland through an allocation of funds from the American Rescue Plan.

### **Why We Need to Invest in Small Businesses**

Chairman Schaffer and members of the Committee, as a final note 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 contracted with Cleveland Neighborhood Progress 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 Ohio Senate recently passed to help small businesses with pandemic aid. Hundreds of small businesses who applied for support from the Cuyahoga County Small Business Stabilization Fund did not meet the 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 being in business. Many others never opened business accounts for their banking needs, instead using their 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 Schaffer, Vice Chair Wilson, Ranking Member Craig, and members of the General Government Budget 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.

Thank you again for this opportunity to provide testimony in support of these two requests. I would be happy to answer any questions that you or your colleagues may have.