Cuyahoga County
Microcredit Supply and Demand Analysis

Prepared by

friedman associates
sustainable organizations build sustainable communities

and

URBAN OASIS From Brownfields to Green Buildings

for

CLEVELAND FOUNDATION

the business of good foundation
Serving those who serve the poor.
Executive Summary

“Microfinance should have a seat at the table as part of a broader strategy for economic development in the region. It has been tried here before, but without strong leadership and not integrated with the organizations on the ground working to revitalize neighborhoods and create businesses and jobs. It has worked well in other cities; there is no reason it should not succeed here.” - Stakeholder

The Brookings Institution recently released the Restoring Prosperity report which calls for a new era of innovation to help reenergize Ohio’s entrepreneurial culture with the following recommendations:

- Preserve funding for Third Frontier investment program (technology-based economic development initiative);
- Find creative sources of funding for innovation-based economic development;
- Significantly expand the state’s advanced manufacturing network; and
- Create micro-investment funds

The report acknowledges that there are entrepreneurs and innovators in Cleveland and across the state that would not meet the criteria of the Third Frontier program but who could contribute to the economy and benefit from small, early-stage investments. The report calls forth the state to partner with existing economic development non-profits to create micro-investment funds, and has announced a new program that will provide up to $5,000 in startup loans to would-be entrepreneurs.

This recommendation comes at a time when there is increased public and private sector attention in City of Cleveland and Cuyahoga County on the role of microcredit as a tool in stimulating small business development. It has become conventional wisdom to suggest there is a credit gap for emerging entrepreneurs, particularly for low-wealth residents, immigrants, women and other underserved individuals. As well, in an environment of tight credit, it is believed that small businesses are generally unlikely to obtain financing for growth from conventional financial institutions.

The Cleveland Foundation and the Business of Good Foundation seek to better understand the potential market for microcredit in Cleveland and Cuyahoga County. Friedman Associates, a consulting firm specializing in microfinance and its partner Urban Oasis Development, LLC, was retained to conduct a gap analysis to determine the potential demand for capital under $50,000 for aspiring entrepreneurs and existing very small businesses.

The methodology employed by the consultant included both quantitative and qualitative components:

1. **Quantitative Analysis:** The supply and demand analysis for micro-lending drills down to the zip code level in Cuyahoga County to identify those areas that are most in need of capital, particular smaller size loans targeted to smaller firms. In order to estimate the supply and demand for capital for small businesses within Cuyahoga County we used five main data sets:

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Cuyahoga County Microcredit Supply & Demand Analysis

- County Business Pattern (CBP) data for 2007 through 2009
- Dun & Bradstreet (D&B) records for 51 zip codes as of 9/1/11
- Community Reinvestment Act (CRA) Aggregate reports for 2007 through 2009
- Survey of Small Business Owners (SBO) for 2007
- Kauffman Firm Survey for 2009

The analysis consists of two main components: (1) Analysis of trends in firm characteristics, industry sectors, lending patterns across the county; and (2) Estimate of Demand/Supply mismatch by zip code.

2. **Qualitative Analysis:** to supplement the data analysis, we conducted confidential telephone interviews with nearly 50 key informants (stakeholders) identified by the Cleveland and The Business of Good Foundations. This included representatives of financial institutions, local government, Community Development Corporations (CDCs); nonprofit small business development organizations and other institutions involved in economic development in the region. These individuals also participated in a confidential online survey.

**Appendix A** includes the list of individuals that participated in the stakeholder surveys and interviews. **Appendix B** includes the full survey results and **Appendix C** contains the interview questions.

**Major Findings**

- **Cuyahoga County experienced negative growth in small businesses overall, but a slight increase in microbusinesses:** From 2007-2009, Cuyahoga County experienced a -5.39% decline in the total number of employer firms and small 0.87% growth in non-employer firms.

- **Dramatic decline in small business lending:** The amount of lending to small businesses from commercial banking institutions in the County declined dramatically. Loan volume for loans under $100,000 and loans to small businesses with less than $1 million in revenue were down 70% and dollar amounts were down 60% for both categories respectively.

- **Significant gap in small business lending:** Overall, there is an estimated $38 million of unmet loan demand in the County that isn’t being provided by commercial banks. In each of the 15 zip codes this represents between 50-90% of total loan demand that isn’t being served by the CRA reporting banks.

- **Six zip codes in Cleveland account for between $25 million of the lending gap.** We looked at each zip code across several dimensions including the estimated lending gaps, firm density, change in lending from 2007 to 2009, lending rates for 2009, and areas where there are high concentration of small firms and minority and women-owned firms. In 2009, 5,055 firms were located in these zip codes with $8.4 billion in revenue and 13,030 employees. We identified 6 zip codes as high priority target areas for micro-loan funds to focus on. The zip codes and neighborhoods contained within them are listed below. These six zip codes are characterized by the following:
  - **Well below average lending rates:** Lending rates of 12.67 loans per 100 businesses for small business loans under $100,000 and 3.97 loans per 100 businesses for loans to
small businesses with less than $1 million in revenue are well below the County rates at 19.64 and 6.93, respectively.

- Large percentage of minority and women-owned firms: They account for 16% of women-owned and 23% of minority-owned businesses
- Younger Population: There is 37% of the population under 30 compared to 44% for the County.

### High Priority Zip Codes

<table>
<thead>
<tr>
<th>Zip Code</th>
<th>Neighborhood</th>
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<th>Neighborhood</th>
<th>Zip Code</th>
<th>Neighborhood</th>
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<tbody>
<tr>
<td>44105</td>
<td>Corlett</td>
<td>44106</td>
<td>Amber Heights (Chestnut Hills)</td>
<td>44113</td>
<td>Civic Center</td>
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<td>Cranwood Park</td>
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<td>Slavic Village</td>
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<td>Fair fax</td>
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<td>South Broadway</td>
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<td>University</td>
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<td>44114</td>
<td>Chinatown</td>
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<td>Bexley Park</td>
<td>44120</td>
<td>Ambler Heights (Chestnut Hills)</td>
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<td>Civic Center</td>
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<td>Minor Heights</td>
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<td>The Circle</td>
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<td>University Corners</td>
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<td>University Square</td>
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<td></td>
<td></td>
<td>Wiley</td>
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## Targeted Zip codes for Micro Loan Fund in Cuyahoga County

<table>
<thead>
<tr>
<th>Zip Code</th>
<th>44105</th>
<th>44106</th>
<th>44113</th>
<th>44114</th>
<th>44118</th>
<th>44120</th>
<th>Subtotal</th>
<th>County</th>
<th>% of County</th>
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<tbody>
<tr>
<td>2007 Loans &lt;$100k</td>
<td>503</td>
<td>747</td>
<td>1,428</td>
<td>652</td>
<td>744</td>
<td>592</td>
<td>4,666</td>
<td>37,883</td>
<td>12.3%</td>
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<tr>
<td>2007 $Amt ('000)</td>
<td>4,578</td>
<td>6,040</td>
<td>17,922</td>
<td>8,030</td>
<td>6,352</td>
<td>5,257</td>
<td>48,179</td>
<td>400,999</td>
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<tr>
<td>2007 Loans to SB</td>
<td>200</td>
<td>282</td>
<td>399</td>
<td>179</td>
<td>284</td>
<td>307</td>
<td>1,115</td>
<td>11,454</td>
<td>9.7%</td>
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<tr>
<td>2007 $Amt ('000)</td>
<td>747</td>
<td>1,681</td>
<td>3,561</td>
<td>3,025</td>
<td>2,190</td>
<td>12,288</td>
<td>149,265</td>
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<tr>
<td>2009 Loans &lt;$100k</td>
<td>136</td>
<td>46</td>
<td>155</td>
<td>253</td>
<td>307</td>
<td>218</td>
<td>1,589</td>
<td>13,534</td>
<td>11.7%</td>
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<tr>
<td>2009 $Amt ('000)</td>
<td>3,861</td>
<td>5,457</td>
<td>15,979</td>
<td>4,643</td>
<td>5,736</td>
<td>5,649</td>
<td>41,325</td>
<td>320,332</td>
<td>12.0%</td>
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<tr>
<td>2009 Loans to SB</td>
<td>50</td>
<td>14</td>
<td>42</td>
<td>66</td>
<td>110</td>
<td>67</td>
<td>1,589</td>
<td>13,534</td>
<td>11.7%</td>
</tr>
<tr>
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<td>3,861</td>
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<td>4,643</td>
<td>5,736</td>
<td>5,649</td>
<td>41,325</td>
<td>320,332</td>
<td>12.0%</td>
</tr>
</tbody>
</table>

### Decrease in # of Loans and $Amounts

<table>
<thead>
<tr>
<th>Year</th>
<th>Loans &lt;$100k</th>
<th>Loans to SB</th>
<th>$Amount &lt;$100k</th>
<th>$Amount to SB</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>-73.0%</td>
<td>-75.0%</td>
<td>-61.2%</td>
<td>-76.1%</td>
</tr>
<tr>
<td>2009</td>
<td>-93.8%</td>
<td>-95.0%</td>
<td>-58.7%</td>
<td>-69.8%</td>
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### Population Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>% of County</th>
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<tbody>
<tr>
<td>2000-2010</td>
<td>-25.9%</td>
</tr>
<tr>
<td>2007</td>
<td>14.8%</td>
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<tr>
<td>2009</td>
<td>14.8%</td>
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### Non-employer Firms

<table>
<thead>
<tr>
<th>Year</th>
<th>% of County</th>
</tr>
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<tbody>
<tr>
<td>2000-2010</td>
<td>22.1%</td>
</tr>
<tr>
<td>2007</td>
<td>23.1%</td>
</tr>
<tr>
<td>2009</td>
<td>23.1%</td>
</tr>
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### Estimated Lending Gap

<table>
<thead>
<tr>
<th>Year</th>
<th>High</th>
<th>Low</th>
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</thead>
<tbody>
<tr>
<td>2007</td>
<td>$7,020,378</td>
<td>$5,367,307</td>
</tr>
<tr>
<td>2009</td>
<td>$6,155,653</td>
<td>$4,861,218</td>
</tr>
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</table>

### Friedman Associates & Urban Oasis Development, LLC
Cuyahoga County Microcredit Supply & Demand Analysis

Targeted Zip Codes for a Micro Loan Fund

Legend
Gap Analysis
Est Unmet Loan Demand
- Less than $0
- $0 to $1M
- $1M to $2M
- $2M to $3M
- $3M to $4M
- $4M to $5M
- Greater than $5M

Targeted Zip Codes are highlighted in Blue
County Lending Rate for Loans <$100k = 19.64 loans per 100 businesses

Firm Density
Number of Firms Per Acre
- 0
- 1
- 2 - 3
- 4 - 7
- 8 - 9

Lending Rates for Loans <$100k
Loans per 100 firms
- 4.37 - 10.55
- 10.56 - 17.25
- 17.26 - 24.97
- 24.98 - 34.90
- 34.91 - 52.62

Map Created by: Urban Oasis Development, LLC
Source: U.S. Census Bureau County Business Patterns, Dun & Bradstreet
The gap in the market for credit for micro and very small businesses was affirmed by stakeholders: An overwhelming majority of survey respondents (93%) believe there is gap in the market for credit for micro and very small businesses, estimating it to be more than $750,000 annually. Stakeholders elaborated further on this in the interviews:

“What is critically missing is a strong CDFI that can provide financing for commercial revitalization and small business projects. For example, Shaker Heights has a 20% poverty level with commercial areas highly underdeveloped. A strong microlender/CDFI could be a big help in making small businesses succeed here.”

“There are 17,000 minority owned firms in this region. We don’t treat them as a wealth creation strategy. Are we going to support and encourage people to start a business as wage replacement strategy or as a wealth creation strategy?”

“In my mind, there is no doubt there is a gap. I encounter young bright people from the ‘creative economy’ with great ideas that want to move to street level and I can’t match the needs with the resources.”

Stakeholders identified aspiring business owners and existing small businesses are the key targets for a microloan program. Stakeholders provided extensive ideas on the types of businesses that should be targeted by the program. They range from small technology businesses to restaurants to home daycare providers to urban agriculture and ethnic grocery stores to artisans. A full list is provided in Appendix B.

Existing efforts to provide microcredit in Cuyahoga County are perceived to be ineffective: A majority of stakeholders believe that existing efforts to provide microloans are ineffective in reaching their target markets.

The key factors in operating a successful microloan program include a solid track record of success; effective screening of borrowers; and strong post-loan technical assistance: Stakeholders, both in their survey responses and interviews, identified the most important factors in operating a successful microloan fund. The suggestions that were mentioned most frequently include: (1) strong and realistic business plans; (2) solid but flexible underwriting criteria; (3) strong coaching and technical assistance for borrowers, including development of business support networks; and (4) proven leadership in lending and entrepreneurial training. Interviewed stakeholders provided further insights:

“I suggest that whoever does this should have a balanced portfolio – microloans with another layer right under what the bank declines – under $50,000 or less; that’s where the banks are going to buy in."

“Small business is not for everyone – 5-7% has the drive to do it. You need to balance mission with the bottom line – there has to be sufficient cash flow to pay the loan and the borrower needs to prove the feasibility of the business. So, the program needs to have solid but flexible underwriting criteria and structured and performance-based post-loan coaching, etc.”
A microloan initiative should include a “place-based” component and be strategically aligned with local Community Development Corporations (CDCs) and private developers that are working to bring spur commercial development and neighborhood: in our conversations with stakeholders, we identified numerous opportunities for collaboration and partnership. A few illustrative examples include:

“We’re focusing significant investment in a place-based strategy on the East Side, University Circle and surrounding neighborhoods. There are 3,000 residents, with probably 40% below poverty and median income of $18,000. By developing this area we can attract small businesses and create new jobs.”

“There is a concerted effort in the Near Westside neighborhoods (Detroit Shoreway and Ohio City) to attract retail and shopping. A strong CDFI/microlender would be very welcomed.”

“The Northeast Shores Development Corporation is partnering with the Community Partnership for Arts and Culture for a two-year, $500,000 pilot program will focus its efforts on this relationship in Cleveland’s Waterloo Arts District, including microloans and grants to artists.”

In particular, CDC Directors would like to see the creation of a formal partnership with a microloan initiative that includes a client intake and follow up process:

“Working with the CDC community and local level developers and merchant associations would help to infuse the program from a marketing position. Many small businesses or local entrepreneurs call into their local CDC looking for assistance associated with a start-up business or expansion and are in need of coaching, credit and financing. This is a huge gap in the advancement of job creation and local economy.”

“The key issue is that we need real clear protocols for hand-off and referral and a mechanism between us and the lender to find out what happened. We don’t have enough staff to do the follow up.”

Stakeholders identified a weakness in the coordination, delivery and effectiveness of entrepreneurial training and technical assistance in the County and believe this must be addressed as part of any potential initiative to expand the availability of credit: While the focus of the analysis was on access to credit, stakeholders provided their observations about the delivery and quality of business technical assistance to very small businesses.

“There is a total disconnect between the clients and the providers and a total lack of outreach by the current small business technical assistance providers.”

“I discovered that everyone in the TA community is just generalists, with no one to do the most important post-loan counseling. Capital is great, but there needs to be more focus on execution.”

“If a micro loan program could also include education around finance, profit and loss statements, balance sheets, income statements, business plan writing, incorporation, state certifications, licensing and bonding, and more; this would give the small business community in this region a huge step toward success.”
The survey concluded with an opportunity for stakeholders to provide additional feedback, observations, recommendations, etc. to guide the development of a potential initiative. Their unedited responses are listed in Appendix B.
Introduction

Cuyahoga County encompasses its core city of Cleveland and 58 additional municipalities that is part of a larger $170 billion regional economy that encompasses 15 sister counties.² The County, the City of Cleveland, the Cleveland Foundation and other stakeholders are taking unprecedented action in developing a comprehensive economic development plan that will help shape a policy agenda that can drive economic growth in the region. Cuyahoga County is well positioned to develop a set of strategies that moves from an economy rooted in consumption and housing bubbles to one that is based on the county’s strengths in manufacturing, materials, and medicine. The County is looking to play a leadership role in conjunction with regional partners including the Greater Cleveland Partnership, Team NEO and the Fund for Our Economic Future to respond to the resident’s mandate under the charter “job creation and economic growth as a fundamental government purpose.” The County has identified that it will make investments that have the following characteristics which are in alignment with the populations that micro-lenders seek to serve:³

- **Collaborative:** will partner with the public, private and nonprofit sectors to maximize the amount of and effectiveness of its resources being deployed.
- **Inclusive:** it will make investments that create opportunity for all county residents, with particular emphasis on racially and economically isolated populations.
- **Transparent:** residents will be able to easily track where our public resources are being invested and the returns being generated by those investments.
- **Sustainable:** will foster economic transformation in a manner that promotes economic growth, educational attainment, and environmental stewardship that is systemic and sustainable into the future.

While the supply and demand for micro-enterprise capital for this study is focused exclusively on Cuyahoga County, the success of these new and growing businesses will ultimately depend on how well it can connect to this larger regional economy. In addition, it is important that any efforts in supporting micro-lending and micro-entrepreneurship should partner with the County, the existing business community, and regional economic development players who are helping to shape the policy agenda for Cleveland’s economic future.

The Brooking’s institution recently released the Restoring Prosperity report⁴ identifying the four key assets that will drive the “next economy” in Cleveland and the rest of the state. These assets are found in the metropolitan regions and will be most critical for success in an export-oriented, lower carbon, innovation-led economy:

1. **Innovation:** seven largest metros hold 75% of patenting activity and 82% of knowledge jobs.

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² Cuyahoga County Economic Development Draft Plan, May 2011.
³ Ibid.
2. **Human Capital**: 81% of state’s adults aged 25 or older with bachelor’s degree are in metros.

3. **Infrastructure**: 100% of state’s air cargo and commercial passengers and where most of its ports are found.

4. **Quality Places**: seven largest metros have 62% of historic places and a concentration of public amenities and market activities that create a sense of place to attract and retain innovative firms and talented workers.

The agenda laid out in the Brooking’s report calls for a new era of innovation to help reenergize Ohio’s entrepreneurial culture with the following recommendations:

- Preserve funding for Third Frontier investment program
- Find creative sources of funding for innovation-based economic development
- Significantly expand the state’s advanced manufacturing network
- Create micro-investment funds

It is recognized that there are entrepreneurs and innovators in Cleveland and across the state whose efforts are not a good fit for the Third Frontier investment program but could contribute to the economy with small, early-stage investments. The report calls forth the state to partner with existing economic development non-profits to create micro-investment funds, and has announced a new program that will provide up to $5,000 in startup loans to would-be entrepreneurs.

This recommendation comes at a time when there is increased public and private sector attention in the County on the role of microcredit as a tool in stimulating small business development. Anecdotal evidence suggests there is a gap in the market for capital and technical assistance to emerging entrepreneurs, particularly for low-wealth residents, immigrants, women and other underserved individuals. As well, in an environment of tight credit, small businesses that not eligible for the programs described above are generally unlikely to access capital for growth from conventional financial institutions.

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1. **Quantitative Analysis**: In order to estimate the supply and demand for capital for small businesses within Cuyahoga County we used five main data sets:
   - County Business Pattern (CBP) data for 2007 through 2009
   - Dun & Bradstreet (D&B) records for 51 zip codes as of 9/1/11
   - Community Reinvestment Act (CRA) Aggregate reports for 2007 through 2009
   - Survey of Small Business Owners (SBO) for 2007
   - Kauffman Firm Survey for 2009
2. **Qualitative Analysis**: to supplement the data analysis, we conducted confidential telephone interviews with nearly 50 key informants (stakeholders) identified by the Cleveland and The Business of Good Foundations. This included representatives of financial institutions, local government, Community Development Corporations (CDCs); nonprofit small business development organizations and other institutions involved in economic development in the region. These individuals also participated in a confidential online survey.

Appendix A includes the list of individuals that participated in the stakeholder surveys and interviews. Appendix B includes the full survey results and Appendix C provides the interview questions.

**Very Small Businesses Dominate the Small Business Landscape**

In the US and Cuyahoga County half of all employer firms have less than 5 employees. In addition, firms with no employees account for 58% of all firms in the US, and in Cuyahoga County, nearly 70% of all the firms are non-employer firms according to the 2009 County Business Pattern data available from the U.S. Census. These smallest businesses are essential economic actors and play a critical role in “experimentation and innovations that lead to technological change and employment growth.” Small businesses respond to local needs and desires left unfilled by large corporations.

Economic programs and policies such as micro-investment funds and small business loan programs must have flexibility to accommodate very small firms, as they are essential to the strength and diversity of the NEO regional economy. Not only do they account for the majority of firms, they also account for the majority of employees and are often the largest net job creators.

**Table 1. Distribution of Firms in US and Cuyahoga County, OH in 2009**

<table>
<thead>
<tr>
<th>Employer Firms</th>
<th>1-4 Employees</th>
<th>5-9 Employees</th>
<th>10-19 Employees</th>
<th>20 or More</th>
<th>Total Employer Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Employer Firms in U.S.</td>
<td>7,433,465</td>
<td>4,061,137</td>
<td>1,402,819</td>
<td>1,969,509</td>
<td>14,866,930</td>
</tr>
<tr>
<td>Percent of Employer Firms</td>
<td>50.0%</td>
<td>27.3%</td>
<td>9.4%</td>
<td>13.2%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Total Employer Firms in Cuyahoga, OH</td>
<td>17,037</td>
<td>6,742</td>
<td>4,638</td>
<td>5,685</td>
<td>34,102</td>
</tr>
<tr>
<td>Percent of Employer Firms</td>
<td>50.0%</td>
<td>19.8%</td>
<td>13.6%</td>
<td>16.7%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Total Non-Employer Firms in U.S. 21,090,761

Percent of All Firms 58.65%

Total Employer Firms in Cuyahoga, OH 83,282

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What is interesting to note in Cuyahoga County in addition to the high proportion of Non-Employer firms, is that it has fewer firms with 5 – 9 employees but more large firms than the national average.

Role of New Firms in the Economy

Perhaps most relevant to the market that micro-investment funds seek to serve is that they are often targeted to new start-up firms which are the largest net job creators. The leading research out of the Kauffman Foundation has been catalyzed into a series of policy initiatives called the Startup Act and the creation of “Startup America” Partnership, a private-sector entity launched January 31, 2011 at the White House to leverage the work of partners in the U.S. government and private sector together to maximize the success of America’s competitiveness in an increasingly global world.  

Researchers at Kauffman note “it is now well established that until the Great Recession U.S. job and output growth was driven by the formation of new firms, or startups. All existing firms older than 5 years on net generated no additional jobs.” Prior to the economic downturn in 2007 on average, new firms generated on average 3 million jobs annually. However, recent trends are quite sobering. Employer businesses have been starting in fewer numbers, with fewer employees, growing slower, and therefore generating fewer jobs.

Kauffman is engaged in a longitudinal survey of small business firms. The Kauffman Firm Survey (KFS) dataset provides researchers with a unique opportunity to study a panel of new businesses from startup to sustainability, and covers such topics as how businesses are financed; products, services and innovations businesses possess and develop in early years; and the characteristics of the business owners who operate them.

The most recent data from 2009 revealed that only 7% of the firms surveyed indicated that inability to obtain credit or the cost of credit was the “most challenging problem” facing their business. The top challenges, as expected in this economic climate, are slow sales (44%) and unpredictability of business climate (22%). However, the data did reveal that over 20% of firms didn’t apply for credit for fear of denial and that there has been an increase in loan application denials with 23% of firms responding saying that their loan application was “always denied.” This is up from 18% just two years ago.

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6 [www.startup americapartnership.org](http://www.startup america partnership.org)
All businesses, especially those capable of scaling, require capital. As such, economic revitalization in the U.S. that creates net new jobs that will accommodate are current population growth, must be targeted to startup and small firms. This is exactly the profile of the borrower that micro-investment and loan funds seek to serve. As such, this report drills down to highlight the important sectors that are growing in Cuyahoga County. In addition, the report: (1) identifies where the small and disadvantaged firms are located; (2) estimates their demand for loan capital; and (3) identifies gaps in the lending market by comparing it to small business loan data reported under the Community Reinvestment Act.

**Methodology for Estimating Supply & Demand**

In order to estimate the supply and demand for capital for small businesses within Cuyahoga County we used five main data sets:

1. County Business Pattern (CBP) data for 2007 through 2009
2. Dun & Bradstreet (D&B) records for 51 zip codes as of 9/1/11
4. Survey of Small Business Owners (SBO) for 2007
5. Kauffman Firm Survey for 2009

The first part of our analysis looked at the firms located within Cuyahoga County and identified patterns in employment size, industry, and sector growth. Next, we analyzed the commercial lending within the study area by mapping the CRA loans by loan size, loan volume, dollar volume, loans per 100 businesses, and percent change in loan and dollar volume from 2007 to 2009. Third, we estimated current capital demand using data from the 2007 Survey of Small Business Owners which provides the distribution of the dollar amounts that firms need.

We calculated a low and high weighted average of dollar amount needed by firm size using the distribution data and low and high dollar amounts in each range. Using these estimates, we then estimated range of estimated loan demand for non-employer firms and firms with 1 to 4 employees by multiplying the number of firms in each category. Finally, we then subtracted the total commercial loan activity for loans less than $100,000 and loans to small businesses with revenues less than $1 million to arrive at an amount of unmet loan demand.

There are limitations with this approach. First, the demand estimates are generated by taking a weighted average using Survey of Business Owner data from 2007. This could mean that the average predicted loan demand may be based on results that are significantly different than the current market place. The second limitation is that the CRA data, which is used as a proxy for loan supply, reports data on three loan sizes (less than $100,000, $100,000 to $250k and greater than $250k) and total loans to small businesses (less than $1 million in revenue). We used both the smallest loan size and the loan to small businesses as an estimate of supply for this study. As most micro-loan funds target very small businesses with very small loan amounts, we thought that only using the smallest loan size would be appropriate. By also including the loans to small businesses we feel that many of these may be larger than the businesses a micro loan fund would target, and as a result supply may be overestimated by
including this category. This approach is very conservative and we think is prudent when approaching this data from the lender’s perspective.

Although there are several limitations with this approach it provides a good gauge in understanding where commercial lending is expanding or retracting, where business growth is occurring by specific sector, and an idea of where the potential gaps are in the market so that micro-loan and micro-investment funds can best target their loan products to fill these gaps.

Cuyahoga County Growth Sectors

Many economic development policies focus on “cluster” theories and identifying those industry sectors where there is significant infrastructure, innovation, and promising growth. While the applicability and effectiveness of developing strategies to promote specific investments into sectors that are growing, both the Brookings Institution report and recent economic development plan produced by Cuyahoga County agree that “cluster strategies provide a direct route to economic renewal because they build on existing assets to promote growth in regions by enhancing the interactions by which firms complete transactions, share ideas, start new enterprises, and create jobs.” In addition, the Obama Administration’s 2011 budget supported a focused approach on clusters of innovation as target areas for support.

Cuyahoga’s economic development plan identified the inherent strengths in the region are in medical research, health care, manufacturing, and materials (metals, plastics, rubber, and coatings). These strengths have enabled the businesses in the county to participate in multiple industries that have changed over time, due to technology and innovation, but include automotive, aerospace, biomedical and advanced engineering.¹⁰

Which sectors are micro-entrepreneurs operating businesses in?

Overall, Cuyahoga County contains 117,384 businesses. As seen in table 2, 83,282 (70.9%) are non-employer firms and 17,037 (14.5%) have 1 to 4 employees. Firms with 20 or more employees represent 4.8% of the total with 5,685 firms. The largest sectors for non-employer firms are Professional and technical services, Health care, and other services. For firms with 1 to 4 employees the largest sectors are Professional and technical services, Retail trade, and other services. Note that these sectors are different than the industry cluster sectors noted above which tend to focus on larger firms. However, these smaller firms provide essential goods and services to the community as well as the majority of the jobs.

We then looked at which industries grew from 2007 to 2009 by firm size and industry sector, there were very few. As a whole, the County saw shrinkage among all employer firms of -5.39%, and non-employer firms grew just slightly 0.87% over the same period.

## Table 2. 2009 Number of Firms and Payroll by Industry in Cuyahoga County

<table>
<thead>
<tr>
<th>Description</th>
<th>Non-Employer Firms</th>
<th>Receipts ($1,000)</th>
<th>1-4 Employees</th>
<th>5-9 Employees</th>
<th>10-19 Employees</th>
<th>20 or More</th>
<th>Total Employer Firms</th>
<th>Annual payroll ($1,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total for all sectors</td>
<td>83,282</td>
<td>3,225,746</td>
<td>17,037</td>
<td>6,742</td>
<td>4,638</td>
<td>5,685</td>
<td>34,102</td>
<td>28,748,873</td>
</tr>
<tr>
<td>Percent of All Firms</td>
<td>70.9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forestry, fishing, hunting, and Agriculture Support</td>
<td>99</td>
<td>2,777</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>5</td>
<td>D</td>
</tr>
<tr>
<td>Mining, quarrying, and oil and gas extraction</td>
<td>216</td>
<td>7,931</td>
<td>6</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>14</td>
<td>20,059</td>
</tr>
<tr>
<td>Utilities</td>
<td>45</td>
<td>761</td>
<td>14</td>
<td>3</td>
<td>2</td>
<td>21</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>7,776</td>
<td>289,697</td>
<td>1,325</td>
<td>331</td>
<td>228</td>
<td>213</td>
<td>2,097</td>
<td>1,037,205</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>977</td>
<td>42,413</td>
<td>641</td>
<td>364</td>
<td>373</td>
<td>645</td>
<td>2,023</td>
<td>3,490,911</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>1,586</td>
<td>114,055</td>
<td>1,197</td>
<td>499</td>
<td>377</td>
<td>440</td>
<td>2,513</td>
<td>2,129,885</td>
</tr>
<tr>
<td>Retail trade</td>
<td>5,523</td>
<td>205,618</td>
<td>1,995</td>
<td>1,104</td>
<td>725</td>
<td>634</td>
<td>4,458</td>
<td>1,373,838</td>
</tr>
<tr>
<td>Transportation and warehousing</td>
<td>3,397</td>
<td>146,668</td>
<td>395</td>
<td>123</td>
<td>111</td>
<td>165</td>
<td>794</td>
<td>755,019</td>
</tr>
<tr>
<td>Information</td>
<td>1,238</td>
<td>32,903</td>
<td>264</td>
<td>115</td>
<td>71</td>
<td>151</td>
<td>601</td>
<td>955,144</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>2,973</td>
<td>172,852</td>
<td>1,579</td>
<td>607</td>
<td>271</td>
<td>290</td>
<td>2,747</td>
<td>3,606,772</td>
</tr>
<tr>
<td>Real estate and rental and leasing</td>
<td>8,492</td>
<td>878,891</td>
<td>944</td>
<td>300</td>
<td>127</td>
<td>113</td>
<td>1,484</td>
<td>575,811</td>
</tr>
<tr>
<td>Professional, scientific, and technical services</td>
<td>12,903</td>
<td>475,927</td>
<td>2,652</td>
<td>654</td>
<td>398</td>
<td>411</td>
<td>4,115</td>
<td>2,566,033</td>
</tr>
<tr>
<td>Management of companies and enterprises</td>
<td>0</td>
<td>0</td>
<td>101</td>
<td>35</td>
<td>57</td>
<td>148</td>
<td>341</td>
<td>2,413,875</td>
</tr>
<tr>
<td>Administrative and Support and Waste Management and Remediation Srvs</td>
<td>7,733</td>
<td>145,838</td>
<td>1,077</td>
<td>291</td>
<td>233</td>
<td>391</td>
<td>1,992</td>
<td>1,133,725</td>
</tr>
<tr>
<td>Educational services</td>
<td>3,092</td>
<td>33,390</td>
<td>174</td>
<td>75</td>
<td>82</td>
<td>159</td>
<td>490</td>
<td>745,066</td>
</tr>
<tr>
<td>Health care and social assistance</td>
<td>9,691</td>
<td>320,057</td>
<td>1,537</td>
<td>885</td>
<td>572</td>
<td>648</td>
<td>3,642</td>
<td>5,775,655</td>
</tr>
<tr>
<td>Arts, entertainment, and recreation</td>
<td>4,997</td>
<td>86,925</td>
<td>226</td>
<td>66</td>
<td>43</td>
<td>81</td>
<td>416</td>
<td>570,979</td>
</tr>
<tr>
<td>Accommodation and food services</td>
<td>1,391</td>
<td>44,820</td>
<td>1,029</td>
<td>474</td>
<td>555</td>
<td>854</td>
<td>2,912</td>
<td>715,592</td>
</tr>
<tr>
<td>Other services (except public administration)</td>
<td>11,153</td>
<td>224,223</td>
<td>1,841</td>
<td>811</td>
<td>411</td>
<td>318</td>
<td>3,381</td>
<td>744,889</td>
</tr>
<tr>
<td>Industries not classified</td>
<td>0</td>
<td>0</td>
<td>36</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>37</td>
<td>774</td>
</tr>
<tr>
<td>Percent of Employer Firms</td>
<td>50.0%</td>
<td>19.8%</td>
<td>13.6%</td>
<td>16.7%</td>
<td>100.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, County Business Patterns
Table 3. Percent Change in Number of Firms and Payroll by Industry 2007 to 2009 in Cuyahoga County

<table>
<thead>
<tr>
<th>Industry</th>
<th>Non-Employer Firms</th>
<th>Receipts ($1,000)</th>
<th>1-4 Employees</th>
<th>5-9 Employees</th>
<th>10-19 Employees</th>
<th>20 or More</th>
<th>Total Employer Firms</th>
<th>Annual payroll ($1,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total for all sectors</td>
<td>0.87%</td>
<td>-12.55%</td>
<td>-5.98%</td>
<td>-4.42%</td>
<td>-6.32%</td>
<td>-3.97%</td>
<td>-5.39%</td>
<td>-5.38%</td>
</tr>
<tr>
<td>Forestry, fishing, hunting, and Agriculture Support</td>
<td>-15.38%</td>
<td>-0.14%</td>
<td>-33.33%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>-28.57%</td>
<td>n/a</td>
</tr>
<tr>
<td>Mining, quarrying, and oil and gas extraction</td>
<td>19.34%</td>
<td>4.29%</td>
<td>-25.00%</td>
<td>100.00%</td>
<td>0.00%</td>
<td>-60.00%</td>
<td>-6.67%</td>
<td>2.14%</td>
</tr>
<tr>
<td>Utilities</td>
<td>-2.17%</td>
<td>-40.78%</td>
<td>27.27%</td>
<td>50.00%</td>
<td>-60.00%</td>
<td>40.00%</td>
<td>21.21%</td>
<td>n/a</td>
</tr>
<tr>
<td>Construction</td>
<td>-2.54%</td>
<td>-14.82%</td>
<td>-12.48%</td>
<td>-6.50%</td>
<td>-12.64%</td>
<td>-10.50%</td>
<td>-11.41%</td>
<td>-22.47%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-5.24%</td>
<td>-26.05%</td>
<td>3.89%</td>
<td>-10.34%</td>
<td>-6.75%</td>
<td>-12.64%</td>
<td>-10.50%</td>
<td>-11.41%</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>-5.26%</td>
<td>-13.93%</td>
<td>-5.82%</td>
<td>-0.99%</td>
<td>-10.87%</td>
<td>-3.08%</td>
<td>-5.24%</td>
<td>-9.50%</td>
</tr>
<tr>
<td>Retail trade</td>
<td>-9.37%</td>
<td>-22.22%</td>
<td>-7.94%</td>
<td>-2.47%</td>
<td>-1.09%</td>
<td>-8.25%</td>
<td>-5.61%</td>
<td>-5.99%</td>
</tr>
<tr>
<td>Transportation and warehousing</td>
<td>-9.73%</td>
<td>-23.90%</td>
<td>-6.40%</td>
<td>-12.14%</td>
<td>-13.95%</td>
<td>3.77%</td>
<td>-6.59%</td>
<td>-11.76%</td>
</tr>
<tr>
<td>Information</td>
<td>-3.05%</td>
<td>-8.14%</td>
<td>-11.71%</td>
<td>15.00%</td>
<td>-13.41%</td>
<td>0.00%</td>
<td>-4.91%</td>
<td>-6.23%</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>-10.80%</td>
<td>-23.14%</td>
<td>0.00%</td>
<td>-3.96%</td>
<td>-11.15%</td>
<td>-4.92%</td>
<td>-2.62%</td>
<td>4.29%</td>
</tr>
<tr>
<td>Real estate and rental and leasing</td>
<td>-14.32%</td>
<td>-15.16%</td>
<td>-5.41%</td>
<td>-2.91%</td>
<td>-8.63%</td>
<td>-5.04%</td>
<td>-5.18%</td>
<td>-5.97%</td>
</tr>
<tr>
<td>Professional, scientific, and technical services</td>
<td>-1.33%</td>
<td>-11.01%</td>
<td>-9.02%</td>
<td>-6.57%</td>
<td>-9.55%</td>
<td>-2.61%</td>
<td>-8.09%</td>
<td>-11.85%</td>
</tr>
<tr>
<td>Management of companies and enterprises</td>
<td>0.00%</td>
<td>0.00%</td>
<td>-0.98%</td>
<td>-25.53%</td>
<td>3.64%</td>
<td>-0.67%</td>
<td>-3.40%</td>
<td>1.88%</td>
</tr>
<tr>
<td>Administrative and Support and Waste Management and Remediation Srvs</td>
<td>10.99%</td>
<td>8.79%</td>
<td>1.41%</td>
<td>-9.91%</td>
<td>0.00%</td>
<td>-5.56%</td>
<td>-1.97%</td>
<td>-25.28%</td>
</tr>
<tr>
<td>Educational services</td>
<td>8.11%</td>
<td>-17.78%</td>
<td>0.58%</td>
<td>-13.79%</td>
<td>-5.75%</td>
<td>3.25%</td>
<td>-2.20%</td>
<td>5.33%</td>
</tr>
<tr>
<td>Health care and social assistance</td>
<td>7.09%</td>
<td>1.80%</td>
<td>-7.41%</td>
<td>0.80%</td>
<td>1.06%</td>
<td>0.93%</td>
<td>-2.78%</td>
<td>8.71%</td>
</tr>
<tr>
<td>Arts, entertainment, and recreation</td>
<td>6.12%</td>
<td>-15.26%</td>
<td>-3.00%</td>
<td>-14.29%</td>
<td>-17.31%</td>
<td>-3.57%</td>
<td>-6.73%</td>
<td>-0.57%</td>
</tr>
<tr>
<td>Accommodation and food services</td>
<td>14.11%</td>
<td>-5.79%</td>
<td>-10.13%</td>
<td>-5.95%</td>
<td>-6.57%</td>
<td>0.59%</td>
<td>-5.82%</td>
<td>-1.85%</td>
</tr>
<tr>
<td>Other services (except public administration)</td>
<td>20.24%</td>
<td>2.29%</td>
<td>-3.26%</td>
<td>-5.26%</td>
<td>-8.05%</td>
<td>-1.85%</td>
<td>-4.22%</td>
<td>-5.85%</td>
</tr>
<tr>
<td>Industries not classified</td>
<td>0.00%</td>
<td>0.00%</td>
<td>2.86%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>2.78%</td>
<td>-5.61%</td>
</tr>
<tr>
<td>Description</td>
<td>Non-Employer Firms</td>
<td>Receipts ($1,000)</td>
<td>1-4 Employees</td>
<td>5-9 Employees</td>
<td>10-19 Employees</td>
<td>20 or More</td>
<td>Total Employer Firms</td>
<td>Annual Payroll ($1,000)</td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>--------------------</td>
<td>-------------------</td>
<td>---------------</td>
<td>---------------</td>
<td>----------------</td>
<td>----------------</td>
<td>--------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>Total for all sectors</td>
<td>82,563</td>
<td>3,688,526</td>
<td>18,120</td>
<td>7,054</td>
<td>4,951</td>
<td>5,920</td>
<td>36,045</td>
<td>30,383,591</td>
</tr>
<tr>
<td>Percent of All Firms</td>
<td>69.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forestry, fishing, hunting, and Agriculture Support</td>
<td>117</td>
<td>2,781</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Mining, quarrying, and oil and gas extraction</td>
<td>181</td>
<td>7,605</td>
<td>8</td>
<td>2</td>
<td>0</td>
<td>5</td>
<td>15</td>
<td>19,638</td>
</tr>
<tr>
<td>Utilities</td>
<td>46</td>
<td>1285</td>
<td>11</td>
<td>2</td>
<td>5</td>
<td>15</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>7,979</td>
<td>340,088</td>
<td>1,514</td>
<td>354</td>
<td>261</td>
<td>238</td>
<td>2,367</td>
<td>1,337,767</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1,031</td>
<td>57,350</td>
<td>617</td>
<td>406</td>
<td>400</td>
<td>744</td>
<td>2,167</td>
<td>4,265,996</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>1,674</td>
<td>132,521</td>
<td>1,271</td>
<td>504</td>
<td>423</td>
<td>454</td>
<td>2,652</td>
<td>2,353,514</td>
</tr>
<tr>
<td>Retail trade</td>
<td>6,094</td>
<td>264,348</td>
<td>2,167</td>
<td>1,132</td>
<td>733</td>
<td>691</td>
<td>4,723</td>
<td>1,461,401</td>
</tr>
<tr>
<td>Transportation and warehousing</td>
<td>3,763</td>
<td>192,728</td>
<td>422</td>
<td>140</td>
<td>129</td>
<td>159</td>
<td>850</td>
<td>855,614</td>
</tr>
<tr>
<td>Information</td>
<td>1,277</td>
<td>35,817</td>
<td>299</td>
<td>100</td>
<td>82</td>
<td>151</td>
<td>632</td>
<td>1,018,564</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>3,333</td>
<td>224,884</td>
<td>1,579</td>
<td>632</td>
<td>305</td>
<td>305</td>
<td>2,821</td>
<td>3,458,275</td>
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<tr>
<td>Real estate and rental and leasing</td>
<td>9,911</td>
<td>1,035,901</td>
<td>998</td>
<td>309</td>
<td>139</td>
<td>119</td>
<td>1,565</td>
<td>612,369</td>
</tr>
<tr>
<td>Professional, scientific, and technical services</td>
<td>13,077</td>
<td>534,787</td>
<td>2,915</td>
<td>700</td>
<td>440</td>
<td>422</td>
<td>4,477</td>
<td>2,911,142</td>
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<tr>
<td>Management of companies and enterprises</td>
<td>0</td>
<td>0</td>
<td>102</td>
<td>47</td>
<td>55</td>
<td>149</td>
<td>353</td>
<td>2,369,231</td>
</tr>
<tr>
<td>Administrative and Support and Waste Management and Remediation Srvs</td>
<td>6,967</td>
<td>134,049</td>
<td>1,062</td>
<td>323</td>
<td>233</td>
<td>414</td>
<td>2,032</td>
<td>1,517,287</td>
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<tr>
<td>Educational services</td>
<td>2,860</td>
<td>40,612</td>
<td>173</td>
<td>87</td>
<td>87</td>
<td>154</td>
<td>501</td>
<td>707,388</td>
</tr>
<tr>
<td>Health care and social assistance</td>
<td>9,049</td>
<td>314,413</td>
<td>1,660</td>
<td>878</td>
<td>566</td>
<td>642</td>
<td>3,746</td>
<td>5,312,883</td>
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<tr>
<td>Arts, entertainment, and recreation</td>
<td>4,709</td>
<td>102,584</td>
<td>233</td>
<td>77</td>
<td>52</td>
<td>84</td>
<td>446</td>
<td>574,253</td>
</tr>
<tr>
<td>Accommodation and food services</td>
<td>1,219</td>
<td>47,577</td>
<td>1,145</td>
<td>504</td>
<td>594</td>
<td>849</td>
<td>3,092</td>
<td>729,047</td>
</tr>
<tr>
<td>Other services (except public administration)</td>
<td>9,276</td>
<td>219,196</td>
<td>1,903</td>
<td>856</td>
<td>447</td>
<td>324</td>
<td>3,530</td>
<td>791,206</td>
</tr>
<tr>
<td>Industries not classified</td>
<td>0</td>
<td>0</td>
<td>35</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>36</td>
<td>820</td>
</tr>
<tr>
<td>Percent of Employer Firms</td>
<td>50.3%</td>
<td>19.6%</td>
<td>13.7%</td>
<td>16.4%</td>
<td>100.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, County Business Patterns
GIS Analysis of Firm Location

In this section of the analysis, we drill down to the zip code level in Cuyahoga County to identify those areas that have the greatest number of micro-businesses. Overall, at the zip code level, we identified those zip codes that experienced business decline at a slower rate than the County as a whole, which was 5.74% for all firms from 2007 to 2009. Every zip code experienced business decline, however, 30 of 51 zip codes had better growth rate than the County. The lowest decline was 44040 (-1.30%), 44140 (-1.59%), and 44143 (-0.23%). For non-employer firms and firms with 1 to 4 employees the County growth rates were -6.24% and -4.61%, respectively.

In addition to firm location, we looked at firm density compared to population density. This map helps to show where clusters of firms are in relation to where people are residing.

The six maps on the following pages show:

- total number of employer firms
- total number of non-employer firms
- total number of very small firms
- percent change in very small firms from 2007 to 2009
- total number of minority owned businesses
- total number of women owned businesses
Supply & Demand Analysis for Cuyahoga County

Legend
Non-Employer Firms (2009)
Total Number of Firms
- 19 - 72
- 73 - 133
- 134 - 214
- 215 - 334
- 335 - 655

Map Created by: Urban Oasis Development, LLC
Source: U.S. Census Bureau County Business Patterns, Dun & Bradstreet

Friedman Associates & Urban Oasis Development, LLC
Supply & Demand Analysis for Cuyahoga County

Legend
Firms with 1 to 4 Emp (2009)
Total Number of Firms
- 0 - 148
- 149 - 252
- 253 - 404
- 405 - 605
- 606 - 1,029

Map Created by: Urban Oasis Development, LLC
Source: U.S. Census Bureau County Business Patterns, Dun & Bradstreet

Friedman Associates & Urban Oasis Development, LLC
Supply & Demand Analysis for Cuyahoga County

Legend
Woman Owned Firms (2009)
Total Number of Firms
- 12 - 42
- 43 - 67
- 68 - 111
- 112 - 163
- 164 - 239

Map Created by: Urban Oasis Development, LLC
Source: U.S. Census Bureau County Business Patterns, Dun & Bradstreet

Friedman Associates & Urban Oasis Development, LLC
GIS Analysis of CRA Lending

Community Reinvestment Act (CRA) data is the largest public data source for analyzing small business lending trends by commercial banks in a specific geographic region. We used this data set to obtain an understanding of the lending patterns of private commercial banks, which are the largest source of capital for small businesses.

For this study, we analyzed trends from the same time period of 2007 to 2009 in each of the 51 zip codes, including loan volume, dollar volume, and loans per 100 business to create a standardized rate to compare across geographies. We focused on two different loan categories specific to the smallest businesses that would be the target of a micro-loan and/or micro-investment fund:

- Loans under $100,000
- Loans to small businesses (SB) with less than $1 million in annual sales

**Overall, Cuyahoga County has experienced significant decreases in both the number and dollar amount for all commercial loans.** Given the decrease in businesses during the Great Recession, one would expect a similar decrease in lending, however, the two year change in lending is significantly greater. For the smallest loan size, loan volume is down nearly 70% and dollar amount of loans annually is down 62% from 2007 levels.

<table>
<thead>
<tr>
<th>Table 4. CRA Small Business Loan Data from 2007 to 2009</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2007 - 2009 % chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Loans &lt; $100,000</td>
<td>38,127</td>
<td>26,665</td>
<td>11,697</td>
<td>-69.32%</td>
</tr>
<tr>
<td>$ Amount of Loans &lt;$100,000 ($'000)</td>
<td>403,941</td>
<td>284,674</td>
<td>150,098</td>
<td>-62.84%</td>
</tr>
<tr>
<td>Number of Loans &lt; $100,000 - $250K</td>
<td>703</td>
<td>623</td>
<td>451</td>
<td>-35.85%</td>
</tr>
<tr>
<td>$ Amount of Loans $100,000 - $250K ($'000)</td>
<td>126,198</td>
<td>110,669</td>
<td>80,388</td>
<td>-36.30%</td>
</tr>
<tr>
<td>Number of Loans &gt; $250k</td>
<td>841</td>
<td>702</td>
<td>578</td>
<td>-31.27%</td>
</tr>
<tr>
<td>$ Amount of Loans &lt;$250k ($'000)</td>
<td>469,640</td>
<td>391,236</td>
<td>313,588</td>
<td>-33.23%</td>
</tr>
<tr>
<td>Number of Loans to business &lt;$1 M in Rev</td>
<td>13,557</td>
<td>6,376</td>
<td>4,080</td>
<td>-69.90%</td>
</tr>
<tr>
<td>$ Amount of Loans to business &lt;$1 million in Rev</td>
<td>323,710</td>
<td>215,247</td>
<td>135,626</td>
<td>-58.10%</td>
</tr>
</tbody>
</table>

Source: FFIEC

The results of the zip code analysis are presented in a series of maps on the following pages. Although it is important to look at variances between zip codes in lending frequency and dollar volume, a true comparison can only be done when these numbers are converted into lending rates by dividing by the number of per 100 businesses within that zip code.
Overall, the following trends emerged:

- Lending rates for the County were 19.64 loans per 100 businesses for loans under $100,000 and 6.93 loans per 100 small businesses for loans to businesses with less than $1 million in revenue
- There are 25 zip codes with higher lending rates than the county for the smallest loan size (less than $100,000) and 24 zip codes with higher lending rates than the county for loans to small businesses than the County rate
- Zip code 44022 has highest lending rate for loans less than $100,000 at 52.62 loans per 100 businesses
- Zip code 44147 has highest lending rate for loans to businesses with less than $1 million in revenue at 16.43 loans per 100 businesses

The 10 maps on the following pages show:

- Total 2009 loan volume for loans less than $100,000
- Total 2009 dollar amount for loans less than $100,000
- Percent change in loan volume for loans less than $100,000
- Percent change in dollar amount for loans less than $100,000
- Lending rates per 100 businesses for loans less than $100,000
- Total 2009 loan volume for loans to small businesses with less than $1 million in revenue
- Total 2009 dollar amount for loans to small businesses with less than $1 million in revenue
- Percent change in loan volume for loans to small businesses with less than $1 million in revenue
- Percent change in dollar amount for loans to small businesses with less than $1 million in revenue
- Lending rates per 100 businesses for loans to small businesses with less than $1 million in revenue
Supply & Demand Analysis for Cuyahoga County

Legend
Total # of Loans 2009
Loans less than $100k
- 37 - 117
- 117 - 218
- 218 - 328
- 328 - 461
- 461 - 726

Map Created by: Urban Oasis Development, LLC
Source: FFIEC

Friedman Associates & Urban Oasis Development, LLC
Supply & Demand Analysis for Cuyahoga County

Legend
$ Amt of Loans 2009
Dollars ($'000)
- Red: 326 - 1306
- Orange: 1306 - 2412
- Yellow: 2412 - 3684
- Green: 3684 - 6042
- Dark Green: 6042 - 9695

Map Created by: Urban Oasis Development, LLC
Source: FFIEC

Friedman Associates & Urban Oasis Development, LLC
Supply & Demand Analysis for Cuyahoga County

Legend
% Change # of Loans
Less than $100k
-0.93 to -0.80
-0.80 to -0.67
-0.67 to -0.54
-0.54 to 0.04
0.04 to 1.67

Map Created by: Urban Oasis Development, LLC
Source: FFIEC

Friedman Associates & Urban Oasis Development, LLC
Supplies & Demand Analysis for Cuyahoga County

Legend
% Change $ Amount
Less than $100k
-0.91 to -0.77
-0.77 to -0.60
-0.60 to -0.31
-0.31 to 0.10
0.10 to 1.63

Map Created by: Urban Oasis Development, LLC
Source: FFIEC

Friedman Associates & Urban Oasis Development, LLC
Supply & Demand Analysis for Cuyahoga County

Legend
$ Amt of Loans ($'000)
Loans to SB
- 156.00 - 1000.00
- 1000.01 - 2067.00
- 2067.01 - 3063.00
- 3063.01 - 4402.00
- 4402.01 - 9021.00

Map Created by: Urban Oasis Development, LLC
Source: FFIEC
Supply & Demand Analysis for Cuyahoga County

Legend
% Change # of Loans
- Loans to SB
-0.95 to -0.80
-0.79 to -0.67
-0.66 to -0.45
-0.44 to 0.03
0.04 to 1.13

Map Created by: Urban Oasis Development, LLC
Source: FFIEC

Friedman Associates & Urban Oasis Development, LLC
Supply & Demand Analysis for Cuyahoga County

Legend
Lending Rate
Loans to SB
- 4.37 - 10.55
- 10.56 - 17.25
- 17.26 - 24.97
- 24.98 - 34.90
- 34.91 - 52.62

Map Created by: Urban Oasis Development, LLC
Source: FFIEC
Calculating Unmet Demand

In order to determine where a targeted micro-loan fund should focus its efforts its loan fund, we estimated total demand for each zip code using data from the 2007 Survey of Small Business Owners which provides the distribution of the dollar amounts that firms need. We calculated a low and high weighted average of dollar amount needed by firm size using the distribution data and low and high dollar amounts in each range. Using these estimates, we then estimated range of estimated loan demand for non-employer firms and firms with 1 to 4 employees by multiplying the number of firms in each category.

After calculating estimated demand, we then subtracted the total commercial loan activity for loans less than $100,000 and loans to small businesses with revenues less than $1 million to arrive at an amount of unmet loan demand. We acknowledge this number is simply a proxy and doesn’t represent the true unmet demand as businesses are receiving other loans or alternative forms of credit from institutions. However, this number is representative of the fringe market that commercial banks aren’t currently serving.

Overall, there is an estimated $38 million of unmet loan demand that isn’t being provided by commercial banks. In each of the 15 zip codes this represents between 50-90% of total loan demand that isn’t being served by the CRA reporting banks.

We recognize that using loans to businesses with $1 million in revenue as a proxy of total loan supply to businesses with less than 5 employees may overstate loan supply. This is because a company with 10 employees may very well be doing less than $1 million in revenue and thus their demand is not captured, but their supply would be captured if they were receiving a loan from a commercial bank. Nonetheless, it is clear that the smaller businesses are the businesses that tend to be underserved. In general, these firms tend lack sufficient assets or credit history to obtain a large commercial loan from a bank. We know banks are continually trying to cater to this market as demonstrated in the large volume increase in the smallest loans.

High Priority Zip Codes

After compiling all this data we looked at each zip code several dimensions including the estimated lending gaps, firm density, change in lending from 2007 to 2009, lending rates for 2009, and areas where there are high concentration of small firms and minority and women-owned firms. In comparing this data by zip code we identified 6 zip codes as high priority target areas for micro-loan funds to focus on. The zip codes and neighborhoods contained within them are listed below.

<table>
<thead>
<tr>
<th>Zip Code</th>
<th>Neighborhood</th>
<th>Zip Code</th>
<th>Neighborhood</th>
<th>Zip Code</th>
<th>Neighborhood</th>
</tr>
</thead>
<tbody>
<tr>
<td>44105</td>
<td>Corlett</td>
<td>44106</td>
<td>Ambler Heights (Chestnut Hills)</td>
<td>44113</td>
<td>Civic Center</td>
</tr>
<tr>
<td></td>
<td>Cranwood Park</td>
<td></td>
<td>Boulevard</td>
<td></td>
<td>Detroit-Shoreway</td>
</tr>
<tr>
<td></td>
<td>Kinsman</td>
<td></td>
<td>Cedar Fairmount</td>
<td></td>
<td>Downtown</td>
</tr>
<tr>
<td></td>
<td>Mt Pleasant</td>
<td></td>
<td>Coventry (Euclid Heights)</td>
<td></td>
<td>East Bank</td>
</tr>
<tr>
<td></td>
<td>North Broadway</td>
<td></td>
<td>Coventry Village</td>
<td></td>
<td>Industrial Flats</td>
</tr>
<tr>
<td></td>
<td>Slavic Village</td>
<td></td>
<td>Fairfax</td>
<td></td>
<td>Market Square</td>
</tr>
<tr>
<td></td>
<td>South Broadway</td>
<td></td>
<td>Glenville</td>
<td></td>
<td>Northeast District</td>
</tr>
<tr>
<td></td>
<td>Union-Miles Park</td>
<td></td>
<td>Hough</td>
<td></td>
<td>Ohio City</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Little Italy</td>
<td></td>
<td>Scranton Peninsula</td>
</tr>
<tr>
<td>Zip Code</td>
<td>Neighborhood 1</td>
<td>Zip Code</td>
<td>Neighborhood 2</td>
<td>Zip Code</td>
<td>Neighborhood 3</td>
</tr>
<tr>
<td>----------</td>
<td>----------------------</td>
<td>----------</td>
<td>----------------------</td>
<td>----------</td>
<td>----------------------</td>
</tr>
<tr>
<td>44114</td>
<td>Chinatown</td>
<td>44118</td>
<td>Bexley Park</td>
<td>44120</td>
<td>Ambler Heights</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(Chestnut Hills)</td>
</tr>
<tr>
<td></td>
<td>Civic Center</td>
<td></td>
<td>Boulevard</td>
<td></td>
<td>Boulevard</td>
</tr>
<tr>
<td></td>
<td>Downtown</td>
<td></td>
<td>Cedar Green</td>
<td></td>
<td>Buckeye-Shaker</td>
</tr>
<tr>
<td></td>
<td>Goodrich Kirtland</td>
<td></td>
<td>Cedar Lee</td>
<td></td>
<td>Corlett</td>
</tr>
<tr>
<td></td>
<td>Northeast District</td>
<td></td>
<td>Cedar Taylor</td>
<td></td>
<td>Fairhill Village</td>
</tr>
<tr>
<td></td>
<td>Playhouse Square</td>
<td></td>
<td>Courtyards of Severance</td>
<td></td>
<td>Fernway</td>
</tr>
<tr>
<td></td>
<td>Quadrangle</td>
<td></td>
<td>Coventry (Euclid Heights)</td>
<td></td>
<td>Larchmere Antique District</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Coventry Village</td>
<td></td>
<td>Lomond</td>
</tr>
<tr>
<td></td>
<td>East Cleveland</td>
<td></td>
<td>Forest Hill (Forest Hills)</td>
<td></td>
<td>Malvern</td>
</tr>
<tr>
<td></td>
<td>John Carroll</td>
<td></td>
<td>Malvern</td>
<td></td>
<td>Mt Pleasant</td>
</tr>
<tr>
<td></td>
<td>Malvern</td>
<td></td>
<td>Mercer</td>
<td></td>
<td>Onaway</td>
</tr>
<tr>
<td></td>
<td>Minor Heights</td>
<td></td>
<td>Minor Heights</td>
<td></td>
<td>Shaker Lakes</td>
</tr>
<tr>
<td></td>
<td>Overlook</td>
<td></td>
<td>Purvis</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Severance</td>
<td></td>
<td>Shaker Lakes</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>South Euclid</td>
<td></td>
<td>Taylor Heights</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Circle</td>
<td></td>
<td>University Corners</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>University Square</td>
<td></td>
<td>University Square</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Wiley</td>
<td></td>
<td></td>
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<td></td>
</tr>
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</table>
## Targeted Zip codes for Micro Loan Fund in Cuyahoga County

<table>
<thead>
<tr>
<th>Zip Code</th>
<th>44105</th>
<th>44106</th>
<th>44113</th>
<th>44114</th>
<th>44118</th>
<th>44120</th>
<th>Subtotal</th>
<th>County</th>
<th>% of County</th>
</tr>
</thead>
<tbody>
<tr>
<td>44105</td>
<td>503</td>
<td>747</td>
<td>1,428</td>
<td>652</td>
<td>744</td>
<td>592</td>
<td>4,666</td>
<td>37,883</td>
<td>12.3%</td>
</tr>
<tr>
<td>44106</td>
<td>4,578</td>
<td>6,040</td>
<td>17,922</td>
<td>8,030</td>
<td>6,352</td>
<td>5,257</td>
<td>48,179</td>
<td>400,999</td>
<td>12.0%</td>
</tr>
<tr>
<td>44113</td>
<td>200</td>
<td>282</td>
<td>399</td>
<td>179</td>
<td>284</td>
<td>245</td>
<td>1,589</td>
<td>13,534</td>
<td>11.7%</td>
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<tr>
<td>44114</td>
<td>3,861</td>
<td>5,457</td>
<td>15,979</td>
<td>4,643</td>
<td>5,736</td>
<td>5,649</td>
<td>41,325</td>
<td>320,332</td>
<td>12.9%</td>
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<tr>
<td>44118</td>
<td>136</td>
<td>46</td>
<td>155</td>
<td>253</td>
<td>307</td>
<td>218</td>
<td>1,115</td>
<td>11,454</td>
<td>9.7%</td>
</tr>
<tr>
<td>44120</td>
<td>1,306</td>
<td>525</td>
<td>1,681</td>
<td>3,561</td>
<td>3,025</td>
<td>2,190</td>
<td>12,288</td>
<td>149,265</td>
<td>8.2%</td>
</tr>
</tbody>
</table>

### 2007 Loans <$100k
- **2007 $Amt ('000)**
  - 4,578
  - 6,040
  - 17,922
  - 8,030
  - 6,352
  - 5,257
  - 48,179
  - 400,999

### 2007 Loans to SB
- **2007 $Amt ('000)**
  - 3,861
  - 5,457
  - 15,979
  - 4,643
  - 5,736
  - 5,649
  - 41,325
  - 320,332

### 2009 Loans <$100k
- **2009 $Amt ('000)**
  - 1,306
  - 525
  - 1,681
  - 3,561
  - 3,025
  - 2,190
  - 12,288
  - 149,265

### 2009 Loans to SB
- **2009 $Amt ('000)**
  - 490
  - 223
  - 1,561
  - 4,163
  - 2,007
  - 8,719
  - 135,126

### 2000-2010 Population Growth
- **2000-2010 Population Growth**
  - -25.9%
  - -16.1%
  - -1.3%
  - 31.2%
  - -9.8%
  - -19.6%
  - -15.8%
  - -8.2%

### % White Population
- **% White Population**
  - 23.5%
  - 40.4%
  - 54.2%
  - 33.0%
  - 57.5%
  - 20.4%
  - 37.4%
  - 63.6%

### % Non-white Population
- **% Non-white Population**
  - 76.5%
  - 59.6%
  - 45.8%
  - 67.0%
  - 42.5%
  - 79.6%
  - 62.6%
  - 36.4%

### % Population 30 and Under
- **% Population 30 and Under**
  - 48.6%
  - 57.6%
  - 54.9%
  - 44.8%
  - 50.3%
  - 45.2%
  - 37.4%
  - 43.9%

### 2007 Total Firms
- **2007 Total Firms**
  - 546
  - 515
  - 1,417
  - 1,580
  - 813
  - 466
  - 5,337
  - 36,049

### 2009 Total Firms
- **2009 Total Firms**
  - 489
  - 502
  - 1,353
  - 1,516
  - 754
  - 441
  - 5,055
  - 34,102

### 2007-09 % Change in Firms
- **2007-09 % Change in Firms**
  - -10.4%
  - -2.5%
  - -4.5%
  - -4.1%
  - -7.3%
  - -5.4%
  - -5.3%
  - -5.4%

### Firms with 1-4 Employees
- **Firms with 1-4 Employees**
  - 226
  - 252
  - 699
  - 691
  - 431
  - 247
  - 2,546
  - 17,061

### Total Revenue ($million)
- **Total Revenue ($million)**
  - 1,237
  - 1,020
  - 1,547
  - 1,511
  - 1,756
  - 1,335
  - 8,406
  - 55,918

### Total Employees
- **Total Employees**
  - 1,998
  - 1,567
  - 2,425
  - 2,399
  - 2,642
  - 1,999
  - 13,030
  - 92,244

### Women Owned Firms
- **Women Owned Firms**
  - 80
  - 62
  - 96
  - 79
  - 163
  - 123
  - 603
  - 3,734

### Minority Owned Firms
- **Minority Owned Firms**
  - 65
  - 31
  - 25
  - 53
  - 70
  - 89
  - 333
  - 1,443

### Non-employer Firms
- **Non-employer Firms**
  - 183
  - 214
  - 423
  - 477
  - 295
  - 237
  - 1,833
  - 8,297

### Estimated Lending Gap (High)
- **Estimated Lending Gap (High)**
  - $7,020,378
  - $6,155,653
  - $7,034,964
  - $3,841,528
  - $7,361,913
  - $5,044,156
  - $36,458,492
  - $113,550,912

### Estimated Lending Gap (Low)
- **Estimated Lending Gap (Low)**
  - $5,367,307
  - $4,861,218
  - $5,108,034
  - $1,960,054
  - $5,075,661
  - $3,311,440
  - $25,683,713
  - $38,936,804
Cuyahoga County Microcredit Supply & Demand Analysis

Targeted Zip Codes for a Micro Loan Fund

Legend
Gap Analysis
Est Unmet Loan Demand
- Less than $0
- $0 to $1M
- $1M to $2M
- $2M to $3M
- $3M to $4M
- $4M to $5M
- Greater than $5M

Firm Density
Number of Firms Per Acre
- 0
- 1
- 2 - 3
- 4 - 7
- 8 - 9

Lending Rates for Loans <$100k
Loans per 100 firms
- 4.37 - 10.55
- 10.56 - 17.25
- 17.26 - 24.97
- 24.98 - 34.90
- 34.91 - 52.62

Targeted Zip Codes are highlighted in Blue
County Lending Rate for Loans <$100k = 19.64 loans per 100 businesses

Map Created by: Urban Oasis Development, LLC
Source: U.S. Census Bureau County Business Patterns, Dun & Bradstreet

Friedman Associates & Urban Oasis Development, LLC
Supply & Demand Analysis for Cuyahoga County

Legend
Gap Analysis
Unmet Loan Demand
- Less than $0
- $0 - $1M
- $1M - $2M
- $2M - $3M
- $3M - $4M
- $4M - $5M
- Greater than $5M

Map Created by: Urban Oasis Development, LLC
Source: Author’s Calculations

Friedman Associates & Urban Oasis Development, LLC
Findings from the Qualitative Analysis

“Microfinance should have a seat at the table as part of a broader strategy for economic development in the region. It has been tried here before, but as an isolated component and not integrated with the organizations on the ground working to revitalize neighborhoods and create businesses and jobs. It has worked in other cities, there is no reason it should not succeed here.” - Stakeholder

There is a significant gap in the market for credit for micro and very small businesses: An overwhelming majority of survey respondents (93%) believe there is gap in the market for credit for micro and very small businesses. While 40% were not sure about the size of the gap, 40% believe it is more than $750,000 annually, and over 60% estimate monthly loan volume to be between 5-12 loans. Stakeholders elaborated further on this in the interviews:

“What is critically missing is a strong CDFI that can provide financing for commercial revitalization and small business projects. For example, Shaker Heights has a 20% poverty level with commercial areas highly underdeveloped. A strong microlender/CDFI could be a big help in making small businesses succeed here.”

“There are 17,000 minority owned firms in this region. We don’t treat them as a wealth creation strategy. Are we going to support and encourage people to start a business as wage replacement strategy or as a wealth creation strategy?”

“In my mind, there is no doubt there is a gap. I encounter young bright people from the ‘creative economy’ with great ideas that want to move to street level and I can’t match the needs with the resources.”

“We see residents all the time that want to start a business, but we don’t know where to send them. The one organization we are aware of seems to be either out of resources or dealing with internal issues.”

“We re-settle 300 refugees each year, and many will turn to self-employment. We’re working to help some become independent farmers and a microloan initiative would be a perfect fit.”

“There are a lot of federal dollars available. But smaller businesses don’t have cash reserves/cash flow to take on larger projects and can’t keep up with payment terms (90 days). They could use a flexible line of credit and technical assistance to scale up. And there is a gap for existing businesses that have greater ability to make it in the long term.”

“I used to work as a Director of Commercial Development for a CDC and there were several $50,000 deals that we couldn’t get funded. I saw many entrepreneurs that weren’t in business long enough for a conventional loan or to finance mixed use buildings that were not bankable for collateral.”

“There are a growing number of Hispanic immigrants and refugees that have tremendous entrepreneurial spirit that need access to the capital and support to start and grow a small business.”
To support this assertion, 86% report that either they or their colleagues often come into contact with individuals that have difficulty accessing capital to start or expand their businesses. This finding is significant considering the fact that the subjects of the interviews are professionals on the ‘front lines” of working to support small business development and job creation. In the absence of capital from financial institutions or alternative lenders, respondents cited “friends and family,” “credit cards,” and “home equity loan/line of credit” as the major sources of capital.

**Existing efforts to provide microcredit in Cuyahoga County are perceived to be ineffective:** Over 80% of stakeholders were able to offer an opinion about the effectiveness of microlenders currently operating in the county. Of those, 60% perceived these efforts to be ineffective in reaching their target markets.

“There is not an organization we are aware of that we can reliably refer a declined borrower to for capital.”

“Any organizations that have any kind of capacity have withered and on their way to extinction; meanwhile we have nowhere to send them.”

At the same time, we identified a number of efforts, headed by Cuyahoga County, the City of Cleveland, financial institutions and other organizations to provide microcredit to new and existing businesses. For example, the City of Cleveland’s Storefront Renovation Program makes grants for storefront enhancement. Also, an effort by CharterOne Bank to attract small businesses and offset initial costs for rent, inventory and other start-up costs was cited as an effective approach.

**Aspiring business owners and existing small businesses are the key targets for a microloan program:** Survey respondents were given the opportunity to identify particular target market(s) for a microloan fund. While all choices were selected by respondents, he answers that received the highest response were “aspiring entrepreneurs” and “existing very small and small businesses.” As for the stated goals of the program, “new business creation,” “small business development,” and “neighborhood revitalization” received the most response, followed by job creation and poverty alleviation.

Stakeholders provided extensive ideas on the types of businesses that should be targeted by the program. They range from small technology businesses to restaurants to home daycare providers to urban agriculture and ethnic grocery stores to artisans. A full list in provided in Appendix B.

**Stakeholders generally believe that the amount and interest rate for microloans should be based on the level of risk and other factors:** Stakeholders were asked their opinions about the terms of potential products. In terms of loan size for start-ups, 50% stated it depended on the level of risk and other factors. Another 26% believe the loan should not exceed $10,000. When asked about existing businesses, a majority (62%) of respondents believe that the loan size should depend on the level of risk and other factors. The next highest response (195) was $25,000.\(^{11}\) When asked about the interest

\(^{11}\) Based on available data collected by the Aspen Institute, the average microloan for start-ups averages about $8,000. Also, the industry generally classifies microloans as up to $50,000.

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*Cuyahoga County Microcredit Supply & Demand Analysis*

Friedman Associates & Urban Oasis Development, LLC
rates, the highest response (40%) was that “the interest rate should be tied to the level of risk as well as other factors.” Of note is that 31% believe that the interest rate should be 5%.  

Also, across the country, CDFIs and microlenders are offering small dollar loans as a tool to help underbanked and low-income entrepreneurs build a good credit history, critical to business success. Nearly 43% of stakeholders agreed there a need for this product, with another 31% stating it was possibly a need.

“We are witnessing a new influx of Hispanic immigrants who need to establish and build credit. A small dollar loan product matched with financial education would be a great way to get them into the economic mainstream.”

When asked their opinion about what they believe is an acceptable loss rate for a microloan fund, the highest response (40%) was “up to 10%.”

The key factors in operating a successful microloan program include a solid track record of success; effective screening of borrowers; strong post-loan technical assistance: Stakeholders, both in their survey responses and interviews, identified the most important factors in operating a successful microloan fund. The suggestions that were mentioned most frequently include: (1) strong and realistic business plans; (2) solid but flexible underwriting criteria; (3) strong coaching and technical assistance for borrowers, including development of business support networks; and (4) proven leadership in lending and entrepreneurial training. Interviewed stakeholders provided further insights:

“I suggest that whoever does this should have a balanced portfolio – microloans with another layer right under what the bank declines – under $50,000 or less; that’s where the banks are going to buy in.”

“I suggest that you follow a similar strategy with microentrepreneurs that we do with the larger small businesses we support – create networks for them. We celebrate entrepreneurs; give them exposure to resources and experts on topics. We have a strong mentor program with a formal and engaged board of advisors that meet with our clients and whom there is a sense of mutual responsibility.”

“Small business is not for everyone – 5-7% has the drive to do it. You need to balance mission with the bottom line – there has to be sufficient cash flow to pay the loan and the borrower needs to prove the feasibility of the business. So, the program needs to have solid but flexible underwriting criteria and structured and performance-based post-loan coaching, etc.”

A microloan initiative should include a “place-based” component and be strategically aligned with local Community Development Corporations (CDCs) and private developers that are working to bring spur commercial development and neighborhood: in our conversations with stakeholders, we identified numerous opportunities for collaboration and partnership. A few illustrative examples include:

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12 Note: high performance CDFI/microlenders typically average around 12%.
“We’re focusing significant investment in a place-based strategy on the East Side, University Circle and surrounding neighborhoods. There are 3,000 residents, with probably 40% below poverty and median income of $18,000. By developing this area we can attract small businesses and create new jobs.”

“We’re helping to build a network of community-based worker-owned cooperatives, laundry services for institutions, a large production greenhouse and solar installation, among others. We’re also identifying what major institutions can outsource locally. These projects will attract other entrepreneurs to start businesses in these neighborhoods and hire locally.”

“There is a concerted effort in the Near Westside neighborhoods (Detroit Shoreway and Ohio City) to attract retail and shopping. A strong CDFI/micro lender would be very welcomed.”

“The Northeast Shores Development Corporation is partnering with the Community Partnership for Arts and Culture for a two-year, $500,000 pilot program will focus its efforts on this relationship in Cleveland’s Waterloo Arts District, including microloans and grants to artists,”

In particular, CDC Directors would like to see a formal partnership with a microloan initiative, that addresses the client intake process and follow up process:

“Working with the CDC community and local level developers and merchant associations would help to infuse the program from a marketing position. Many small businesses or local entrepreneurs call into their local CDC looking for assistance associated with a start-up business or expansion and are in need of coaching, credit and financing. This is a huge gap in the advancement of job creation and local economy.”

“The key issue is that we need real clear protocols for hand-off and referral and a mechanism between us and the lender to find out what happened. We don’t have enough staff to do the follow up.

“If the CDC is no longer in the loop, so to speak, they can’t assist the new business in locating in the neighborhood commercial districts or provide support to keep the business viable.”

“We could be trained in the application process so we can do intakes for applications. We could also host a workshop to introduce the program to our residents.”

Stakeholders identified a weakness in the coordination, delivery and effectiveness of entrepreneurial training and technical assistance in the County and believe this must be addressed as part of any potential initiative to expand the availability of credit: While the focus of the analysis was on access to credit, stakeholders provided their observations about the delivery and quality of business technical assistance to very small businesses.

“There is a total disconnect between the clients and the providers and a total lack of outreach by the current small business technical assistance providers.”

“We have had limited success with the Urban League and other small business providers.”

“I discovered that everyone in the TA community is just generalists, with no one to do the most important post-loan counseling. Capital is great, but there needs to be more focus on execution.”
“If a micro loan program could also include education around finance, profit and loss statements, balance sheets, income statements, business plan writing, incorporation, state certifications, licensing and bonding, and more; this would give the small business community in this region a huge step toward success.”

“I suggest the focus be more on the education/capital and in-depth TA to businesses; it may not be a financing issue, it may be cash flow or management issue. Any concerted effort also needs to change the mindset of small businesses in terms of building their skills to successfully grow the business.”

**Stakeholders pledge to work to make a prospective microfinance initiative a success:** stakeholders were enthusiastic about the prospects for a robust microloan program. In terms of their specific role, 88% of respondents stated they would serve as a referral source for potential borrowers. Also, 57% would volunteer to serve on a loan committee and either “provide content experts to teach workshops (40%) and or provide “small business counseling to borrowers (45.2%).”

The survey concluded with an opportunity for stakeholders to provide additional feedback, observations, recommendations, etc. to guide the development of a potential initiative. Their unedited responses are listed in **Appendix B**.
## APPENDIX A
Confidential Stakeholder Interviews

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Institutions</strong></td>
<td></td>
<td></td>
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<tr>
<td>Carrie Rosenfelt</td>
<td>Huntington Bank</td>
<td>VP Community Development Relationship Manager</td>
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<tr>
<td>Pat Ramsey</td>
<td>US Bank</td>
<td>Vice President</td>
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<tr>
<td>Emanuel Glover</td>
<td>Fifth Third Bank</td>
<td>VP Community Development Manager</td>
</tr>
<tr>
<td>Maria Thompson</td>
<td>PNC Bank</td>
<td>VP Community Reinvestment</td>
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<tr>
<td>Stevie Turner</td>
<td>Key Bank</td>
<td>VP Community Reinvestment</td>
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<tr>
<td>Cinnamon Pelly</td>
<td>Chase Bank</td>
<td>VP Community Reinvestment</td>
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<tr>
<td>Carrie Carpenter</td>
<td>Charter One Bank</td>
<td>Senior Vice President, Director of Public Affairs</td>
</tr>
<tr>
<td><strong>CDFIs</strong></td>
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<tr>
<td>Joel Ratner</td>
<td>Neighborhood Progress, Inc. Village Capital Corporation</td>
<td>Executive Director</td>
</tr>
<tr>
<td>Linda Warren</td>
<td>Neighborhood Progress, Inc. Village Capital Corporation</td>
<td>President - Village Capital Corporation</td>
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<tr>
<td>Bob Shordock</td>
<td>WECO Fund</td>
<td>Interim Executive Director</td>
</tr>
<tr>
<td>Susan White</td>
<td>Enterprise Cleveland</td>
<td>Executive Director</td>
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<tr>
<td><strong>Government</strong></td>
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<tr>
<td>Kevin Schmotzer</td>
<td>City of Cleveland</td>
<td>Executive Small Business Development</td>
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<tr>
<td>Tania Menesse</td>
<td>City of Shaker Heights</td>
<td>Director Economic Development</td>
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<tr>
<td>Ken Pim</td>
<td>SCORE</td>
<td>Director</td>
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<tr>
<td>Greg Zucca</td>
<td>Cuyahoga County Department of Development</td>
<td>Strategic Program Officer</td>
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<tr>
<td>Mary Helen Petrus</td>
<td>Federal Reserve Bank of Cleveland</td>
<td>Community Development</td>
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<td><strong>Nonprofits</strong></td>
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<tr>
<td>Michael Byun</td>
<td>Asian Services In Action, Inc.</td>
<td>Executive Director</td>
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<td>Colleen Gilson</td>
<td>Cleveland Neighborhood Development Corporation</td>
<td>Executive Director</td>
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<tr>
<td>Wendy Sattin</td>
<td>Cleveland Neighborhood Development Corporation</td>
<td>Director of Planning and Development</td>
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<td>Tom Morosko</td>
<td>Catholic Charities</td>
<td>Director, Catholic Charities Office of Migration and Refugee Services</td>
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<tr>
<td>David Rothstein</td>
<td>Policy Matters Ohio</td>
<td>Researcher (also Research Fellow, The New America Foundation)</td>
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<td>Michelle Sanson</td>
<td>Business Advisors of Cleveland</td>
<td>Executive Director</td>
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<td>Stephanie Mercado</td>
<td>Hispanic Business Alliance</td>
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<td>Tom O'Brien</td>
<td>Neighborhood Connections</td>
<td>Program Director</td>
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<td>Michael Sering</td>
<td>Lutheran Metropolitan Ministry</td>
<td>Director, Housing and Shelter</td>
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<td>Brian Mauk</td>
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<td></td>
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<tr>
<td>Community leaders/subject matter experts</td>
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<td></td>
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<tr>
<td>Sudhir Raghupathy</td>
<td>SECUR</td>
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<td>Gerald Meyer</td>
<td>Ohio Employee Ownership Center</td>
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<td>Michael Caldwell</td>
<td>Business Greenhouse Ventures</td>
<td>Founder</td>
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<td>Ted Howard</td>
<td>Cleveland Foundation</td>
<td>Steve Mintoer Fellow for Social Justice</td>
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<td>Private Sector</td>
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<td>David Ricco</td>
<td>BioEnterprise Corporation</td>
<td>Director, Business Development</td>
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<td>CDCs</td>
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<tr>
<td>Marilyn Mosinski</td>
<td>Detroit Shoreway</td>
<td>ED Director</td>
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<td>Marie Kittredge</td>
<td>Slavic Village</td>
<td>Executive Director</td>
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<tr>
<td>Tom Stone</td>
<td>Mt. Pleasant</td>
<td>Executive Director</td>
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<tr>
<td>Jamar Doyle</td>
<td>St. Clair Superior Community Development Corporation</td>
<td>Commercial Director</td>
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<tr>
<td>Cathy Sabolik</td>
<td>City of Cleveland</td>
<td>Storefront Renovation Program Coordinator</td>
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<td>Brian Friedman</td>
<td>Northeast Shores</td>
<td>Executive Director</td>
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<tr>
<td>Anthony Whitfield</td>
<td>Fairfax Renaissance Development Corporation</td>
<td></td>
</tr>
<tr>
<td>Eric Wobser</td>
<td>Ohio City CDC</td>
<td>Executive Director</td>
</tr>
</tbody>
</table>
Appendix B
Results of Online Stakeholder Survey

In my opinion, there is a gap in my community/market for capital for micro and very small businesses that is not being addressed by conventional and nonprofit lenders.

![Bar chart showing responses to the first survey question.]

If we assume that an average microloan is approximately $10,000, could you estimate the size of the gap on an annual basis?

![Bar chart showing responses to the second survey question.]

Cuyahoga County Microcredit Supply & Demand Analysis
In my opinion, of the microlenders I am familiar with in the County, my overall perception is that generally they are:

- Very ineffective in reaching their target markets: 14.3%
- Somewhat effective in reaching their target markets: 38.1%
- Effective in reaching their target markets: 31.0%
- Very effective in reaching their target markets: 24%
- I can’t answer regarding their effectiveness in reaching their target markets: 11.8%

In my profession, or my colleagues, often come into contact with individuals that have difficulty accessing capital to start or expand their business:

- Strongly Disagree: 24%
- Disagree: 7.1%
- Not Sure: 4.6%
- Agree: 23.8%
- Strongly Agree: 61.9%
In the absence of being able to access a microloan, from what sources do underserved entrepreneurs access capital? Check all that apply.

- Friends or family: 90.5%
- Payday lenders: 14.3%
- Credit cards: 83.3%
- Home equity loan/line of credit: 69.0%
- I don't know: 7.1%

Regardless of whether it's for start-ups or existing small businesses, but based on your sense of the need and demand, how many loans a month could a microloan fund make once it is fully operational?

- 1-2: 11.9%
- 3-5: 7.1%
- 5-7: 23.8%
- 10-12: 33.3%
- I don't know: 23.8%
Regardless of whether it's for start-ups or existing small businesses, but based on your sense of the need and demand, how many loans a month could a microloan fund make once it is fully operational?

- 1-2: 11.9%
- 3-5: 7.1%
- 5-7: 22.8%
- 10-12: 33.3%
- I don't know: 22.8%

What do you perceive to be the target markets for a Microloan program? Check all that apply.

- Aspiring entrepreneurs that can't obtain commercial financing for a loan: 92.3%
- Women: 97.8%
- Persons of color: 61.9%
- Lower-middle income individuals: 59.5%
Are there specific business sectors that should be targeted for capital?

<table>
<thead>
<tr>
<th>Low Income Housing Development on Micro Scale</th>
<th>Repair shops</th>
<th>home-based businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any businesses that are able to leverage technology and are scalable</td>
<td>contractors</td>
<td>Landscaping</td>
</tr>
<tr>
<td>Budding restaurants</td>
<td>Boutique clothiers or other fashion</td>
<td>Daycares</td>
</tr>
<tr>
<td>small hair salons</td>
<td>jewelry makers</td>
<td>dressmakers/fashion designers</td>
</tr>
<tr>
<td>Hospital</td>
<td>Union</td>
<td>established businesses</td>
</tr>
<tr>
<td>retail</td>
<td>restaurant</td>
<td>professional services</td>
</tr>
<tr>
<td>small ethnic grocery stores</td>
<td>mall specialty gift booths</td>
<td>food carts/portable espresso stands</td>
</tr>
<tr>
<td>any start-up</td>
<td>technology</td>
<td>medical/health</td>
</tr>
<tr>
<td>Food Production</td>
<td>Restaurants</td>
<td>Local Retail Establishments</td>
</tr>
<tr>
<td>urban farming</td>
<td>food service/catering</td>
<td>small mom and pop businesses</td>
</tr>
<tr>
<td>Urban Agriculture</td>
<td>Manufacturing</td>
<td>Professional Services</td>
</tr>
<tr>
<td>Niche food preparation, w/internet distribution as one sales channel</td>
<td>Home craft and handmade products, photography</td>
<td>Cleaning Services</td>
</tr>
<tr>
<td>artisans that sell out of house, church etc.</td>
<td>small, struggling current neighborhood businesses</td>
<td>Businesses building on existing movements ex. urban farming, health</td>
</tr>
<tr>
<td>Small retail start up enterprises</td>
<td>Farmers market vendor to store owner</td>
<td>Small contractors</td>
</tr>
<tr>
<td>Early stage technology companies</td>
<td>Restaurants</td>
<td>Shared office environments</td>
</tr>
<tr>
<td>green construction</td>
<td>health care and human services</td>
<td>transportation</td>
</tr>
<tr>
<td>hospitals, medical, research, drug companies</td>
<td>real estate developers/REITs?</td>
<td>energy (to develop higher efficiency alt energy technologies)</td>
</tr>
<tr>
<td>local retail</td>
<td>local restaurant and other food service</td>
<td>workspace/showrooms for designers (various types fashion, furniture, graphic)</td>
</tr>
<tr>
<td>Home day care providers</td>
<td>Food service/bakery</td>
<td>Restaurants</td>
</tr>
<tr>
<td>------------------------</td>
<td>---------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Consumer services</td>
<td>small product manufacturing</td>
<td>Telecom</td>
</tr>
</tbody>
</table>

Ideally those that can sell product on a regional to national/international basis

Others would be contracting and other companies where business is going outside the area due to lack of capacity. Let's be smart about what we build to match it to the area/region's demand.

Green businesses

urban neighborhoods

businesses that can fill storefronts in urban corridors

Arts

---

**For start-ups, what do you think should be the maximum loan size?**

- **Up to $5,000**
  - 4.8%
- **Up to $10,000**
  - 26.2%
- **Up to $25,000**
  - 16.7%
- **It depends on the level of risk and other factors**
  - 50.0%
- **I don't know**
  - 2.4%
For existing businesses, what do you think should be the maximum loan size?

- $15,000: 7.1%
- $25,000: 19.0%
- $50,000: 9.5%
- It should depend on the level of risk and other factors: 61.9%
- I don’t know: 2.4%

Do you think there is a need for small dollar (less than $1000) loans to help build credit for aspiring entrepreneurs who are not yet ready for a microloan?

- Yes: 42.8%
- Maybe: 31.0%
- No: 21.4%
- I am not sure: 4.8%
What do you think is an acceptable interest rate for loans?

- 5%: 31.0%
- 10%: 11.9%
- Up to 12%: 9.5%
- I don't know: 40.5%

The interest rate should be tied to the risk of the loan, among other factors.

What do you think is an acceptable loan loss rate for a microloan fund?

- 0%: 40.5%
- Up to 5%: 28.6%
- Up to 10%: 31.0%
- I don't know: 9.5%
What are the three most important factors to be successful in providing microcredit to micro and very small businesses?

<table>
<thead>
<tr>
<th>screening</th>
<th>support</th>
<th>follow up</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good business plans</td>
<td>Good market studies</td>
<td>understanding of local and national trends</td>
</tr>
<tr>
<td>diversified and dependable funding pool</td>
<td>leaders with experience in the field of lending</td>
<td>leaders with experience in the field of entrepreneurship</td>
</tr>
<tr>
<td>underwriting</td>
<td>technical assistance</td>
<td>skin in the game</td>
</tr>
<tr>
<td>Accessibility</td>
<td>Business development assistance / mentoring requirement as part of funding</td>
<td>Goals - tie access to more funding to meeting goals along the way...the mentor can monitor progress</td>
</tr>
<tr>
<td>Understanding the character of the borrower</td>
<td>Whether the business can CONSISTENTLY bring its product to market</td>
<td>How the business plans to penetrate the market (and what funds are necessary to do so)</td>
</tr>
<tr>
<td>Good underwriting</td>
<td>Good mentoring and business support for business owners</td>
<td>A good well thought out business plan</td>
</tr>
<tr>
<td>experience in trade</td>
<td>character</td>
<td>ability to learn how to manage</td>
</tr>
<tr>
<td>On-Going Support</td>
<td>Training</td>
<td>Low or no interest rates</td>
</tr>
<tr>
<td>Make the community aware of the availability of the microloans.</td>
<td>Spread news of success stories; instances where the microloan created big change.</td>
<td>Identify opportunities to contribute to growth of small businesses.</td>
</tr>
<tr>
<td>ability to assess risk</td>
<td>funds</td>
<td>ability to shepherd borrowers through process</td>
</tr>
<tr>
<td>language accessibility</td>
<td>bi-lingual staff</td>
<td>translated information</td>
</tr>
<tr>
<td>ambition</td>
<td>hard work</td>
<td>an understanding of how hard starting your own business is</td>
</tr>
<tr>
<td>significant technical assistance on the front end</td>
<td>character/behavior underwriting</td>
<td>ongoing ta after loan is received</td>
</tr>
<tr>
<td>Limited requirements</td>
<td>Having microlending agency that represent the community</td>
<td>Allow multiple channels for distribution</td>
</tr>
<tr>
<td>ability to repay</td>
<td>solid, realistic business and marketing plan</td>
<td>realistic expectations and results</td>
</tr>
<tr>
<td>Balancing risk in loan portfolio</td>
<td>Support / Technical Assistance</td>
<td>Reporting to credit bureaus</td>
</tr>
<tr>
<td>Making CDC’s aware of product</td>
<td>Solid business plan for borrowers</td>
<td>Counseling/mentoring of borrowers</td>
</tr>
<tr>
<td>Business plan</td>
<td>Expertise/experience</td>
<td>Mentoring</td>
</tr>
<tr>
<td>Assuring Business Development Assistance through trainings and educational programs</td>
<td>Marketing of the program</td>
<td></td>
</tr>
<tr>
<td>strong technical assistance and support</td>
<td>easy on ramps for those interested/accessibility</td>
<td>feasibility of business/capacity of individuals</td>
</tr>
<tr>
<td>more flexible non-traditional underwriting</td>
<td>Open to greater risk - understanding that there will be some failures</td>
<td>Application process</td>
</tr>
<tr>
<td>The availability of effective, accessible technical business support to minimize business failures.</td>
<td>Ability to gain strong personal references on borrowers.</td>
<td>Presence of a cohesive, realistic business plan.</td>
</tr>
<tr>
<td>Support network- Building a network that can provide technical assistance beyond just the $</td>
<td>Managing expectations of business and micro-lender</td>
<td>Understanding context- product to location etc.</td>
</tr>
<tr>
<td>a good business plan</td>
<td>ongoing support</td>
<td>“network” support</td>
</tr>
<tr>
<td>Strong Technical Assistance programs</td>
<td>Strong risk/Portfolio management processes</td>
<td>Reserve capital for losses--fund will not be sustainable</td>
</tr>
<tr>
<td>Coaching before the loan is made</td>
<td>Support and technical support during the loan period</td>
<td>Setting clear, achievable benchmarks for the recipient</td>
</tr>
</tbody>
</table>
### Cuyahoga County Microcredit Supply & Demand Analysis

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Benefit</th>
<th>Consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tie to education</td>
<td>Credit building counseling</td>
<td>Reasonable re-payment terms</td>
</tr>
<tr>
<td>Marketing</td>
<td>Management</td>
<td>Low risk aversion and patience capital</td>
</tr>
<tr>
<td>Diversity of portfolio (not all service businesses, etc.)</td>
<td>Geographic distribution (not all in same neighborhood)</td>
<td>Income level/credit score distribution</td>
</tr>
<tr>
<td>Growth potential</td>
<td>Type of business - how does it impact and serve the community</td>
<td>Does it create jobs?</td>
</tr>
<tr>
<td>Assessment of the business plan</td>
<td>Assessment of the need/niche of the business</td>
<td>Close monitoring of key performance indicators and transparency for the public</td>
</tr>
<tr>
<td>Ongoing technical assistance</td>
<td>Constant contact with recipient during first year</td>
<td>Strong staff encompassing wide skill set</td>
</tr>
<tr>
<td>Business plan</td>
<td>Right Market</td>
<td>Unique product</td>
</tr>
<tr>
<td>Frequent workshops in different locations teaching business/entrepreneurial skills</td>
<td>Widely advertising and strong outreach, to make people begin to think about possibilities.</td>
<td>Knowledgeable entrepreneur</td>
</tr>
<tr>
<td>Accounting technical assistance</td>
<td>Industry Market technical assistance</td>
<td>Supportive small business creation in neighborhoods</td>
</tr>
<tr>
<td>Mentoring and business assistance</td>
<td>Educational capabilities</td>
<td>Small application</td>
</tr>
<tr>
<td>Understanding the market</td>
<td>Strong post-loan technical support</td>
<td>Ease of use</td>
</tr>
<tr>
<td>Taking risk where others won't</td>
<td>Supporting the creative class</td>
<td>Flexibility</td>
</tr>
<tr>
<td>Flexibility</td>
<td>Pre and post technical support</td>
<td>Creative financing</td>
</tr>
</tbody>
</table>

**What do you see as the possible role(s) of your organization should a Microloan fund be created? Check all that apply.**

- Refer potential borrowers to teach workshops (88.1%)
- Serve on a loan committee (57.1%)
- Small business counseling to borrowers (40.5%)
- Identify potential donors to the loan program (31.0%)
Follow-on Funder
Administer the loans
We would potentially be interested in a branded microloan pool tied to a signature initiative"
You can tap into our network - we work with thousands of people across the city, many of whom would like to start a small business.
Community awareness, implementation feedback, communication conduit to neighborhoods"
Research and evaluation on performance and needs
Funding for loans
Serve as the fund administrator along with the other funds we manage

Please tell us about any other questions, issues or concerns you want to share about the need for microcredit in your community/market.

There is a gap in financing for small businesses that lack access to capital. Program should focus on success.
There is a definite need for micro-financing, but to make the program successful any funding should include an ongoing mentor and additional funding is tied to progress. Hit certain benchmarks (complete business plan, meet sales goals, etc.) and you either gain access to more funding or a reduced interest rate or a portion of the loan is forgivable. This plan should also limit loss and direct funds to successful microenterprises.
It is critical that this program address its role relative to the (currently) tapped-out WECO microenterprise program. Also, do IDAs have a role in this initiative?
What are the real facts of current micro lending in the Cleveland market? Try to identify the real demand which currently exist.
Marketing of the program to the target population in other words getting the word out to right folks to make sure the money is distributed.
this has to be managed by an empathetic loan committee
I would be willing to work closely with this fund to serve my Bad Girls. However, I would need to know that the fund is being managed appropriately before I would offer our assistance/brand in partnership.
In reviewing the line of question, I'm getting the sense this is a needs assessment to determine if an organization or entity should be funded to administer microloans. I'm one to be a strong supporter of decentralized approach. Current microlenders and financers in the community are not reaching every community because they don't have the linkages or have established trusting relationships. If this moves forward I'd like to see CBOs in the community positioned to administer the program.
It cannot just be built and assume people will come - there needs to be marketing and outreach and follow-up.
Interest rate of 5 % may be too high
There are some microloan programs available but the lenders are not willing to take on the necessary risk associated with start-ups. This means that--to this point--microloan programs have been wholly unsuccessful.
It's really needed here. There are some organizations that do it, but it seems ineffective. I know a lot of people who run small businesses out of their homes - catering, lawn services, day cares, selling products - they are the ones that could really benefit by this help. Also small neighborhood businesses that want to expand or improve but may not be eligible for other programs.
• Keep the interest rate low. Take greater risk than current programs. Fund risky innovative, out-of-the-box concepts. What we learn about why an idea didn't work may have more value than making a profit.

• Running a small business is extremely challenging and should not be underestimated. It is not a good pathway for those who cannot even hold down a job due to various barriers to success (lack of transportation, poor communications, lack of childcare, criminal record, etc.).

• I think it is very important to focus the micro-credit programs on people in neighborhoods that are often overlooked but many times have an economy outside what we usually see. From the guy who sells barbeque grills he constructs out of barrels, to the woman who sells homemade purses at church, to the family that sells barbeque to family and friends every couple of weeks to raise money for family vacations and has over 100 loyal customers....this is where micro-lending programs can be highly effective.

• Don't throw money down a hole to make it look like you're doing something. Make sound lending decisions to those deemed most likely to be successful.

• Scan of market need critical; however, scan of sources of capital equally critical--is there strategic alignment within funding community to do this type of investing?

• I think microfinance programs need to not only serve the underserved and underbanked LMI community but also new ventures, restaurants and retail that traditional banking will not loan to.

• Working with the CDC community and local level developers and merchant associations would help to infuse the program from a marketing position. Many small businesses or local entrepreneurs call into their local CDC looking for assistance associated with a start-up business or expansion and are in need of coaching, credit and financing. This is a huge gap in the advancement of job creation and local economy. If a micro loan program could also include education around finance, profit and loss statements, balance sheets, income statements, business plan writing, incorporation, state certifications, licensing and bonding, and more; this would give the small business community in this region a huge step toward success.

• There needs to be a focus on job creation and neighborhood stabilization.

• When a neighborhood CDC refers clients for microloans, they never hear if the client received loan, etc. so follow up is not possible. Since another goal for supporting small businesses is to encourage repopulation of neighborhood districts, this follow-up is important. If the CDC is no longer in the loop, so to speak, they can't assist the new business in locating in the neighborhood commercial districts or provide support to keep the business viable.

• I am nervous that the focus is shifting to larger businesses than we should really be focusing on.

• Creating a micro loan program should be part of changing the culture--helping people see the possibilities that small business (part time or side business even) can provide.

• I think creating a micro-finance network of loan recipients and mentors would be extremely helpful - Strong need for sure but do we know just how intense this is from the standpoint of what it takes to do this successfully?

• I want to be sure this effort is connected to other things going on in the community
Appendix C
Confidential Stakeholder Interview Questions

1. Do you have any questions about the survey or have any additional comments?

2. What do you think will be required to create an effective microloan program?

3. What do you think are the best opportunities or markets for a program?

4. What do you perceive to be the barriers to creating an effective program?

5. Do you have any direct experience working with a microloan program? How would you characterize your relationship?

6. What would an ideal partnership between your organizations and a microlender look like?

7. What evidence, anecdotal or otherwise, can you provide that demonstrates an access to capital problem for aspiring entrepreneurs and existing small businesses in Cuyahoga County?

8. Given the right circumstances, would your bank consider an investment in microlender/CDFI in Cleveland? What would need to occur for the bank to consider such an investment? Also, outside an investment, what other roles do you think the bank could play in this initiative?

9. Do you have any additional recommendations or comments that would aid the Cleveland and The Business of Good Foundation in addressing this issue?