



# Cook County Small Business Ecosystem Review: Access to Capital

Finance Committee

September 21, 2022



## Cook County Small Business Agenda: Background and History



**2018** – Chicago Community Trust (CCT), Polk Bros. Foundation and JPMorgan Chase – retained Next Street and Community Reinvestment Fund, Inc. to undertake a small business ecosystem assessment for Chicago to **better connect businesses to services**. This led to the formation of the Chicago Inclusive Growth Network

Next Street's research culminated with a set of recommendations and a proposed path forward, rooted in a belief that a **healthy, equitable, and diverse small business ecosystem is a prerequisite for a thriving economy in Chicago**

**2018** – Cook County released Policy Roadmap: Five-Year Strategic Plan for Offices Under the President which featured recommendations **to expand opportunities for local businesses, women or minority-owned firms and firms owned by people living with disabilities**

**March 2019** – **Next Street** presented findings of its work regarding small business ecosystem to Cook County Council of Economic Advisors. **County identified need for small business assessment that includes suburban Cook**

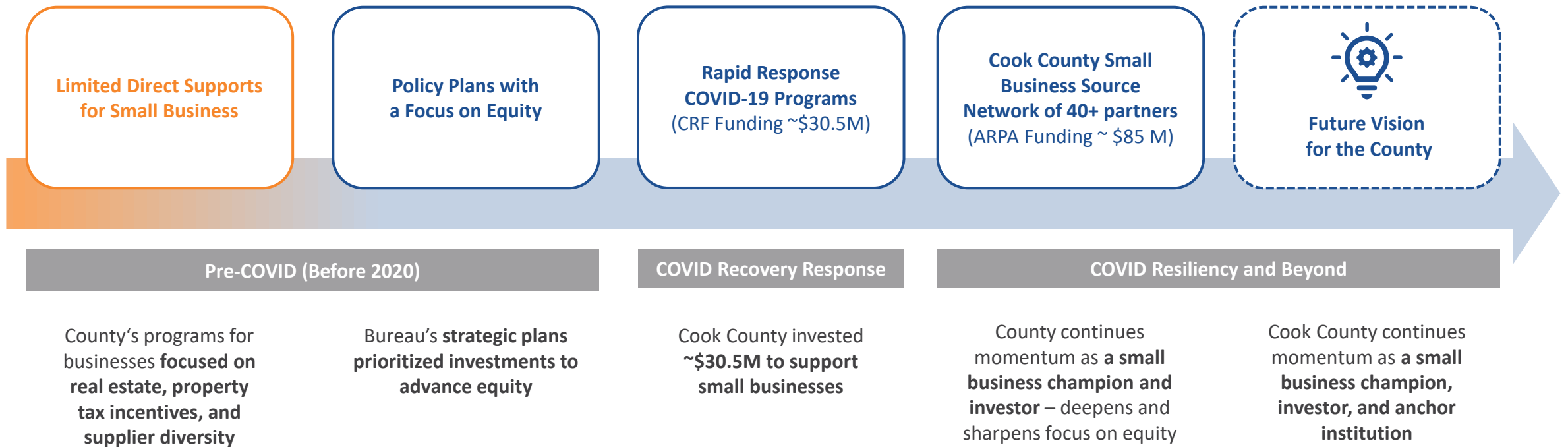
**January 2020** – Commissioner Kevin Morrison introduced and Board approved **resolution to support a review of the small business ecosystem** by an independent expert

**March 2020** – COVID-19 leads to business closures and shelter in place mandates. Businesses desperate for assistance and very few organizations had capacity to assist and respond. **County re-connects with Next Street and Chicago Inclusive Growth Network to launch Cook County Small Business Assistance Program (now the Cook County Small Business Source)**

Since March 2020, Cook County has convened a group of small business stakeholders and experts under the Cook County Economic Development Advisory Committee as a Small Business Sub-Committee

## Cook County Small Business Agenda: Our Evolution

Cook County grew and evolved its role in promoting local equitable small business development during COVID-19; **today, the County has built upon this momentum and plays an increasingly active role for local small businesses**



## Cook County Small Business Agenda: Our Advisors and Community

Cook County has convened a **group of small business stakeholders and experts to advise the County's Small Business Agenda, organized as a Small Business Sub-Committee under the Economic Development Advisory Committee**

### Cook County Economic Development Advisory Committee: Small Business Sub-Committee

**Manny Flores (co-chair)**  
*President & CEO, Somercor*

**Alberto Paracchini**  
*CEO, Byline Bank*

**Alma Anaya**  
*Commissioner, 7<sup>th</sup> District Cook County*

**Bo Kemp**  
*CEO, Southland Development Authority*

**Bob Tucker**  
*COO and EVP, Chicago Community Loan Fund*

**Bridget Gainer**  
*Commissioner, 10<sup>th</sup> District Cook County*

**Caitlin McElroy**  
*Deputy Chief of Staff, Cook County Government*

**Tony Smith (co-chair)**  
*Senior Vice President, PNC Bank*

**Daryl Newell**  
*Senior Vice President, PNC*

**David A. Day**  
*COO, Rainbow PUSH Coalition & Affiliates*

**David Schabes**  
*Assistant Professor, Harris School of Public Policy, University of Chicago*

**Dean Constantinou**  
*Deputy CFO, Cook County Office of CFO*

**Deborah Sims**  
*Commissioner, 5<sup>th</sup> District Cook County*

**Deborah Stone**  
*Director, Cook County Department of Environment and Sustainability*

**Howard Males (ex-officio)**  
*CEO, Research Pros, Inc.*

**Emilia DiMenco**  
*CEO, Women's Business Development Center*

**Josh Grodzin**  
*Interim Executive Director, Next Level Northwest*

**Kevin Morrison**  
*Commissioner, 15<sup>th</sup> District Cook County*

**Mohammed Elahi**  
*Deputy Director, Cook County Department of Planning and Development*

**Nicole N. Mandeville**  
*Director, Cook County Office of Contract Compliance*

**Irene Sherr (Bureau of Econ. Dev.)**  
*Deputy Bureau Chief, Cook County*

**Pam McDonough**  
*Owner, DeAngelo McDonough Construction Management Company*

**Sacella Smith**  
*Northeast Regional Economic Development Manager, Illinois DCEO*

**Teresa Cordova**  
*Director, UIC Great Cities Institute*

**Terry Howerton**  
*CEO, TechNexus*

**Vanessa Uribe**  
*Deputy Director, Office of Minority Economic Empowerment*

**Victoria Watkins**  
*Chief of Staff, Ariel Investments*

## Cook County Small Business Agenda: 2020 Landscape Assessment

Cook County's 2020 assessment on the region's small business ecosystem highlighted the **need for additional coordination, business support in Suburban Cook, access to financing, and business diversity programs**

### Ecosystem coordination and collaboration

**There is a continued need for coordination between ecosystem funders and key stakeholders to amplify initiatives;** shared initiatives can bring attention to small business needs and services across the County

### Small business services in Suburban Cook County

**There are limited business advising services in Suburban Cook County,** presenting a need to investigate opportunities to identify needs and expand services into suburban Cook

### Access to small business financing

**There are access to capital challenges for BIPOC and women business owners magnified during COVID-19, with a "missing middle" in lending between \$50k and \$250k and a need for startup capital to bridge the "friends and family" funding gap**

### County as an anchor institution

**Contracting with anchor institutions, both public and private, opens new markets for small businesses;** there is a need to consider how to leverage local anchors' purchasing power to drives customers and sales to small businesses

## Cook County Small Business Agenda: Roles and Initiatives

The Cook County Small Business Agenda positions the County to **play an active role in support of small businesses and the surrounding entrepreneurial ecosystem**

County Roles	Key Initiatives	Goals
 <p><b>Champion / Convener</b></p> <ul style="list-style-type: none"> <li>• <b>Champion:</b> Amplify ongoing small business programs and catalyze additional funding for small businesses and the organizations that serve them</li> <li>• <b>Sponsor and Thought Partner:</b> Provide funding and program guidance for ecosystem coalitions to encourage collaboration and shared services</li> </ul>	<ul style="list-style-type: none"> <li>• Cook County Small Business Source *</li> </ul>	<p><b>Increase volume of quality services that address small business needs through collaboration</b></p>
 <p><b>Ecosystem Investor</b></p> <ul style="list-style-type: none"> <li>• <b>Funder:</b> Provide funding (e.g., grants) and thought partnership for Business Support Organizations (BSOs) and capital providers to use in their programs or products (e.g., loan guarantees)</li> </ul>	<ul style="list-style-type: none"> <li>• Small Business Grants Program*</li> <li>• Access to Capital Programming</li> </ul>	<p><b>Expand access to affordable, flexible capital for small businesses across Cook County</b></p>
 <p><b>Anchor Institution / Customer</b></p> <ul style="list-style-type: none"> <li>• <b>Purchaser and Supporter:</b> Buy from small businesses through County procurement and support MWBEs to procure regional contracts</li> </ul>	<ul style="list-style-type: none"> <li>• Inclusive Procurement Strategy</li> </ul>	<p><b>Increase MWBE participation in County and Partner spend</b></p>

Note: \* Initiatives approved for American Rescue Plan Act funding for FY2022

## Small Business Source: Our Program and Impact

### Small Business Source: What We Offer

#### Business Advising

**Running a small business is hard.** One-on-one, expert business advising provides small business owners with the advice and assistance they need.

#### Resources

**Our partners include the region's "best in class" Business Support Organizations** and are available to help grow and scale your businesses.

#### Events

**Events connect small business owners with thought leaders and experts** as well as peers around topics important to small businesses.

### Small Business Source: Our Impact

**10,000+**

Small businesses reached

**\$17 M**

In grants distributed to businesses with 20 employees or less in 2020

**3,800+**

Businesses supported through direct assistance

**72%**

businesses owned by people of color

**55%**

businesses owned by women

**78%**

microbusinesses (with 5 or less employees)

## Small Business Source: Partner Network

The Cook County Small Business Source is supported by a **robust network of 40+ community partners who conduct small business advising, marketing and outreach, and grant application support**



**Southland  
Development Authority**  
Driving Growth in Greater Chicago



### Cook County Small Business Source Referral Partners

- |  |   |   |
|--|---|---|
| <ul style="list-style-type: none"><li>• 18th Street Development Corp (Economic Strategies Development Corporation)</li><li>• 36Squared Incubator</li><li>• Arts Alliance Illinois</li><li>• Chamber57</li><li>• Chicago Heights Economic Development Corporation</li><li>• Chicago Southland Chamber of Commerce</li><li>• Chicago Southland Economic Development Corporation</li><li>• Des Plaines Chamber of Commerce</li><li>• Elgin Area Chamber of Commerce</li><li>• Far South Community Development Corporation</li></ul> | <ul style="list-style-type: none"><li>• Greater Englewood Chamber of Commerce</li><li>• Greenwood Archer Capital</li><li>• Ignite Technology and Innovation</li><li>• IL Action for Children</li><li>• Illinois Business Immigration Coalition</li><li>• Illinois Minority Business Development Agency (IL MBDA) Business Center</li><li>• Indo-American Center</li><li>• Melrose Park Chamber of Commerce</li><li>• Native American Chamber of Commerce</li><li>• Northwest Hispanic Chamber of Commerce</li><li>• Polish American Chamber of Commerce</li></ul> | <ul style="list-style-type: none"><li>• Puerto Rican Cultural Center</li><li>• Rogers Park Business Alliance</li><li>• Schaumburg Business Association</li><li>• SomerCor</li><li>• South East Chicago Commission</li><li>• South Shore Chamber of Commerce</li><li>• Southland Black Chamber of Commerce</li><li>• Southwest Collective</li><li>• West Town Chicago Chamber of Commerce</li><li>• West Suburban Chamber of Commerce &amp; Industry</li><li>• Westside United</li></ul> |
|--|---|---|



## The Source Grow Grant: Program Details

Cook County will be launching a new grant program this Fall – **here are some fast facts for you all to know, and be on the lookout for further information from Cook County in the next week's briefings!**

# THE SOURCE GROW GRANT

Helping businesses become more resilient

### The Source Grow Grant: Details

**Funding Available:** \$70M total, \$25.5M for 2022

**Grant size:** \$10,000 grants per business who have been negatively impacted by COVID-19

**Eligibility:** impacted by COVID and < 20 employees

**Target populations:** owned by People of Color, Veterans, Women, and Person(s) with a disability

**Priority sectors:** Arts & Entertainment, Childcare & Social Assistance, Hospitality, Food and Tourism, Retail, Transportation & Warehousing

**Dates:** Announcement **September 29** and application will launch on **October 3**

## Access to Capital: 2020 Assessment Findings in Cook County

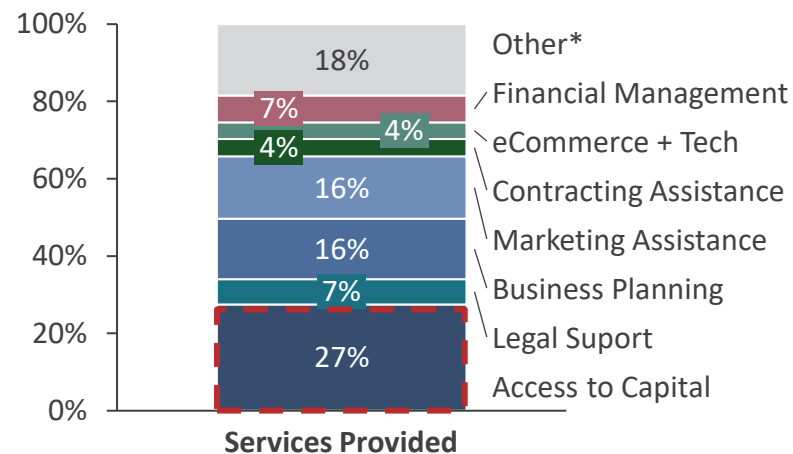
### Cook County Entrepreneurial Capital Landscape: 2020 Assessment Findings

- In Cook County, BIPOC and women business owners **face structural barriers in accessing capital to sustain and grow their businesses**, resulting in reliance on personal financing or predatory sources
- Capital in Cook County has been **driven by bank lending often inaccessible to BIPOC entrepreneurs**, with lower lending rates in predominantly Black and Latino(a) neighborhoods
- Angel and venture capital investments in local technology enabled businesses have grown in Cook County, **but BIPOC and women founders face racial biases and barriers to accessing equity capital**
- BIPOC and women business owners note struggling **to secure “friends and family” capital to finance their businesses, as few had higher net-worth relationships in their networks**
- Capital supply is historically concentrated in microloans and large loans and equity investments, **creating a “missing middle” for businesses seeking financing to grow and scale**

## Access to Capital: Need for Financial Advising Support

**Access to Capital is the most requested business service among businesses through Cook County Small Business Source;** businesses that request financing support tend to be smaller, diverse businesses

**Small Business Source: Services Provided**  
(# of Businesses Served = 2,300+ as of September 2022)



**Access to Capital advice is the most requested services of the Small Business Source**



### Business Profile

**Women-owned**  
**57%**

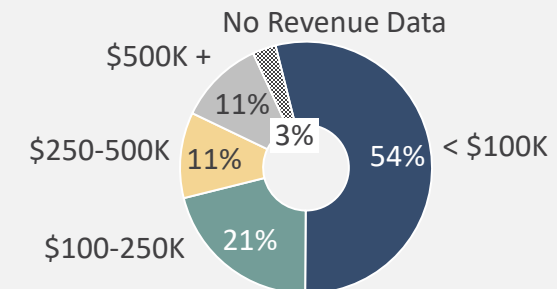
**BBINAA^-owned**  
**60%**

**0-5 Employees**  
**72%**

### Top Industries Represented:

- Accommodation & Food Services
- Transportation / Warehousing
- Retail Trade
- Education Services
- Professional Services
- Arts/Entertainment/Recreation
- Professional/Scientific Services

### 2019 Business Revenue



















Note: \* Other includes Legal, Franchising and M&A, Human Resources, and Grant Application Support; ^ Black, Brown, Indigenous Nations, and Asian Americans  
2019 Business Revenue data is no longer requested from advising clients in an effort to simplify the intake process. Data shown here is pre-May 2022.

Source: Small Business Source data accessed September 2022: Businesses Served = 2,300+; Services Provided = 4,460

## Access to Capital: Equity Capital Gap

Venture-oriented businesses, particularly those owned by BIPOC and women, **struggle to access “friends and family” and early-stage equity capital needed for business sustainability**

	Friends & Family	Seed / Angel	Series A	Series B / C	Late Stage	Private Equity
Availability of Capital						
Key Providers	<ul style="list-style-type: none"> <li>Individual investors</li> <li>Crowdfunding platforms</li> <li>Government + Philanthropy</li> </ul>	 	 	 	 	 
Implications	<ul style="list-style-type: none"> <li>Early-stage companies <b>often rely on personal networks and relationships in Cook County to secure “friends and family” and early-stage equity capital to gain an initial financial footing</b></li> <li>BIPOC and women business owners note struggling to <b>secure “friends and family” capital to finance their businesses, as few had higher net-worth friends or family members in their networks</b></li> <li>Meanwhile, <b>few institutional investors focus on early-stage, non-debt capital</b>, with those who do focusing on high-growth, tech-enabled businesses</li> </ul>					

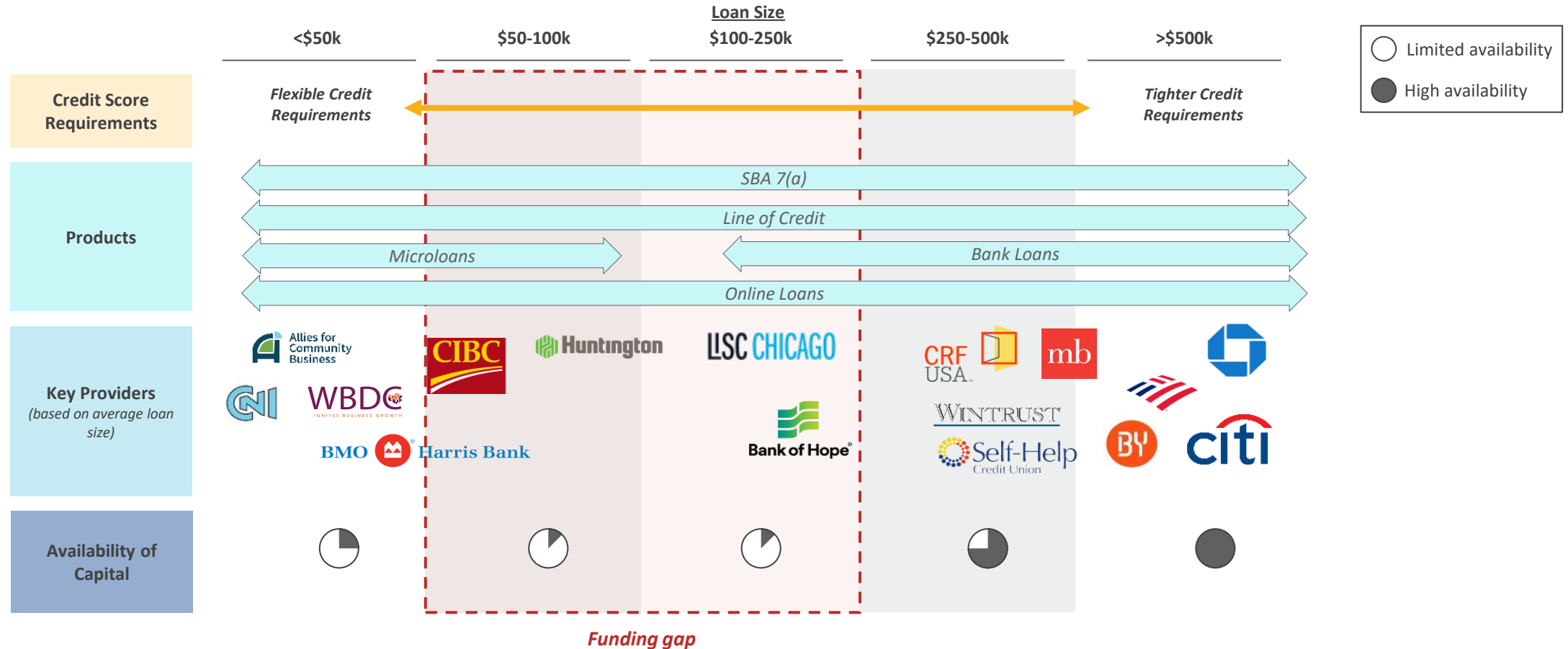
Key



Source: Next Street research and analysis

## Access to Capital: “Missing Middle” in Debt Capital

Moreover, more mature businesses had few mid-sized loan options, as the **local pre-COVID debt landscape was characterized by a “missing middle” in lending between \$50k and \$250k**



Source: Next Street research and analysis

## Access to Capital: Spectrum of Government Programs

The County can consider a **spectrum of program models in the debt and equity landscapes to expand access to small business financing and influence local financial institutions**

NON-EXHAUSTIVE // ILLUSTRATIVE

Debt Capital				Equity Capital	
Revolving Loan Fund	Loan Participation Program	Collateral Support Program	Loan Loss Reserve Fund	Co-Investment Fund	Fund of Funds
A self-replenishing pool of capital for direct small business lending by the County, utilizing interest and principal payments to issue new loans	A program that positions the County to “participate” in loan by purchasing a portion of a loan or as a co-lender (also known as a companion loan)	A program where the County offers pledged collateral accounts to regional lenders to enhance the collateral coverage of individual loans	A credit enhancement fund where the County forms an insurance pool for financial institutions to manage risk for loans not repaid	A County-run fund to make co-investments with regional angel and venture capital investors into local businesses	A pooled investment fund that invests in angel and venture capital funds offering equity and equity-like capital

Source: U.S. Department of Treasury; Center for American Entrepreneurship

## Appendix

## Access to Capital: Forms of Small Business Financing

The following forms of **small business financing** provide a frame for the typical investment features and small business profiles of each product; traditional equity and loans represent the primary financing products for small businesses

	Grants	Patient Capital	Traditional Equity	Equity-like Capital	Loans
<b>Description</b>	Non-repayable funds directly to small businesses through public or nonprofit sources	Long-term financing (predominantly loans) with terms that do not require immediate repayment	Long-term financing conditional on an ownership stake in the small business (includes angel investments, venture capital, and private equity)	Long-term, subordinated debt with revenue or royalty-based repayment (also known as revenue-based financing)	Secured debt products with term repayment requirements for small businesses (includes working capital, term, and equipment loans)
<b>Expected return on investment</b>	No return on investment	Ranges from -50% to 10%	No limit	Variable up to 30%	Fixed from 5% to 18%*
<b>Involvement with business</b>	Low	Some (through partners)	High (through board)	High (through board)	Low
<b>Exit of investment</b>	N/A	Partial repayment	IPO, sales, or ownership buyout	Royalties or repayment	Repayment
<b>Target SMB growth profile</b>	Low-to-moderate growth	Low-to-moderate growth	High growth	Low-to-moderate growth	All growth profiles
<b>Target SMB stage</b>	Startup and Early Stage	Startup and Early Stage	All stages of business	Startup, Early Stage, and Growth stages	All stages of business

Note: \* Return may be higher from alternative lending platforms

Source: Bridges Community Ventures