



# **RHODE ISLAND SMALL BUSINESS SUPPORTS**

## *SUMMARY OF ANALYSIS & FINDINGS*

FEBRUARY 2017

# A WORD FROM NEIL STEINBERG, RHODE ISLAND FOUNDATION PRESIDENT & CEO (1 OF 2)

Dear friends -

Economic security is one of our strategic priorities. Like you, we want to see a strong local economy that enables all Rhode Islanders to prosper. That is why we invested in this analysis of the supports available to small businesses in Rhode Island.

Small businesses are the backbone of Rhode Island's economy and our communities. They shape the character of the places we live, employ our friends and family, and support our local nonprofit organizations.

To grow successfully and sustainably, different kinds of businesses need different kinds of support at different times. We believe our primary value is to help build a strong ecosystem — a robust and supporting environment that helps enterprising Rhode Islanders start and grow businesses.

We're really deliberate about using the word *ecosystem*, because we believe that's what this is: a community of interacting entities and their ever-evolving environment.

A resilient business ecosystem attracts investment and talent. Shaped by the factors beyond what any individual entity controls, it is nimble and responsive. The synergies that result from clusters of activity, investment, and people have exponential results for businesses and the broader economy.

We seek to strengthen Rhode Island's business ecosystem by:

- Advocating for a robust network of services that is easy for entrepreneurs and enterprises to access and navigate.
- Identifying and addressing barriers to starting and growing businesses.
- Supporting intermediaries that fill important gaps in providing supports and resources to new and emerging businesses, particularly in underserved communities.
- Supporting networks that have demonstrated clear understanding of industry-specific needs and opportunities and developed strategies to address them.

When we began this project, we suspected that there are some gaps in services. Coordination among various entities is not consistent and that the system can be extremely challenging for business owners to navigate.

We wanted data to help guide our focus and investments. So we hired a national consultant with experience mapping business ecosystems and identifying strategic opportunities for improvement.

# A WORD FROM NEIL STEINBERG, RHODE ISLAND FOUNDATION PRESIDENT & CEO (2 OF 2)

Next Street's suggestions include:

- Making it easier for business owners to navigate the network of services and capital available in Rhode Island.
- Expanding and strengthening service and capital models that are working.
- Ensuring that the sector-specific needs of manufacturers, food businesses, and businesses owned by people of color are met.

The research and recommendations are thorough and actionable. We are committed to following up on some of these opportunities, and this analysis will guide our focus and investments going forward. . (As a first step, we are partnering with the Rhode Island Commerce Corporation to make the data underneath this analysis available to small business owners in an easy-to-use format. We hope to make this available by June.)

We undertake this work with a spirit of humility and collaboration. While we do not directly provide on the ground services or capital to businesses, we can provide support for a base of information, seed new opportunities, and engage the community.

To our partners in the ecosystem and small business owners, we look forward to continuing the conversation with you. We all need to be really smart about building this ecosystem; we do not have time or resources to lose. We hope you will review this analysis, share your feedback and insights, and stay involved.

Together, we can we support Rhode Island's economy, communities, and people.

Neil D. Steinberg  
President & CEO

## Introduction

### Analysis

Business Support Organizations (BSOs)

Capital Providers

Manufacturing Cluster

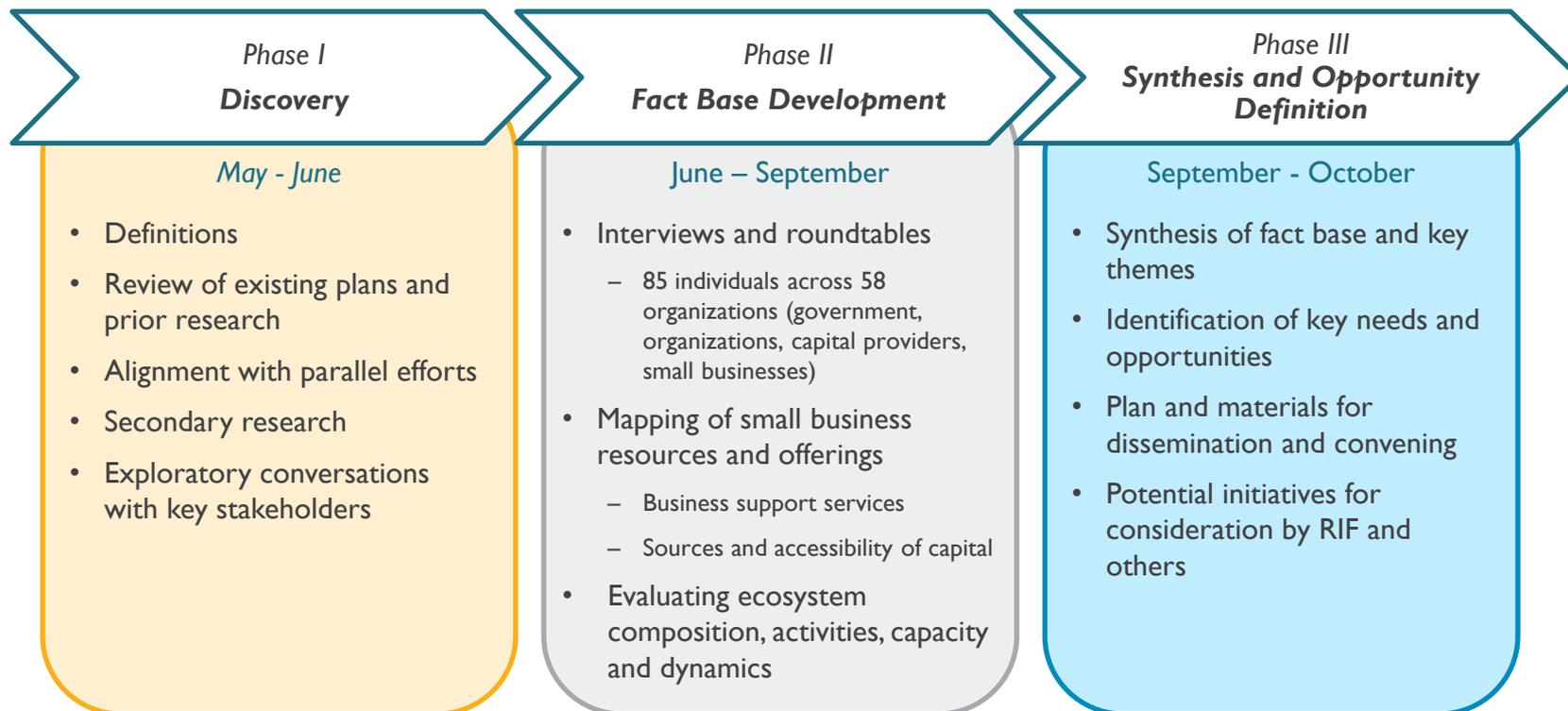
Food Cluster

Entrepreneurs of Color

### Opportunities to Enhance Ecosystem

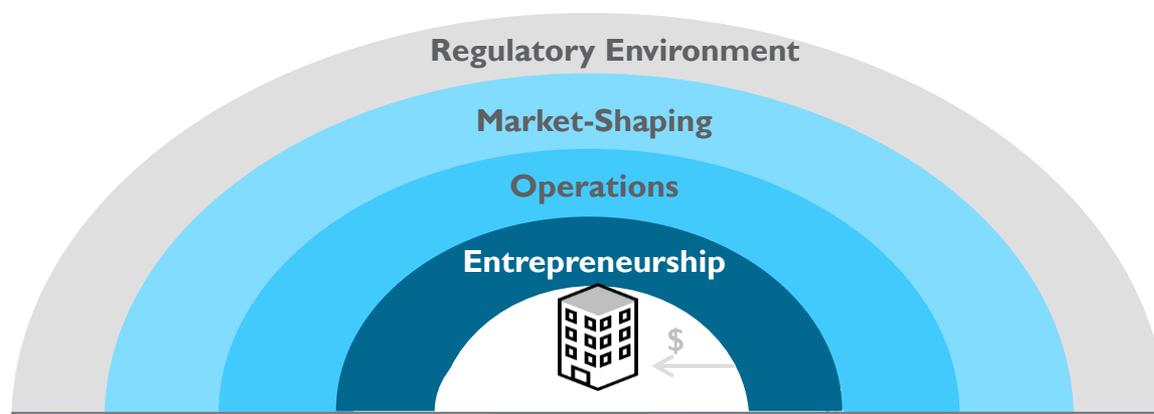
# X PROJECT OVERVIEW

The Rhode Island Foundation engaged Next Street to map local small business support resources – the ‘ecosystem’ – to understand the current state and identify needs and opportunities.



## Why 'ecosystem'?

- > A strong business ecosystem provides fertile ground for businesses to start, grow, and collaborate.
- > The ecosystem is shaped by factors beyond what any individual entity controls; synergies that result from clusters of activity, investment, and talent within the ecosystem have exponential results for the businesses involved and the broader economy.
- > Various types of business support organizations (BSOs) help to build a thriving small business ecosystem.



## Capital Providers



Providers of growth and working capital in forms of debt and equity, ranging from traditional financial institutions (e.g., commercial banks, credit unions) to alternative lenders (e.g., CDFIs) to private investors (e.g., venture capital, angel investors).

### Market-Shaping

- Trade / Bus. Attraction / Exports
- Field Advancement / Innovation



BSOs can influence input and output market conditions in a city or region. Regional trade organizations operate on the demand side of markets – by creating links to buyers in foreign markets, these organizations create new export opportunities for local firms, potentially increasing output in the city's and region's economy.

### Operations

- Operating Environment
- Customer / Supplier Links
- Talent / Workforce
- Real Estate



BSOs that assist businesses in improving their immediate operating environment. A subset of Operations Support BSOs help firms secure critical inputs like workers, real estate, and capital. These BSOs essentially serve as intermediaries between individual firms and labor and real estate markets by helping firms identify options or secure inputs.

### Entrepreneurship

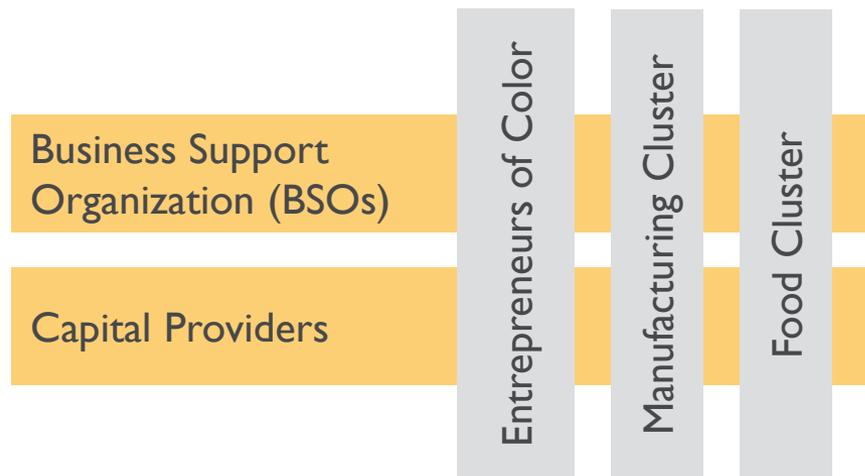
- Training and mentorship



BSOs that provide direct services and supports to business owners and aspiring entrepreneurs. Some focus on the entrepreneurs themselves by offering training and mentorship, while others focus on supporting overall business operations.

# X APPROACH AND DEFINITIONS

We looked across a broad range of **business service organizations and capital providers** that serve businesses <50 employees...



*Business Support Organization (“BSO”) is a broad term that includes organizations that provide direct and indirect services and support (e.g., technical assistance, advice, and advocacy) to small businesses.*

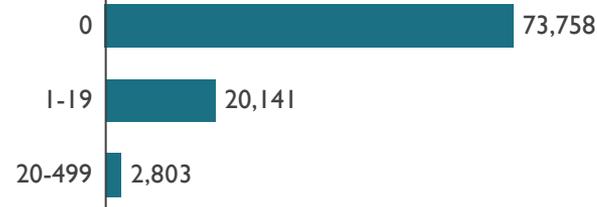
...and also conducted targeted research on the **food and manufacturing clusters**, which are strategic for the state, as well as services for **entrepreneurs of color**.

## Key Facts

- > Over 90% of firms in Rhode Island are small businesses, employing much of the private sector workforce
- > Hospitality/food and manufacturing are among the largest employment sectors
- > Firm creation continues to bounce back in Rhode Island
- > Minority business ownership has increased significantly

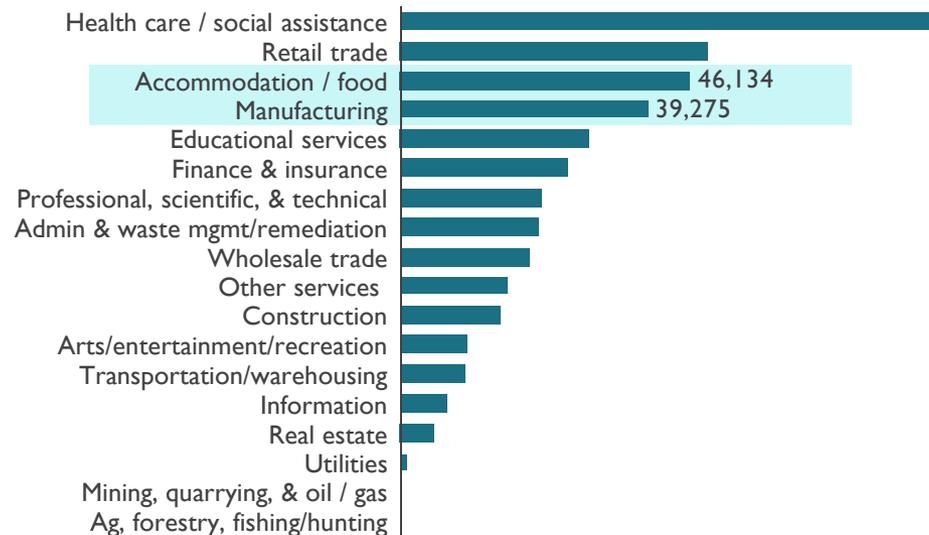
### Number of Firms in RI

by Employee Count, 2013



### Employment by Industry in RI

For Employer Firms, 2014



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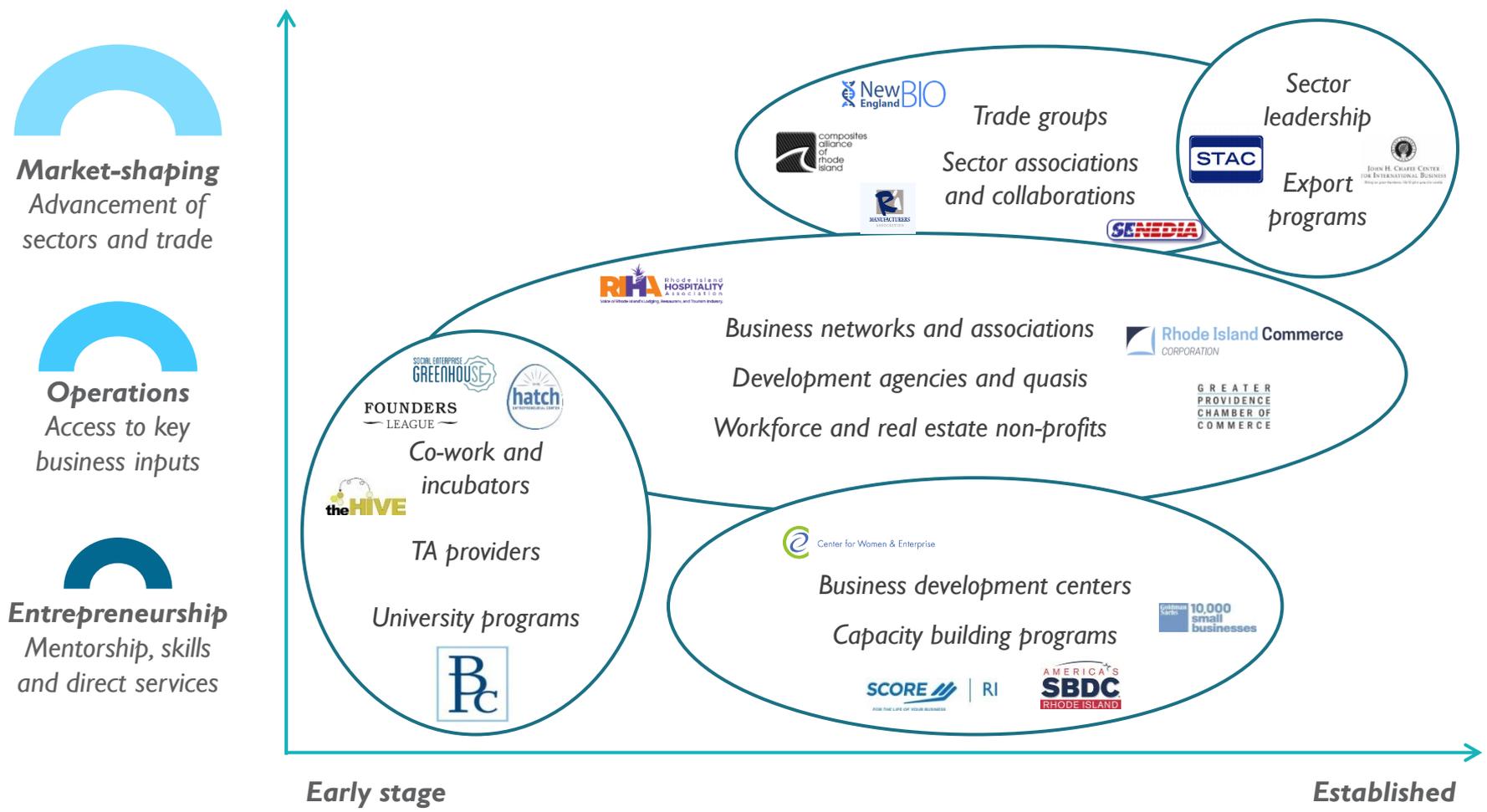
Food Cluster

Entrepreneurs of Color

Opportunities to Enhance Ecosystem

# X BUSINESS SUPPORT ORGANIZATIONS

To understand the small business ecosystem in Rhode Island, we identified and researched the services of over 100 business support organizations, including 17 Market-shaping BSOs, 59 Operations BSOs, and 26 Entrepreneurship BSOs.



\*The logos included represent selected organizations but is not an exhaustive list of all BSOs within a certain space.



## Market-Shaping

- Majority of market shapers are focused on field advancement
- Many in strategic economic development sectors have limited focus on small business, though certain sectors are heavily oriented to small businesses (e.g., Food Policy Council)
- Several groups are focused on sectors (e.g., Rhode Island Hospitality Association, Composites Alliance of RI)



## Operations

- 25 of 59 operations BSOs focus on networks and customer/supplier links (e.g., Chambers); they provide low cost and low-touch networking, marketing, and professional development
- Most are generalists for traditional businesses of all sizes (mostly larger, established businesses), but a subset focus on sectors (e.g., EatDrinkRI, FarmFreshRI) and smaller businesses
- Some provide real estate through co-working facilities (e.g., Founder's League, The Hive, The Hatch); significant shared space available, with some providing light mentorship and guidance
- Small subset foster workforce development and employer/talent connections, primarily in tech (e.g., Opportunity@Work) and advanced manufacturing (e.g., Shipbuilding Advanced Manufacturing Institute)



## Entrepreneurship

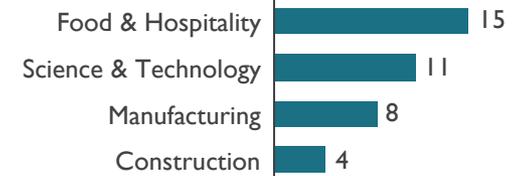
- Majority of offerings and delivery capacity of entrepreneurship BSOs is group-based; much of this activity is delivered by a handful of BSOs (e.g. Center for Women and Enterprise, Small Business Development Center, Social Enterprise Greenhouse)
- Small number of accelerators and incubators provide higher-touch support to cohorts, sometimes in return for equity or revenue sharing (e.g., Practico Innovation, RevUp)
- One-on-one, intensive business planning and technical assistance capacity is limited and often connected with provision of financing (e.g. through Small Business Development Center, Center for International Business at Bryant)

- > Our research identified over 100 BSOs in Rhode Island. Overall, the most common functions are technical assistance (36%), professional development (36%), and networking (35%)
- > Within operations BSOs, the majority focus on customer/supplier links (e.g., Chambers)
- > The most common industry focus is food and hospitality, followed by science and technology.
- > 12% of BSOs focus on MBEs and 8% tailor services for the immigrant community.

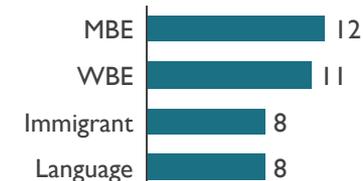
## BSO Functions



## Industry Focus



## Population Focus



## Entrepreneurship

- Accion East
- BetaSpring / RevUp
- Brown Entrepreneurship Program (Brown EP)
- Brown University Breakthrough Lab (B-Lab)
- Center for Women and Enterprise
- DESIGNxRI
- Goldman Sachs 10,000 Small Businesses Program
- Hope & Main
- Johnson & Wales University Center for Entrepreneurship
- MassChallenge
- Navigant Credit Union
- Polaris MEP
- Practico Innovation
- Procurement Technical Assistance Center (PTAC)
- Providence Entrepreneurs Meetup Group
- PVD Lady Project
- Rhode Island Department of State Business Support Services (including RI Business Portal)
- Rhode Island Manufacturers Association
- Rhode Island Marine Trades Association
- Rhode Island Nursery and Landscape Association
- Rhode Island Small Business Development Center
- Service Corps of Retired Executives (SCORE)
- Social Enterprise Greenhouse
- University of Rhode Island Business Engagement Center
- Urban Ventures
- US Small Business Administration (SBA)

## Markets

- East Coast Shellfish Growers Association
- Eastern Trade Council
- Food Export USA
- Highlander Institute / EdTechRI
- John H. Chafee Center for International Business at Bryant University
- MedMates
- New England Biotech Association
- Northeast Sustainable Agriculture Working Group
- RallyRI
- Rhode Island Agriculture Partnership
- Rhode Island BioScience Leaders
- Rhode Island Farm Bureau
- Rhode Island Food Policy Council
- Rhode Island Saltwater Anglers Association
- RI Science & Technology Advisory Council (STAC)
- Southeastern New England Defense Industry Alliance (SENEDIA)
- Women's Fund of Rhode Island

## Operations

- Association of Latino Professionals for America
- Blackstone Valley Chamber of Commerce
- bRIde.jobs
- Building Futures
- Cambridge Innovation Center
- Central Rhode Island Chamber
- Charlestown Chamber
- Coastway Community Bank
- Composites Alliance of Rhode Island
- Commerce RI
- Dorcas International Institute of Rhode Island
- East Bay Chamber
- East Greenwich Chamber
- Eat Drink RI
- Economic Development Foundation of Rhode Island
- Farm Fresh Rhode Island
- Field of Artisans
- Founders League
- Greater Cranston Chamber
- Greater Providence Chamber
- Greater Westerly-Pawcatuck Chamber
- GrowSmart RI

- Hatch Entrepreneurial Center
- InnovateNewport
- Jamestown Chamber
- Local Initiatives Support Corporation
- Minority Business Enterprise Compliance Office
- Narragansett Chamber
- netWORKri
- New England Farmers Union
- Newport County Chamber
- North Kingstown Chamber
- Northern Rhode Island Chamber
- Ocean State Business Development Authority
- Ocean State Higher Education Economic Development and Administrative Network
- Opportunity@Work
- Pathways to Advance Career Education
- Providence Warwick Convention & Visitors Bureau
- Quonset Development Corporation
- Rhode Island Black Business Association
- Rhode Island Builders Association

- Rhode Island Hospitality Association
- Rhode Island Hospitality Education Foundation
- Rhode Island Seafood Festival Organizers
- Rhode Island Seafood Marketing Collective
- Rhode Island Society of CPAs
- Rhode Island Trucking Association
- Shipbuilding & Advanced Manufacturing Institute
- Slater Technology Fund
- South Eastern Economic Development
- Southern Rhode Island Chamber
- Sprout RI
- Tech Collective
- The Hive
- The Met Center for Innovation and Entrepreneurship
- The Steel Yard
- Undersea Technology Innovation Center
- Year Up Providence
- YouthBuild Providence

Organization	Overview
	<ul style="list-style-type: none"> <li>* &gt; Support services <b>guide business owners through the process of applying for loans</b></li> <li>&gt; <b>“Reboot” in progress</b>, investing heavily in hands-on support, with 5 of 8 staff members providing direct small business counseling</li> <li>&gt; Actively <b>leveraging URI’s resources</b> to broaden reach and capacity, including work-study students joining this fall</li> <li>&gt; Working on <b>enhancing responsiveness to minority/immigrant</b> needs, with bilingual business counselors specializing in targeted outreach</li> <li>&gt; Has visibility across the state from three centers and several outreach locations</li> </ul>
	<ul style="list-style-type: none"> <li>* &gt; SCORE connects <b>retired business professionals</b> with entrepreneurs seeking advice and mentorship</li> <li>&gt; Volunteer workforce specializes in acting as mentors to entrepreneurs, <b>leveraging industry and management experience</b> to provide tailored advice</li> <li>&gt; Rhode Island’s chapter connects <b>~40 volunteer counselors</b> with local business owners; since volunteers are retirees, many are available seasonally</li> </ul>
 <p>Center for Women &amp; Enterprise</p>	<ul style="list-style-type: none"> <li>* &gt; CWE delivers <b>group courses</b> that help businesses access information and learn skills, as well as for providing some <b>I:I counseling</b></li> <li>&gt; <b>Programming is tiered by stage</b> (Start, Grow); most programming delivered in group format for both stages</li> <li>&gt; <b>Administering microloans</b> with funding from Commerce Corp. and RIF, requiring recipients to meet monthly with counselors; does not have formal underwriting capacity</li> </ul>
	<ul style="list-style-type: none"> <li>&gt; Works to create positive social and economic impacts by <b>supporting social entrepreneurs and enterprises</b></li> <li>&gt; <b>Accelerator programming</b> provides entrepreneurs with tools and networks to support them as they create jobs and support positive change, serving businesses in <b>both in the idea stage, as well as existing startups</b> that are looking to gain traction and expand services</li> <li>&gt; Services include <b>workshops that allow for ventures to efficiently and quickly develop their businesses</b> – SEG has grown from a budget of \$25K to &gt;\$1M with 8 staff, and a community of 200+ volunteers that has served a portfolio of 220 companies in six years</li> </ul>

\* = SBA Partner

Rhode Island has a handful of co-working spaces that offer light programming and mentorship; BSOs and small businesses noted an ample supply, leading to some vacancies

Organization	Core Services
 <b>theHIVE</b> North Kingstown	<ul style="list-style-type: none"> <li>&gt; The Hive is made up of business owners, writers, artists, IT people, marketing professionals, remote sales people, entrepreneurs, scientists and many more, accessing space, in addition to periodic speakers and events</li> <li>&gt; Shared space includes couches, recliners, desks and hightop tables, and four office suites for businesses to rent</li> <li>&gt; There are 18 businesses currently co-located, paying rates of \$15 per day, \$55 per week, and \$190 per month</li> </ul>
 <b>FOUNDERS LEAGUE</b> Providence	<ul style="list-style-type: none"> <li>&gt; Houses growth-oriented businesses, mostly non-employer start-ups or remote employees of existing businesses</li> <li>&gt; Affiliated with BetaSpring/RevUp, because they share a leadership team – the two organizations are largely separate</li> <li>&gt; Encourage entrepreneurs to engage, hosting monthly Open Coffee sessions and collaborating with local technical assistance and capital providers on events</li> </ul>
 <b>sprout</b> a coworking community Providence	<ul style="list-style-type: none"> <li>&gt; Capacity of 250 work spaces in 4,000 square feet of office space, currently supporting 50 member businesses</li> <li>&gt; Has a 14-seat boardroom, 6-8 seat meeting rooms and a café with four membership levels ranging from \$50-\$650 per month and hourly billing for nonmembers; Host periodic speakers and events for Rhode Island’s business community</li> </ul>
 <b>innovatenewport</b> Newport	<ul style="list-style-type: none"> <li>&gt; Co-working space currently being developed by the City of Newport, the Newport County Chamber of Commerce, and the Economic Development Foundation of Rhode Island</li> <li>&gt; Doors will open in 2017, repurposing the Sheffield School building to serve as a technology marine, climate change, environmental, digital and defense industry clusters</li> <li>&gt; Range of modern high tech office suites, rooms, and meeting spaces to start-up and established businesses, leveraging existing business service organizations to host TA programming for their tenants</li> <li>&gt; ~18,000 sq. ft. making up 17 rooms of meeting and working space, and a large ~2000 sq. ft. presentation room</li> </ul>
 <b>the hatch</b> ENTREPRENEURIAL CENTER Providence	<ul style="list-style-type: none"> <li>&gt; Serves businesses in a number of industries, but mostly professionally services (e.g. legal, marketing)</li> <li>&gt; The Hatch is currently inhabited by 10 member businesses</li> <li>&gt; 6,000 sq. ft. of co-working space with memberships ranging from \$100-\$150 per month, in addition to a Entrepreneurial Suite Membership with access to a dedicated office suite (fees range \$200-\$300 per month)</li> </ul>

# X EXAMPLES: SELECTED UNIVERSITY-BASED PROGRAMS

University	Brown University	Johnson & Wales	Roger Williams
Program	<i>PRIME: Program in Innovation Management and Entrepreneurship</i>	<i>The Larry Friedman International Center for Entrepreneurship</i>	<i>Business Partnership Center</i>
Offerings Description	<ul style="list-style-type: none"> <li>&gt; PRIME is a <b>one-year master’s program</b>, consisting of 8 integrated business and technology courses aimed at helping Science and Engineering students develop the skills they need to become technology business leaders</li> <li>&gt; A core aspect of the program is the <b>technology venture project</b> through which students partner to plan the commercialization of an emerging science, typically developed by Brown’s Schools of Engineering and Medicine</li> <li>&gt; The program has a global immersion component, where students travel to other countries to experience entrepreneurship at the international level – PRIME works <b>to develop global leaders in innovation management, entrepreneurship, and technology consulting</b></li> </ul>	<ul style="list-style-type: none"> <li>&gt; Serves as the <b>hub for entrepreneurial activity at JWU</b>, bringing together studies, experiential opportunities, alumni mentors, venture funding and small business support services for students</li> <li>&gt; <b>Coordinates activities with both undergraduates and graduates</b> and connects students with local, national and international businesses, chambers of commerce, service providers like the SBDC and the SBA</li> <li>&gt; The e-Center <b>delivers workshops, provides access to online resources, and convenes students</b> for ideation brainstorming</li> <li>&gt; The <b>Wildcat Venture Fund</b> is managed by the e-Center and provides funding to student entrepreneurs to help with costs associated with incubation, development, testing and commercialization</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Serves the <b>RI and Southeastern MA business communities</b> by providing access to university student, faculty, and staff resources through delivery of consulting services</li> <li>&gt; Provide affordable advice and services to local businesses while giving students opportunities to gain work experience aligning with areas of study, including <b>marketing, graphic design, accounting, finance, legal advice or architecture</b></li> <li>&gt; The Center also <b>provides fee-based programming</b> through relevant workshops on topics like social media, business planning, financing, sales, and regulations that affect businesses, for example the Affordable Care Act</li> <li>&gt; <b>Pricing:</b> Businesses are charged minimum wage for student hours (currently \$10), in addition to a \$3 supervisory fee to RWU for managing the students and providing oversight</li> </ul>

## Finding

## Key Details / Examples

**Delivery models and capacities vary considerably** across the 100+ BSOs identified

- > Small number of **well-known players are most frequent referrals** (e.g. SBA, SBDC, SCORE, CWE); limited awareness of smaller providers
- > Support largely **designed as standardized offerings for earlier stage companies**; does not address more specialized needs or the distinct growth needs of established businesses
- > Many organizations **market a broad set of activities**, but have limited staff and can be **stretched thin** across functions

Overall, small business and **BSO networks are fragmented and siloed**, resulting in a lack of awareness and under-utilization of resources

- > **Limited connections** among BSOs themselves and small business community; unclear navigation paths for businesses or BSOs – very relationship-dependent
- > Despite efforts to facilitate coordination, businesses are **challenged to keep track** of “who’s doing what” and minimize duplication in programs
- > BSOs have **historically tracked volume** served rather than outcomes, in part driven by funding

Key BSOs have relaunched after **interruptions**

- > **Relationships and networks are being rebuilt** within and across key organizations, including “reboot” of **SBDC**, new **Commerce Corporation**, and **relaunched Hispanic Chamber**

There are **pockets of under-resourced offerings, untapped resources**, and opportunities for new programming

- > Polaris MEP and CWE are **not matching all federal funding** and other **program funding has been cut**
- > Most **university resources are disconnected** and under-leveraged, or only serve university students
- > **Financial literacy, credit counseling, and credit repair** are missing links for many microbusinesses and entrepreneurs of color

## Gaps

- > Navigation of small business resources
- > Impact measurement practices that track both outcomes and volume
- > State funding to fully capture Federal match
- > Support for growth-minded, established businesses and financial literacy

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Analysis

Business Support Organizations (BSOs)

**Capital Providers**

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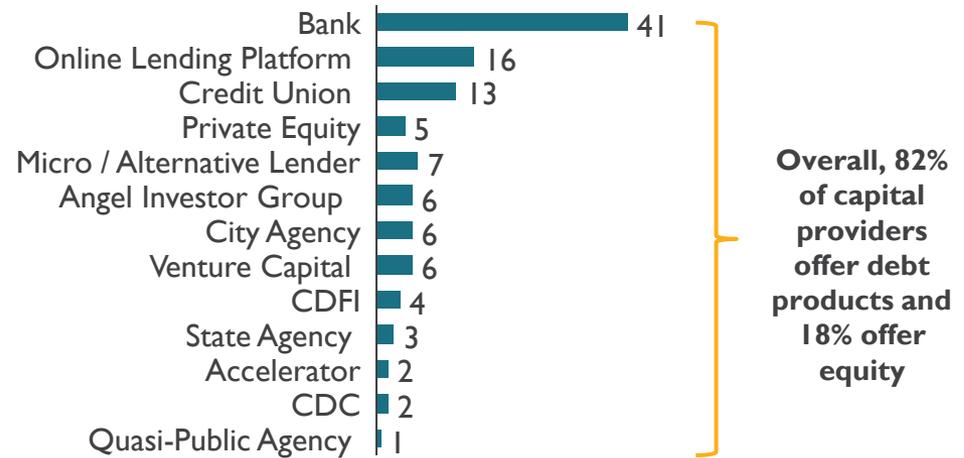
Opportunities to Enhance Ecosystem

# X CAPITAL DATABASE: OVERVIEW

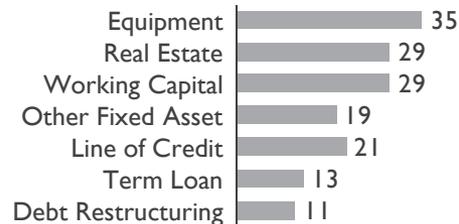
## Key Facts

- > We identified **112 capital providers** serving small businesses in RI, with over 70% based locally or regionally
- > A majority of lending activity is through **traditional lenders**, like banks and credit unions, leveraging **SBA products** to guarantee loan repayment
- > Most capital providers are focused on **established small businesses**, with only a small minority focused on start-up or pre-launch companies

## Capital Providers by Type



## Capital Products by Use



## Capital Providers by Stage



## Capital Products by Stage

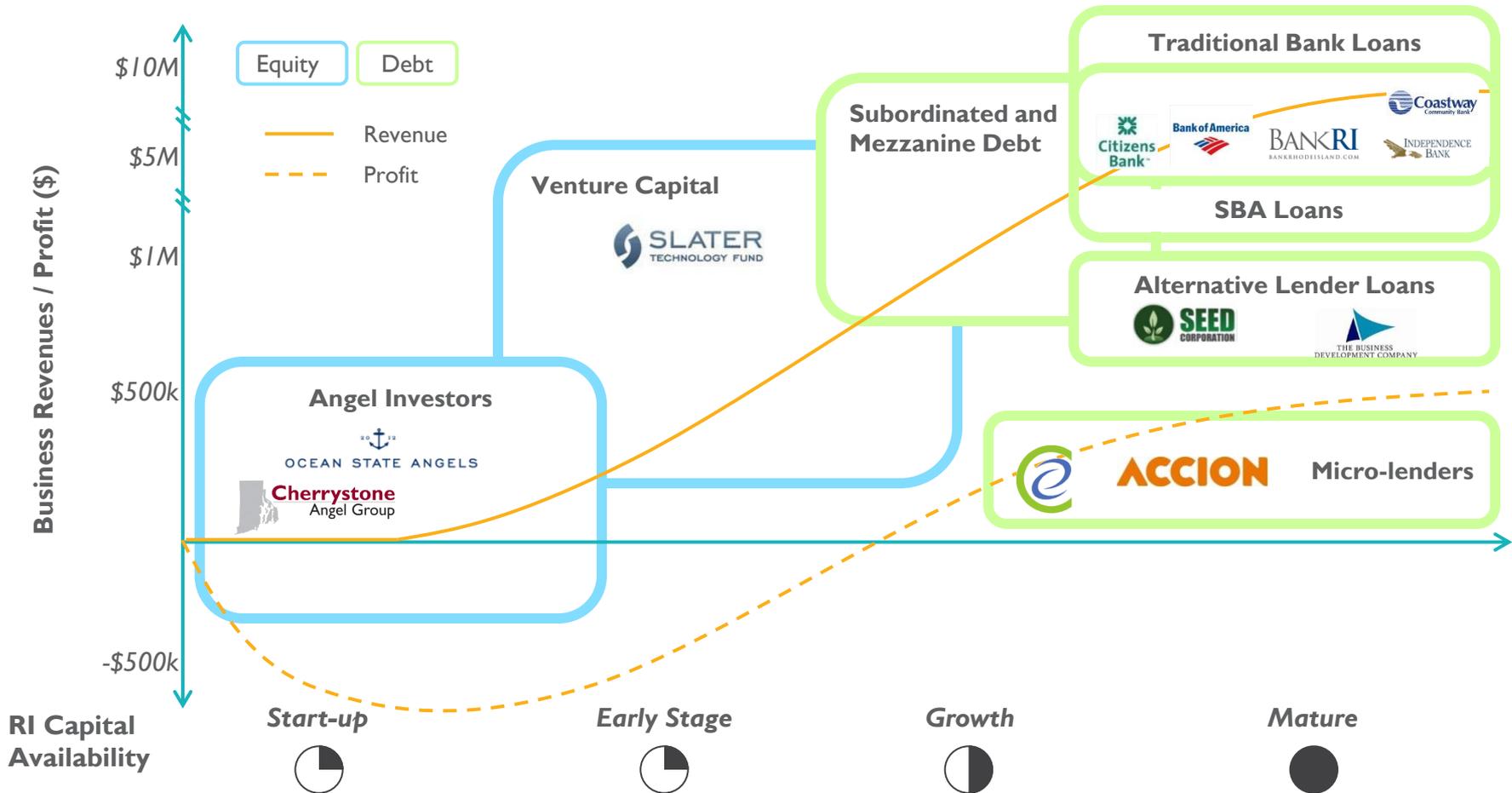


Notes: Data collected through primary and secondary research and interviews. Capital provider statistics represent best estimates/counts; includes out-of-state providers that are active in Rhode Island.

# X CAPITAL PROVIDERS: BY SIZE AND STAGE

ILLUSTRATIVE

Debt is readily available for 'bankable' businesses, especially mature ones, but gaps in the small business debt market remain, particularly for start-up and early stage businesses



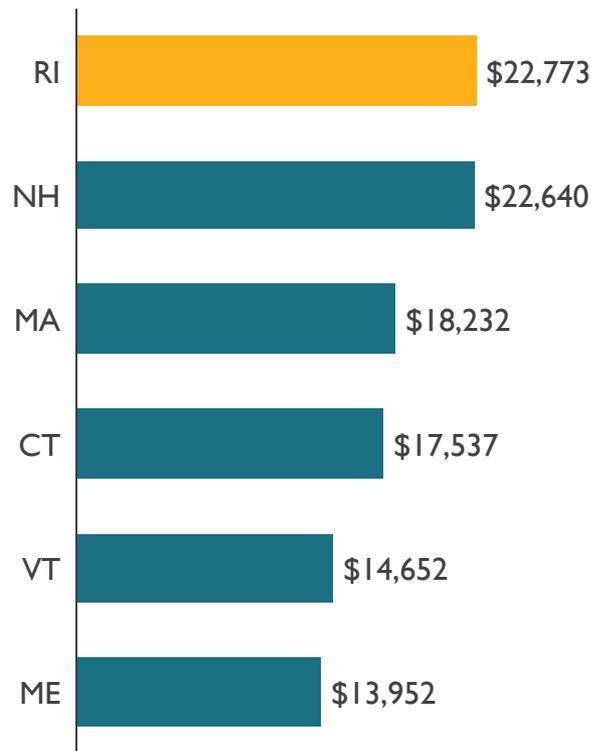
Source: Data collected through primary and secondary research and interviews

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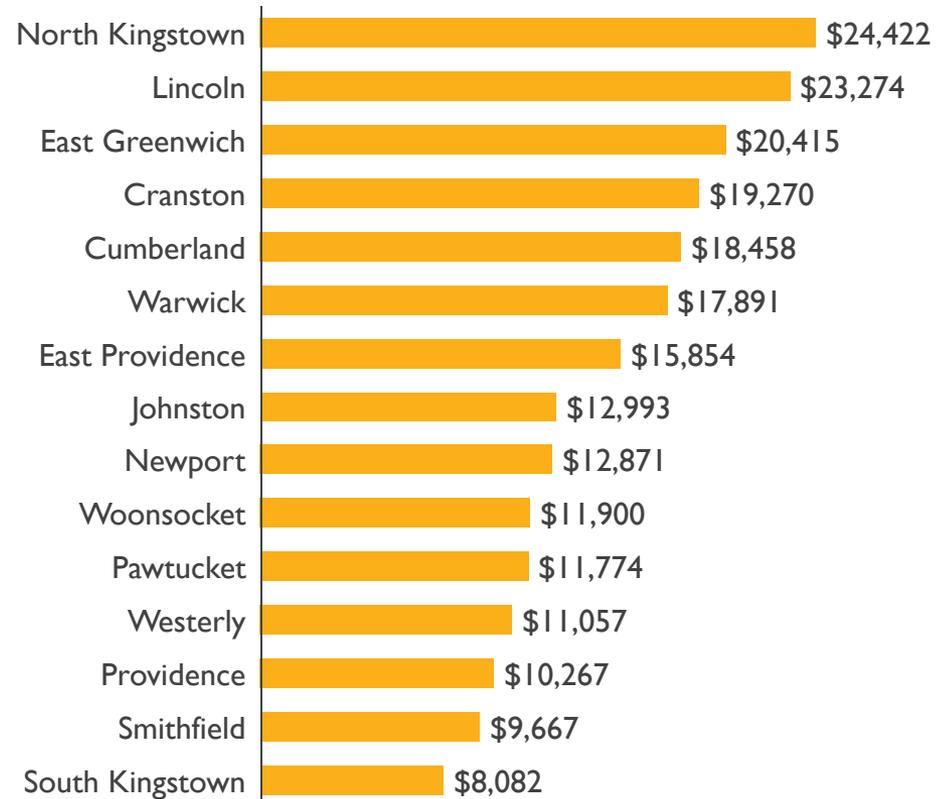
# X SBA LENDING ACTIVITY: REGIONAL COMPARISON AND RHODE ISLAND DETAIL

RI has the highest SBA 7a and 504 deployment volume per firm compared to other New England states, indicating strong borrowing activity from 'bankable' businesses

## New England States SBA 7a and 504 Loans Amounts per Firm



## RI SBA 7a and 504 Loans Amounts per Firm (Top 15 Largest Cities)

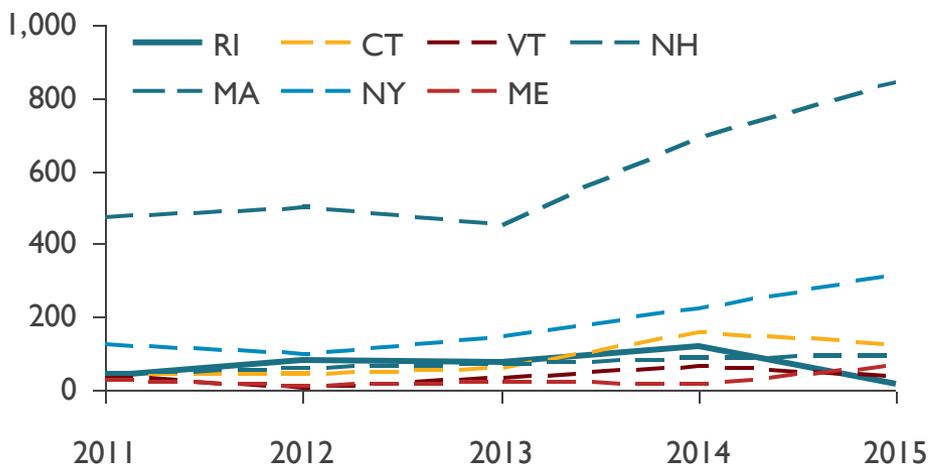


Source: SBA FOIA data request for loan data. Rhode Island Department of Labor and Training Statistics (June 2016), U.S. Census Data (2013)

# X VENTURE CAPITAL ACTIVITY IN RHODE ISLAND

- > RI ranked last among regional states in venture capital investment per capita in 2015, while MA and NY have experienced substantial increases, driven by thriving tech and bioscience sectors
- > The Providence area ranked 41<sup>st</sup> among major metropolitan statistical areas in venture capital deals per capita in 2015

VC \$ per Capita by NE State, 2011-2015



VC Deals per Capita by Regional MSA, 2015

MSA	No. of Deals	Amount Invested (Ms)	Pop. per VC-backed Co. (000s)	Rank
New York-Northern New Jersey-Long Island, NY-NJ-PA	479	\$6,991	48k	2
Boston-Cambridge-Quincy, MA-NH	428	\$5,582	14k	3
New Haven-Milford, CT	21	\$179	54k	36
Hartford-West Hartford-East Hartford, CT	18	\$80	87k	37
Bridgeport-Stamford-Norwalk, CT	15	\$181	73k	39
<b>Providence-New Bedford-Fall River, RI-MA</b>	<b>12</b>	<b>\$19</b>	<b>146k</b>	<b>41</b>
Manchester-Nashua, NH	5	\$73	81k	53
Albany-Schenectady-Troy, NY	5	\$61	176k	53
Worcester, MA	2	\$175	465k	77
Bangor, ME	1	\$0	153k	92
Norwich-New London, CT	2	\$4	274k	92

Sources: National Venture Capital Association (NVCA), PricewaterhouseCoopers, Thomson Reuters.

Description	
 <p><b>Office of the General Treasurer</b></p>	<ul style="list-style-type: none"> <li>&gt; <b>Treasury Linked Deposit Program</b> is a partnership between the Treasury, banks, and credit unions that provides state deposits to support loans made by participating financial institutions to Rhode Island businesses; partners include Peoples Bank, Washington Trust Company, and Navigant Credit Union</li> <li>&gt; Provides <b>loans up to \$250,000</b> for businesses with <b>less than 100 employees</b></li> <li>&gt; Packages can be <b>secured or unsecured, term loans, or credit lines</b> with no maximum term limit</li> <li>&gt; In special cases and categories, businesses could be eligible to receive twice the loan amount in deposits, at the lender's discretion; <b>women and minority-owned businesses are eligible for this 2-1 match</b></li> </ul>
	<ul style="list-style-type: none"> <li>&gt; <b>Small Business Loan Fund (SBLF)</b> aims to fill gaps in financing for small and mid-sized businesses                             <ul style="list-style-type: none"> <li>– Direct, fully secured loans up to \$500K for working capital to manufacturing, processing and selected services companies; in addition, manufacturers acquiring land, buildings or equipment may be eligible for loans over \$500K</li> <li>– Repayment terms are flexible, with up to five years for working capital and up to 10 years for hard assets</li> </ul> </li> <li>&gt; <b>Small Business Assistance Program</b> partners with the Business Development Company of Rhode Island, SEED Corp., and the Community Investment Corporation to provide loans of \$25K or more to businesses unable to access funding from traditional lenders; additionally, CWE, SEG, and CIC are providing micro loans of \$2K-\$25K</li> <li>&gt; <b>Rhode Island Capital Access Program</b> partners with BDC Capital to encourage traditional lenders (banks and credit unions) to make riskier loans of \$1K-\$500K by creating matching cash collateral accounts as loans are</li> </ul>
	<ul style="list-style-type: none"> <li>&gt; Rhode Island General Assembly created the Innovate Rhode Island Small Business Fund (IRISBF) in 2013 in an effort to <b>grow small businesses' participation in the innovation economy and create technology jobs</b></li> <li>&gt; STAC <b>grants help businesses hire interns and staff</b> to support their participation in the federally run Small Business Technology Transfer (STTR), a <b>highly competitive program</b> that provides small science and technology companies with funding to partner with nonprofit research institutes to conduct extensive R&amp;D to take products from idea stage to commercialization; provides matching funding to businesses of up to \$148k over the course of the three phased program to invest in the human capital needed for effective execution</li> <li>&gt; Program requires an <b>intensive application process and ongoing management</b> and coordination</li> </ul>

# X RI COMMERCE CORP. SMALL BUSINESS ASSISTANCE PROGRAM



The SBAP provided **\$4.9M** in forgivable loans to 4 partner organizations for **small business loans >\$25k** and they are projected to deploy over **370 loans**

	SEED	Business Development Corporation	Community Investment Corp.	BDC Capital
<b>Award</b>	\$1,000,000	\$1,000,000	\$1,000,000	\$1,900,000
<b>Target Loan Range</b>	\$25,000 to \$250,000	\$25,000 to \$200,000	\$25,000 to \$250,000	\$1k to \$100k
<b>Target Market(s)</b>	<ul style="list-style-type: none"> <li>Minority-owned firms</li> <li>HOPE Communities</li> </ul>	<ul style="list-style-type: none"> <li>Minority-owned Firms</li> <li>Low-income communities</li> </ul>	<ul style="list-style-type: none"> <li>Moderate-to-low-income communities</li> </ul>	<ul style="list-style-type: none"> <li>Unbankable loans</li> <li>Hope Communities</li> </ul>
<b>Number of Projected Loans</b>	42	36	70	225

The SBAP provided **\$545,000** in forgivable loans to 3 partner organizations for **micro loans from \$2k to 25k** and they are projected to deploy **68-104 loans**

	Center for Women & Enterprise	Social Enterprise Greenhouse	Community Investment Corp.
<b>Award</b>	\$250,000	\$125,000	\$170,000
<b>Target Loan Range</b>	\$2,000-\$25,000	\$2,000-\$25,000	\$2,000-\$25,000
<b>Target Market(s)</b>	<ul style="list-style-type: none"> <li>HOPE communities</li> <li>women and minority-owned businesses</li> </ul>	<ul style="list-style-type: none"> <li>Social entrepreneurs</li> </ul>	<ul style="list-style-type: none"> <li>HOPE Communities</li> </ul>
<b>Projected Number of Loans</b>	30-60	8-12	32

Description	
 <p>City of Cranston</p>	<ul style="list-style-type: none"> <li>&gt; <b>Revolving Loan Fund:</b> Low interest gap financing of up to 20% of total project cost for companies seeking to undertake new development within the city; the city is eligible to execute these loans through the SBA 504 program                             <ul style="list-style-type: none"> <li>- The Revolving Loan Fund has distributed over \$2.3 million to companies that have located or expanded in Cranston, leveraging a total of \$24 million in additional investments by these same companies</li> <li>- The loan portfolio currently manages 16 loans, with an average size of \$43,500</li> </ul> </li> <li>&gt; <b>Micro Loan Program:</b> For entrepreneurs seeking financing for business start-up, this program can provide low interest financing up to \$5,000 for both capital equipment and working capital.</li> </ul>
 <p>City of East Providence</p>	<ul style="list-style-type: none"> <li>&gt; <b>Revolving Loan Fund for fixed asset loans</b> for the acquisition, construction and improvements of land, buildings, plant and equipment including new construction, additions or renovations, demolition site and preparation</li> <li>&gt; <b>Micro loans up to \$10,000 and loans from \$10,000-\$99,000</b> are approved by the Economic Development Commission, <b>loans from \$100,000-\$500,000</b> require the approval of East Providence City Council</li> <li>&gt; Application process requires the preparation of pro forma financial projects, a business plan, and a presentation to the Economic Development Commission or East Providence City Council, depending on loan size</li> <li>&gt; Rates are 20% below prime, or 2.9% on a 10 year term</li> <li>&gt; Oversight and <b>underwriting leverages expertise from loan officers</b> from lenders like Pawtucket Credit Union</li> </ul>
 <p>City of Providence</p>	<ul style="list-style-type: none"> <li>&gt; Providence has historically run two small business loan programs:                             <ul style="list-style-type: none"> <li>- <b>Micro Loans:</b> \$1,000-\$20,000 with rates 1% above prime; loans used for equipment, working capital, inventory, and materials</li> <li>- <b>Revolving Loan Fund:</b> Leveraged HUD money, with maximum loans of \$120,000 matching private funding; loans used real estate and labor, leasehold improvements, and working capital</li> </ul> </li> <li>&gt; To improve deployment for these funds, and ensure the portfolios are stable, the city is in the process of recalibrating, and developing a plan to transform the Providence Economic Development Partnership into what will be called <b>Providence Business Loan Fund Corporation</b>, expected to function much like CommerceRI, only at the city level</li> <li>&gt; The plans include <b>growing a staff better equipped to manage the funds</b> and advise city leadership on economic development</li> </ul>
 <p>City of Pawtucket</p>	<ul style="list-style-type: none"> <li>&gt; The Pawtucket Business Development Corporation (PBDC) is a nonprofit corporation created to serve as a gap financing resource for small and medium-sized businesses in the City of Pawtucket, working to <b>encourage businesses to increase or retain employment and renovate existing commercial buildings</b></li> <li>&gt; The Corporation has a staff of three city employees and three consultants (lawyer, CPA, and lending officer) in addition to 25 Board Members to oversee the revolving loan fund made up of public and private sector executives</li> <li>&gt; PBDC was revived in 1993, and has since <b>provided 66 business loans, totaling \$3,843,700</b> and producing about \$29,726,003 in bank financing for these businesses</li> <li>&gt; PBDC <b>offers six different lending programs</b>, with loan products ranging from <b>\$3,000 to over \$100,000</b> and terms from 3-10 years, depending on the use of funds (i.e. equipment, real estate, working capital, capital improvements)</li> </ul>

# X OTHER ALTERNATIVE LENDERS (1/2)

There are innovative organizations leveraging public and private capital creatively to deploy in Rhode Island, but limited deal flow and financial and/or underwriting capacity resulting in low loan volume to date.

Description	
 <p>THE BUSINESS DEVELOPMENT COMPANY</p>	<ul style="list-style-type: none"> <li>&gt; Alternative lender <b>leveraging \$10M in CRA dollars from 10 member banks</b> (e.g., Bank Newport, Centerville Bank, Citizens Bank, Coastway), each of which contributing anywhere from \$250k+</li> <li>&gt; Targets ‘un-bankable’ businesses with <b>\$5M currently deployed to ~20 businesses</b> and average loan size of \$250k</li> <li>&gt; Many loans in partnership with traditional lenders to help businesses unlock traditional capital</li> <li>&gt; Average business less than \$10M in sales, but some less than \$1M in sales and no partner bank and lower loan amounts</li> <li>&gt; Working to find a way to do more microlending between \$25k-\$100k in a way that is impactful</li> <li>&gt; Currently <b>no “floor” for credit score requirements</b>, with a case-by-case underwriting philosophy</li> </ul>
 <p>SOCIAL ENTERPRISE GREENHOUSE</p>	<ul style="list-style-type: none"> <li>&gt; The Greenhouse Loan Fund offers <b>below market-rate loans to social enterprises</b> that are generating revenues, have a viable business model, and a clear social mission and impacts, giving preference to graduates of the SEG Accelerator</li> <li>&gt; Loans are generally offered for prime plus 4-8%, and must be used to fund growth of the enterprise</li> <li>&gt; Launched with initial injection of \$100k by individual donors, and recently received a \$100k grant from CommerceRI</li> <li>&gt; <b>\$100k deployed to date (four loans of \$10-25k)</b>, with an additional \$50k about to go out, and \$50k in the pipeline</li> <li>&gt; Applications are review by <b>a recently formed loan committee</b>, including four Board members, Peter Dorsey from The Business Development Company, and a few newcomers from Citizens Bank</li> </ul>
 <p>Center for Women &amp; Enterprise</p>	<ul style="list-style-type: none"> <li>&gt; CWE recently began to <b>explore capabilities to deploy capital to the businesses they serve</b> through loan funds with the Rhode Island Foundation and CommerceRI, and in initial conversations around a product with Freedom National Bank</li> <li>&gt; CWE’s Microloan Fund in Partnership with RIF provides affordable <b>business loans up to \$5,000</b> to women entrepreneurs that have been referred from one of CWE’s business planning classes – 13 loans had been deployed as of June 2016 with 100% repayment rate</li> <li>&gt; General underwriting requirements for these programs include a 600 credit score, location in Rhode Island, consistent cash flow, active participation in CWE programming, and a justified explanation of their need for and planned use of the funding</li> </ul>
 <p>Community Investment Corporation™</p>	<ul style="list-style-type: none"> <li>&gt; Through 35+ years in operation and \$130M in funds, <b>CIC combines its lending power with financial expertise</b> to serve CT and RI businesses and help them access growth capital</li> <li>&gt; SBA 504 and Micro lender with loan <b>products for borrowers that are not quite ready for traditional providers</b> – their Micro Loan and Community Advantage Loans programs provide loans up to \$50k and \$250k respectively</li> <li>&gt; <b>CIC closed 51 loans in 2015 in CT and RI</b> across its 504, Micro, and Community Advantage programs</li> </ul>

# X OTHER ALTERNATIVE LENDERS (2/2)

There are innovative organizations leveraging public and private capital creatively to deploy in Rhode Island, but lack of financial and/or underwriting capacity result in low loan volume

Description	
 <p><b>SEED</b> CORPORATION SOUTH EASTERN ECONOMIC DEVELOPMENT</p>	<ul style="list-style-type: none"> <li>&gt; Founded 33 years ago, became a CDFI in 2010, and has grown its balance sheet assets to over \$10.5M, making ~120 loans, and providing technical assistance to over 1,500 existing and prospective entrepreneurs, annually</li> <li>&gt; Based in MA, with RI activity primarily in Providence, Pawtucket and Cranston</li> <li>&gt; <b>Core mission is to help small businesses grow and create jobs for local communities</b>, with financing programs designed to catalyze increased small business capital deployment by banks through collaboration</li> </ul>
 <p><b>BDC</b> <b>CAPITAL</b> Financing Solutions</p>	<ul style="list-style-type: none"> <li>&gt; The oldest business development corporation in the U.S., with many leading financial institutions in New England investing to help expand capacity</li> <li>&gt; BDC was created in the 1950s by Massachusetts legislation as a for-profit, private gap financing institution with a public mission; BDC currently <b>works with 28 banks through their CRA programs to expand capital flow to small firms</b>, creatively partnering with banks to comply in a complex regulatory environment</li> <li>&gt; Offers a <b>full line of senior debt, subordinated debt, mezzanine, and private equity options</b> that can be customized to suit business needs</li> </ul>
 <p><b>Navigant</b> CREDIT UNION</p>	<ul style="list-style-type: none"> <li>&gt; One of RI's largest credit unions with over \$1.5B in assets, serving the Blackstone Valley region – much of their lending is done through the SBA 504 and 7(a) programs to small businesses</li> <li>&gt; Their <b>founding mission is to serve underserved communities</b>, and in recent years they have expanded this to focus on <b>minority communities</b> in the region, launching an outreach initiative to Latino businesses in 2011</li> <li>&gt; Conducted a market assessment of the capital access landscape for Latino businesses and created <b>Navigant's Emerging Markets Initiative</b>, focusing on financial education, building connections, and addressing language barriers for Rhode Island's Latino business community</li> </ul>

## Finding

## Key Details / Examples

**Overall mismatch** in capital provider investment criteria and small business demand

- > **‘Barbell’ landscape** of small, niche capital providers and large, traditional lenders (banks, credit unions)
- > Debt readily available for ‘bankable’ businesses, but **gaps exist**:
  - **“Size gap”**: most small loan activity (<\$100k) is driven by nonprofits or government micro-lenders because the fixed costs of originating and underwriting prohibits profit from small loans
  - **“Collateral void”**: traditional lenders rely heavily on fixed assets like real estate to de-risk loans, creating a hurdle for start-up and other asset-light businesses
  - **“Credit gap”**: business owners with poor personal credit have very few options and anecdotally, many minority and immigrant business owners fall below this hurdle
  - **“Boot-strap gap”**: start-up and early-stage businesses without the typical 3 year track record cannot access debt markets and rely on alternative sources (e.g., accelerators, angels); they also do not have sufficient capital to repay loans
- > **Financial literacy gaps** exacerbate this mismatch, especially in communities of color, particularly for immigrants; past **poor credit** can prevent entrepreneurs from accessing capital

**Very limited equity** capital available

- > Handful of small providers focused on tech, but RI **ranked last** among regional states in **venture capital investment** per capita in 2015; equity gap especially problematic for **early stage firms** who cannot support debt

**Few micro lenders** in RI despite demand

- > Private, non-bank micro lenders (e.g. CWE, SEG) are **increasing capacity, yet gaps remain**
- > Out-of-state CDFIs (e.g. SEED, CIC) offer micro loans, but **deployment is limited** given lack of physical presence

**State and City efforts** are working to fill gaps

- > State and City efforts partially fill gaps, but some are **challenged by small scale and lack of underwriting experience**, and/or **restrictive investment criteria**
- > Current programs include Commerce Corporation’s *Small Business Assistance Program* and Treasury’s *Linked Deposit Program*

RI has **untapped and unscaled resources** that should be unlocked

- > The only SBA-approved Microloan and Community Advantage program lenders for RI are based out of state; this is **untapped federal money** that needs intermediaries
- > Only a **few CDFIs** in RI, and none lend to small businesses
- > **Small-scale pilot partnerships** have the opportunity to be scaled or replicated

## Gaps

- > Small business debt for companies under ‘underwriting hurdle’
- > Very limited equity capital available
- > Unfulfilled demand for microloans
- > Need intermediaries to unlock untapped federal money

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## Finding

## Key Details / Examples

**Targeted subsectors** are actively engaging in business development, but **traditional manufacturers** not fully addressed

- > State's strategic **economic growth plan** includes multiple **advanced manufacturing sub-sectors**, of which some are directly addressed through current Polaris funding and programs and some are organizing through **industry associations**
- > **Traditional manufacturers** are typically smaller and represent roughly half of all RI manufacturing firms; limited support for these sectors

**Technical assistance** needs are **very industry-specific** and often complex, with strong but limited resources available today

- > Manufacturers require **specialized resources** for support in operations, supply chain, and other areas; tend not to utilize general TA resources
- > Polaris MEP **well-regarded and expanding strategically, focused** in operations (lean), firm size (larger businesses), and sectors (defense)
- > **Chafee Center** at Bryant provide business planning support for export expansion through paid staff / student consulting

Finding and retaining **talent** is a common challenge

- > Some operations BSOs focused on workforce development, but manufacturers still report **challenges finding qualified labor**

Established manufacturers have an easier time **accessing debt**

- > Manufacturers can often **finance equipment or other needs with hard assets** as collateral, but **earlier stage manufacturers** moving from garage to facility have difficulty securing debt
- > Funding **R&D** is challenging, as most traditional bank products are focused on financing real estate, equipment or working capital
- > RI's pilot with innovation vouchers can help **fill a capital gap** and **drive innovation**

## Gaps

- > Business support and capital for growth, use of technology, and for smaller businesses across sub-sectors
- > Sufficient qualified labor
- > Financing for earlier stage and growth-oriented manufacturers
- > R & D support for manufacturers

## JOHN H. CHAFEE CENTER FOR INTERNATIONAL BUSINESS AT BRYANT UNIVERSITY

- > The Chafee Center offers intensive fee-for-service export strategy planning with a natural focus on manufacturing
- > Focus on firms with \$5M-\$20M in revenue because they are ready to expand internationally, but does serve smaller manufacturers selectively
- > Projects are typically \$4K-25K, but they do some pro bono for smaller manufacturers
- > The delivery model is student-heavy, with rotating students working on export strategies and 7 full time employees; they staff projects with teams of students, some working as interns, and others earning academic credit alongside created coursework (Practicum Program)
- > Business model mutually benefits students gaining work experience, professors advancing research, and businesses looking to think strategically about international expansion

### Provider Overview

- > The Chafee Center connects Bryant University's undergraduate, graduate, and professional education programs with local manufacturing companies, providing fee-for-service research and advice to help companies enter new markets internationally
- > Through global market research, corporate training, and strategic consulting, the Center assists more than 200 companies each year
- > Chafee has 150 student volunteers and practicum participants, serving about 50 companies per year intensively with about 500 hours of student research (projects vary in scope and price)

### Core Programs

<b>STEP Assistance</b>	In partnership with Dept of Commerce, provide financial and professional assistance such as export consulting, global market research, and international marketing campaigns.
<b>Global Business Professional Program</b>	Four-day certificate program includes training in a wide range of international business topics, including both import and export issues.
<b>Export Management Training Grant Program</b>	Partnership with Commerce Corp. and the Governor's Workforce Board provides up to \$5K to companies for export training, including business plan development, market entry strategies, export logistics, international trade show development, certification training and foreign language training.
<b>World Trade Center Rhode Island Services</b>	Association membership for annual fee of \$250, providing access to a worldwide network of companies and individuals in both the public and private sector.
<b>SBA 8(a) and 7(j) Trade Leads Matching Program</b>	SBA program through which the Chafee Center provides an export training and one-on-one consulting service, helping companies develop the ability to export products and services, and find trade leads for growth.



- > Most services are operational and bottom line focused (lean manufacturing); they utilize sub-contractors or refer elsewhere for sales, marketing, workforce development, and to SBA for capital
- > Polaris' programming is focused on mid-range manufacturers and certain sectors
  - The Innovation Challenge – Polaris' main program – is defense-specific, though they are seeking funding to expand to non-defense
- > Lack of full state match limits Polaris' ability to leverage all available federal funds

## Provider Overview

- > A statewide non profit organization that provides competitive manufacturing business improvement programs to grow RI's manufacturing industry; about 60% of services are delivered in house, working with partners on the other 40%
- > Polaris MEP is an affiliate of the National Institute of Standards and Technology's Manufacturing Extension Partnership (NIST MEP) and a business unit of the University of Rhode Island Research Foundation
- > The team and their partners provide training and workshops for workforce development, business development, and overall operations improvements

## Core Programs

<b>Rocket Program</b>	<i>All Access Bus Tours</i>	Bus tour of manufacturing companies to see how they've incorporated strategies on lean efficiency, innovation and growth.
	<i>Acceleration Seminars</i>	One-day workshops led by experts on entrepreneurship and leadership, and cutting edge practices in growth and innovation.
<b>Innovation Challenge</b>	<i>Phase 1: Strategic Assessment</i>	\$15K award to hire a team of experts for a strategic assessment of the manufacturers' current innovation landscape. 75 hours of consulting and strategic design facilitation.
	<i>Phase 2: Growth Implementation</i>	Up to \$35K in funding to implement plans for business development and innovation. Manufacturers make the case on how these funds will be utilized to take their company to the next level.
	<i>Phase 3: Design Catalyst</i>	\$100K funding for design experts to work with awarded manufacturers to develop new products based on company assets, strategy and growth plans.
	<i>Design for Manufacturing Innovation Certificate</i>	Part of Innovation Challenge, providing Design for Manufacturing Innovation education opportunities. Program with workshops integrating entrepreneurial thinking, leadership, and design thinking tools
<b>Services &amp; Training</b>	<i>Providing advice and training to manufacturers</i>	Top line growth; facility layout; continuous improvement / lean; quality management systems; technology acceleration; workforce development

## Program Overview

- > RI is one of few states with an innovation voucher program to fund R&D projects. The state has allocated \$2M to the program in the first two years of operation, with 2016 as its inaugural year.
- > The state-funded RI Innovation Voucher program is administered by RI Commerce Corp. and provides grants of up to \$50K to partner with a local university, research center, or medical center to support project-specific R&D assistance
- > In the early rounds, Commerce Corp. received nearly \$3M in requests from 65 applicants and awarded 17 firms approximately \$750K in funding. The approved projects represented a variety of industry sectors, including aquaculture, defense, advanced manufacturing, biomedical engineering and technology, pharmaceuticals and green industries.

## Innovation Vouchers can be used for:

- > Support toward commercializing a new product, process or service
- > Access to scientific, engineering and design expertise that fits an innovation need
- > Technological development and exploration to make an innovation come to life
- > Scale-to-market development of an innovative idea

### **Example Awardee:** *Full Measure, LLC*

Industry: Agriculture

Knowledge partner: Roger Williams University Shellfish Analytical Laboratory

Award: \$48,814

Project overview: Develop a calcium based product to improve shell strength in nursery raised shellfish. This will test the concept of injecting a dilute solution of FullMeasure CAL into the flow stream of an upweller system to allow for the uptake of the treatment by shellfish seed, leading to improved shell growth and resiliency

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Finding	Key Details / Examples
<p><b>Growing state-wide focus</b> on food sector</p>	<ul style="list-style-type: none"> <li>&gt; State <b>created position</b> for Director of Food Strategy in 2016 to take state-wide view of food system, recently released draft of Food Strategy for the state</li> <li>&gt; The Food Strategy looks at the food system holistically, from <b>an integrated systems perspective</b> with 3 core components: Production (Agriculture &amp; Fisheries), Health &amp; Access, and Economic Development</li> </ul>
<p><b>Limited industry-specific services</b> and infrastructure</p>	<ul style="list-style-type: none"> <li>&gt; <b>Land access</b> is common barrier in agriculture; several small RI Department of Environmental Management-subsidized farmland organizations</li> <li>&gt; <b>Hope &amp; Main and SEG</b> are only food-focused TA providers, but their capacities and focus are limited</li> <li>&gt; RI <b>lacks viable ‘step-up facilities’</b> for food businesses to graduate to from Hope &amp; Main</li> </ul>
<p>There are food-specific <b>capital challenges</b></p>	<ul style="list-style-type: none"> <li>&gt; Banks hesitant to underwrite agricultural loans <b>given cash flow management issues</b> tied to crop cycles; hospitality is considered <b>low margin, low asset</b> risky space for lenders</li> <li>&gt; <b>State grant programs</b> (e.g. Local Agriculture and Seafood Act grants) and <b>USDA</b> (e.g. Value Added Producer Grants) fill some of the gaps</li> <li>&gt; LASA still depends &gt;50% on philanthropy, which will be decreasing in 2018</li> </ul>
<p>Challenging <b>regulatory environment</b></p>	<ul style="list-style-type: none"> <li>&gt; Food entrepreneurs commonly noted <b>regulatory issues as top challenges</b> – esp. with Dept of Health</li> <li>&gt; Efforts underway by the State <b>to assess regulatory environment</b>, and to <b>translate complex legal language</b> into more digestible guidelines for business owners</li> </ul>

## Gaps

- > Sector-specific TA capacity
- > Food-specific capital and space challenges
- > Support to navigate challenging regulatory environment

# X FOOD ECOSYSTEM ACROSS THE VALUE CHAIN

## Capital

## Business Service Organizations



PRODUCTION



DISTRIBUTION



Farm Fresh RI operates 55 farmers markets, manage a Market Mobile distribution service that drives their 60% earned income model. **FarmFresh just purchased a property to create a hub for agriculture and local culinary production in Providence's Valley Neighborhood; currently in a 4 month diligence phase exploring options for developing a shared space for businesses "graduating" from incubators like Hope & Main.**

"Marketing, branding and identity are things that come off as really folksy to a lot of demographics, but for farmers, this is something that all farms could really benefit from."

Hope & Main is RI's first food business incubator, and has **launched more than 70 businesses** in its 17,500 sf Warren, RI facility (as of May 2016). Hope & Main has a commercial kitchen, demonstration kitchen, and workshop space for programming.



SEG launched its first food accelerator cohort in February 2016. The 12 member cohort includes agriculture companies like Agraria Farms and retail companies like Fox Point Pickling. 2<sup>nd</sup> food cohort will launch in 2017.



Eat Drink RI is a media outlet for the food Rhode Island's local food market. Eat Drink RI also produces and promotes several all-local culinary events, including an annual 4-day Festival in Providence celebrating the best of the culinary world in Rhode Island. **Dadekian is currently working to create a central culinary market and food hub.**



RIHA represents over 600 foodservice, hotels, vendors and hospitality members in Rhode Island. Their focus is on advocating for a regulatory and business environment that enables local businesses to compete and grow. In their current work, they are tracking ~400 pieces of legislation that impact the food industry.



RETAIL

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## Finding

## Key Details / Examples

Minority business community have **few connections with most traditional BSOs**

- > Language barriers, cultural competency, fragmented networks **limit connectivity of traditional BSO** resources to communities of color
- > Some current/past BSOs are focused on service to entrepreneurs of color and some traditional BSOs have recently “hired in” culturally-competent talent but there **remains a lack of scale and reach** as well as connectivity across networks

Requirements **for credit history and collateral** are obstacles for many entrepreneurs of color

- > Barriers due to typical **wealth and credit profile** of minority and immigrant owners and **small size of their business**
- > Some **pilot programs** are tackling this

Low Minority Business Enterprise (MBE) **certification**, limited enforcement of **10% MBE procurement** mandate

- > **Minority Business Enterprise certification** is a marketing tool used to enhance companies’ chances of receiving a contract where affirmative purchasing goals of an agency applies. There only are 255 MBE certified firms as of 2016, suggesting that less than 5% of minority owned firms in Rhode Island are certified\*
- > The state has a 10% MBE **procurement mandate**, with goal to increase to 12% by 2020; however, current actual MBE procurement is estimated to be at 6%
- > State’s newly formed **Office of Diversity, Equity, and Opportunity** has potential to make progress, but may need to build momentum and networks

There are pockets of strong, **organic networks** for entrepreneurs of color that can be leveraged

- > Examples include Navigant Credit Union, Coastway Community Bank, other community organizations
- > There is a new RI Hispanic Chamber of Commerce launching in the state

## Gaps

- > Disconnect between minority business community and BSOs
- > Under-scaled ecosystem of BSOs serving communities of color
- > Technical assistance and cultural shifts needed to build credit to access capital
- > Limited historical enforcement of the state’s 10% MBE procurement mandate and limited pathways to procurement

\*Estimate of total firms owned by minorities drawn from census data

# X EXAMPLES:

## BSOs WITH OFFERINGS FOR ENTREPRENEURS OF COLOR



- RIBBA is a membership organization offering a range of networking, training, and other benefits
- RIBBA's CDBG-funded Cash Collateral program funds **3 paid staff to provide in-depth TA**, most commonly for brand/marketing, cash flow analysis and pricing/estimation. The program provides up to 30% collateral enhancement to support approved loans of \$10,000 to \$50,000 from Freedom Bank
- RIBBA uses a network of paid consultants who are vetted/trained for cultural awareness and effectiveness



- Practico is a for-profit incubator focused on **MBE science/tech start-up and early stage businesses**
- >50 have gone through the process and **8 companies have received micro investments**, strategic coaching, workshop training and network introductions



- Navigant's **founding mission is to serve underserved communities** and launched an outreach initiative to Latino businesses in 2011
- Conducted a market assessment of the capital access landscape for Latino businesses, and developed the **Emerging Markets Initiative** with activities targeted at financial education, building connections, and addressing language barriers in the Latino community
- Host 5 bilingual convenings per year, **with 60-70 businesses** at a time for networking, educational, financial literacy and referrals to key partners (e.g., CWE, SEG, Capital Good Fund)



- Urban Ventures offers “micro” MBEs a range of services including boot-camps, incubators, coaching, and start-up assistance
- Reports that of the 125 businesses they have served, 40% are Hispanic- and 10% are African American-owned



- Added bilingual business counselor support and launched Operation JumpStart, an award-winning microenterprise development program in both English and Spanish, with 18 businesses finishing the 12-week, 36-hour program as of fall 2016

Introduction

Analysis

Business Support Organizations (BSOs)

Capital Providers

Manufacturing Cluster

Food Cluster

Entrepreneurs of Color

**Opportunities to Enhance Ecosystem**

# X OPPORTUNITIES FOR ACTION & INVESTMENT

This ecosystem analysis revealed a number of potential opportunities for action and investment to enhance the small business ecosystem.

<b>1. Build navigation infrastructure</b>	Create and launch an 'Ecosystem Guide'
	Disseminate 'Ecosystem Guide'
	Develop and deploy impact measurement best practices
<b>2. Expand and strengthen models that work</b>	Designate a hub for established, growth-stage businesses outside high-tech
	Build skills and capacity among BSOs
	Support enterprise growth planning for key BSOs
	Catalyze capital provider and BSO partnerships
	Capture Federal match funding
<b>3. Support, scale, and replicate viable capital programs</b>	Create and launch a 'Capital Access Guide'
	Increase CDFI small business lending in the state
	Continue to increase micro loan availability
	Expand financial literacy programs
<b>4. Ensure robust segment and sector supports</b>	Increase flow of equity outside high-growth
	Expand sector-specific TA capacity and fill capital gaps in food
	Significantly expand manufacturing ecosystem to support strategic growth
	Reposition entrepreneur of color networks and support models
<b>5. Support regulatory and tax reform</b>	Form Public/Private Anchor Procurement Coalition
	Accelerate and coordinate regulatory and tax reform to support small business ecosystem

# X I. BUILD NAVIGATION INFRASTRUCTURE

Opportunity	Element
Create and launch an 'Ecosystem Guide'	<p>A. Create an 'Ecosystem Guide' for SB owners (e.g., Detroit/Biz Grid) that lists and categorizes resources by business size, sector and stage and function; leverage databases from this project</p> <p>B. Create a parallel <b>guide for BSOs and capital providers</b> with detail on resources and built-out referral pathways ("if this, send there") by business type/segment</p>
Disseminate 'Ecosystem Guide'	<p>A. Designate 'Primary Navigators' for SB intake, diagnosis and referral; partner to <b>convene and provide training to</b> BSOs and capital providers on the Guide and pathways</p> <p>B. Collaborate with 'Primary Navigators' and others to <b>disseminate and promote</b> new resources directly to end-users, small business owners</p>
Develop and deploy impact measurement best practices	<p>A. Convene funders to align on <b>best practices for impact measurement</b> by type of work/BSO (results vs. volume)</p> <p>B. Convene groups of BSOs with similar services/outcomes and advocate for <b>shift in metrics</b>; support development of <b>data capabilities</b></p>

## X 2. EXPAND AND STRENGTHEN MODELS THAT WORK

Opportunity	Element
<p><b>Designate a hub for established, growth-stage businesses outside high-tech</b></p>	<p>A. Designate one or more BSOs (e.g., SBDC) as a <b>hub for supporting established, growth-oriented businesses</b> outside high-tech; build out distinct toolkit and pathways for these businesses</p> <p>B. Provide <b>expanded 1:1 advisory services</b> for established businesses</p> <ul style="list-style-type: none"> <li>• Likely mix of general (e.g., SBDC COE) and sector/segment-specific needs (e.g., food, manufacturing)</li> </ul>
<p><b>Build skills and capacity among BSOs</b></p>	<p>A. Create and launch <b>“train the trainer”</b> programs for BSO staff to elevate the quality and availability of services in high-demand functions (e.g., accounting) and sectors (e.g., food)</p> <ul style="list-style-type: none"> <li>• Leverage current BSO staff as well as tapping local mentor networks, university faculty/students (e.g., Roger Williams, Bryant, URI) and other experts</li> </ul>
<p><b>Support enterprise growth planning for key BSOs</b></p>	<p>A. Support key BSOs to conduct <b>strategic growth-planning efforts designed to contemplate new/expanded roles</b></p> <ul style="list-style-type: none"> <li>• Initial group could include SBDC, SEG, CWE, RIBBA</li> </ul> <p>B. Begin to <b>embed new impact metrics</b> in planning and funding commitments</p>
<p><b>Catalyze capital provider and BSO partnerships</b></p>	<p>A. Promote <b>partnerships between TA providers and capital providers</b>, particularly in microloans, to both generate pipeline and mitigate risk</p>
<p><b>Capture Federal match funding</b></p>	<p>A. Advocate to <b>ensure Federal match funding is maximized</b> (e.g., CWE, Polaris MEP)</p>

# X 3. EXPAND AND REPLICATE VIABLE CAPITAL PROGRAMS RHODE ISLAND FOUNDATION

Opportunity	Element
<p><b>Create and launch a ‘Capital Access Guide’</b></p>	<ul style="list-style-type: none"> <li>A. <b>Create a RI-specific ‘Capital Access Guide’</b> that objectively guides small businesses to capital products and sources based on key business/entrepreneur characteristics and provider criteria; leverage capital provider database</li> <li>B. Consider <b>engaging a tech provider to pilot a back end solution</b> (e.g., Nav/Fundastic, CRF’s Connect2Capital)</li> </ul>
<p><b>Increase CDFI small business lending in the state</b></p>	<ul style="list-style-type: none"> <li>A. Convene regional and local banks and select CDFIs to <b>activate untapped funding from CRA</b> and other sources</li> <li>B. <b>Cultivate CDFIs</b> from elsewhere in New England (and nationally) that specialize in SB financing and/or focus on strategic sectors: e.g., CRF works nationally; CEI in Maine focuses on fisheries and aquaculture</li> <li>C. Formalize <b>referral pathways from commercial banks to CDFIs/alternative lenders</b></li> <li>D. <b>Explore alternative underwriting practices</b> (e.g., Testing predictors of loan performance other than FICO)</li> </ul>
<p><b>Continue to increase micro loan availability</b></p>	<ul style="list-style-type: none"> <li>A. <b>Support successful deployment of new/expanded microloan programs</b> by generating pipeline (e.g., through Ecosystem/Capital Access Guides and pathways) and by providing underwriting support where needed (low-volume/less experienced lenders)</li> <li>B. Further <b>expand microloan pool</b> through established non-bank micro-lenders to <b>increase capacity by capitalizing programs and incentivizing risk taking</b> (e.g., loan loss reserves)</li> <li>C. Encourage experienced micro lenders to <b>apply for SBA microloan program</b></li> </ul>
<p><b>Expand financial literacy programs</b></p>	<ul style="list-style-type: none"> <li>A. Increase <b>availability and relevance of financial literacy, credit counseling and repair programs across BSOs</b> – in general and tailored for underserved/underbanked communities; build on HUD resources</li> </ul>
<p><b>Increase flow of equity capital outside high-growth</b></p>	<ul style="list-style-type: none"> <li>A. Explore new ways to <b>increase flow of equity capital</b>, e.g., seed a MBE angel fund in partnership with Cherrystone and/or Ocean State Angels; form a public / private venture fund (e.g., State of Colorado); offer angel investor tax credits</li> </ul>

# X 4. ENSURE ROBUST SECTOR SUPPORTS

Opportunity	Element
<p><b>Expand sector-specific TA capacity and fill capital gaps in food</b></p>	<ul style="list-style-type: none"> <li>A. Expand sector-specific TA capacity among specialists (e.g., Hope &amp; Main, SEG) and build baseline competency/expertise at core BSOs</li> <li>B. Support continued, more structured convening of food sector businesses to build cluster networks and surface barriers/opportunities</li> <li>C. Improve capital awareness and fill key gaps               <ul style="list-style-type: none"> <li>• Convene local, regional, and national food-focused capital providers (e.g., Fair Food Fund, Farm Credit East, the Carrot Project, Edible Ventures, Salt Venture Partners) to encourage activity in RI and promote <b>awareness of capital sources</b> (e.g., USDA)</li> <li>• Consider creating <b>lending incentive programs</b> to spur food business lending by banks</li> <li>• Secure <b>impact investors</b> for signature projects that fill critical gaps, e.g., FarmFresh RI's Food and Agriculture Campus (step-up manufacturing)</li> </ul> </li> <li>D. Foster <b>greater dialogue across food/health sector</b> to identify mutual opportunities for leveraging facilities, technical expertise, investment, industry relationships</li> <li>E. Advocate for <b>continued regulatory easing</b> for business formation and operation</li> </ul>
<p><b>Significantly expand manufacturing ecosystem to support strategic growth</b></p>	<ul style="list-style-type: none"> <li>A. <b>Formalize convening of sector stakeholders</b> to build the pipeline, make the case for resources, make clearer organizational infrastructure</li> <li>B. <b>Expand Polaris MEP capacity</b> to serve smaller businesses, key sub-sectors outside defense industry               <ul style="list-style-type: none"> <li>• Advocate for state funding to match full Federal allocation</li> </ul> </li> <li>A. <b>Engage BSOs</b> to promote and provide additional planning and growth support to smaller, non-export manufacturers</li> <li>B. <b>Leverage innovation voucher program</b> for established manufacturing businesses seeking to grow</li> </ul>

# X 4. ENSURE ROBUST SEGMENT SUPPORTS (CONT)

Opportunity	Element
<p>Reposition entrepreneur of color networks and support models</p>	<ul style="list-style-type: none"> <li>A. <b>Convene BSOs</b> focused on entrepreneurs of color to align on needs, roles and vision                             <ul style="list-style-type: none"> <li>• Strengthen and leverage networks, by convening BSOs and capital providers to <b>expand membership and increase connectivity</b> to other ecosystem supports</li> <li>• Invest in <b>cultural competency training</b> for traditional BSOs and capital providers</li> </ul> </li> <li>B. <b>Scale/replicate promising capital and support models</b></li> <li>C. Seek to <b>support and leverage Hispanic Chamber re-launch</b> to accelerate progress, ensure broad engagement, and help to build out service offerings (relevant languages, sectors) and link TA to capital</li> <li>D. Over time, <b>convene a broader group</b> including capital providers, City Governments, and community organizations to strengthen/integrate networks, awareness of resources, and referral pathways; invest in outreach and promotion</li> </ul>
<p>Form Public/Private Anchor Procurement Coalition</p>	<ul style="list-style-type: none"> <li>A. Create an <b>anchor institution ‘Procurement Coalition’</b> to align on collective / individual commitments and establish shared infrastructure and accountability; analyze anchor needs vs. supply base to establish <b>demand pull strategies</b> for business creation and growth</li> <li>B. Enforce (and seek to increase over time) the <b>state MBE requirement</b> and seek similar commitments from other anchors</li> <li>C. Re-focus related BSOs on sourcing suppliers and awarding contracts versus certifications and lists</li> </ul>

*Are we missing something?*

- > Organizations or resources?*
- > Updates to descriptions of activities and offerings?*

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