Saving Small Business: Emerging Typologies of Local Relief Funds

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EXECUTIVE SUMMARY

Two weeks ago, we released a short piece that drew attention to the limitations of relying solely on the Small Business Administration's (SBA) disaster loan program to support small businesses. In the intervening fourteen days the scale of the COVID-19 crisis has become better understood—akin to an economy-wide hurricane that leaves physical infrastructure intact—and the federal government has responded with $350 billion for small businesses in the CARES act. As we move into executing this first wave of small business support, our argument carries even greater urgency.

While we're heartened by the resources being allocated to the SBA and the Federal Reserve's main street lending facility, we worry it may be too little too late for many small businesses. Already, many small businesses have had to lay off employees (as one of us documented in Erie) and many more have cash reserves that will soon run out. The case is even more dire for local nonprofits, which are struggling to get by as their spring fundraising season has been entirely derailed, just as demand for their services is skyrocketing with an increasingly unemployed and sick population. Even in the most optimistic case, the SBA will take 3 weeks to process a loan (some of which come with an immediate Economic Injury Grant of $10,000 within 3 days of applying) by which point many businesses, which have already cut staff, may be closing up shop. And this case is optimistic, since the SBA required months to get less than $1 billion out the door in disaster relief for Hurricane Sandy.

In other words, small businesses and the local governments that support them are waiting on a cavalry—they just don't know when it will arrive and how big it will be when it arrives. And many small businesses with 25 or fewer employees may struggle to see any of this relief. That's the bad news.

The good news is that state and city governments across the country have leapt into action, setting up emergency small business and nonprofit relief funds. A variety of online resources are cataloguing these funds. They include databases hosted by Bloomberg and the National League of Cities, Duke University's CASE center, Pacific Community Ventures, Living Cities, and Forbes, and the Initiative for a Competitive Inner City, among others. The sheer number of local initiatives is inspiring.

This short white paper picks up where they leave off. It sets out to suggest a practical and emergent typology of local small business emergency funds within cities, focusing on their scale, speed of delivery and constellation of intermediary organizations delivering the funds. We identify five different categories of funds by who is driving them locally. We elaborate on the different sub-categories of each fund, providing examples within each category of fund.

THE FIVE FUND CATEGORIES WE IDENTIFY IN THIS TYPOLOGY ARE:

1. *City Government Funds which are initiated with city government money and quickly deliver support through loans or grants to affected small businesses.*
2. *Public Entity Funds which are initiated with dedicated public entities like economic development agencies or special use authorities that are affiliated with, but operate independently from, city hall. They provide loans or grants to affected small businesses.*
3. *Philanthropic Funds which are set up separately from city hall and are capitalized with funds from community foundations or local anchor institutions to provide grants to small businesses.*
4. *Financial institution Funds which are capitalized bythe variety of banks and CDFIs that commonly lend to small business. They provide grants and loans to small businesses.*
5. *Business Chamber Funds which are run through local nonprofit business associations and provide long-term and quickly deployed loans to the small businesses in their communities.*

Our typology focuses on three questions about each fund that are relevant for local decisionmakers:

How is the fund capitalized?

How fast will the funding be distributed?

Who is the intermediary, or coalition of intermediaries, that distributes the money?

Our typology does not focus on the terms of the funding in detail, since these are often varied and are well documented in the online resources mentioned above. Nor does it focus on wraparound policies—like mortgage and utility payment forbearance or changed food delivery regulations—which we recommend as secondary supports.

Our typology aims to provide order to an economic landscape that is changing daily. It is meant to do three things at once: capture the distinct categories of local funds that are emerging (focusing especially on their capacity and ability to distribute resources), influence the development of small business relief funds in other cities, and inform current and future federal rescue and recovery efforts. This document aims more for categorical distinction than it does for comprehensiveness. Our hope is that these typologies provide models and ideas for local leadership to set up in the immediate future. We recommend that local actors should increase the size of their relief funds however possible. We propose that the federal government should appropriate dollars directly to local emergency funds, initially on the order of $25 billion, in addition to their efforts to reach businesses directly. But in the meantime local funds need to be bolstered by existing and new funders for the simple fact that many small businesses and nonprofits will not exist beyond April otherwise.

FIVE CRUCIAL PATTERNS EMERGE FROM THESE NASCENT LOCAL FUNDING MODELS:

First, these funds emerge from existing networks between institutions—focused on other economic development goals—and repurpose them for rapid deployment of emergency funding. *While one branch of the government, private, or civic sector leads, these funds are often team efforts that epitomize networks of local economic stakeholders. This networked approach does not just reflect the collaborative approach to governance that defines cities; it also means that there is a built in means for communicating the details of local funds (e.g., how to apply, what the key criteria are) to a broad pool of eligible businesses. This point was reinforced in a recent article by the national non-profit, Forward Cities, which argued that cities need to establish cross-sector "stabilization teams" that can communicate, provide technical assistance, and support wraparound services for small businesses and first time entrepreneurs. Without these types of coordinated networks, there is a risk that these relief funds only help businesses on the inside track—exacerbating racial and class divisions and creating challenges down the road.*

Second, these local funds have a narrower definition of small businesses than the recently enacted federal relief package. *Federal SBA programs define small businesses as firms with less than 500 employees; the expected Federal Reserve Bank Main Street lending facility, is intended to serve small-and-midsize businesses (10,000 employees or less). These local relief funds, by contrast, generally are targeted to firms with fewer than 25 or even 10 employees, those that may be most vulnerable to collapse due to the sudden economic contraction.*

Third, Community Development Finance Institutions (CDFIs) play a unique and vital role in distributing the local relief funds. *CDFIs are private financial institutions that are 100% dedicated to lending in ways that support broad-based community wealth (nationally, half of them are nonprofits, about thirty percent are credit unions, and twenty percent are some type of for-profit bank). While many varieties of local emergency fund exist, local CDFIs are often one of the pieces engaged to distribute funds quickly. This makes sense: they are a tool that's fit for purpose, with prior experience and relationships in local small business development. As Bill Bynum and colleagues at the Aspen Institute recently observed, CDFIs are well positioned because they have and experience to reach into traditionally disenfranchised communities that are not well served by the traditional financial system. We do not want to paint a Pollyanna, CDFIs have limits—operating across certain service areas with limited funding and capacity—but they are one of the key institutions rising to this COVID crisis.*

Fourth, these local relief funds are holding themselves to unusually tight deadlines for the acceptance and approval of applications and the distribution of funds. *As of the writing of this article, it is not known how long it will take the SBA or the Federal Reserve Bank to distribute the resources that they oversee. Explanatory guidelines still need to be written, lenders need to be certified, web portals need to be established. Time is of the essence for small businesses, who have on average 27 days of cash on hand. In many respects, the local relief funds seem better aligned with the desperate straits of the businesses they are designed to serve.*

Finally, the sponsors of these local relief funds are quickly realizing that they will bear more responsibility for helping small businesses survive than initially understood. *The sponsors of local relief funds acted in full anticipation of the federal government coming to the rescue. As described above, however, the federal response will face substantial challenges reaching all small businesses in need. The size of local funds, therefore, will need to grow substantially given that they will likely be the favored vehicle for serving a subset of the market. How much is difficult to estimate. The amount raised for local funds to date is most probably less than $500 million. By contrast, ~$800 billion of federal dollars has been allocated to small business relief. Factoring in anticipated distribution issues with the federal program, and their product not matching up neatly to microbusinesses and Black-owned businesses, we conservatively estimate that local funds would need approximately $25 billion—or need to be more than 50 times their current size—to meet the magnitude of the challenge.*

THE FIVE EMERGING TYPOLOGIES OF LOCAL SMALL BUSINESS RELIEF FUNDS

We have identified five distinct categories of local small business relief funds. These funds are distinguished by which institution is driving the fund forward. We have split them this way to directly facilitate policy transfer between places, since organizations that are positioned similarly can borrow ideas from each other and draw inspiration from the emerging partnerships. Within each category in the typology, we identify distinct sub-categories and identify exemplary city funds, specifying how they are capitalized, what their estimated distribution time is, and who the distributing intermediary is.

THE FIVE FUND CATEGORIES WE IDENTIFY IN THIS TYPOLOGY ARE:

1. ***City Government Funds*** *which are initiated with city government money and quickly deliver support through loans or grants to affected small businesses.*

2. ***Public Entity Funds*** *which are initiated with dedicated public entities like economic development agencies or special use authorities that are affiliated with, but operate independently from, city hall. They provide loans or grants to affected small businesses.*

3. ***Philanthropic Funds*** *which are set up separately from city hall and are capitalized with funds from community foundations or local anchor institutions to provide grants to small businesses.*

4. ***Financial institution Funds*** *which are capitalized bythe variety of banks and CDFIs that commonly lend to small business. They provide grants and loans to small businesses.*

5. ***Business Chamber Funds*** *which are run through local nonprofit business associations and provide long-term and quickly deployed loans to the small businesses in their communities.*

Our typology aims to provide order to an economic landscape that is changing daily. It captures the distinct categories of local funds that are emerging, and it aims to influence the development of local small business relief funds in cities and towns across the country. This document aims more for categorical distinction than it does for comprehensiveness, which can be found across a host of online resources.

The sheer proliferation of these online resources demonstrates the need for some type of categorized and up-to-date repository that helps: city leaders and other local funders identify potential models for replication and shared learning; local small businesses find funding that is relevant to their needs; and the SBA locate local funding partners to support efficient outreach and distribution of funds. While we aspire to track the development and efficacy of some of these funding models in the coming weeks, we hope the proposed categorization can be built upon and integrated into the emerging and comprehensive databases such as those hosted by Bloomberg and the National League of Cities, Duke University's CASE center, Pacific Community Ventures, Living Cities, and Forbes, and the Initiative for a Competitive Inner City, among others.

TYPE 1: CITY GOVERNMENT FUNDS

The most straightforward and frequently occurring form of small business emergency relief are funds initiated by the city government. In most cases, these city funds operate in tandem with the state-level grant and loan funds that have been set up in most states (a list of these funds can be found here). These city funds take three distinct forms: (a) city seeded loan funds that are bolstered by private and civic contributions; (b) microlending funds that are raised and run only with public money; and (c) city run grant funds. CDFIs play a crucial role in administering the city-seeded funds by boosting city capacity and ensuring a breadth of connectivity.

CITY SEEDED LOAN FUNDS

These funds spread city resources as far as possible by using public funds to leverage private contributions and then lending money to small businesses. They use this money to provide low-or-no interest loans for the immediate term, and sometimes over the next 5 years. They rely on a broad network of partners, community-focused lenders, and pre-established relationships to effectively run.

Example: Birmingham Strong Fund

Launched on March 16th, The Birmingham Strong Fund is part of a multi-phase response to support small businesses and workers in light of the COVID-19 Crisis. The emergency loan fund will provide zero-interest, 180-day loans of no more than $25,000 to small businesses (with fewer than 50 employees). At the expiration of the loan period, the loans are expected to evolve into a revolving loan program for small businesses housed within the Community Foundation of Greater Birmingham. The explicit purpose of the fund is to provide a bridge loan into the SBA's Program, stabilizing operations and payroll until additional capital can arrive.

Capitalization: The City council approved $1 million of city money, with another $200,000 approved from the City's Office of Innovation and Economic Opportunity, to seed the fund. It has since garnered $1.2 million in matching funds from the private and civic sectors, creating a $2.4 million emergency loan fund.

Distribution Time: The first window for loan applications closed on March 27th at midnight. Businesses will be notified by the end of this week (April 3rd) if their loan application was approved. If approved, loan documents will be signed, and checks dispersed, from April 6th to 15th.

Distributing Intermediary: This loan fund will be administered by the Birmingham Business Resource Center, a local nonprofit focused on business development. There will be a loan advisory committee composed of representatives from the City's Department of Innovation and Economic Development, the Community Foundation of Greater Birmingham, and private sector partners who donate to the fund.

Other active funds in this area include: Chicago's Small Business Resiliency Loan Fund, which uses a $25 million city grant to raise a $100 million fund lending up-to $50,000 at low interest rates for up-to 5 years. Implementation is supported by a coalition of local CDFIs.

Downtown Birmingham, AL. Image Credit: [Wikipedia.]

CITY RUN MICROLENDING PROGRAM

Like city-seeded funds, these programs aim to spread public-resources widely by providing long term low interest loans to small businesses affected by the COVID-19 Crisis. These funds are set up entirely within the city and do not have a written intent of seeding philanthropic contributions. These funds tend to be found in larger cities which have the in-house capacity to administer a lending program.

Example: Los Angeles Emergency Microloan Program

Launched on March 18th, the City of Los Angeles' Economic and Workforce Development Department (EWDD) established the Small Business Emergency Microloan Program. This program will provide 0% - 3% loans of between $5,000 and $20,000 for periods ranging from 6 months to 5 years.

Capitalization: The $11 million fund was created from money within the City's EWDD.

Distribution Time: The application period is currently open.The funds will be distributed as soon as possible. The EWDD has experienced a high volume of applications to-date.

Distributing Intermediary: The funding is distributed by the Los Angeles EWDD.

Other active funds in this category include: Washington D.C.'s $25 million microgrant program is located in the Deputy Mayor for Planning and Economic Development's Office. New York City has a business continuity loan program (up to $75,000) and an employee retention grant program, both of which are unspecified in size.

CITY GRANTING PROGRAM

These funds have been set up in cities across the country. They aim to provide fast relief to small businesses that have immediate cash needs. This funding does not need to be repaid.

Example: City of Seattle Small Business Stabilization Fund

The City of Seattle was the first to be hit by the COVID-19 outbreak. In response, they committed $2.5 million to create a Small Business Stabilization Fund. This fund provides grants of $10,000 to low and moderate income businesses with 5 employees or less.

Capitalization: The city of Seattle dedicated $2.5 million of their HUD Community Development Block Grant money to the fund

Distribution Time: The application period closed on March 25th and applications are being evaluated now. They will be distributed as soon as possible.

Distributing Intermediary: The funding is distributed by the City's Office of Economic Development.

Other active funds in this area include: The City of San Francisco (fund-size unspecified, maximum of $10,000 grant) and The City of Denver ($4 million fund, maximum of $7,500 grant). The City of Detroit has partnered with a local nonprofit, Tech Town, to launch a $250,000 grant fund (which is raising additional philanthropic money) to provide $5,000 grants to businesses with ten or fewer employees.

TYPE 2: PUBLIC ENTITY FUNDS

Like city government funds, these use public money to support small businesses. They are distinct from city government funds in that they use previously-established public, or quasi-public, institutions to source and distribute capital. These institutions, often developed for economic development, have experience in blending public and private capital to support the local economy. They also tend to have deep relational networks across the local economy and entrepreneurial ecosystem. Sometimes they work in direct partnership with the city to develop and administer the funds, sometimes they work in partnership with local CDFIs to develop and administer local funds.

QUASI-PUBLIC DRIVEN FUND

These funds operate side-by-side with city efforts. Unlike the city-driven funds, these are driven by an economic development nonprofit funded by, and affiliated with, city efforts. Their small business relief funds are capitalized either by city money or their own funds. These quasi-public economic intermediaries are ideal for distributing small business relief funds because they have pre-established political neutrality, a deep network of relationships across the entrepreneurial ecosystem, and experience in providing loans.

Example: Philadelphia COVID-19 Small Business Relief Fund

Announced on March 23rd, the Small Business Relief Fund provides three tiers of support, ranging from $5,000 grants to businesses with less than $500,000 in annual revenue to $100,000 zero-interest loans to businesses with annual revenues between $3m and $5m. The three tiers of funding emerged from the more-than 2,500 responses to a small business impacts survey that the city's Department of Commerce sent out the prior week.

Capitalization: The City's Department of Commerce and the Philadelphia Industrial Development Corporation (PIDC), the quasi-public economic development entity, committed $9 million of public money to the Small Business Relief Fund.

Distribution Time: Applications are open as of March 23, and will be processes on a first-come, first-served basis. Bank information will be collected in the application in order to expedite payment once approved. After a business is approved, submits all required paperwork, and signs an agreement, it will take 1-2 business days for funds to be received by the business via wire transfer.

Distributing Intermediary: A committee made up jointly of Philadelphia Department of Commerce and PIDC staff evaluates applications. Loans will be made through the PIDC's lending facilities.

Other active funds in this category include: Invest Atlanta's $1.5 million Business Continuity Loan Fund (providing 0% interest loans of between $5,000 and $30,000), and the Phoenix IDA's impressive $2 million grant program (offering $10,000 grants to affected businesses). New Orleans Business Alliance provided $100,000 to seed a half million dollar fund to support gig economy workers through grants of between $500 and $1,000 over PayPal. Pittsburgh's Urban Renewal Authority is coordinating small businesses and working with the Hebrew Free Loan Association to provide $5,000 interest-free bridging loans to affected local businesses.

Downtown Philadelphia, PA. Image Credit: Peter Miller.

PUBLIC AUTHORITY DRIVEN FUND

These funds are driven by existing public-authorities which have devoted revenues generated from a dedicated purpose. Like quasi-publics, they are nonprofits governed by an appointed board of directors; unlike quasi-public agencies, they are administrative units incorporated to handle specific revenues. This means they have the prior economic relationships and political neutrality of quasi-publics, but their primary function is collecting revenues. They often have established relationships with CDFIs or other experienced lenders to distribute this revenue. They lean on these relationships to lend out this small business relief.

Example: Erie County Gaming Revenue Authority Small Business Relief Fund

Announced on March 17th, in response to the COVID-19 Crisis, the Erie County Gaming Revenue Authority (ECGRA) partnered with the Erie County Council to create a three-pronged relief program (one prong of which focuses on small businesses). The Erie County Gaming Revenue Authority receives revenues from one half of one percent of casino gaming revenues in the county (totaling $4.5 million annually). Their small business relief program has two funds: an $800,000 fund for businesses with fewer than 25 employees and a $500,000 fund for businesses with 25 or more employees. The loans will be provided at 0% for three months with no payments, 12 months of interest only, and after that at 4% interest for the term of the loan.

Capitalization: The fund is capitalized with $1.3 million of ECGRA revenues.

Distribution Time: Funds will be distributed within 30 days of the loan application.

Distributing Intermediary: The ECGRA will give this money to a local CDFI, Bridgeway capital, with whom they have a longstanding relationship (having previously set up two loan funds with them). Bridgeway will then process the loan applications and distribute the money.

TYPE 3: PHILANTHROPIC FUNDS

These funds operate separate from, but often in tandem with, city efforts. There are a number of national-scale philanthropic supports for small businesses (notably $100 million of grants from Facebook, and the James Beard Foundation's Food Industry Relief Fund). On the local level, philanthropic funds for small business relief have been established either by a large local anchor institution, a community foundation, or a combination.

Example: St. Louis Community Foundation Gateway Resilience Fund

Announced in Mid-March, in response to the COVID-19 Crisis, The Gateway Resilience Fund makes grants of up-to $1,000 to cover essential expenses. These grants are for employees, essential contractors, and owners of small businesses in the St. Louis region.

In addition, a gift from the St. Louis Downtown Community Improvement District allows the Fund to make $5,000 grants to affected small, locally owned businesses in its 180-block, central business district area. Small businesses in this area with at least 5 employees and 2 years in operation are eligible to apply.

Capitalization: This fund is supported by the St. Louis Community Foundation, which is supported by large and small donors.:

Distribution Time: The grant will be paid out within a few days of approval. The grant application process is now open on a rolling basis.

Distributing Intermediary: The money will be distributed by the St. Louis Community Foundation.

Other active funds in this category: Amazon, a local anchor, has created a $5 million Neighborhood Small Business Relief Fund in Seattle; the Community Foundation of Greater New Haven has launched a $1.5 million fund for affected nonprofits in the area, Yale University has pledged $1 million and will match gifts from the Yale community up to $5 million. The nonprofit focus is important since, along with small businesses, nonprofits are currently facing dire straits. Nationally, Verizon provided $2.5 million to LISC (a leading CDFI) to provide $10,000 grants to impacted small businesses.

Downtown St. Louis, MO. Image Credit: [Wikipedia.]

TYPE 4: FINANCIAL INSTITUTION FUNDS

Financial institutions are greatly impacted by the health of the small businesses they lend to and invest in. This is especially the case for local and regional lenders, CDFIs, and minority depository institutions, who are vital providers of capital to small businesses. As a result, many financial institutions have taken an active role in providing some type of relief to small businesses affected by this crisis. Because their domain expertise is in lending money, they are natural leaders in this area. Low-interest and long-term loans are the predominant products that banks set aside for these relief funds. Some institutions are also providing granting support. Some Fintech providers, like KIVA, are offering $15,000 loans for 6 months with zero interest—they are doing this on a national scale, and therefore not profiled in-depth here.

REGIONAL BANK DRIVEN FUNDS

These funds are driven by local and regional banks. Capital is allocated from the Banks funds for either philanthropic grants or for a dedicated low-interest loan fund. These funds usually are geographically targeted for the operational footprint of the bank.

Example: Truist Financial Corp., North Carolina

Truist Financial Corp. will provide $2 million—$1 million each—to two CDFIs to be run as a grant program in the Southeast and Mid-Atlantic. As part of the program, grants will be made in amounts ranging from $5,000 to $25,000 for operating shortages and critical needs small businesses have as a result of the pandemic. Small businesses that employ less than 10 full-time employees and have annual gross revenues of no-more-than $1 million are eligible to apply for a grant.

Capitalization: Truist Bank granted $2 million to the two regional CDFIs, LiftFund and the Natural Capital Investment Fund (NCIF)

Distribution Time: The application period for the grants from LiftFund and NCIF have opened. LiftFund has exhausted their money and will announce grantees in early April, with funds distributed soon after that. NCIF will begin reviewing applications on March 30th.

Distributing Intermediary: LiftFund and NCIF are the two CDFIs who will distribute the grants. LiftFund has a service area across the southeast and NCIF has a service area throughout the Eastern Seaboard. Both CDFI's

Downtown Charlotte, NC. Image Credit: [Flickr.]

also have geographically narrower small business relief funds: NCIF has a small business relief loan fund for North Carolina, and LiftFund has a grant fund for Bexar county (which has already closed due to overwhelming demand).

Others active in this area: Eastern Bank in Boston is establishing a $5 million small business impact loan fund at 3.9% interest; Alt-Cap, a Kansas City CDFI set up a "fast track" loan program to deliver $20,000 loans quickly to businesses for 1-3 years, at 5% interest.

COMMUNITY FINANCE DRIVEN FUNDS

These funds are driven by financial institutions with experience in community development. These include, but are not limited to, CDFIs. They include Community Development Entities (as specified by New Markets Tax Credits) and can include Minority Depository Institutions and Credit Unions. These institutions have experience working with small businesses and the underbanked communities where the small business health is most vulnerable.

Example: PCDIC Small Business Relief Fund

As part of Phoenix' response to the COVID-19 pandemic, the Boards of Directors of the Phoenix IDA and the Phoenix Community Development & Investment Corporation (PCDIC) moved to provide financial relief to nonprofits and small businesses. As mentioned above, the quasi-public IDA is providing $10,000 grants to small businesses. These funds are operating in tandem with $2 million from the PCDIC, which will be used for Community Advantage Small Business Recovery Loans. The PCDIC is a 501(c)(3) nonprofit that is primarily a New Markets Tax Credit provider, certified as a CDE, in the Phoenix area. The joint response from PCDIC and the Phoenix IDA in supporting small businesses emerged from the unique network of local relationships, previously leveraged for investments in affordable housing, local nonprofits, and college scholarships.

Capitalization: The fund will be capitalized with $ 2 million of PCDIC money.

Distribution Time: It is estimated that the funds will be distributed in early April.

Distributing Intermediary: The funds will be distributed from the PCDIC to the Business Development Finance Corporation (BDFC), a Phoenix-based SBA lender with experience with business financing. BDFC will administer the funds.

Others Active in this area: CRF is working with the Nonprofit Finance Fund and Calvert Impact Capital with a targeted raise of at least $500 million for targeted small business lending. The Opportunity Finance Network is launching a $125 million relief fund, with a $5 million grant from Google, to loan out to local CDFIs in amounts up-to $10 million. In New Orleans, a CDFI Consortium is coordinating to provide emergency loans to the InvestNOLA minority business cohort and subsequently to other ethnic minority-owned businesses.

TYPE 5: BUSINESS CHAMBER FUNDS

The final category of relief funds are those driven by local business chambers. These are nonprofit institutions that represent member businesses in the municipality. Like financial institutions, local chambers have a large stake in the health of their small businesses. These chambers interface closely with the local business and financial communities, which gives them detailed knowledge of particular business needs and enables them to set up funds that respond to this local need.

Example: Indianapolis Chamber of Commerce

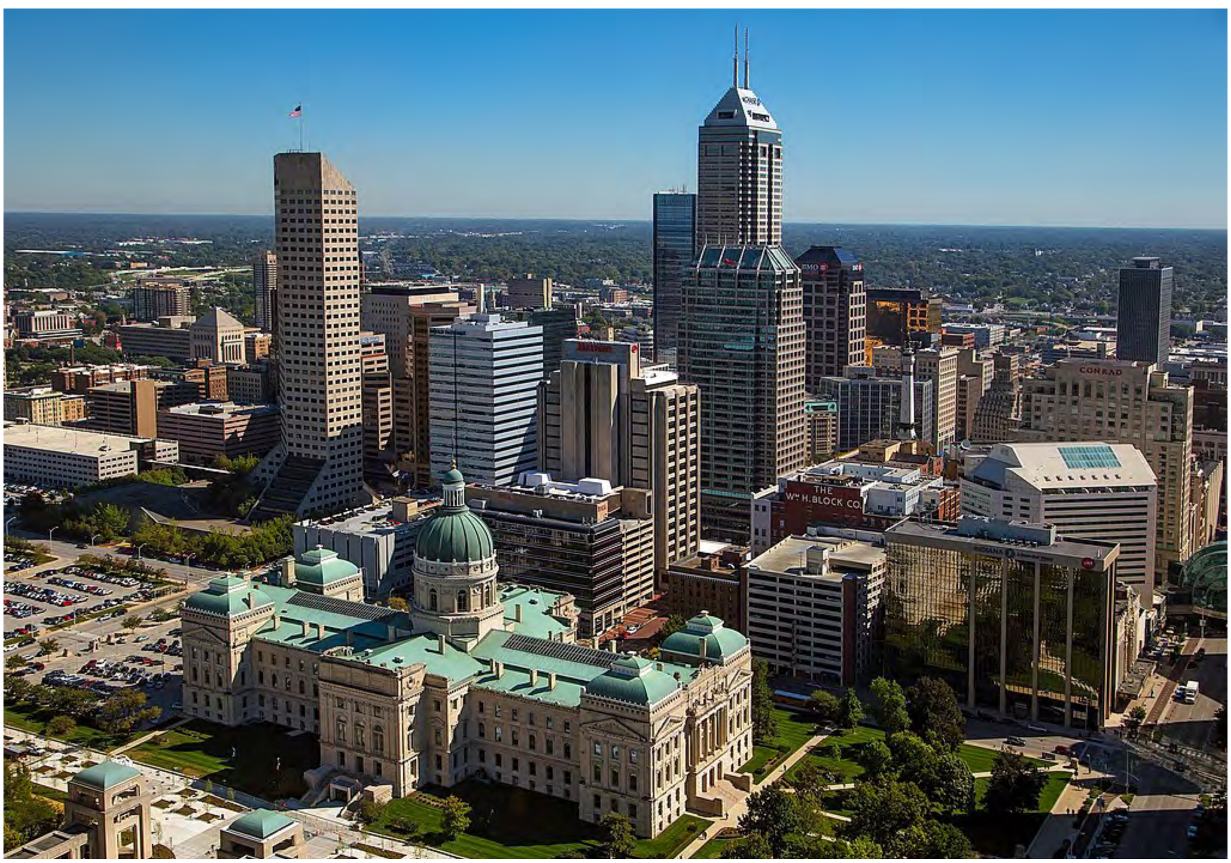
The Indianapolis Chamber of Commerce is providing loans between $1,000 - $25,000 through their rapid resource hub as bridge financing to support small businesses before SBA loans become available. The Chamber provides free one-on-one coaching to applicants on how to navigate the economic uncertainty and access local capital programs in partnership with Indiana University's Kelley School of Business. The Chamber is also taking several steps to improve the inclusivity of the fund, including eliminating the need for credit scores and allowing immigrant entrepreneurs to use their ITIN instead of a social security number. This fund is also working alongside a granting fund explicitly focused on supporting Indianapolis artists and cultural workers, organized by the Arts Council of Indianapolis.

Capitalization: The fund pulls from the Business Ownership Initiative's existing loan program. Loans are given on an as-needed basis.

Distribution Time: Applicants are contacted within 24 hours of filling out a simple online form to discuss and finalize the application, greatly accelerating the fund distribution process.

Distributing Intermediary: The loan will be distributed through the Chamber's Business Ownership Initiative, which regularly distributes loans to small business as part of the Chamber's work.

Others Active in this area: The Cincinnati Minority Business Accelerator, which is located within the Cincinnati Chamber, is spearheading the way the federal government's funding gets leveraged by small businesses and minority owned businesses locally.



Downtown Indianapolis, IN. Image Credit: Wikipedia.

CONCLUSION

The local relief funds categorized in this paper were initially intended to play a stop-gap role, providing immediate funds in advance of the larger federal relief package. We are increasingly convinced, however, that rather than giving way to federal relief, local efforts will need to persist and grow substantially as the crisis unfolds. Unlike SBA products and the Federal Reserve Bank facility, the local funds are intensely focused on the smallest of the small businesses, particularly microbusinesses owned by people of color which often operate outside the mainstream banking system. The market, in essence, has been stratified and the need for resources that are adapted to the needs of these firms—which, in many respects, fit the broader public's definition of "small business"—will not subside. As described above, we conservatively estimate that local relief funds should be capitalized at $25 billion to meet the magnitude of the need before them.

If our observations are correct, then several steps are needed.

First, to speed the replicability of funds from city to city, care should be taken to codify and share the documents, loan products, web portals and modus operandi (e.g., outreach, decision criteria) of these local funds. Replication depends on norms and routines, and the magnitude and urgency of the crisis means that there is no time to waste reinventing the wheel. Erie, Pennsylvania might pioneer an emergency lending product and distribution channel that can save as a model for business relief in Salem, Oregon or San Francisco. A partnership between a financial technology start-up and local CDFIs might ease distribution challenges. Without the luxury of being able to send disaster relief professionals to focus on a specific affected region, we will need to rely on our virtual world to be able to understand what is working and what is not.

Second, existing federal rescue efforts should leverage the potential of local relief funds to the maximum extent possible. Direct support for local funds, through capital infusions and technical assistance, would be ideal. At a minimum, CDFIs, local governments, philanthropies and other local stakeholders (the architects and distributors of local relief funds) could have a special role to play a role, in concert with certified lenders, in helping small businesses navigate the new SBA system.

Third, local relief funds might inform the next round of federal legislation. There is already active work underway on a fourth federal package, that might move beyond the immediate rescue of impacted firms to longer term recovery of impacted economies. To this end, the broader group of intermediaries that are currently leveraged under local relief efforts, particularly CDFIs and minority business intermediaries, must be fully recognized and supported in future federal action. This could be of immense interest as it becomes clear that the mainstream financial system does not adequately address the needs of entrepreneurs in under-connected rural and urban communities. We must, in essence, start to create a new system for identifying, nurturing and capitalizing small businesses in the United States.

The effort to rescue true Main Street businesses, in short, will require a formalized, effective feedback loop to succeed. Ultimately, we are talking about the largest capital resource—the federal government—serving the needs of the smallest economic organisms in the country. The form and fashion in which this capital finds its way to small and medium-sized businesses will determine our economic fate for a generation to come. It is imperative that we come together to experiment, iterate, and communicate, all the way from Main Street to Congress.

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