



CASE STUDY:

# NEIGHBORHOOD BUSINESS INITIATIVE



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## PROBLEM

A robust regional economy requires strong, vibrant neighborhoods — places people choose to live because of the amenities and opportunities they afford. By 2014, Detroit’s revitalization was well underway, but it largely focused on downtown and already healthy pockets of the city. Across the 144 square miles that encompassed Detroit, Hamtramck and Highland Park were many neighborhood businesses that were struggling, and thus hindering the growth of neighborhoods, the city, the region, and the state. These businesses faced barriers to capital, to strategic networks, to property/places, to tools and resources, and to talent.

NEI had historically focused on start-ups, but it acknowledged that existing businesses, “been ups,” especially those in underserved communities and those owned by historically underserved populations, needed access to many resources too. Despite the fact that they had been in business for three, five, 10 years, they were still struggling to grow and thrive.

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## SOLUTION

### Neighborhood Business Initiative

NEI believed it was critical to build and sustain an infrastructure that supported existing neighborhood businesses owned by members of historically underserved populations — those that contributed jobs and a sense of place to their communities and enhanced the vitality of the city as a whole. To strengthen and grow the number of these businesses and increase the investment in place-based community assets that support entrepreneurs, the **NEIGHBORHOOD BUSINESS INITIATIVE** was developed with three priorities:

- 1.** advocating for neighborhood businesses at the local and state levels,
- 2.** strengthening the readiness of new and growing small businesses to access financial and social capital, and
- 3.** promoting the availability of accessible neighborhood retail and commercial spaces.

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But before NEI launched its program, it needed to first determine what supports neighborhood businesses were currently receiving.

The research and results involved:

- Conducting a survey, asking business support organizations about their work and their most effective partners.
- With that information, sending a request for qualifications (RFQ) to 85 identified partners/organizations asking them what they did to support business in their neighborhoods in three areas: capital, place-based and general business support.
- Assessing the RFQs and honing it down to a list of 35 organizations who were asked to respond to a request for proposal (RFP).
- Reviewing the RFPs and awarding 15 grants to business support organizations and community development organizations that served their respective neighborhoods in order to provide targeted assistance to underserved businesses in those neighborhoods.

**THOSE FIRST NEIGHBORHOOD BUSINESS INITIATIVE GRANTS, TOTALING \$3.4 MILLION AND AVERAGING \$155,000 PER ORGANIZATION, WERE MADE IN 2015 TO SUPPORT ORGANIZATIONS SUCH AS ACCESS, BUILD INSTITUTE, TECHTOWN SWOT, ACCOUNTING AID SOCIETY, PROSPERUS DETROIT, AND FOODLAB THAT PROVIDED NEIGHBORHOOD ENTREPRENEURS WITH TRAINING AND SERVICES. SIX GRANTS, TOTALING \$400,000 WERE ALSO MADE TO COMMUNITY DEVELOPMENT ORGANIZATIONS THAT SERVED AS TRUSTED CONNECTORS INCLUDING GRANDMONT ROSEDALE DEVELOPMENT CORPORATION, CENTRAL DETROIT CHRISTIAN CDC, AND OSBORN NEIGHBORHOOD ALLIANCE.**

A requirement of the grant was to join the newly created Neighborhood Business Initiative Worktable, which involved coming together four times a year to share information and resources; learn what others were doing in an effort to coordinate work and share referrals; and work in small groups to address specific gaps in service that they felt collectively needed to be filled. These initial small-group sub-committees focused on 1) capital access, 2) place and 3) resource tools. The belief was that by working together member organizations would come to know each other better and strengthen their relationships, the key part of building a network of support.

Since its launch, the Worktable has grown to 40 members (including more than just NEI grantees) and has created a space for citywide, cross-sector collaborations (with nonprofits, for-profits, public entities, national agencies like the Federal Reserve, and others) in support of inclusive entrepreneurship. It has developed actual tools for small businesses, including a Capital Readiness Checklist and a series of one-pagers describing various place-based economic development tools.

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## RESULTS

NEI has been investing in wealth-building resources for small businesses since 2011, which led to the development of the Neighborhood Business Initiative in 2015. The Neighborhood Business Initiative involved many components: research, grantmaking, gathering and running the Worktable, and evaluating the results of the Worktable.

**SINCE 2011, 95 GRANTS, TOTALING \$20.2 MILLION WERE PROVIDED TO 27 BUSINESS SUPPORT ORGANIZATIONS FOCUSED ON SMALL BUSINESS SUPPORT AND THE NEIGHBORHOOD BUSINESS INITIATIVE. OF THE DATA REPORTED SINCE 2017, THESE INVESTMENTS, IN TURN, ASSISTED 4,657 BUSINESSES. APPROXIMATELY ONE THIRD WERE LED BY WOMEN AND 27% BY A PERSON OF COLOR. THESE BUSINESSES EMPLOYED 8,512 PEOPLE AND LEVERAGED \$18.9 MILLION IN CAPITAL.**

The investments have had the effect of impacting overall neighborhood vitality and creating more inclusive communities.

Under the leadership and direction of Don Jones, associate director of NEI, Mass Economics, Policy Link, and Michigan Community Resources (MCR) were brought together as the operational partners to build the Neighbor Business Initiative and its Worktable.

- Mass Economics conducted research and brought a national perspective.
- PolicyLink provided definitions and framework allowing the initiative to become more grounded around what was meant by “inclusion.”
- MCR, as an extension of NEI’s team, helped to plan, coordinate and facilitate Worktable meetings; the staff at MCR held a multiplicity of skills, including research and excellent group facilitation.

The Neighborhood Business Initiative was concurrent with and complementary to the creation of NEIdeas, a program that directly awarded grants for growth to small businesses in underserved communities. While NEIdeas grants to businesses were significant, just as important was how to connect the 144 winners and the more than 3,000 applicants to the specific assistance that could be provided by the Worktable members to help each business to grow and thrive. Together these programs helped to inform the creation of new programs, including Motor City Match, Motor City Re-Store, and the annual Rocket Mortgage Detroit Demo Day.

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## WHAT WE DID WELL

Approaches and activities that NEI did well in launching, growing and promoting this initiative:

### 1.

Started with researching the needs and behaviors of underserved neighborhood small businesses *first* (via the organizations that supported them) to understand where and how they were seeking support.

### 2.

Identified and built capacity of not-so-obvious players, like community development organizations, broadening the net beyond those typically funded for this type of work – and boosting their roles as trusted connectors to businesses. The steps initially taken by NEI to unearth new business support organizations, build their capacity, and create a forum for them to regularly connect and build relationships, has been pivotal to the success of the initiative.

### 3.

Developed the Neighborhood Business Initiative Worktable, a key component of the initiative, for problem solving, addressing gaps in service and building relationships with business support organizations to provide a better network of support for small businesses. As a result, the Worktable made tangible headway in these areas:

#### **CREATING ACCESS TO CAPITAL.**

NEI built a bridge between the immigrant-, persons of color- and women-owned businesses that historically lacked access to capital and the Community Development Financial Institutions (CDFIs) and other nonprofit lenders that could provide capital. Both lenders and NEI network organizations that supported underserved businesses sat at the Worktable. An original area of focus was raising awareness around small business owners' inability to get capital when they needed it. As a result, they produced a Capital Readiness Checklist ([link](#)). In further addressing this issue, regular information sessions were held for the businesses served by Worktable members so they could connect directly with nonprofit financial institutions and banks, breaking down barriers and creating new opportunities for lending.

#### **PROVIDING PRACTICAL ASSISTANCE.**

Worktable members identified needs of small business owners — whether with accounting, marketing, legal aid or other areas — to help them grow their business. The network of support organizations regularly communicated about what the needs were on the ground, and they were able to adjust their services and programming to respond to those needs.

A most recent example is the Worktable's survey of businesses during COVID-19. Access to capital continued to be a high need, and, in addition, businesses needed products and information to operate safely for employees and customers. Also, the challenge of pivoting to e-commerce illuminated the need to address all aspects of the digital divide — from hardware and software needs, to skills training on social media, to product fulfillment.

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## 4.

### FOCUSED ON INCLUSIVITY.

The Worktable participants are very diverse in terms of their cultural background, gender, and to whom they provide their services. The businesses that the Worktable members serve are primarily Black and other communities of color that historically have had limited access to both the social and financial capital of which white populations have long taken advantage. The Worktable seeks to operate with a grassroots, bottom-up philosophy, working with business owners to inform the programming that is requested and required.

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## WHAT WE MISSED

### IN REFLECTING BACK...

While NEI initially surveyed many nonprofits, for-profits and public organizations to learn about the needs for small businesses in their neighborhoods, if it could go back in time, it would have surveyed the small businesses themselves about needs and gaps before the project launched.

### IN LOOKING FORWARD...

The Neighborhood Business Initiative Worktable is an informal, action-oriented group. Within its structure are opportunities to:

- Make the individual organizations and the network even more effective and impactful.
- Raise awareness and heighten the profile of the value of the Worktable among private and public sector leaders, allowing it to push further with what it's doing to support small businesses and to permeate more deeply into the ecosystem. For example, there are more opportunities to involve Worktable members with program development through establishing a framework for reporting on gap analysis and resulting work products.
- Convince the public sector (government funding) that supporting the small business network, made up of culturally-competent and program-competent providers, will result in a strong local and regional economy with sustainable businesses and job growth.
- Continue to invest in neighborhood grantmaking and research. There must be ongoing research to stay current on underserved business needs and to identify who is best to address those needs — avoiding falling into a pattern of only supporting what is obvious.