NEIGHBORHOOD RETAIL - CHICAGO COLLABORATIVE IMPACT REPORT

FY 2017

Report by: SB Friedman Development Advisors

PRO NEIGHBORHOODS AND THE CDFI INITIATIVE

The Partnerships for Raising Opportunity in Neighborhoods (PRO Neighborhoods) is a $125 million effort undertaken by JPMorgan Chase & Co. with the goal of stimulating inclusive economic growth and physical development to revive chronically distressed neighborhoods. Since 2014, PRO Neighborhoods has awarded three-year grants to groups of community development financial institutions (CDFIs) that form innovative partnerships to solve problems in distressed neighborhoods as part of its CDFI Initiative. This component of the program supports collaboration among CDFIs in order to expand the effectiveness of their efforts, and ultimately enhance social and economic opportunity for low- to moderate-income people and revitalize the neighborhoods in which they live. More specifically, the initiative aims to increase the flow of capital into underserved communities, support the growth of small CDFIs, foster innovation in programs and products, and demonstrate expandable models for community development. As of 2017, PRO Neighborhoods has awarded $84 million in grants to 20 groups of collaborating CDFIs in cities throughout the country.

NEIGHBORHOOD RETAIL - CHICAGO COLLABORATIVE

The Neighborhood Retail-Chicago Collaborative (the "Chicago Collaborative") was awarded a three-year $3.49 million Partnership for Raising Opportunity in Neighborhoods (PRO Neighborhoods) grant in 2016 from JPMorgan Chase to provide financing and technical assistance for commercial retail development and small businesses. The Chicago Collaborative is a partnership between Chicago Community Loan Fund (CCLF) and Chicago Neighborhood Initiatives Micro Finance Group (CNIMFG) to support commercial businesses in underserved low-to moderate-income communities in Cook County, particularly in the South and West Sides of Chicago and South Suburban Cook County.

CCLF provided financing for commercial real estate projects and CNIMFG provided microloans to small businesses with the goal of building stronger, healthier communities.

The PRO Neighborhoods is a $125 million effort undertaken by JPMorgan Chase & Co. with the goal of stimulating inclusive economic growth and physical development to revive chronically distressed neighborhoods. Since 2014, PRO Neighborhoods has awarded three-year grants to groups of community development financial institutions (CDFIs) that form innovative partnerships to solve problems in distressed neighborhoods as part of its CDFI Initiative.

The Chicago Collaborative connects the programs and resources of the two established, locally-focused CDFIs to address the tough commercial development challenge in Chicago-area neighborhoods and communities. Each CDFI brings a unique set of programmatic, market and technical expertise to the Collaborative, and their roles are defined by their strengths. Ultimately, the Chicago Collaborative aims to support economic prosperity in lower income neighborhoods by supporting businesses that offer residents access to quality jobs and needed goods and services.

ABOUT THIS REPORT

The Annual Impact Report (FY 2017) describes the Chicago Collaborative's effectiveness in deploying funds from the PRO Neighborhoods grant initiative to meet the Chicago Collaborative's goals. SB Friedman Development Advisors serves as an independent evaluator for the Chicago Collaborative, and as such, aids the Collaborative in meeting reporting requirements outlined by the PRO Neighborhoods grant agreement. The firm utilized response data from surveys of loan recipients/business tenants and their loan providers to inform the report. This report details the impact of the initiative on businesses, their employees, and the communities in which they are located.

CHICAGO COMMUNITY LOAN FUND: MISSION

The mission of the Chicago Community Loan Fund is to provide flexible, affordable and responsible financing and technical assistance for community stabilization and development efforts and initiatives that benefit low- to moderate-income neighborhoods, families and individuals throughout metropolitan Chicago.

CCLF was founded in 1991 by a group of visionary social-investment advocates. Their aim was to create a nimble, flexible nonprofit lender who would fill the community development credit gaps as they emerged across the city and region. In particular, CCLF was created to ensure that Chicagoland community developers (including small and emerging groups) would have a lender to turn to for harder-to-underwrite projects and enterprises.

CNIMFG: MISSION

The Chicago Neighborhood Initiatives Micro Finance Group (CNIMFG) is committed to bringing affordable microfinance solutions to low-income individuals or small business owners who do not have access to traditional sources of financing.

Many of CNIMFG's client's modest loan request, limited credit history or entrance into a new career field often minimizes their eligibility for conventional financing and prohibits many entrepreneurs from obtaining the resources they need to grow their businesses. CNIMFG provides the financing and training necessary to help small business owners increase their incomes, create new jobs and strengthen their communities.

INITIATIVE IMPACTS IN 2017

The chronically distressed Chicagoland neighborhoods served by the Neighborhood Retail-Chicago Collaborative are in need of quality goods and services, jobs, wealth creation, and blight reduction. In addition, many retail project developers and business tenants in lower-income areas struggle to find financing from traditional lenders. Over the course of 2017, CCLF and CNIMFG synergized their financial products and technical assistance services to support commercial projects that brought favorable outcomes for business owners and community residents. In providing credit and assistance to businesses owners throughout Cook County and beyond, the Chicago Collaborative resulted in the improvement of commercial spaces, outreach to typically under-represented business owners, job creation, provision of goods and services to underserved neighborhoods, and fulfillment of a financing gap.

14

microloans (under $50,000) awarded

$748,050

in private and public financing leveraged by $407,000 in loan capital

64%

of the businesses are retail establishments or restaurants

86%

used the loan proceeds for operations, working capital or interior renovations

86%

of borrowers supported are located in low and moderate income areas

79%

of businesses indicated that loans supported business growth

53

jobs created/retained with plans to hire at least 21 employees in the near future

79%

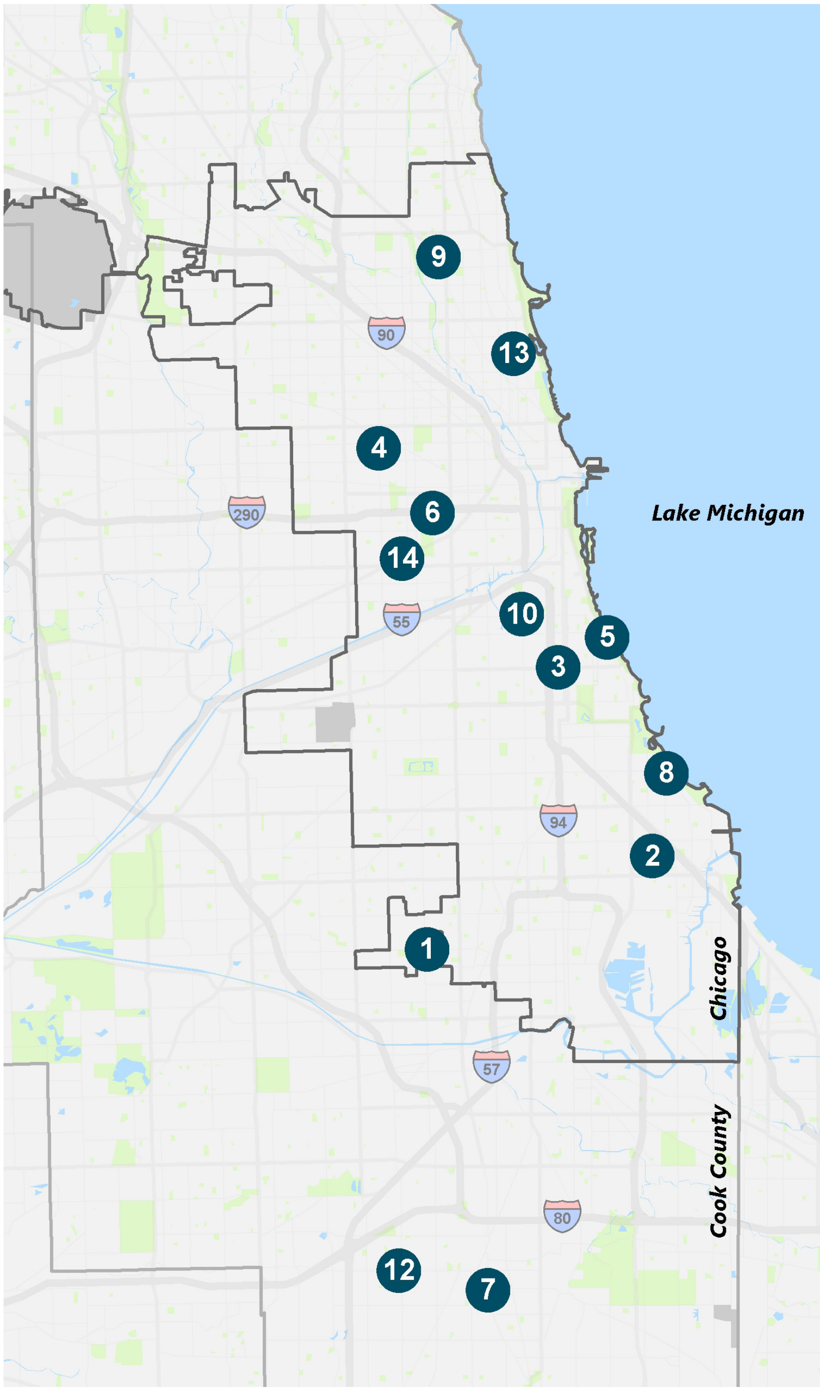
of awardees identify their business as minority-owned or controlled

CAPITAL LEVERAGED

In total, the Chicago Collaborative deployed $407,000 in loan capital from the PRO Neighborhoods grant to business owners to finance 14 business investments. Loans averaged approximately $29,000, and ranged from $10,000 to $50,000. With project leverage, the Collaborative provided key financing to projects that were then able to attract additional outside funding.

Overall in FY 2017, the Collaborative leveraged a total of $748,050 in private and public financing. Of the total amount leveraged, $725,000 was private financing, which included personal savings, business income, and financial assistance from family and friends.

A total of 79% of all loan recipients used at least one source of private financing to support their projects, and those who did dedicated at least $10,000 of private financing. The remaining $23,050 of the total amount leveraged was public financing in the form of a singular Small Business Improvement Fund (SBIF) grant, which was awarded to the owner of Bronzeville Boutique. SBIF grants are provided by the City of Chicago to owners of commercial properties within designated TIF districts to reimburse the costs of repairs or remodeling on their facilities.



* Sergio's Cantina (11) is located outside of the map boundary

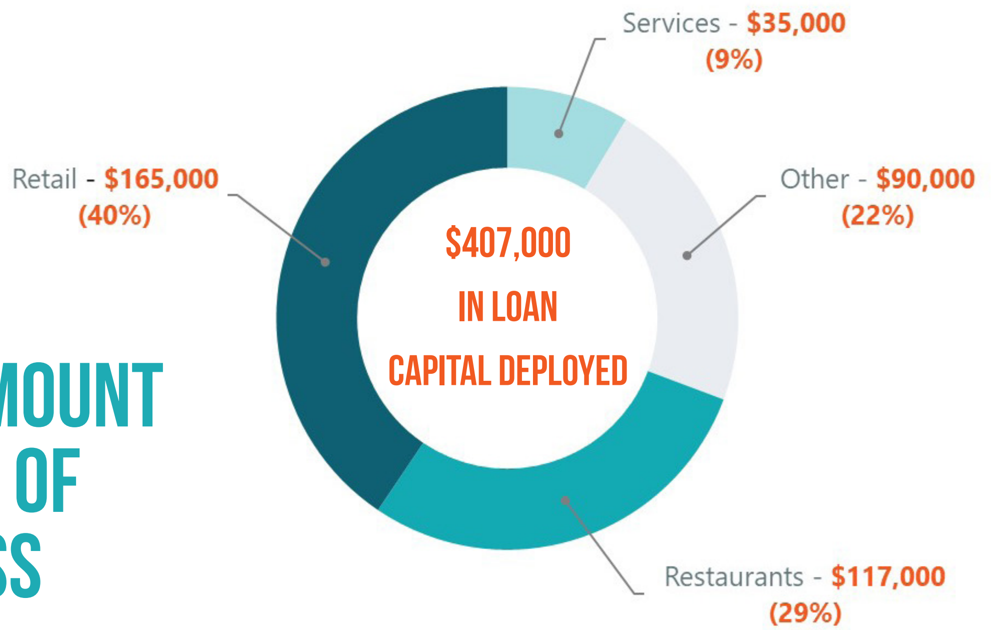
	LOAN RECIPIENT	TYPE	GRANT $ USED FOR LEVERAGE	$'S LEVERAGED	RATIO
1	A-Alpha Insurance	Microloan	40,000	10,000	0.3
2	Alisa Nicole Skin Care Products	Microloan	15,000	10,000	0.7
3	Bronzeville Boutique	Microloan	50,000	23,050	0.5
4	Community Appliances and Furniture	Microloan	25,000	0	0.0
5	Crump Realty LLC	Microloan	30,000	20,000	0.7
6	Dream Chef	Microloan	50,000	30,000	0.6
7	Excuse Free Fitness	Microloan	10,000	20,000	2.0
8	Majani Inc.	Microloan	40,000	60,000	1.5
9	Mekato's Colombian Bakery	Microloan	25,000	475,000	19.0
10	Platinum Fades Bridgeport	Microloan	25,000	0	0.0
11	Sergio's Cantina	Business loan	35,000	15,000	0.4
12	Shrimp Express II	Microloan	25,000	40,000	1.6
13	The Quandary LLC	Microloan	20,000	20,000	1.0
14	Whadda Jerk LLC	Microloan	17,000	25,000	1.5
TOTAL			**$407,000**	**$748,050**	**2.1**

IMPROVING THE QUALITY OF COMMERCIAL SPACES

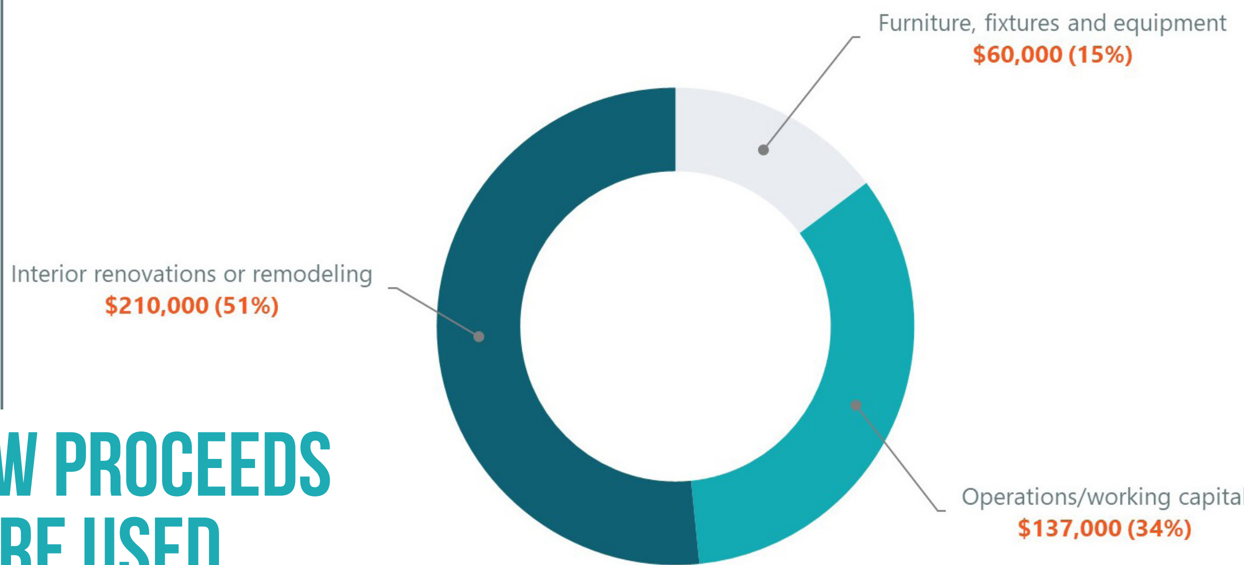
The Chicago Collaborative deployed a total of $407,000 in loan capital and leveraged $748,050 in private and public financing. Consistent with the initiative's goal to focus investment in commercial retail development, a significant number of recipients used their loans to finance physical improvements to their business spaces. Overall, 32,450 square feet of commercial space was financed.

Approximately 43% of recipients dedicated the proceeds of their loans to interior renovations and remodeling. Furthermore, half of all loan recipients own the space where their business is located. These tenant-owners have a long-term interest in maintaining their properties, and can thus contribute to sustaining the quality of commercial spaces within distressed neighborhoods.

LOAN AMOUNT BY TYPE OF BUSINESS



HOW PROCEEDS WERE USED



INVESTING IN DIVERSE AND HIGH-CAPACITY BUSINESS OWNERS

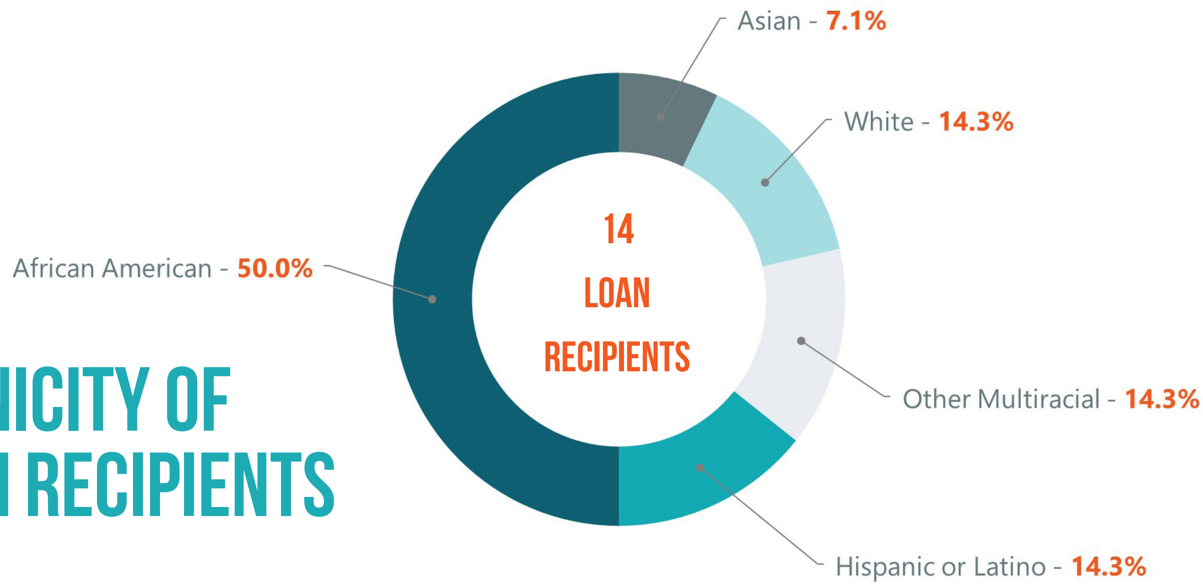
The Chicago Collaborative aims to provide loans to small and midsize businesses that may face barriers in obtaining sources of financing, including minority and women business enterprises (M/WBE). Demographics of current loan recipients demonstrate the initiative has been successful in targeting underrepresented communities.

Half of all loan recipients are African-American, and about 14% are Hispanic or Latino. All in all, a majority of awardees (approximately 79%) identify their businesses as being minority-owned or controlled. With regards to gender, about 36% of loan recipients are women and 43% identify their businesses as being women-owned or controlled. Moreover, about 14% of loan recipients are veterans and about 7% are permanently disabled.

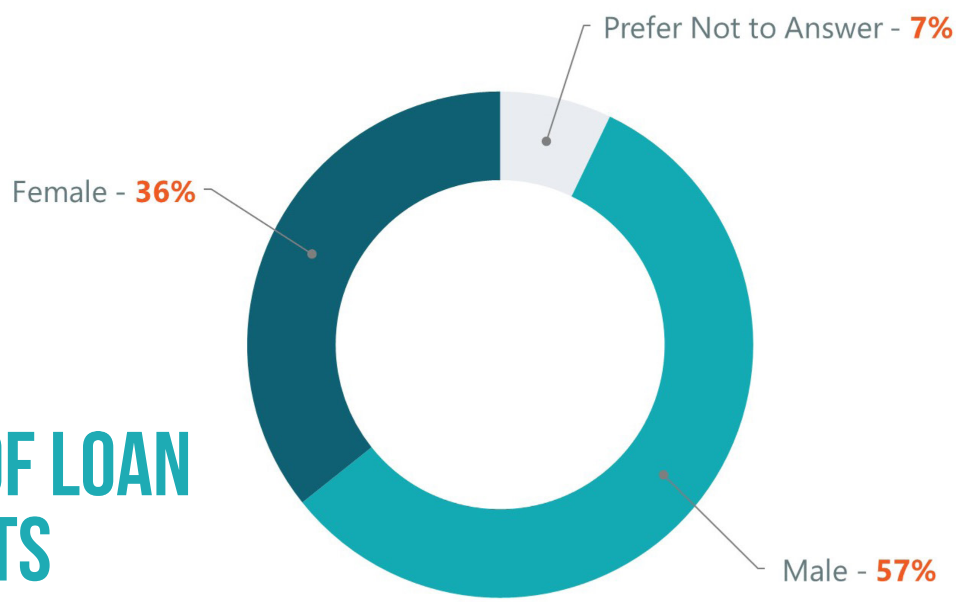
In addition to supporting a diverse clientele, the Chicago Collaborative has provided financing to high-capacity business owners. Current loan recipients have achieved high levels of education: almost all (93%) respondents have at least some post-secondary education and 43% have attained an Associate's, Bachelor's, or a graduate/professional degree. Serving as an indication of the high degree of personal investment in their businesses, almost all recipients (93%) indicate they do, or plan to, work at least part-time in their business. Of those, 69% indicate they will work full-time.

Ultimately, the Chicago Collaborative provides financial support to a diverse group of high-capacity business owners and allows these individuals to apply their skills and education in meaningful employment.

ETHNICITY OF LOAN RECIPIENTS



GENDER OF LOAN RECIPIENTS



PROVIDING JOB OPPORTUNITIES

One of the methods through which the Chicago Collaborative intends to build stronger, healthier communities entails increasing employment opportunities for residents in low-to moderate-income neighborhoods.

Businesses supported by the Chicago Collaborative's loan services contribute to this goal, as they collectively employ at least 53 people.

Over half (57%) of the businesses have at least one full-time employee and half have at least one part-time employee. Full-time employees comprise about 26% of all employees. More encouragingly, the Chicago Collaborative can be thought of as supporting job creation, as many businesses plan to expand their workforce in the near future. Half plan to hire at least one full-time employee within six months and half plan to hire at least one part-time employee within the same timeframe.

Collectively, loan recipients plan to hire at least 21 employees.

Additionally, some businesses indicate they are making efforts to hire from within their communities. Mekato's Columbian Bakery recruits youth from neighborhood schools and Dream Chef plans to hire locally. Hiring efforts like these help ensure communities targeted by the Chicago Collaborative realize the employment opportunities generated by commercial business projects located within their neighborhoods.

BUSINESS PROFILE

A BORROWER'S STORY - RETURNED WITH A DREAM

Business:
Dream Chef Kitchen

Business Operator:
Nichelle Benford

Amount Borrowed:
$50,000 (August 2017)

Business Type:
New Business, Restaurant, Catering Service

Job Impact:
Three Jobs Created

Nichelle Benford is a previously incarcerated African-American woman who made mistakes in the past and has endured consequences. Finding it difficult to find and maintain a job after release with her flawed criminal background, Nichelle sought out entrepreneurship. She'd always dreamed of starting her own restaurant and is grateful to have met and partnered with Helen Shiller, a former Alderman of the 46th ward, who helped Nichelle make this dream a reality. Helen and her partners own a building that she renovated and converted to a business incubator for attorneys and other non-for-profit organizations that are combating social injustice. The building is known as the Westside Justice Center and is located at 2755 West Harrison St/611 South California in the East Garfield Park neighborhood on Chicago's west side.

In 2017, Helen and Nichelle received a $50,000 installment loan from Chicago Neighborhood Initiatives Micro Finance Group as part of its retail initiative, in order to make improvements to a commercial storefront within the building and purchase equipment for new business, Dream Chef Kitchen. Operated by Nichelle Benford, the restaurant will be a fast casual American Bistro café that offers light and healthy comfort food made to order with fresh ingredients. The menu will include a variety of soups, salads, sandwiches and other easy to prepare dishes. The business will also provide catering and meal drop off and pickup services to area residents.

PROVIDING SERVICES IN UNDERSERVED NEIGHBORHOODS

One outcome desired by the Chicago Collaborative is the provision of needed goods and services to residents living in underserved neighborhoods. A review of factors that business owners identified as influencing their location decisions demonstrates a majority of them considered whether their business would meet the needs of local residents.

A total of 57% indicated that a main factor in selecting their location was because the neighborhood was underserved in the goods and services their business offered.

Nearly all investments are made in low and moderate income neighborhoods: 86% of all businesses supported by the Chicago Collaborative are located in census block groups whose median household income is less than the area median income for the Chicago metro region.[i] With regards to specific services provided, the most common types of businesses run by loan recipients are retail food stores and restaurants, which are valuable neighborhood amenities to those who live and work nearby. For example, Majani, a full-service vegan and vegetarian restaurant, provides a healthy food option in the South Shore neighborhood. Excuse Free Fitness, a fitness center in Homewood, Illinois, expands wellness services to the area. Additionally, Crump Realty, a real estate company based in the Oakland neighborhood of Chicago, invests in and manages properties in the south side of Chicago. In awarding loans to 14 business owners, the Chicago Collaborative extends social and economic benefits of its initiative beyond loan recipients and their employees to residents in underserved neighborhoods in Cook County.

i Area median income (AMI) for the Chicago metro area is defined as the area median income for a 4-person household in the Chicago-Naperville-Joliet, IL HUD Metro FMR Area ($79,000).

BUSINESS PROFILE

MODERNIZING A FAMILY AFFAIR

Business:
Bronzeville Boutique

Business Operator:
William Salaam

Amount Borrowed:
$50,000 (July 2017)

Business Type:
Existing Business, Clothing Retail

Job Impact:
Two Jobs Created & Three Retained

William Salaam has been the owner of Bronzeville Boutique, which specializes in women's clothing, for over two decades. The business is a family affair: he and his wife work at the store full time and their grandchildren volunteer at the store on the weekends. Salaam has been in business since 1991 and has found ways to survive and thrive in different economic situations throughout the years. Bronzeville Boutique utilized a loan from CNIMFG, a Small Business Improvement Fund (SBIF) grant, and personal savings to fund improvements to the commercial storefront.

The improvements included an HVAC system, new hardwood floors throughout the entire unit, and a dressing room, along with new awnings, windows, and other remodeling and installation efforts. Because of these updates, the borrower was able to modernize the store and better compete with the newer businesses in the area.

FILLING A GAP IN FINANCING AND PROVIDING TECHNICAL ASSISTANCE

Businesses financed by the Chicago Collaborative generally do not have access to conventional sources of financing either due to the size of their request, imperfect credit criteria, lack of sufficient collateral to support the loan or because of the length of time in business.

The Chicago Collaborative provides innovative and lower cost financing options for commercial retail projects in distressed neighborhoods. In particular, the initiative aims to serve business owners that struggle to obtain financing from traditional lenders through the deployment of small business microloans ranging from $500 to $50,000 with flexible underwriting terms.

Previously unsuccessful loan recipients demonstrate how the program filled a gap in financing. Approximately 43% of current loan awardees had previously applied for a business bank loan, and 67% of those applicants were not successful. Additionally, 21% of loan recipients indicated they would have continued to seek funding assistance had they not received a loan from the program. Financing provided by the Chicago Collaborative helped many businesses avoid stagnation and execute growth plans. Had the businesses not received a loan, 43% of recipients indicated that their business would have stayed the same and 36% indicated that they would have reduced growth plans. By providing a needed financing option to business owners, the Chicago Collaborative removed a barrier to commercial growth and allowed for the realization of economic benefits associated with development, including jobs, neighborhoods services, and an increased tax base.

In addition to providing financial assistance in the form of loans, the nurturing of small businesses in low- to moderate-income neighborhoods is another fundamental goal of Chicago Collaborative. It works to build a capacity of borrowers by providing a total of 210 hours of technical assistance to support the projects. This included general financial guidance, marketing technical assistance, and credit counseling. On average, projects received 15 hours of technical assistance, however, assistance on a single project ranged from 6 to 60 hours. In a testament to the utility of the technical assistance provided, almost all respondents (93%) indicated the loan application process helped improve and strengthen their business plans and operations. Technical assistance served as a critical complement to financing, and helped business owners use the funds they received more effectively.

BUSINESS PROFILE

BRINGING STYLE TO BRIDGEPORT

Business:
Platinum Fades Bridgeport

Business Operator:
Saavedra Lewis

Amount Borrowed:
$25,000 (March 2017)

Business Type:
Start Up Business

Job Impact:
5 Jobs Created

Platinum Fades Bridgeport is a new barbershop founded by Saavedra Lewis and located in the Bridgeport neighborhood of Chicago southwest side. The barbershop will operate as an upscale shop that caters to men, women and children. This new venture is part of an expansion effort of the Platinum Fades Inc. brand that has 10 other barbershop locations throughout the north and south sides of Chicago, as well as Plainfield, Cicero and Berwyn.

Platinum Fades has a roster of barbers that are ready to begin work in the barbershop and has a partnership with Paul Mitchell Professional school of Hair to attract new barbers.

CONCLUSION

The Annual Impact Report evaluates the effectiveness of the Neighborhood Retail-Chicago Collaborative in meeting its goal of supporting commercial development in underserved communities in Cook County as part of the PRO Neighborhoods CDFI initiative.

In year one, the Chicago Collaborative has demonstrated favorable outcomes for business owners, employees, and community residents alike, including the improvement of commercial spaces, outreach to typically under-represented business owners, job creation, provision of goods and services to underserved neighborhoods, and fulfillment of a financing gap.

The initiative deployed a total of $407,000 in loan capital and leveraged $748,050 in private and public financing. Businesses supported by the Collaborative's financing services employ at least 53 people and collectively plan to hire at least 21 employees in the near future. Future Annual Impact Reports will build on themes outlined in this report and expand the scale at which impact is measured by considering neighborhood-level impacts.

SB Friedman Development Advisors
221 North LaSalle Street, Suite 820
Chicago, IL 60601-1317
info@sbfriedman.com
(312) 424-4250

Chicago Community Loan Fund
Helping create communities where people thrive

Micro Finance Group

SBFriedman