



2021 Oramenta Newsome Community Development Fellows' Policy Report and Recommendations

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1. Introduction

Local Initiatives Support Corporation (LISC), tasked its 2021 class of Oramenta Newsome Fellows with studying Washington DC's small business resource ecosystem, and offer, at the end of 10 weeks, actionable policy recommendations to the District's administration.

The following policy paper encompassed desk research (e.g., report, articles, historical content and data review), qualitative interviews with stakeholders with first-hand experience as small business owners and anecdotal evidence through the fellows' work with nonprofit community partners. Given the time constraints, the analysis is not exhaustive. However, Fellows identified important trends and suggest three policy recommendations to improve support for small businesses, with a focus on women and Black Indigenous and other people of color (BIPOC) entrepreneurs, and those located in historically underinvested communities.

2. The impact of COVID-19, and the resulting health and economic crisis on small businesses

The coronavirus pandemic greatly affected Washington DC's local economy. Small businesses in particular have, and continue to, experience severe negative impacts.

More than a year out from the beginning of the pandemic, defining the scope of economic loss in DC remains a work in progress. Since March 2020, at least **235 brick-and-mortar businesses** have closed permanently in the district. **One-hundred** more closed temporarily and an **additional 40** are unaccounted for.¹ However, as the city began to reopen in June 2021, some small businesses have reemerged weakened, but intact.

According to studies by Opportunity Insights at Harvard University, businesses in the city's gentrified areas of the city lost more revenue than those in underserved communities east of the Anacostia River.² Part of the reason for this is because businesses east of the river cater to basic needs, like grocery stores and corner markets, versus those in other parts of the city that rely on disposable income like theaters, bars and restaurants, which were harder hit by lockdowns and social distancing rules. The other reason reveals the long-standing racial and economic segregation. Businesses east of the river are already adapted to survive without the resources that have enabled the rest of the city to grow prior to the pandemic.³

While grants and low interest loans provided by the Federal and City governments have been integral to the survival of many DC small businesses, long standing issues like lack of proper accounting, low internet access, tech literacy and absence of back office support were exacerbated and made evident, denying many businesses access to these much needed relief resources.

¹ American University Radio, D.C. lost at least 375 Businesses Since Last March. Here's How Those Closures Have Reshaped the City, March 11, 2021, <https://dcist.com/story/21/03/11/d-c-lost-at-least-375-businesses-since-last-march-heres-how-those-closures-have-reshaped-the-city/>.

² Opportunity Insights, Small Business Revenue Zip Code Map, May 26, 2021, <https://opportunityinsights.org/small-biz-revenue-zip-map/>.

³ American University Radio, D.C. lost at least 375 Businesses Since Last March. Here's How Those Closures Have Reshaped the City, March 11, 2021, <https://dcist.com/story/21/03/11/d-c-lost-at-least-375-businesses-since-last-march-heres-how-those-closures-have-reshaped-the-city/>.

3. Key resources offered by the District before and in response to COVID- 19

Washington D.C. has a large portfolio of resources and a rich and diverse small business ecosystem. Key resources offered before Covid-19 include technical assistance through the Small Business Resource Center (SBRC). This includes information on permits and licenses, as well as how to access seminars and training sessions. The Department of Consumer and Regulatory Affairs (DCRA) is another key agency for businesses in the District, offering help to small businesses when accessing permits and licensing. In addition to the District's resources, dozens of non-profits supply similar help, ranging from financing, technical assistance, to one-on-one support. Main Street organizations serve as an extension of the Department of Small and Local Business Development (DSLBD), as well as advocates for businesses located in these corridors, and as a source of information and technical assistance.

In response to Covid-19 and its impact on small businesses, D.C. Government offered a number of grants. DC's Small Business Micro Grant program invested **\$25 million into businesses**. Other grants included the Small Business Resilience Fund, which provided **\$3 million in grants** to small businesses with 50 or fewer employees to help encourage development, marketing efforts, and to purchase PPE.

Throughout the pandemic, the SBRC continued to offer technical assistance through webinars, recordings and one-on-one virtual coaching, both on issues relevant to pre-pandemic conditions as well as new topics such as social distancing rules, grant applications and winterization measures.

4. Key learnings from qualitative interviews and desk research

Washington, DC does not face a lack of resources problem. Instead, small businesses face barriers of access to these resources that stem from the system's overall complexity, a need for additional technical assistance and communication and flow of information. **These challenges were aggravated during the pandemic and are compounded within communities of color, economically vulnerable business owners and BIPOC owned businesses.**

a. System complexity and interagency coordination:

One of the key problems areas identified during research is the overall complexity of the District's small business ecosystem. While the city has made efforts to streamline processes, and initiatives like the DC Small Business Toolkit are steps in the right direction, both owners and community partners highlighted the difficulty of forms, the sprawling number of categories they can qualify under, the onerous requirements and the low debt ceilings to get the Clean Hands certificate as some of the most challenging obstacles to start and operate a small business. Some owners also expressed the difference in complexity compared to other regions like Maryland and Virginia, which puts the District at a comparative disadvantage. Beyond the high cost and complexity, which DSLBD has mapped out as a point of improvement, it is also important to mention that many businesses are not closely familiar with all the agencies' functions, which results in reaching out to the wrong entity and consequently being bounced around. This can be particularly frustrating and damaging for the whole ecosystem, as many businesses feel forced to hire expeditors or external consultants to complete city requirements.

“Make it easier for people to understand who does what. People hear all this alphabet soup of acronyms and agencies, and they don't know which one they need to contact.”

- Community Partner Director.

b. Need for Additional Technical Assistance:

Interviews and the new virtual business landscape as a result of the pandemic, highlighted a key area: the **importance of technical assistance**. Specifically two main aspects should be addressed:

- Tech literacy: The gap between the virtual nature of administrative activities, including the online interaction with government agencies, and the lack of tech literacy among some business owners.
- Back office support: Some small businesses also struggle managing their financial and administrative tasks such as bookkeeping, marketing, applying for grants/loans etc, while handling their main business. This can directly affect the business' stability as well as deny access to resources like government grants and financing.

“If you're a small business and you're tech savvy, you know how to take advantage of anything from online forums to resources and so on. And a lot of the entrepreneurs that we (LEDC) work with, in some cases, it's easier to start a business than it is to get a work permit.”

- JB Beherns, Senior Small Business Coach at Latino Economic Development Center (LEDC).

c. Communication and information flow:

Through our interviews we identified complications with communication and information flow. Businesses, in fact, go searching for resources in the ecosystem, but find it challenging to access the information they need. The information related to processes, licensing, or other requirements is complex, unclear and largely based online. Agency web pages are text and information heavy and therefore not user friendly. Information, in many cases, is outdated. For example, grants still accepting applications or information is accessed only by downloading PDFs or following a series of links. Because of the ecosystem's robust size, including non-profits and community partners, information is continuously published, but with little coordination.

Information flow is also asymmetric. Resource providing agencies send out services, grants and loans to be accessed by small businesses, but do not receive enough feedback on whether the services are delivered in a way that benefits the largest number of small businesses. Decisions shaping the resource ecosystem are made among agencies without taking into account small businesses' opinions and views, and without widespread data collection on the state and health of businesses.

“It feels like they expect you to know everything you were supposed to do when none of that information is readily available and there are no resources to help you.” - Small business owner.

5. Policy recommendations to support small businesses, with a focus on BIPOC entrepreneurs and businesses located in communities of low wealth to achieve an equitable recovery.

1. **Design and implement mechanisms to understand small business needs, and tailor services and service delivery with a customer-centric approach.** The DC government should implement the following three actions to better understand the barriers businesses face from their perspective and tailor solutions to address them. Overall, these feedback mechanisms would enable a more customer-centric approach resulting in improved service delivery, build greater trust in government, and a more robust economy of thriving small businesses.⁴

a. Conduct an initial, one-time, process mapping of a small business owner’s journey to analyze which services they interact with and identify potential pain points. This mapping would reveal where small business owners spend the most resources (time, money, effort) to access and use government services for launching and running their business in the District. Documenting these touch points can help to identify where there are bottlenecks in services, discrepancy of information, where small businesses are most challenged to use services, and enable the DC government to devise appropriate solutions to improve services and/or redirect their resources to better support small businesses succeed in all industries.

b. Create regular feedback mechanisms to monitor the needs, challenges, and preferences of small business owners as they interact with government services. There are a variety of simple mechanisms that could be implemented on an ongoing, monthly, or quarterly basis. These may be anonymous or not, and may include short digital pop-up surveys after accessing online services, longer satisfaction surveys mailed or emailed to a random selection of businesses, and when services reopen at agency offices after the pandemic; placement of physical comment drop boxes at agency offices, use of mystery shoppers to experience and document interactions at agency offices, virtual or in-person focus group discussions to deep dive into key challenges.

c. Develop a system for regular data collection on the small business sector and disseminate it as a public good. Though the DC government is currently conducting a comprehensive roadmap study of the small business ecosystem that will provide valuable information on the sector and result in a 3-

⁴ McKinsey & Company, Improving the customer experience to achieve government agency goals. February 14, 2017, <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/improving-the-customer-experience-to-achieve-government-agency-goals>

year strategic plan⁵, there is still a need for regular, ‘mini’ health checkups on how small businesses are doing to enable better targeting and packaging of support. All small business service providers (private, non-profit and government) benefit from using up-to-date market data to understand small business needs and conduct business segmentation so they can provide more tailored technical and financial services and avoid duplicative efforts. Though some data is available through the SBA and DC Policy Center, DC Government should lead the, at minimum annually, collection and publishing of data. These data points may include stage of business, location, industry, languages spoken, digital skills, access to digital devices, key challenges, access to finance, ownership (WOB, BIPOC), etc. Just as market research is used by businesses to better serve their customers,⁶ such an investment in market intelligence as a public good, levels the playing field and enables any service provider to better design tailored programs and services and direct them to those that need it most.^{7, 8}

2. Increase funding support for community development organizations⁹ that work closely with small businesses, especially Women (WOB) and BIPOC owned businesses. Many nonprofit community development organizations have limited resources and capacity to provide all the services needed by small businesses. This became evident during the pandemic when these organizations were overwhelmed supporting small businesses to prepare and apply for assistance grants. The disruptions also spotlighted the existing challenges faced by the Women and BIPOC owned businesses that were already in the most precarious positions before the pandemic. The DC Government should channel funds from the Mayor’s Budget FY 2022 investments in Economic Development to these organizations that work on the ground with the most vulnerable WOBs and BIPOC owned businesses. There should be a focus on organizations that offer support in the following two areas: digital capacity and back-office operations.

a. Increase funding support for community development organizations to implement digital inclusion programs for Women and BIPOC owned businesses. The pandemic forced small businesses to adapt and adopt technology both for their own use (e.g., online grant applications, online marketing, back-office tasks, etc.), as well as to market and sell goods and services to their customers. For many, navigating the new virtual business landscape has been a challenge, and there is digital inequality across the district (i.e. in terms of access to devices and broadband, and digital literacy) affecting particularly BIPOC owned businesses and businesses located in historically underinvested areas. Though the DC government is addressing digital inclusion through Tech Together, and Connect.DC, these are focused mostly on residents, while community

⁵ The Washington DC Economic Partnership (WDCEP), in partnership with the Office of the Deputy Mayor for Planning & Economic Development (DMPED), is developing a small business plan & roadmap for the City of Washington DC. https://14x1z243z988315lc25fjqzl-wpengine.netdna-ssl.com/wp-content/uploads/2017/10/WDCEP-Small-Business-Plan-RFP-4_14_2021-1.pdf

⁶ SBA, Market research and competitive analysis, accessed July 2021, <https://www.sba.gov/business-guide/plan-your-business/market-research-competitive-analysis>

⁷ The DC Policy Center has limited, pre-pandemic data available on small businesses. How many small businesses are in DC? May 5, 2020, <https://www.dcpolicycenter.org/publications/small-business-data-2020/>

⁸ SBA, DC small business economic profile, June, 2020, <https://cdn.advocacy.sba.gov/wp-content/uploads/2020/06/04143006/2020-Small-Business-Economic-Profile-DC.pdf>

⁹ The support should be targeted to those non-profit organizations that are working most directly with MOBs and WOBs, and may include [Community Development Corporations](#), [Community Based Organizations](#), and even [CDFIs](#) that provide technical assistance in addition to financing.

based organizations are best placed to meet small business owners at their current level to deliver relevant and tailored digital skills building, and support them in adoption of technology to start and grow their businesses.

b. Set aside funding to establish a back-office support organization for small business in Washington, D.C. Many small business owners are experts at their trade, but lack expertise and/or human resources to manage back office operations. This challenge became particularly evident during the pandemic when many businesses were unable to produce required documents (financials, business licenses, Clean Hand certificates, tax returns) to qualify for government assistance. There are a variety of small business resources and support organizations that provide training and coaching, but small businesses still lack bandwidth and expertise to regularly manage all back office needs like accounting, legal issues, and marketing. The District should establish a Small Business Back Office Request for Applications (RFA). The RFA could be run in a similar manner as to the Healthcare workforce partnership ([example RFA](#), [detailed award information](#)). The purpose of the funds should be to identify an entity to hire and manage staff whose sole purpose would be to conduct outreach to small businesses and support their back-office operations, specifically accounting, legal and marketing (note that various business models will need to be compared – i.e. free, subsidized, or fee-based models). These services should be delivered using an equity lens that prioritizes small businesses in Ward 7 and 8, and those run by women, BIPOC, LGBTQIA, veterans or other underserved populations.

3. Improve the accessibility of District Resources, information and requirements for small businesses.

One of the biggest obstacles small businesses identified when opening and operating a business in Washington D.C., is the overall complexity of the small business system. Business owners identified difficulties when filling out forms for permits and licenses, identifying agency names and functions, and when going through published information online. Challenges also exist at the point of contact with the system and in relation to interagency coordination. Considering the continuous contact and relationship small businesses have with DSLBD and related agencies, improving accessibility and reducing the complexity of the system is a priority. The need to streamline licensing and permitting was outlined in one budget FY 2022 proposal,¹⁰ and it would be a great first approach to improving accessibility in conjunction with the proposed additional measures:

a. Publish a set of communications and publishing guidelines. DC government agencies involved with the operation of small businesses need to standardize and simplify their information forms and formats so they are streamlined and comply with specific standards of readability and accessibility. This includes streamlining the documents needed to apply and renew business licenses and all permits across industries. The district also needs a data managing system where small businesses' information is stored and can be used to apply for grants or other city-sponsored programs. A cost-effective solution for the short to medium term, can be the creation of a common grant application (e.g., the common application for undergraduate institutions), that allows businesses to apply for multiple

¹⁰ For example, Ward 5 proposed for the Mayor's FY2022 budget to prioritize \$7.6M to reduce licensing fees as well as overhaul the licensing and permitting system
https://mcusercontent.com/467cc2381663d8fde782cd361/files/aeac6a0a-efa7-9616-7892-5a30477af77b/Funding_priorities_List_in_Mayor_s_budget_one_pager.01.pdf

grants with the same documentation. These guidelines should include best practices for publishing online information on websites and social media and a clear division of responsibilities and information flow when dealing with interagency content.

Special attention should be paid to ensure all information and forms are accessible both through desktop and mobile devices, and in all the city's official languages. This action should be measured through the implemented feedback program suggested in the first policy recommendation by evaluating small business owner's feedback toward clarity and accessibility.

b. Develop a mobile small business resource fair program to improve point of entry issues. DLSBD's small business resource center is one of the best points of access for the most vulnerable small business owners. While this was closed during the pandemic, and DSLBD is now opening their 'office hours' to provide one-on-one guidance in some locations (e.g., The Hive and MLK Library in Ward 8), it is essential to expand this initiative. As a pilot for a future small business resource network of hubs,¹¹ the district should hold regularly scheduled fairs twice a month rotating through all Wards offering one on one help to small business owners. The fairs should be led by DSLBD but include representatives of all pertinent agencies (i.e. DCRS, OTR, DDOT, Public utilities) as well as solicit the support of community partners and non-profit organizations that can help with outreach and individual cases. This initiative could potentially be implemented by the upcoming SBA Navigator program.

¹¹ <https://www.nycsmallbusinessresourcenetwork.org/homebackup>