

Dallas' Small Business Ecosystem Assessment

BUILDING A STRONGER, MORE INCLUSIVE FUTURE FOR DALLAS

JPMORGAN CHASE & CO.



next street


DreamSpring

EXECUTIVE SUMMARY

On behalf of the sponsors, advisors, and contributors who have participated in this research, we are pleased to share the following report on the state of the small business ecosystem in Dallas. This report includes a comprehensive assessment of the small business landscape in Dallas, with specific emphasis on the needs and opportunities facing Black- and Latinx- owned businesses, businesses owned by women, and businesses owned by residents of South Dallas.

The research and analysis summarized in this report were completed by Next Street, a mission-driven advisory firm revolutionizing how its clients provide capital, customers, and services to small businesses and entrepreneurs. Next Street’s goal is to equip its clients with the strategies and tools to drive equitable small businesses growth for a more inclusive U.S. economy. The work was led by DreamSpring (formerly Accion serving Arizona, Colorado, Nevada, New Mexico, and Texas), in partnership with a formal Steering Committee consisting of Business and Community Lenders (BCL) of Texas, the City of Dallas, JPMorgan Chase’s Small Business lending team, LiftFund, and PeopleFund, as well as, an Advisory Committee of over 40 local economic development stakeholders, capital providers, and business support organizations (BSOs). This work was graciously supported by the JPMorgan Chase, Better Together Fund, and the W.W. Caruth Jr. Fund at the Communities Foundation of Texas.

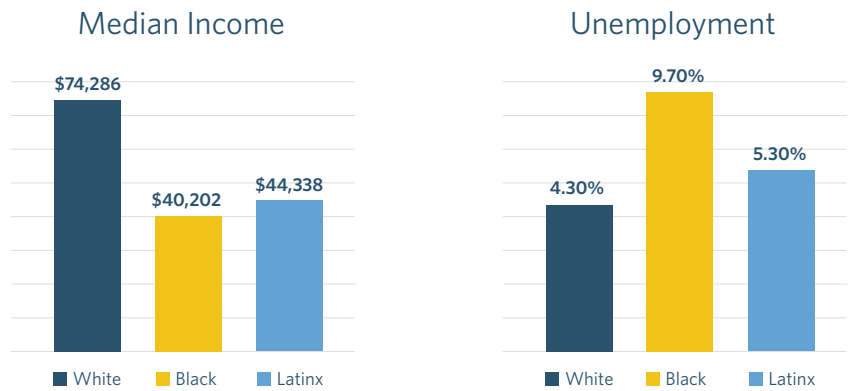


In 2013, Dallas was ranked last among 274 large American cities in overall inclusion by the Urban Institute

The city of Dallas is a large and thriving economic center with several unique assets that position it to drive significant ongoing support to its small business sector. Located in a pro-business, low tax state, and equipped with two highly trafficked airports and abundant land for development, the North Texas metropolitan area has become home to large corporate headquarters such as AT&T, Southwest Airlines, and Texas Instruments. The GDP of the broader Dallas-Fort Worth area has grown almost 50% over the last 10 years, and employment has grown 14.1% in the same period.^{1 2}

Despite strong growth and access to new resources, economic opportunities have not been equitably distributed across the city. In 2013, Dallas was ranked last among 274 large American cities in overall inclusion by the Urban Institute, as measured by a combination of indicators including income and racial segregation, percent of working-poor families, racial poverty, education gaps, and median family income.³

Key Economic Indicators by Race/Ethnicity in Dallas County, 2017 ⁴



Given the pervasive inequities that exist, now is an ideal time to consider new wealth building strategies to lift up marginalized and underserved communities. It is our firm belief that support for small businesses should be considered as one of those strategies to drive inclusive growth, job creation, and neighborhood revitalization. However, no comprehensive data analysis and synthesis of the small business landscape has been performed in Dallas to-date to support such initiatives. As such, the purpose of this report is to combine quantitative analysis with qualitative perspectives to identify potential interventions to help small businesses in Dallas grow and thrive, with expected attendant benefits accruing to the city and the broader population.

¹ Total GDP for Dallas-Fort Worth-Arlington, TX (MSA), Federal Reserve Bank of St. Louis Economic Research, (2018)
² Longitudinal Employer-Household Dynamics data via QWI Explorer (2019)
³ “Measuring Inclusion in America’s Cities” (2018), Urban Institute
⁴ U.S. Census Bureau, American Community Survey 2017, 5-year estimates - Dallas County

Our research unearthed several findings on disparities related to existing small business growth and the Dallas economy more broadly:



While small business growth in Dallas has been strong, it has lagged overall economic growth as more emphasis has been placed on attracting and retaining large corporate headquarters.



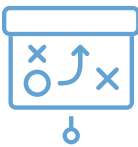
There are significant disparities in the number of business establishments, the performance and growth of small businesses, and access to critical support resources across racial, ethnic, gender, and geographic lines that have not shifted significantly in recent years.



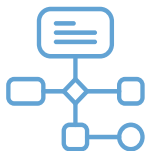
Bank lending still dominates the small business financing market, with only a small number of active alternative lenders. Despite recent improvements, bank lending is not proportionately deployed to small businesses in low income or predominantly Black or Latinx communities.



Despite a number of effective business support organizations and capital resources that exist today, there are several gaps, including limited start-up, credit and personal asset-building, and industry-specific support offerings, as well as flexible capital options which are not available at the necessary scale to serve current and aspiring small business owners.



The landscape of capital providers and business support organizations has not historically operated as a cohesive ecosystem, with limited collaboration and few referrals amongst organizations.



Small business owners are not consistently aware of the local resources available to them and have trouble navigating a fragmented landscape of providers.

Research Objectives

- 1 Fill a void in available market data and provide insights on small businesses with a focus on Black, Latinx, and female business owners
- 2 Improve the understanding of small businesses operating in, and owned by residents of specific neighborhoods (e.g., South Dallas) in which other interests, development efforts, and funding are already directed
- 3 Strengthen perspectives on the dynamics affecting demographic groups of interest, including Black and Latinx business owners
- 4 Establish an understanding of the landscape of capital providers (debt and equity) that cater to these segments of the economy

In response to these challenges, our research identified a critical need for a more coordinated approach to supporting businesses owned by women, people of color, and residents of South Dallas, as well as ensuring that services available in the market are well known and easily accessible. We also see an opportunity for capital providers and business support organizations to both improve existing offerings and build out new offerings that target specific needs of current and aspiring business owners.

What came through clearly in our conversations with local stakeholders is that there is an opportunity to seismically shift the way the city supports its small businesses and promotes inclusive economic growth. There is also broad recognition of the urgent need to make this shift, in order to combat historic disinvestment in communities like South Dallas. This report culminates in a set of recommendations and a proposed path forward that is rooted in the belief that a healthy, equitable, and diverse small business ecosystem is vital to increasing economic growth in Dallas. We believe the collection of leaders and stakeholders gathered throughout the course of this project are committed to fulfilling the vision of creating a coordinated small business support network that can drive equitable economic opportunities for all citizens in Dallas.



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Recognizing business ownership as a pathway to economic empowerment, wealth creation, and upward mobility presents an opportunity for cities like Dallas and others across the nation to push for a more inclusive economic future.



INTRODUCTION AND CONTEXT

Across the United States there is increasing acknowledgment that historically discriminatory policies have created significant and seemingly intransigent wealth and income gaps. Among several levers used to address these gaps, policymakers and others have found small business development to be a powerful tool to foster inclusive economic growth. Recognizing business ownership as a pathway to economic empowerment, wealth creation, and upward mobility presents an opportunity for cities like Dallas and others across the nation to push for a more inclusive economic future.

The Power of Small Business – National Trends

- 1 Self-employed business owners, especially business owners of color, experience faster earnings growth than wage and salary workers.⁵
- 2 White adults hold 13x the wealth of Black adults, but White business owners only hold 3x the wealth of Black businesses owners, with the gap closing.⁶
- 3 Businesses with fewer than 50 employees employ roughly a quarter of the U.S. private sector workforce.
- 4 47% of business owners of color hire staff predominately comprised of people of color, compared to 13% of non-people of color business owners.
- 5 Small business growth is disproportionately driven by new businesses owned by women and people of color, the fastest-growing segment of start-ups and early stage businesses.⁷
- 6 Small businesses often hire people from their community who may face barriers in accessing work in the broader labor market.⁸
- 7 Nationally, more than 75% of Black-owned businesses and 70% percent of Latinx-owned businesses report actively looking to grow, compared to 64% of White-owned firms. If Black-owned small businesses alone were able to reach parity with national small business employment rates, 600,000 new jobs would be created and \$55 billion would be added to the economy.

⁵ Horatio Alger Meets the Mobility Tables, NBER Working Paper #7619, Holtz-Eakin, Douglas, Harvey S. Rosen, Robert Weathers, (2000)

⁶ Association for Enterprise Opportunity (AEO) The Tapestry of Black Business Ownership in America: Untapped Opportunities for Success, (2017)

⁷ Klein, Joyce. Aspen Institute. Bridging the Divide: How Business Ownership Can Help Close the Racial Wealth Gap, 2017

⁸ Association for Enterprise Opportunity (AEO) The Tapestry of Black Business Ownership in America: Untapped Opportunities for Success, 2017

However, fostering inclusive small business development is not a simple or easy solution to combat decades of economic inequality. In fact, the broad wealth gaps that small business development seeks to solve have created the very obstacles that disproportionately affect women and people of color. While these challenges, such as inability to access start-up capital and adequate technical support, are common across all geographic regions, they can play out very differently on a city-by-city basis. In order to create programs, policies, and strategies to best support a wide range of small business owners, local stakeholders must first fully understand the needs, challenges, and opportunities experienced by business owners in their unique city or region.

The purpose of this report is to explore these topics for Dallas in order to answer questions such as:

- > What strategies can be adopted to support and foster a more equitable small business ecosystem?
- > How can the city's leaders and stakeholders contribute to charting a new path that celebrates the value of diversity and creates a more level playing field?
- > How can various business support resources best work in concert to support small business growth across the city?
- > How can new resources be developed that specifically create a more inclusive small business ecosystem?

Since Dallas's small businesses are critical levers for inclusive economic development, job creation, and neighborhood revitalization, it is crucial to begin with a shared understanding of the ecosystem today.



HOW WE APPROACHED THE RESEARCH

In order to provide a comprehensive overview of Dallas’s small business ecosystem, we sought to capture relevant data and feedback from a variety of sources including previously compiled reports, publicly available datasets, and direct feedback from local stakeholders and small businesses. We note several potential limitations of our quantitative and qualitative analyses which should be considered in the context of the overall research findings in Appendix I.

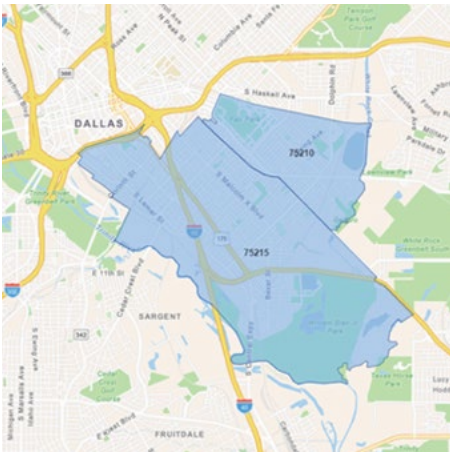
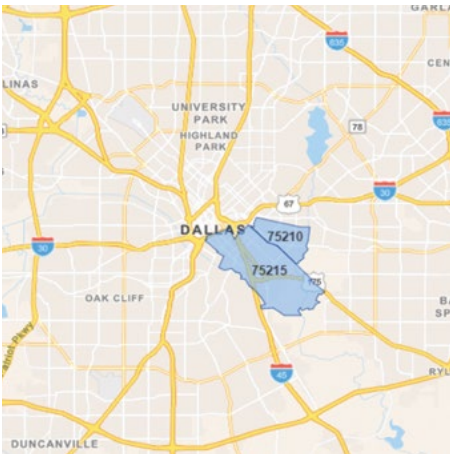
Figure: How the Work Was Structured

WORKSTREAM	ACTIVITIES
Literature Review	Surfaced, aggregated, and analyzed relevant research reports, strategic plans, surveys, and other analyses from the past five years (listed in Appendix)
Small Business Market Segmentation and Sizing	Analyzed census and other publicly available data to understand the current small business landscape in Dallas, including business size, industry, location, and ownership information for women and people of color
Small Business Capital Landscape	Analyzed publicly available bank lending and equity funding data to measure the current supply of capital available to small business and to build a database of existing capital providers
Small Business Focus Groups	Gathered direct perspectives from business owners in Dallas from various industries and stages of growth through focus groups aimed at understanding business needs and knowledge of and access to support resources and capital
Interview Program	Interviewed over 30 local economic development stakeholders, capital providers, and business support organizations to understand their role in the Dallas ecosystem and to get a sense for the needs and opportunities facing the city
Broad Stakeholder Engagement	Convened over 40 stakeholders into a Steering Committee that leveraged their knowledge of the Dallas small business landscape to narrow and prioritize identified gaps in the small business support ecosystem and strategies to address those gaps

Figure: Dallas County



Figures: South Dallas



Images via ArcGIS mapping software

Key Focus Areas and Definitions:

Through the course of the research and writing of this report, several key definitions were used about the types of businesses and business owners focused on in this work.

Defining “Small Business”

We define “small businesses” as firms with 50 full-time employees or fewer including micro businesses, mom-and-pop businesses, sole-proprietor or non-employer businesses, and business owners without business licenses. For cases in which data on this definition of small businesses is unavailable, we use the category of “employer businesses,” which is defined as businesses with at least one, but fewer than 50 full-time employees.

Demographic Breakdown

This report specifically focuses on business owners from demographic groups that seem to face systemic challenges in forming, launching, and growing their business in Dallas, especially Black, Latinx, and female business owners, due to their significant underrepresentation across a range of business ownership metrics. Census definitions are used for these demographic groups throughout the analysis performed.

Geographic Focus

Most of the content in this report, especially quantitative data analysis, will define Dallas at the County level, a slightly wider geographic area than just the city of Dallas, but one that still excludes adjacent cities of Plano, Arlington and Fort Worth. Broader geographic areas are referenced where County-level data is not available. Parallel analysis was done where possible on South Dallas, defined by the two zip codes 75210 and 75215.

Industry Focus

We identified and analyzed small businesses by industry, first as defined by the North American Industry Classification System (NAICS), and then grouping associated industries into clusters with shared characteristics. Through analysis, seven high-potential industries were identified for potential subsequent focus in Dallas, including Food & Beverage Manufacturing, Social Assistance and Homecare, Business Services, Construction – Building Trades, Creative Industries, IT & Digital, and Logistics, Distribution and Ecommerce. Additional information on the industry clusters can be found in the Appendix.

In the sections that follow, we include a synthesis of key findings on the overall small business landscape in Dallas including business characteristics and needs and the availability and quality of capital sources. Taken together, these key components provides a holistic view of Dallas’s entrepreneurial environment.

WHAT WE FOUND

Dallas is one of the largest and fastest growing cities in the country. Over the last several years it has consistently seen a net inflow of economic activity due to low cost of living, low taxes, and a favorable business environment.⁹ The small business sector in Dallas has benefited from this growth, expanding 2% faster over the past 5 years than national and peer city averages in terms of the number of small businesses and total employment by small businesses.¹⁰

However, while economic growth in Dallas has expanded the small business sector, it has disproportionately benefited large corporations. Small business growth has lagged overall economic growth in Dallas over the last 5 years in terms of employment (7.9% vs. 15.5%), and the number of employer businesses and the contribution of small business to the Dallas economy has been steadily shrinking.¹¹ This declining share of overall economic opportunity for small businesses that provide crucial wealth building opportunities for people of color, along with other factors, has resulted in slower wealth and income growth among marginalized communities, especially in low income areas and among Black residents.

Additionally, growth that has occurred in the small business sector has not been inclusive. There have been low existing ownership rates by women (20% of all businesses) and by Black (3.4%) and Latinx (7.6%) entrepreneurs and little change in these rates over time. Since 2014, Black and Latinx ownership of employer firms in the broader Dallas-Fort Worth region each increased by less than 0.2% to ~3,000 and ~8,000 businesses respectively, and female ownership by only 0.9% to ~22,000 businesses.¹²

More information on business ownership in Dallas can be found on the next page. One point of interest for further analysis and potential learning is that Asian business ownership in Dallas-Fort Worth has been the fastest growing segment, with their share of overall establishments growing by over 2%, to ~17,000 businesses.¹³

Of all White-owned businesses in Dallas, 20.3% of White-owned businesses have full-time employees while only 3.3% of Black-owned businesses and 5.8% of Latinx-owned businesses do.¹⁴ Similarly, the average White-owned business in Dallas earns \$691,281 in revenue annually, while Black-owned businesses earn an average of \$52,847 and Latinx-owned businesses earn \$114,950; the disparity between average revenues between male- and female- owned businesses is only slightly better at \$753,317 vs. \$176,923.¹⁵ Furthermore, the industries that see the highest proportion of business owners of color include Social Assistance, Transportation, Waste Management, Repair Services, and Other Personal Services; whereas, higher margin industries like Real Estate, Finance, and Information see the lowest rates of participation by people of color.

Dallas County Small Business

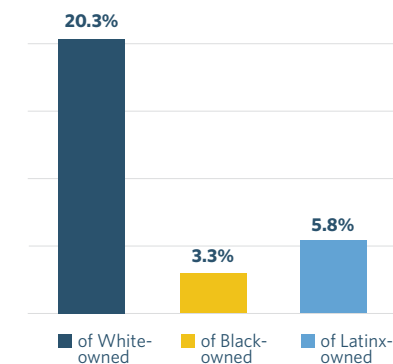
BUSINESSES

60,487 Small Businesses in **Dallas County**
+7.1% 5 Year Growth

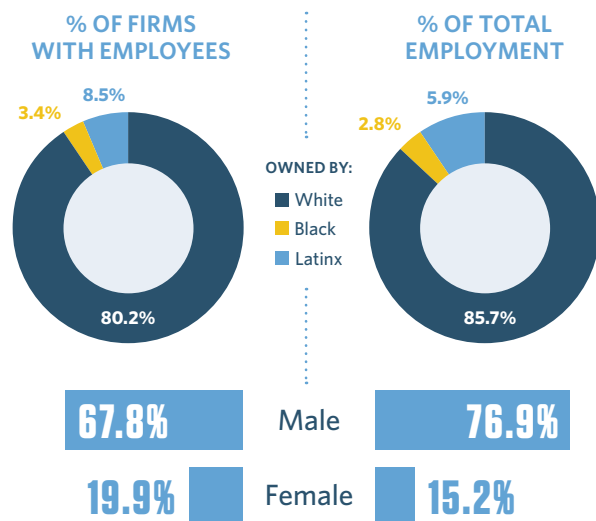
382 Small Businesses in **South Dallas**
-3.3% 5 Year Growth

EMPLOYER vs. NON-EMPLOYER

18% of businesses have paid employees



OWNERSHIP OF BUSINESSES



BUSINESS VALUE BY OWNERSHIP

AVE. REVENUE PER BUSINESS	OWNED BY:	AVE. REVENUE PER EMPLOYEE
\$691K	White	\$198K
\$53K	Black	\$115K
\$115K	Latinx	\$132K
\$753K	Male	\$201K
\$177K	Female	\$151K

While Dallas is in a strong economic position to better support small businesses, and fundamental small business growth trends are positive, there is still significant work to be done to ensure that growth is inclusive and addresses existing disparities in economic opportunity based on race, ethnicity, gender, and geography.

⁹ Dallas Regional Chamber, Dallas Economic Development Guide (2018)

¹⁰ U.S. Census Bureau, County Business Patterns (2016) - Dallas County

¹¹ U.S. Census Bureau, County Business Patterns (2016) - National, Dallas County

¹² U.S. Census Bureau, Annual Survey of Entrepreneurs (2017) - Dallas-Fort Worth MSA

¹³ U.S. Census Bureau, Annual Survey of Entrepreneurs (2017) - Dallas-Fort Worth MSA

¹⁴ U.S. Census Bureau, Survey of Business Owners (2012) - Dallas County

¹⁵ U.S. Census Bureau, Survey of Business Owners (2012) - Dallas County

Neighborhood Spotlight: South Dallas

The two zip codes that make up South Dallas represent roughly 14 square miles extending directly south and east of Downtown Dallas bordered by the Trinity River to the south and Pacific Ave to the north and extending out to White Rock Creek / William Blair Jr. Park to the east, including Fair Park. Residents of the area make up a small portion of Dallas County (~1%) but one that has grown 16.4% over the last 5 years, compared to 7.3% for the County broadly. Of the residents in South Dallas, 68% are Black and 26% are Latinx.¹⁶

From the 1930s through the 1950s, population growth of Black residents in South Dallas expanded, driven mainly by large influxes of working-class Black individuals seeking opportunities in the city. This growth of the Black community led to simultaneous flight of the existing White population, and increased redlining of South Dallas neighborhoods. The subsequent decades led to the destruction of Black property and wealth in the neighborhood and pushed the Black middle class to move elsewhere in the city, where racial tensions were less fraught. Construction of highways in the area in the 1960s further stripped away commercial and residential property and wealth from the Black community, creating broad areas of poverty that continued to see declining incomes and increasing crime during the 1980s and 1990s.¹⁷

Continued disinvestment in South Dallas has caused much of this damage to remain unaddressed today. South Dallas includes only 11 of the 529 census tracts in Dallas County, but includes 40% of the lowest income census tracts; 75210 and 75215 are the 3rd and 6th lowest income zip codes, respectively, in Dallas County. South Dallas has unemployment and poverty rates more than 2x the county average, with less than half the per capita income. Additionally, only 8.6% of residents over 18 have at least a bachelor’s degree, a proportion significantly below the county level of 27.1%.¹⁸

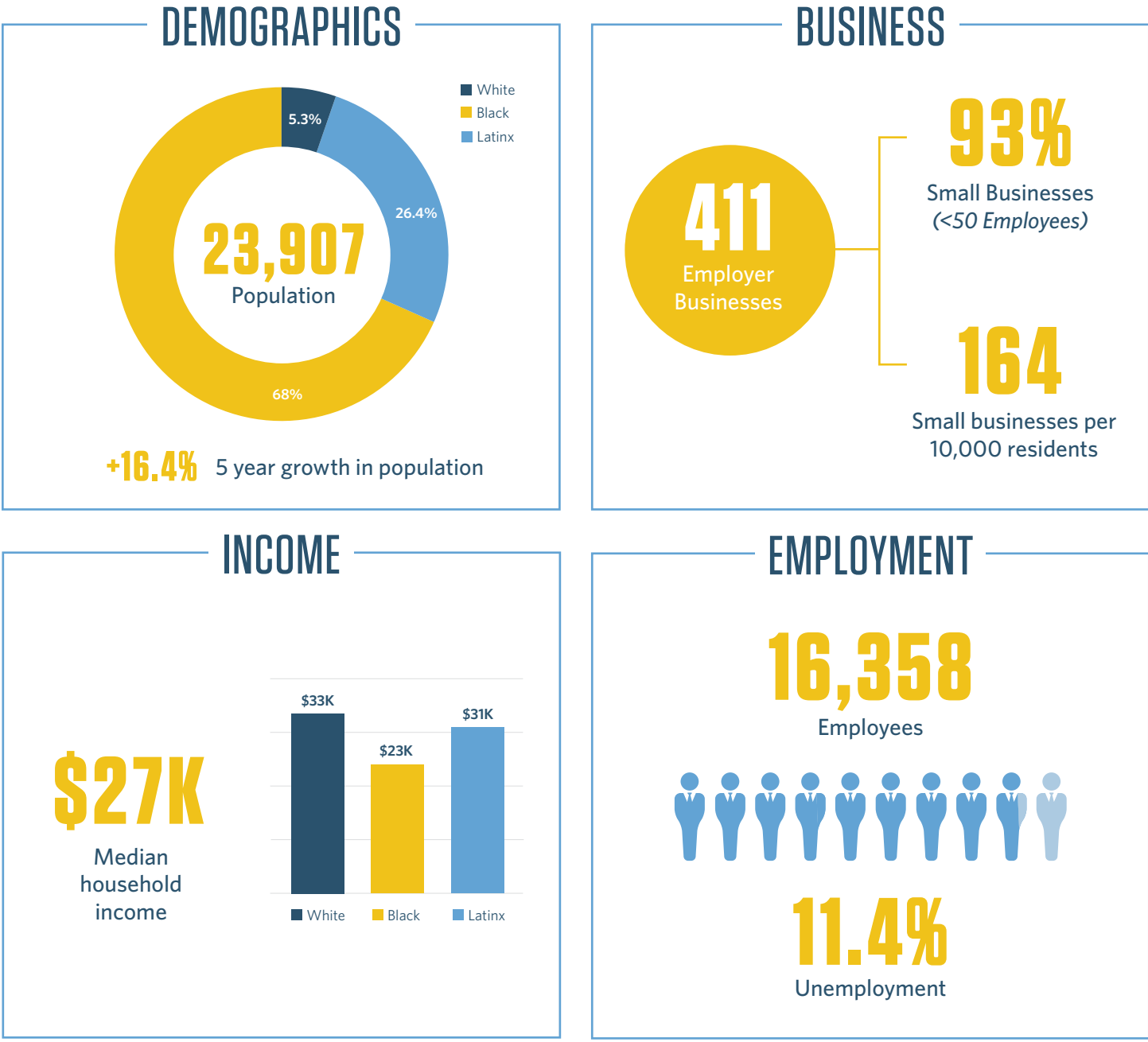
These disparities have significantly impacted the local small business landscape. South Dallas’s current small business landscape lacks the density and diversity of Dallas County overall. There are roughly **1.5x more employer small businesses per capita in Dallas County than in South Dallas and 37% of South Dallas employer businesses are in just two industries: Retail and Other Services.**¹⁹ There was also a decline in the number of employer small businesses in South Dallas from 2011 to 2016 compared to 7% growth of businesses in the County overall.²⁰

¹⁶ U.S. Census Bureau, American Community Survey 2017, 5-year estimates - 75210, 75215, Dallas County
¹⁷ “Bonton + Ideal: A Dallas Neighborhood Stories Film” buildingcommunityWORKSHOP (2016)
¹⁸ U.S. Census Bureau, American Community Survey 2017, 5-year estimates, Dallas County
¹⁹ U.S. Census Bureau, Zip code Business Patterns (2016) - 75210, 75215
²⁰ U.S. Census Bureau, Zip code Business Patterns (2016) - 75210, 75215



Despite its challenges, South Dallas has characteristics that help position it well for a renaissance with the appropriate investment.

There is good existing transportation infrastructure—including rail and bus lines—that provides the opportunity to take advantage of its proximity to downtown. Land prices are cheap, and early signs of revitalization can be seen on thoroughfares like Martin Luther King Jr. Blvd. Several groups have also explored taking advantage of South Dallas’s recent Opportunity Zone designation to drive additional investment into the community through potential funds and there are ongoing initiatives to support South Dallas, including but not limited to efforts by the State Fair of Texas, The Real Estate Council Community Fund, St. Phillips School & Community Center, and other anchors and developers. The community has also exhibited incredible resilience throughout years of disinvestment. These community members and small business owners have the potential and will to transform their community with the right support and investments.



Industry Focus Areas: Key Insights

In order to evaluate opportunities and challenges specific to businesses owned by women, people of color, and those from South Dallas, our research prioritized an analysis of seven industry clusters including Food and Beverage Manufacturing, Social Assistance and Homecare, Business Services, Construction – Building Trades, Creative Industries, IT and Digital, and Logistics, Distribution, and Ecommerce.

EVALUATION CRITERIA

The following criteria were used to evaluate industry clusters for their potential benefit to target business owners:

- > **Growth trajectory:** Industries that have experienced growth in employment over the past 5 years
- > **Small business concentration:** Industries with higher than average representation by businesses under 50 employees
- > **Representation in South Dallas:** Industries that are currently located in South Dallas
- > **Ownership by People of Color:** Industries that have representative ownership by people of color today, split out by Black/African American ownership, Latinx Ownership, and Non-White ownership, which includes Asian, Native American, and those who identify as having Two or More Races
- > **Low Barriers to Entry:** Industries that have lower barriers to entry as represented by % workforce without a college degree



Sector	Sub-Sectors	Key Facts ²¹	Rationale for Prioritization	Relevant Local Assets	Challenges to Scale
Food & Beverage Manufacturing	- Food mfg - Bev mfg	252 establishments 13,896 employees	- Recent strong growth driven by small business - Low barriers to entry and overlap with retail food and beverage - Above average Latinx business ownership - High business margins	- Access to local agriculture - Robust logistics networks - Available warehouse space that could be retrofitted - Emergence of local craft brands in gentrifying neighborhoods (Deep Ellum, Bishop Arts)	- Low participation by Black business owners - Few targeted BSOs or Commercial Kitchens - Stagnation of manufacturing growth broadly
Social Assistance & Homecare	- Nursing and residential care facilities - Social assistance	1,320 establishments 35,438 employees	- High concentration in South Dallas - Rapid small business growth - Above average Black business ownership - Low barriers to entry, but low margins and wages as well	- Low regulations and licensing requirements in Dallas - Big players in healthcare support thriving network of healthcare professionals - High volume of baby boomers, especially in South Dallas	- Funding often dependent on alternative lenders like CDFIs, of which there are few in Dallas - Competitive landscape is crowded in Dallas
Business Services	- Scientific and technical services - Admin & support services - Specialty food, laundry, equipment services	5,593 establishments 168,028 employees	- High concentration of businesses in both Dallas County and South Dallas - Above average Black business ownership and high diversity of employees - Opportunities to scale through serving local anchor institutions and corporations	22 Fortune 500 companies have headquarters in Dallas, providing large market opportunities - Healthcare providers also provide niche, high margin market opportunities	- Competitive landscape is crowded in Dallas - Limited business networks led by people of color to support minority-owned businesses - Growth potential varies widely based on mindset of owner and type of service provided
Construction – Building Trades	- Construction of buildings - Specialty trade contractors	3,699 establishments 66,193 employees	- Very high rates of Latinx business ownership - Significant small business and employment growth - Accessible employment opportunities with high wages	- Large-scale corporate and mixed-use development projects that have driven growth of the industry - Significant private development in retail and commercial space catalyzed by public investment	- Emphasis on large-scale development can create barriers for small businesses - Crowded competitive market makes securing contracts and ramping capacity difficult
Creative Industries	- Architecture and interior design - Communication arts - Entertainment - Fashion - Furniture and decorative arts - Publishing	3,317 establishments 49,887 employees	- Consists of areas of high momentum of Black and Latinx entrepreneurs nationally - High concentration in South Dallas - Accessible high wage jobs	5th largest consumer media market in the U.S. - Thriving Design District with showrooms, retail outlets, and Arts District with theaters and galleries - Corporate HQs provide large market opportunity for creative services	- Despite the existence of government programs focused on attracting film and media production to the area, there has been low media production in Dallas since 2010 - Industry clusters not formalized, with no targeted funding or support resources
IT & Digital	- Software publishers - Computer programming - Data processing and hosting - Computer hardware mfg	2,575 establishments 58,109 employees	One of the highest potential sectors with rapid business and employment growth, high margins and wages	- Low electrical costs - One of four U.S. Patent and Trademark offices located in Dallas - Emerging entrepreneurial culture led by initiatives like TechWildcatters and Dallas Start-up Week	- Limited broadband access in South Dallas and other LMI areas - Tech sector underdeveloped compared to local peers like Austin - Black and Latinx entrepreneurs historically underrepresented
Logistics, Distribution & Ecommerce	- Truck transportation - Couriers and messengers - Warehousing and storage - Wholesalers - Electronic shopping	6,120 establishments 158,019 employees	- High margin, wealth creating businesses - Large portion of Dallas and South Dallas economy - Rapid small business growth with accessible jobs	- Geographic proximity to major cities and consumer hubs - Access to transport infrastructure including rail and air systems and large interstates - Four Foreign Trade Zones within Dallas - Logistics capacity rapidly growing in southern Dallas	- High reliance on physical space by supply chains that can be expensive - High competition of labor within logistics and warehousing

²¹ U.S. Census Bureau, County Business Patterns (2016) - Dallas County

Capital Landscape: Analysis and Key Findings

One of the most important indicators of the strength of the small business sector in a city or region is the availability of financing to support small business start-up and growth. Alternative lending and other community financing models are especially important to entrepreneurs of color and those from low income communities who often have limited to no access to capital products from formal sources, such as bank loans, venture capital, and private equity, or informal sources, like friends and family. For this reason, an inclusive small business support ecosystem must include debt and equity products, and grants across a wide spectrum of sizes, terms, and levels of flexibility, provided by a range of organizations including banks, SBA lenders, alternative lenders like Community Development Financial Institutions (CDFIs), equity investors, government, and philanthropy.

Table: Current Capital Supply

Type	Sub-type / Program	Geography	Annual Growth Rate, Trailing 5 Years*	Total \$ Amount (2017)	Average Deal \$ Amount (2017)
Debt Capital	FDIC Insured Bank Lending ²²	Dallas County	5.9%	\$2.3B	\$43K
	SBA 7(a) & 504 Lending ²³	Dallas County	7.8%	\$374M	\$553K
	CDFI Lending ²⁴	Dallas County	8.2%	\$7M	\$31K
Equity Capital	All Deals <\$5M ²⁵	Dallas Fort-Worth MSA	2.2%	\$92M	\$1.2M

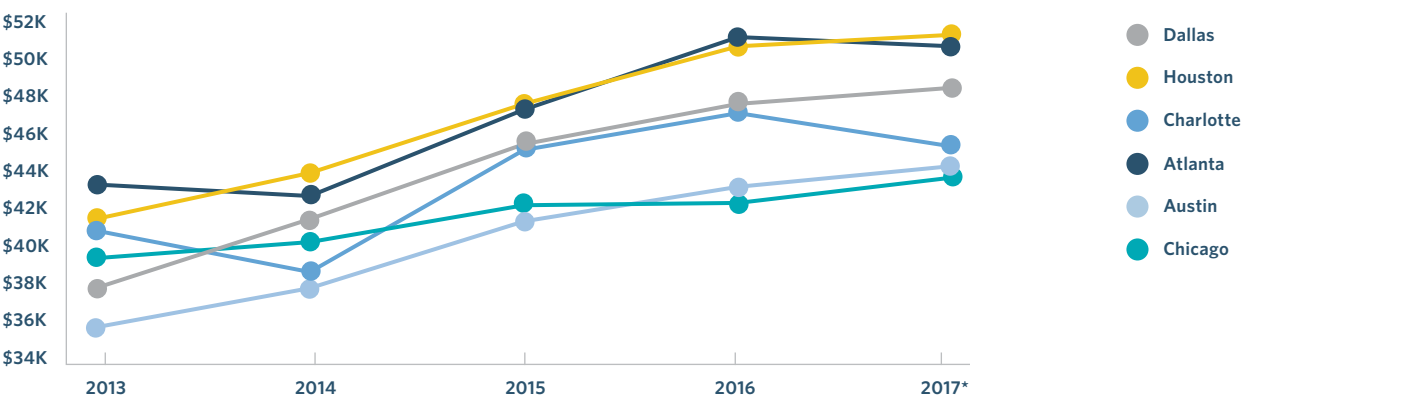
*Trailing 5-year period represents 2013 – 2017 for Bank and SBA lending, Data on CDFI Lending and Equity investments is from 2014 – 2018 based on most recent data available

DEBT

There are several capital sources that exist for small businesses in Dallas, all of which have seen strong growth in deployment. Lending predominantly comes from banks, with non-bank capital providers contributing only a small portion of the overall capital deployed to small businesses. While there are promising trends in equitable deployment among bank lenders, capital from banks still disproportionately goes to higher income, predominantly White neighborhoods in Dallas.

²² FFIEC Community Reinvestment Act Report Data (2013 – 2017), Dallas County
²³ Small Business Administration 504 and 7(a) lending data via SBA.gov, (2013 – 2017), Dallas County
²⁴ Self-reported portfolio data from DreamSpring, PeopleFund, LiftFund, and BCL of Texas
²⁵ Equity funding data via CBIinsights

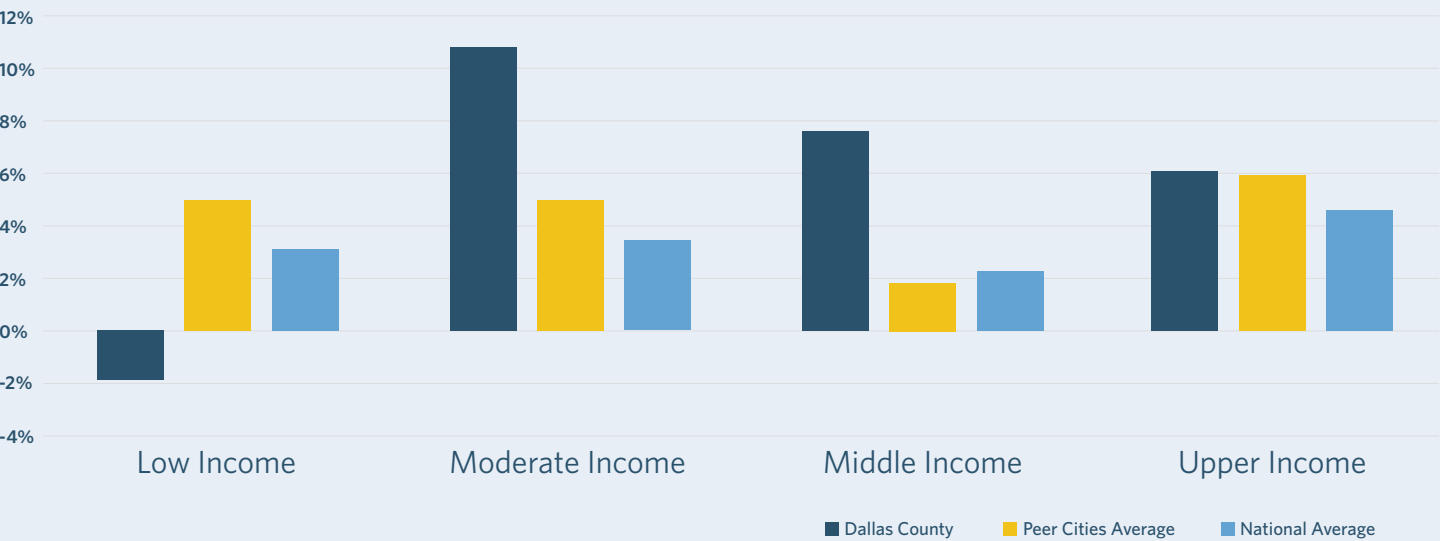
Small Business Lending (\$) per Small Business



The rebound in small business bank lending in Dallas since the recession has been strong, with rates of lending today nearly reaching pre-recession highs. Small business lending by FDIC-insured banks in Dallas has grown 5% faster than the small business sector has, causing Dallas to surpass several peer cities it has historically lagged in terms of lending per small business. Growth of lending in Dallas has been driven mostly by loans of under \$100K in moderate- and middle-income areas, which typically represent working capital loans that are crucial to sustaining small businesses. These are all promising signs for overall small business capital support in Dallas, but there are also indications that disparities exist in lending in South Dallas and other communities of color.

Lending in low income census tracts is the only subset of bank lending in Dallas that has trailed national averages, having declined over the last five years. While lending in communities of color has grown in recent years, small business lending per capita in majority Black and Latinx census tracts is still only 46% of County-wide levels.

5 Year Annual Growth of Bank Lending by Census Tract Income Level, 2012-2017²⁶



²⁶ FFIEC Community Reinvestment Act Report Data (2013 – 2017), Dallas County, Peer Cities, National
²⁷ FFIEC Community Reinvestment Act Report Data (2013 – 2017), Dallas County

Only 220 bank loans were made in South Dallas to businesses of all sizes in 2017, of which only 18 were over \$100K; 2.8X more capital was deployed to small businesses per capita in Dallas County than in South Dallas in 2017. One contributing factor to this disparity is the lack of bank branches in South Dallas, where only four FDIC-insured bank branches currently operate.²⁸

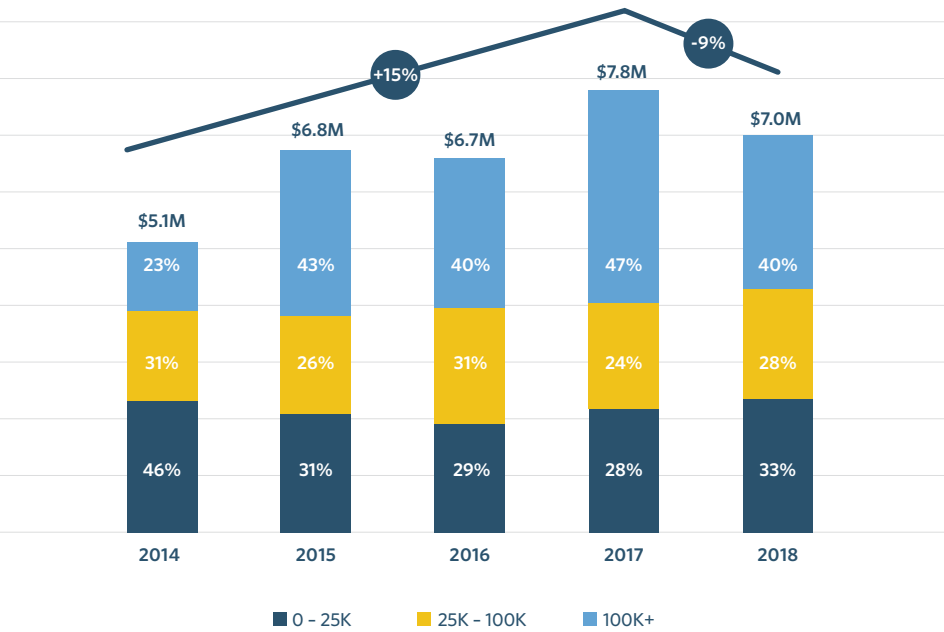
The CDFI community in Dallas is small but growing. Currently, CDFIs make up only a small portion of small business lending in Dallas County (0.3%) deploying \$7.8M in 2017. DreamSpring’s (formerly Accion New Mexico) entrance to the market in 2016 helped to further overall sector growth, with CDFI lending in Dallas growing 37% in a five-year period. However, while overall deployment has increased by 8% CAGR ‘14-’18 over the past 5 years, the total number of loans have decreased. CDFIs play a very important role in communities, often lending to smaller, less established businesses, business owned by people of color, low income individuals, and those that may not be eligible for bank financing due to credit challenges. The CDFIs in Dallas are poised to increase their lending in the region but require philanthropic support to scale their operations and lending.

Provider	Description	Loan Size	OFFERINGS					Other services / notes
			Line of credit	Micro-loans	Small business loans	SBA loans	Personal loans	
Business & Community Lenders of Texas	BCL provides lending, homeownership, entrepreneurship, and community development programs across Texas to support its mission to build strong communities.	Range: \$5K - \$300K Avg: \$100K		✓	✓	✓	✓	• Partners with non-profit affiliate Texas Community Builders on direct real estate development work • Offers mortgage lending and down payment assistance products to help with housing and homeownership
DreamSpring	DreamSpring is a regional CDFI making small business loans in New Mexico, Arizona, Colorado, Nevada and Texas.	Range: \$500 - \$100K Avg: \$12K		✓	✓	✓		• Offers a range of specialty loan products based on region, industry, and business need • Offers quick turnaround products like Presto loans, which provide next day funding for small businesses
LiftFund	LiftFund is a Texas-based, regional CDFI offering small business and micro-loans to borrowers in 13 states to help startups and small businesses in underserved areas get off the ground.	Range: \$500 - \$1M Avg: \$21K		✓	✓	✓		• Recently opened Women’s Business Center in Dallas aimed at supporting businesses owned by women and people of color with business education and consulting
PeopleFund	PeopleFund makes small business and micro-loans across the state of Texas and offers a variety education services to help entrepreneurs prepare for funding.	Range: \$1K - \$350k Avg: \$75K		✓	✓	✓		• Offer Flash Funds loans of up to \$25K with rapid turnarounds for businesses in need of quick access to capital • Second largest producer of SBA advantage loans in the U.S.
Texas Mezzanine Fund	Texas Mezzanine Fund is a for-profit CDFI making small business, affordable housing, and community facilities loans in the state of Texas.	Range: \$50K - \$500K Avg: ~\$250K			✓			• Have received seven NMTC award allocations since 2008 totaling \$288M • Specific emphasis on growth-minded businesses that create jobs in LMI communities

²⁸ FFIEC Community Reinvestment Act Report Data (2013 – 2017), Dallas County

While overall deployment by CDFIs has increased by 8% over the past 5 years, the total number of loans have decreased.

Figure: CDFI Lending, Capital Deployed



EQUITY

Dallas’s equity funding landscape is nascent and makes up a very small share of the national venture capital market. Dallas’s equity investing market is also underdeveloped for its size, ranking ninth of the ten largest U.S. metropolitan areas in terms of total and per capita equity investing. Early stage incubators and angel investors have increased their presence in Dallas in recent years, but there have yet to be significant increases in the market for later stage equity investments.

Few existing equity funds in Dallas have an explicit focus on business owners of color, with no Dallas-based VC firms focusing on entrepreneurs of color as their target. Only limited equity is offered directly to Black and Latinx business owners through one-off pitch competitions. There are a few funds, like True Wealth Ventures, The Bumble Fund, and Texas Women Ventures, that focus on businesses owned by women, but there is room for increased support. The early stage of Dallas’s equity market gives capital providers the opportunity to intentionally build an inclusive culture around equity investing in Dallas, and special emphasis should be placed on ensuring that new and expanding equity investors are channeling capital into businesses owned by a diverse set of entrepreneurs.



UNCOVERED NEEDS

Based on learnings from the research and benchmarks of best-in-class entrepreneurship ecosystems across the country, we identified 17 priority needs facing Dallas’ small businesses. These needs were bucketed into four key categories and are relevant to all small businesses, specific affinity groups (e.g., women, Black and Latinx owners), specific industries (prioritized industries listed above), and South Dallas business owners, as well as needs that ranged from ecosystem building support, capital, business inputs, and infrastructure.

TYPES OF NEEDS IDENTIFIED

- Ecosystem building support:** Needs related to collaborative strategy or ecosystem building across business support and capital resources
- Capital:** Needs related to funding (grants, debt, and equity) for small businesses
- Business inputs:** Needs related to other key inputs for small businesses, such as education, mentorship, business services, talent, and networking
- Infrastructure:** Needs related to physical assets, including available real estate, broadband, incubation facilities, and local infrastructure



THE FIVE KEY BUCKETS OF NEEDS INCLUDED:

- 1 Ecosystem Strategy Setting** – Needs related to working across providers to set a coordinated strategy and build a collaborative and accessible ecosystem and supportive culture of small business support in Dallas
- 2 Coordination and Quality of Business Support Resources and Capital Providers** – Needs related to improving the quality of business support and capital resources in the city and the direct operational coordination of those resources
- 3 Access and Navigation of Business Support Resources and Capital Providers** – Needs related to improving the ability of small businesses to easily understand and access the support resources available in Dallas
- 4 Provision of Capital to Specific Demographic Groups** – Needs related to improving the availability of capital for small businesses owned by people of color and women
- 5 Serving South Dallas’ Business Owners** – Needs related to improving small business support in South Dallas, and ecosystem-wide gaps that disproportionately affect small businesses in South Dallas



Ecosystem Strategy Setting

There is no cohesive or coordinated vision or strategy on how to support small businesses in Dallas:

The City is in the process of defining their small business strategy, but have not yet published a plan, and no other cross functional entity has been successful in aligning business support organizations and capital providers along common priorities to establish a cohesive ecosystem. This has caused operational silos and a lack of clarity on how various stakeholders can support each other and small businesses collectively in Dallas.

Limited private philanthropy directed towards small business-related activities:

Aside from banks that support small business lending through their CRA portfolios and philanthropy teams, Dallas’ philanthropic giving skews towards other community needs, such as Arts, Education and Workforce, and Social Services. Of the ~\$5.6b philanthropic dollars deployed in Dallas since 2006, only 2% (~\$136m) has been allocated to small business or industry-building related activities.²⁹ There is a need to ramp up local grantmaking directly to businesses and business serving organizations to improve the ecosystem, fill gaps, and position small business growth and development as a wealth building tool.

Low and moderate growth businesses in Dallas have lower visibility and support in the ecosystem:

Several recent initiatives that have emerged in Dallas focus on high-growth, technology-enabled businesses and/or businesses with significant job creation potential. This draws attention away from lower margin, lower growth sectors, including Main Street businesses that are critical to the fabric of a neighborhood and provide opportunities for business owners to bring in critical income for their families. There is also concern that current and future development in certain parts of the city will drive out longstanding business owners without appropriate programming to support business preservation in these areas.

²⁹ Foundation Maps, Foundation Center, Data on Philanthropic Funding in Dallas, Texas (2006-Current)

Coordination and Quality of Business Support Organizations and Capital Providers

There is limited coordination and handoffs between organizations that provide capital and services to small businesses:

Technical assistance and capital providers typically refer small businesses to each other based on personal relationships, rather than through coordinated channels or processes. This results in fewer referrals happening across the ecosystem generally, and when referrals do occur, they are not necessarily resulting in the right solution for small business clients.

BSOs are not sufficiently specialized and are perceived to offer inconsistent quality of services to small businesses:

Existing business support organizations are primarily focused on general education and 101 offerings. They often lack the ability to provide specialized support based on industry- or business stage-specific needs. The business support landscape has not yet matured to the point of being able to provide niche support offerings to a range of types of businesses. Furthermore, the quality of support resources can vary greatly based on the service, course, or the employee providing support. Turnover amongst business support providers also leads to challenges for the business to build and maintain consistent relationships.



Access and Navigation of Business Support Resources and Capital Providers

Small businesses have difficulty finding and navigating the appropriate support resources:

There is limited awareness of many business support and capital resources that exist currently in Dallas among small business owners, especially by those that do not have the time and resources to conduct significant research. For those that do put in the time to understand available resources, it is difficult to compare across existing BSOs and capital providers to determine the best resource for their business. Many currently rely on social media or Google to find answers to business questions, instead of relying on a trusted business support partner. The Dallas B.R.A.I.N. has a good baseline directory of small business support resourcesbut requires additional investment to keep it updated and add in functionality to help small businesses navigate the ecosystem.

Small businesses have challenges securing follow-on capital after an initial investment:

Small business owners that successfully receive funding from CDFIs feel as if they do not have a clear path to their next funding or financing source and do not have the appropriate support in navigating the process of stringing together different funding sources. This is due to a lack of knowledge around the capital sources available across the ecosystem, where each provider sits on the continuum, and limited handoffs across providers to “graduate” a borrower from one product to the next.

Provision of Capital to Specific Demographic Groups

There is a lack of capital providers offering no-cost products to fund business start-ups in low income communities and communities of color:

There are few products to replace traditional ‘friends and family’ capital in communities with limited personal wealth. There are no grant makers or interest-free lenders providing capital direct to small businesses at scale.



There are significant challenges in getting responsible credit into the hands of business owners of color:

While CDFIs have been successful in deploying a larger portion of their lending to business owners of color and those in low income communities, their overall scale of deployment is still very low. This is due to small businesses being largely unaware of the existence of CDFIs as a responsible capital option and/or not knowing where to access them. Banks also have significant work to do to increase their lending within these communities. Without responsible providers, the propensity of payday and title lenders remains high in communities of color, which trap borrowers in vicious debt cycles and limit the ability for potential business owners to truly grow wealth.

Few equity products are specifically targeted to women and people of color:

In the nascent existing landscape of equity providers, few have a stated focus on groups that traditionally lack access to the early stage, flexible capital that equity funders can provide.

Many capital providers and BSOs have not had success in building trust in communities of color:

Predatory practices by some personal and business lenders, a lack of effort to work in communities of color by many local business support organizations, and a failure or lack of follow-through of past community development initiatives have created distrust of business support resources in some communities of color. A handful of BSOs and capital providers have sought to address this by hiring diverse leadership and staff and physically locating themselves in the communities they seek to serve, however, more intentionality is required to fully regain trust and build connections to communities of color across the County.



Serving South Dallas’ Business Owners

There is a lack of scaled financial readiness or credit building training for aspiring entrepreneurs:

Existing and aspiring small business owners that are not deemed credit worthy cannot find assistance in building personal credit and assets in order to better position themselves in the future. Lack of support for these interested borrowers contributes to lenders feeling that there are not enough opportunities to make loans in target low income communities.

Few business support resources are physically located in southern Dallas, creating barriers to access for residents in that region:

While several advocacy organizations, like the Black Chamber of Commerce, are located in South Dallas, there are very few banks, alternative capital providers, or business support service providers that are easily accessible for the residents of South Dallas. While South Dallas does have public transit infrastructure that supports accessing resources in the Downtown and Uptown areas, typical work schedules and family commitments make it difficult to travel significant distances to get support on a day-to-day basis.

There is insufficient coordination of the multiple parties and organizations that are conducting studies and planning around development and rebuilding of South Dallas:

Many philanthropic and development initiatives have been launched in South Dallas in the past decade, but a lack of unified vision or tactical coordination between them has led to conflicting priorities, fatigue, and distrust among community members who have seen many proposed solutions come and go without significant change occurring in their communities.

There has been limited investment in potential commercial corridors across southern Dallas, especially in South Dallas/Fair Park:

There are a number of currently unoccupied or generally underdeveloped commercial corridors in South Dallas that have not received the investment necessary to attract and retain businesses with the potential to create significant employment and wealth-creating opportunities in the area. Lack of developed commercial areas both hinder the opening of new business and limit the foot traffic and potential customer base necessary to support local small businesses.

Deployment of debt and equity capital to small businesses in South Dallas is disproportionately low:

With the exception of CDFIs, all capital providers deploy capital to businesses in South Dallas at proportions lower than the area’s relative representation of both population and number of businesses. Given low income rates and levels of intergenerational wealth in South Dallas, it is very challenging for business owners in these neighborhoods to access personal or external financing to help start or scale their business.

ADDITIONAL GAPS IDENTIFIED INCLUDE:

- > **The lack of mentorship and networking opportunities** for small businesses owned by people of color, a role typically played by regional, neighborhood, or racially / ethnically affiliated Chambers of Commerce
- > **The lack of affordable and intentionally inclusive incubation spaces** for entrepreneurs of color; there are several co-working spaces, but most are prohibitively expensive or are not welcoming
- > **Industry specific gaps**, including the lack of formal small business cluster strategies to promote wealth building and economic diversification; few, accessible commercial kitchen or food incubator spaces for food manufacturers and caterers; limited support for Black-owned construction companies; and no formal champion or planning process around incubating and scaling promising creative industries in Dallas

THE PATH FORWARD

This combination of all research inputs as well as the identified ecosystem needs were used by the Advisory Committee, along with a group of 30+ ecosystem stakeholders to prioritize collaborative efforts and set strategies to better support small businesses. Together, the group identified over 50 potential strategies that could be implemented in Dallas to begin to address the needs of current and aspiring small business owners.

Of the potential strategies, four were chosen as short-term priorities for the ecosystem, based on overall need, feasibility, cost, and relevant existing assets. They are:

1 ESTABLISH A SMALL BUSINESS ECOSYSTEM BUILDER

Dallas will elect and secure funding for an Ecosystem Builder, a role developed by the Kauffman Foundation that “take[s] a long-term and system-wide approach to fostering innovation and entrepreneurship in their region or community.” In Dallas the role is needed to effectively drive ongoing collaboration and coordination among business support and capital resources in the currently fragmented ecosystem. The Ecosystem Builder will also be responsible for helping to implement the other surfaced strategies, as described below in the “framework for ecosystem coordination.”

2 FORMALIZE A SMALL BUSINESS SUPPORT MARKETING AND AWARENESS STRATEGY

In order to address the lack of awareness on the part of small businesses of existing business support and capital resources, a collaborative initiative will be launched to develop and implement a marketing strategy that educates small business owners and aspiring small business owners on the resources that already exist in Dallas. The group will incorporate lessons learned from previous initiatives like the Dallas B.R.A.I.N., an initiative of the City of Dallas, to help make informational resources more actionable to small business owners, and to provide information through resource channels that are easily accessible to small business owners today. Furthermore, there is a sense that responsible mission-based lending is a “best kept secret” in Dallas, unknown and untapped by many who could benefit. This group would like to increase the knowledge and connection to CDFIs in order to increase the flow of responsible capital to small businesses.

3 EXPAND START-UP SERVICES FOR BUSINESSES OWNED BY WOMEN AND PEOPLE OF COLOR

In order to better support women and people of color who face structural challenges in developing and launching businesses in Dallas, this working group will focus on expanding and developing new products and services that support aspiring and early stage female business owners and entrepreneurs of color. They will create programs that specifically aim to address challenges disproportionately affecting underrepresented communities and ensure that services are available to the entrepreneurs that need them most. These initiatives will take advantage of current programming available through numerous BSOs and capital providers but work on expanding their reach and emphasizing inclusivity.

4 ESTABLISH AND EXPAND CREDIT AND PERSONAL ASSET-BUILDING PROGRAMS FOR LOW INCOME PEOPLE AND PEOPLE OF COLOR

Resource and capital providers will work to establish and expand programs that support financial education, credit and personal assets-building programs, in order to increase the pipeline of credit-worthy borrowers. They will also build intentional pathways from these programs into business launch and ownership as a next step in personal wealth and asset building. These strategies will help to address the identified gap between individuals who are looking to launch or expand businesses in Dallas and their financial readiness to do so as assessed by traditional lending and financing organizations.

A Framework for Ecosystem Coordination

In order to effectively implement these strategies and others that will be identified and prioritized in the future, the Dallas small business ecosystem will need a clear organizational structure that will drive coordination and ensure the effectiveness of various small business initiatives. The proposal put forward and confirmed by the Steering Committee of this work is as follows:

The **“Ecosystem Builder”** will be directly responsible for convening the full range of Dallas small business stakeholders and supporting working groups targeted at implementing ongoing initiatives. The Ecosystem Builder will ensure that given working groups are all operating cooperatively, taking advantage of the full range of relevant assets in the Dallas ecosystem currently, and operating in line with the most pressing needs of small businesses in Dallas. **“Working Groups”** are self-selected from the broader stakeholder group and will be responsible for leading targeted initiatives to address the gaps laid out in this report, as well as those yet to be identified.

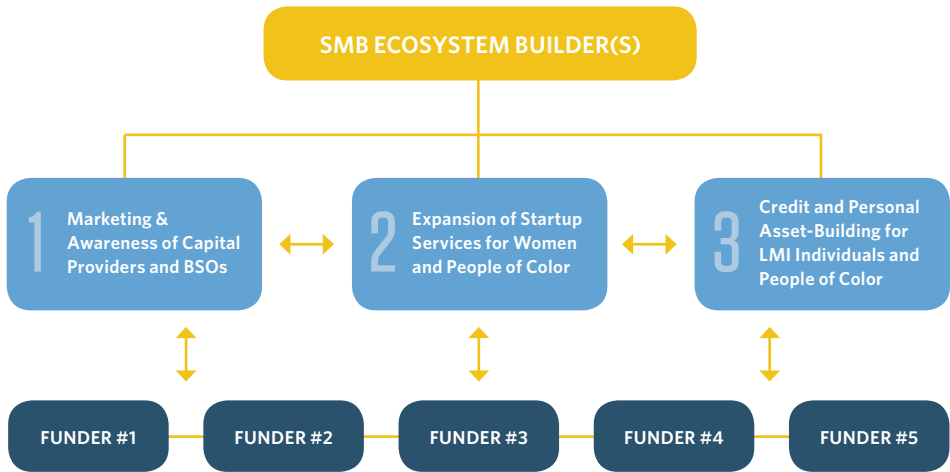
The convening of the 40+ small business support stakeholders that has already started to carry forward the recommendations from this report represents a significant step forward in aligning resources, improving coordination, and executing on a comprehensive strategy to promote equitable small business growth in Dallas. To date, collaborative initiatives like this in Dallas have had challenges due to a lack of ability to maintain partnership and trust among the various small business support stakeholders in the city. However, with a clearly defined governance structure and targeted priorities moving forward, this group has the potential to change the story for small businesses in Dallas—especially those owned by women and people of color and those in South Dallas—by ensuring they have access to quality business services and capital needed to drive wealth creation in local communities.

Are you interested in participating in this work?

Everyone who wants to help entrepreneurs grow can play a role in improving the small business environment in Dallas. Please contact Michelle Williams (michelle@thedec.co) at the Dallas Entrepreneur Center if you are:

- A stakeholder, funder, or small business with interest in participating in working groups or ongoing quarterly Small Business Advisory Group convenings.
- A small business and want to learn more about support financing resources available to you or have ideas on what services and capital products you want to see created for entrepreneurs in Dallas.

Figure: Proposed Ecosystem Group Framework



SMB Ecosystem Builders
(Led by dedicated FTE at elected organizations)

Working Groups
(Each led by ~0.5 FTE at the org leading the Working Group)

Funders

ACKNOWLEDGEMENTS

This project would not have been possible without the collaboration of a long list of generous partners. Individuals representing these organizations contributed to this research in a variety of ways including serving on the Advisory Committee, engaging small business owners and other leaders to participate in our focus groups, and directly sharing perspectives through the interview program. We greatly appreciate your engagement, enthusiasm, and commitment to this work:

- | | | |
|---|--|--|
| > Angelou Economics | > DreamSpring | > The Real Estate Council |
| > AT&T | > East Dallas Chamber of Commerce | > The Salesmanship Club |
| > Bank of America | > Federal Reserve Bank of Dallas | > State Fair of Dallas |
| > Bank of Texas | > Frost Bank | > The Study USA |
| > BBVA Compass | > GoodWork | > Texas Capital Bank |
| > BCL of Texas | > Greater Dallas Hispanic Chamber of Commerce | > Texas Women’s Foundation |
| > Capital Factory | > Hoblitzelle Foundation | > University of Texas, Dallas |
| > City of Dallas | > Impact House | > Wells Fargo |
| > Comerica | > JPMorgan Chase | > WiNGS |
| > Communities Foundation of Texas | > LiftFund | > Women’s Business Council, Southwest |
| > Dallas County Community College District | > LISC | > Woodforest Bank |
| > The Dallas Entrepreneur Center | > PeopleFund | |
| > Dallas Regional Chamber | > Rainmakers Inc. | |

ABOUT THE RESEARCH TEAM:

The Next Street team included:

- > **Marina Linhart**, CEO and Partner
- > **Charisse Conanan Johnson**, Partner
- > **Cristina Yoder**, Managing Associate
- > **Dixon Sperry**, Senior Analyst

We’d like to especially thank the team at JPMorgan Chase and Dreamspring for their leadership throughout our research.

APPENDIX

Appendix I: Potential Data Limitations

QUANTITATIVE ANALYSIS

Industry-level sources:

- The quantitative analysis combined data from several national, publicly available sources. Though multiple data sources were from the U.S. Census, there are some minor inconsistencies in the quantitative data available between sources.
- Four primary sources were used to build our quantitative industry data:
 - > U.S. Census Survey of Business Owners and Self-Employed Persons (SBO), 2012 data (latest available, business owner demographics / business characteristics by 2-digit NAICS code)
 - > U.S. Census American Community Survey (ACS) Public Use Microdata Sample (PUMS), 2017 5-year data set (workforce data by 2-6 digit NAICS code)
 - > U.S. Census Longitudinal Employer-Household Dynamics (LEHD) Quarterly Workforce Indicators (QWI), 2017 data (provides business data by 2-6 digit NAICS code)
 - > U.S. Census County Business Patterns (CBP), 2011-2016 data (latest available, provides business data by 2-6 digit NAICS code)
- The most recent publicly available data consistently available from all datasets is from 2016 (apart from SBO); given this time lag, it is possible the data does not accurately represent current business dynamics.
- The industries included in the seven focus clusters were defined at the 3- and 4-digit NAICS code levels. Because SBO data is available at only the 2-digit level, analysis using this data describes broader industry categories.

Zip-code level sources:

- Two primary sources were used to build our quantitative industry data:
 - > U.S. Census American Community Survey (ACS), 5-year estimates (2012-2016) (population demographic data by zip code)
 - > U.S. Census County Business Patterns (CBP), 2013-2015 data (business data by zip code). Establishments classified as Agriculture, Mining, and Utilities were excluded from establishment counts by zip code
- Race/ethnicity data was not available for all respondents; given this limitation, percent breakdowns do not sum to 100%.

INTERVIEW / FOCUS GROUP PROGRAM

- The business owners we interviewed were identified through BSOs and Capital Providers, and therefore, present sample bias since these owners had previously engaged with business services and were connected with the economic development ecosystem in Dallas.
- The interview and focus group program encountered small sample sizes due to challenges in reaching and scheduling with business owners in each of the focus clusters.

CAPITAL LANDSCAPE ANALYSIS

- The data provided is intended to be representative, but not necessarily comprehensive, of the capital providers located in Dallas. There are some limitations and considerations that should accompany any analysis of this capital landscape dataset:
 - > FFIEC CRA data does not perfectly represent loans to small businesses, as only banks above a certain asset size threshold are required to report CRA loans, but they report all loans under \$1M in size to businesses, meaning that some loans may actually be to businesses with greater than 50 employees.
 - > CDFI loan data underrepresents loans to small businesses because not all CDFIs in Dallas shared proprietary loan data.
 - > Equity data is incomplete, and while verified against industry reports to ensure that relative city rankings and trends are directionally correct, this data underrepresents total deals due to limited access to data by CB Insights.



Appendix II: Additional Data

PEER CITIES

As one method to evaluate the conditions of the capital markets in Dallas, we compared capital flows to comparable markets: Houston, Austin, Atlanta, Charlotte, and Chicago. We chose these cities based on selection metrics: similar size and demographic makeup and economic trends (e.g., racial / ethnic diversity, population trends, median income) and performance metrics: show relative progress with regards to small business environment (e.g., % of establishments by race / ethnicity, Kaufmann indexes).

City	Population	Population Change (07-17)	Unemployment Rate	Income Median	% White (Non-Hispanic)	Main Street Entrepreneurship	Startup Activity	Entrepreneur-Ship Growth
Dallas	2.57M	7.3%	5.9%	\$54K	29.7%	29	11	11
Houston	4.6M	10.3%	6.4%	\$56K	30.2%	24	9	19
Austin	1.2M	13.7%	4.5%	\$70K	49.3%	9	2	2
Atlanta	1.02M	8.7%	7.7%	\$63K	40%	33	12	5
Chicago	5.2M	0.8%	8.7%	\$60K	42.3%	14	31	27
Charlotte	1.05M	11.6%	6.8%	\$63K	47.4%	35	17	16

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