Statement of Need: Bridging the digital divide for underserved inner-city communities has been a concern for advocates of equal access to media, information and educational opportunity for over a decade. A recent FCC survey confirms one dimension of the problem: while 91% of households earning $75,000 a year or more subscribe to and experience the benefits of broadband service, only 40% of households earning $20,000 a year or under have broadband. But between the opportunities that broadband provides to computer-savvy entrepreneurs and the premium placed on computer and online literacy in today's job market, the need to close this divide with an emphasis on providing high-quality Internet and computer access to aspiring and existing small business owners in low-income communities is now more urgent than ever. The challenges involving limited public computer and broadband access in low-income urban neighborhoods are alleviated somewhat by resources such as public libraries and community centers. But these computer centers fall short for entrepreneurs who need a professional business environment with access to peripherals as well as space for business meetings. In addition, these centers often lack software that helps aspiring businesspeople fill in gaps in education and expertise. With the exception of a few seminars, most public computer centers do not offer aspiring and existing entrepreneurs a comprehensive range of business services from classes and small business counseling to assistance securing loans to start or revitalize a business. Approach: Operation HOPE's Cyber Cafes serve the need for business-oriented public computer centers in underserved areas of five American cities (Long Beach, Los Angeles, New York City, Oakland and Washington D.C). Additional Cafes will soon open in Atlanta and New Orleans. The Cyber Cafes are an integral part of the HOPE Banking Center Network (HBCN). Since 1996, the HBCN has provided economic education and 'one-stop' soft banking services to urban communities at centrally located HOPE Centers. Our Cyber Cafes offer free memberships in the Digital Empowerment Program. The only exception is our Los Angeles center, where a nominal fee is waived if the client has a financial hardship. Program members receive access to computer workstations (which will be significantly upgraded with the help of this grant), meeting space and faxing, copying and scanning services. By improving the speed and efficiency of Cyber Cafe equipment, this grant would enhance the Digital Empowerment Program's potential to provide low-income individuals in HBCN's seven cities with a business-quality computer environment. Last year, old equipment prevented us from providing computer service on a consistent basis. A fully functioning Cyber Caf allows aspiring and existing business people and job seekers to not only take advantage of the work-friendly environment but access software that helps them master typing and online skills, generate budgets and create business plans. Digital Empowerment Program members can further benefit from access to the services provided through HBCN. An aspiring entrepreneur can use the caf to put together
a website for a prospective business or market his or her skills online and for no charge can also learn additional small business skills through Entrepreneurial Training Classes, improve his or her credit through counseling and financial literacy classes, fine-tune the business with the help of a counselor from SCORE, and obtain capital by working with HBCN to secure a small business loan. The expansion of the Cyber Cafes that this grant would make possible clearly advances the overall mission of the HOPE Centers: to create and sustain community stakeholders, transforming small business dreamers into small business owners and job seekers into living-wage job holders. The Cyber Cafes will also improve broadband adoption rates in HBCN communities. The FCC survey notes that most individuals who do not have broadband pass on the service either because they can't afford it or because they do not have sufficient digital skills. Our Cyber Cafes promote free online Microsoft digital classes, allowing individuals to earn Digital Literacy and Windows and Office Basics Certificates. Such education encourages the graduates to pay for broadband service at home. Meanwhile, the HOPE Center’s range of small business and job growth services allow clients to generate the income needed to afford broadband service. Areas and population served: The HOPE Banking Center Network serves low-income residents of inner-city communities in Long Beach, Los Angeles, and Oakland, CA, New York City, NY, and Washington D.C. Ground will be broken in April 2010 on the newest HOPE Center in Atlanta, GA, and another HOPE Center will soon be launched in New Orleans, LA. HOPE has confirmed that the population using the Cyber Cafes is low-wealth based on incomes stated in a customer profile form that each client completes when receiving a Caf’ membership. According to these surveys, the average annual income of our Los Angeles Cyber Cafe customers is $36,850. Long Beach users have an average income of $21,740, Oakland Cyber Caf’ members average $35,000 per year, Washington D.C. members average $27,520, and New York City users have an average annual income of $36,000. In our New Orleans office, the average income of the clients in the Technical Assistance for Small Firms Program (TASF), which offers consulting and loan assistance services to small businessmen, is $18,227. Our Atlanta Cyber Caf’ will be located in a low-income community, but we do not as yet have any estimated user income data. HOPE Center services are open to all persons, regardless of income, ethnicity or residence, making our service area is very broad. The estimated population of Long Beach is 492,682. Los Angeles' population is about 3.8 million, but we estimate that the population of the HOPE Center's service area is 570,000. Oakland's population is estimated at 404,155. Washington, D.C.'s HOPE Center service area encompasses the city's entire population of 599,657. New York City is home to over 8 million people; our HOPE Center is estimated to serve 10% of that population (living around the Center's location in Harlem) or 800,000. In New Orleans, the population is an estimated 311,000, while in Atlanta, the estimated population is 537,958. In 2009, our existing Cyber Cafes served just over 600 persons a week (a total of 31,312 users for the year). With the requested funds from this grant, we expect to generate a 20% increase in memberships and usage over this number, a direct result of the Cyber Cafes having better broadband speeds and software, greater promotion, and more free training provided. Two new Cyber Cafes will further increase memberships for all Cafes for the year to approximately 4,920 and the number of users to about 1,025 per week, or over 53,300 users for the year. Applicant qualifications: Operation HOPE was conceived in 1992, just after the civil unrest in Los Angeles, as an alternative solution for finding ways to build wealth and create stakeholders in inner city and underserved communities. We now have an 18-year track record for providing economic empowerment through public digital access and financial literacy. In addition to the members of our Digital Empowerment Program, HBCN has to date
educated over 61,000 adults through our economic literacy programs and provided financial and credit counseling to 25,589 individuals. Operation HOPE has also secured more than $645 million in lending commitments to over 3,500 low- and moderate-income home buying and small business borrowers. Operation HOPE has successfully managed numerous federal and private foundation grants over the past several years, including the 2003 EDA Southern California Award #07-79-05435, which was used to enroll 300 start-ups and 100 existing businesses in our local technical assistance program while facilitating 24 loans in one year. HBCN maintains successful partnerships with dozens of corporations, foundations and government entities. For this project, the HOPE Centers will utilize funding from the following partners: Bank of the West, Deutsche Bank, E*TRADE Bank, J.P. Morgan Chase, Los Angeles Financial Credit Union, Union Bank and United Way of the Bay Area. Job creation: Utilizing the formula provided by the Council of Economic Advisors and Operation HOPE’s analysis of this project, we estimate that the Digital Empowerment project will create 24.5 direct job-years, 6.1 indirect job-years and 17.2 induced job years. Overall cost: The total cost of the project is $5,894,362, with BTOP’s portion being $4,406,517 and the match totaling $1,487,845 (a match of 25%).