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Context and Approach

Living Cities’ Closing the Gaps (CTG) Network is a ten-year initiative that brings together leaders from cities across the country who are committed to imagining what an anti-racist society might look like, and to playing an important role in building it through the transformation of government policies, practices, and operations. In particular, CTG is anchored on a vision of closing racial inequities in income and wealth. In 2021, six cities in the CTG network participated in a “Year of Reckoning,” in which they underwent a deep racial equity competency training led by People’s Institute for Survival and Beyond (PISAB), Third Space Action Lab, and Black Womxn Flourish. As the six cities (Albuquerque, NM; Austin, TX; Memphis, TN; Minneapolis, MN; Rochester, NY; and Saint Paul, MN) emerge from the Year of Reckoning, they are eager to begin developing and implementing specific strategies in service of their shared anti-racist vision. Living Cities is providing technical support to the cities in this inaugural cohort to develop strategies in two focus areas: homeownership and business starts & growth. There are pronounced racial inequities in both areas, but they each also present outsized opportunities to create intergenerational wealth for communities of color. The cities partnered with FSG, a mission-driven consulting firm supporting leaders to create equitable systems change, to conduct a community needs assessment to better understand the current state and the inhibiting and supporting drivers of racial equity in each focus area.

The needs assessment process had three objectives:

- Increase each city’s understanding of the current state of racial inequities in home ownership and entrepreneurship, and the root causes of those inequities
- Identify key drivers and inhibitors of racial equity in homeownership and entrepreneurship in each city and specific opportunities for action
- Begin to lay the foundation for closer ongoing partnership between city governments and their communities in advancing equity in homeownership and entrepreneurship

This report represents the findings of the needs assessment for Minneapolis and is intended to be a guide for city leaders and other stakeholders who are taking action to close the racial gaps in homeownership and entrepreneurship and to make the systems surrounding them more equitable.

In this report, we use the term BIPOC to capture the experiences of racially marginalized communities. However, BIPOC does not fully capture the unique harms, histories, and experiences of each of the populations encompassed in the term, such as the extent to which anti-Black racism specifically has caused the Black community to experience the deepest inequities in many cases. It also does not fully capture the ways in which race intersects with other forms of marginalization including gender, LGBTQIA status, and ability. We acknowledge the harm that using blanket terms can have and the fact that communities want to be named specifically. While we use BIPOC to capture several identities, additional work needs to be done to capture and name the specific experiences of the varying identities. Additionally, our research does not fully capture the experience of the Indigenous population. This community has experienced disparate impacts from violent marginalization and displacement in this country, and unfortunately, limited research exists to draw into this report. Indigenous populations deserve thoughtful analysis that we lacked the expertise and bandwidth to provide.
Minneapolis Needs Assessment

The needs assessment was conducted from February through August 2022. FSG worked with members of the CTG cohort and Living Cities to develop research questions, identify and connect with stakeholders to interview, and design our approach to engaging with residents identifying as Black, Indigenous, and other People of Color (BIPOC) with direct experience of the home buying process and/or entrepreneurship.

The needs assessment synthesizes information from a variety of sources:

- Secondary research, including existing community plans and strategies
- Data compiled by the Urban Institute from the American Business Survey, American Community Survey, Decennial Census, and other data sources
- Two in person focus groups, one with 3 entrepreneurs of color and one with 16 homeseekers/homeowners
- 19 Interviews with 30 community stakeholders (see Appendix B for list of interviewees)

Many of our interviewees, focus group participants, and secondary research sources focused on the Twin Cities as a whole, so in this report many of our findings and recommendations in this report span Minneapolis and Saint Paul, though we have tailored certain sections to be specific to Minneapolis where relevant.

We are grateful to the community partners who shared their insight and expertise, co-hosted the focus groups, and spread the word about the focus groups. We also hold deep appreciation for the community members who shared their experiences and perspectives by participating in the focus groups. They made an invaluable contribution to this process.
How to Use this Report

This document is intended to provide an overview of the trends and dynamics influencing inequities in homeownership and entrepreneurship in Minneapolis, the landscape of organizations working to address those inequities, and perspectives on opportunities for further action. It is intended to help inform and inspire action planning for city government and other actors interested in advancing equity in Minneapolis, though is not intended to be fully comprehensive or directive. We encourage you to reflect on the following questions as you read:

1) What surprises you? What is staying with you?
2) After reading about each part of the system, how are you seeing the challenges and opportunities differently?
3) Which solutions are you best positioned to contribute to in your role? What is one step you can take to get started?

This document is organized around the following sections, which can be read as a whole or referenced independently as needed:

- **Executive Summary** *(Page 6)*: Summary of findings and identified opportunities
- **City Overview** *(Page 9)*: Overview of the history of Minneapolis and current conditions, with a focus on factors influencing racial inequities in socioeconomic status
- **Homeownership** *(Page 13)*: Deeper overview of factors contributing to racial inequities in homeownership, the landscape of actors working on homeownership, and opportunities for advancing more equitable homeownership
- **Entrepreneurship** *(Page 35)*: Deeper overview of factors contributing to racial inequities in entrepreneurship, the landscape of actors working on entrepreneurship, and opportunities for advancing more equitable entrepreneurship
- **Appendix** *(Page 48)*: Acknowledgment of interviewees
Executive Summary

The present racial inequities in homeownership and entrepreneurship in Minneapolis are inextricable from the city’s history. While the Twin Cities have grown and maintained as a headquarters for billion-dollar companies across industries, BIPOC communities have been systemically excluded from wealth building opportunities and in some cases, have had their wealth destroyed, like in the case of the destruction of the Rondo community in St. Paul. The impact of this history has contributed to the Twin Cities having the starkest racial inequities in the United States across all areas of quality of life.

As Minneapolis reckons with the challenges of its BIPOC residents, the city has tremendous opportunity and assets to bring to bear in rectifying these injustices and creating a more inclusive, equitable, and vibrant city. More specifically, there is opportunity to create wealth building opportunities for the youth of Minneapolis by investing in a youth owned residential and commercial space. Youth are often left out of the conversation around ownership and wealth building opportunities; however, Minneapolis has the potential to lead the effort around wealth building for young people. While this research focused on the opportunities to increase BIPOC homeownership and entrepreneurship as key pathways for building multigenerational wealth, we believe action in these areas must be undertaken in concert with advancing equity in other areas crucial to wellbeing and mobility, such as health, education, rental markets, workforce development and policy, and transportation.

Please see below a summary of the challenges and opportunities we identified in each area:

Summary of homeownership findings and opportunities

Homeownership can be the most reliable form of wealth building that brings stability and economic opportunity across generations. In Minneapolis, the homeownership experience for BIPOC residents has been shaped extensively by redlining, racial covenants, community and wealth destruction, white flight, disinvestment, and gentrification. The impacts of these policies and practices continue to be felt today and are exacerbated by ongoing challenges including COVID-19 and violence against Black communities.

Through our research, we identified several barriers that BIPOC communities face in accessing homeownership and explored opportunities for addressing those barriers and investing in systems level change for a more equitable homeownership landscape. Below is a summary of the opportunities we identified; please see additional detail in the Homeownership Solutions section starting on page 29.

1. **Build trust and collaboration between community and government**: publicly acknowledging and reckoning with the role that government has played in perpetuating racial wealth inequities in Minneapolis, co-creating transparently with community, and investing in meaningful relationship building in a way that is rooted in sustainability and accountability

2. **Race based policy and financial investments**: make budgetary commitments specifically intended to address wealth building for Black communities in Minneapolis at scale and disengage with any processes or policies that continue to contribute to wealth inequalities

3. **Ensuring sustainability and accountability**: pass laws with specific anti-racism commitments to ensure they live beyond administration/political changes, regularly report on progress, and explore mechanism of accountability for actors who work in a discriminatory way
4. **Financial education & mentorship**: incorporate financial literacy into K-12 education and develop a network of navigators and BIPOC homeowners to provide ongoing mentorship, share resources, and advocate for home seekers throughout the buying process.

5. **Housing stock and affordability**: advance policy action to address affordability, financially support small developers, and invest in BIPOC owned/led housing cooperatives and land trusts.

6. **Banking & lending**: advocate to abolish the current criteria used to determine lending eligibility, including credit scores, student loan debt, and other criteria for which BIPOC home seekers are more predominantly represented; test solutions that address home appraisal disparities; and establish a standard for the banking experience across all neighborhoods in Minneapolis.

7. **Community development**: realign city programming, policies, and investments to take a holistic approach to economic support and co-create investment priorities with the impacted communities.

**Summary of entrepreneurship findings and opportunities**

Owning a small business can be a pathway to building wealth for an individual, their family, and the broader community, and evidence suggests that it can be an effective strategy for closing the racial wealth gap. Many cities across the country rely on small businesses and entrepreneurs to sustain their economic vitality. Minneapolis and the Twin Cities at large have become the home base for many fortune 500 companies including 3M, Target, and United Health Group. These industry giants contribute billions of dollars to the Twin Cities’ economy, but small businesses are at the heart of communities and BIPOC entrepreneurs have been excluded from these opportunities. As a result, and in spite of this exclusion, the BIPOC and immigrant populations built a thriving community of their own for much of the 20th century, inclusive of successful institutions across sectors and wealth building opportunities in the Rondo section of Saint Paul. In 1956, the State of Minnesota destroyed the Rondo community to build a highway, erasing billions in wealth that may never be fully recovered. Today the disparity in BIPOC entrepreneurship and business growth reflect that racist history, the ongoing systemic challenges, and neglect in creating robust solutions. Investing in BIPOC entrepreneurship will help to address these stark inequities and will create a stronger and more equitable Minneapolis.

In our research, we identified several challenges in BIPOC entrepreneurship access and growth as well as opportunities for further supporting them. Please see additional detail on the opportunities summarized below in the Entrepreneurship Solutions section starting on page 45.

1. **Increase educational resources and knowledge capital for BIPOC entrepreneurship**: invest in a broad set of existing and new resources that are informed by BIPOC entrepreneurs, accessible, ongoing, holistic, and culturally competent and responsive at scale.

2. **Race based policy and financial investments**: make a budgetary commitment specifically intended to address the holistic financial needs of BIPOC entrepreneurs in Minneapolis, ensuring that funds are accessible, flexible, and culturally relevant.
3. **Enhance collaboration and accountability across ecosystem actors**: convene actors for joint sense-making of existing research/reports/plans and facilitate shared prioritization across efforts and support creation of a one stop shop for entrepreneurs that encompasses both public and private resources
City Overview

History and demographics

Minneapolis, Minnesota was founded by White settlers who migrated to the territory of the Dakota and Ojibwe tribes as part of the Western expansion through the Louisiana Purchase in the early 19th century. European immigrants began arriving in larger numbers during the late 19th and early 20th century, escaping hardships including famine, Anti-Semitism, unemployment, and political violence. Minneapolis experienced significant growth because of its harbor convenience. By the 20th century, the Twin Cities solidified itself as a thriving industrial community. However, as with every other major city whose economies thrived based on large-scale industry and factories, the Twin Cities experienced economic fluctuation over the years.¹

Although already present in small numbers working in the fur trade, Black settlers began migrating north to the Minnesota region in greater numbers to escape slavery in the mid-19th century. Slavery was illegal in the region, but still tolerated in what is now the City of Minneapolis. Labor shortages and the Civil Rights Movement led to stronger migration patterns in the mid-20th century, more than doubling Minnesota’s Black population (primarily settling in the Twin Cities) between 1950-1970, growing from approximately 14,000 to 35,000. Racial covenants limited the neighborhoods where Black people were able to settle and build community. Housing a significant amount of the Black community in the Twin Cities, the Rondo neighborhood of Saint Paul became a haven for BIPOC people in the Twin Cities. The community thrived as it built its own institutions that supported the economic growth and positive quality of life for residents. The events leading up to the destruction of the Rondo community reflect the structural racism that created many of the inequities that plague communities of color in the Twin Cities today. The Federal Aid Highway Act of 1956 provided funding to build an interstate highway network.² Many states chose to destroy Black communities to build this highway system. The state of Minnesota built a 13-mile highway through the heart of the Rondo community. The impacts were devastating—700 homes and 300 Black owned businesses were lost. The Saint Paul YWCA notes, “Hundreds of millions of dollars of community wealth was lost. Many families didn’t receive fair market value for their homes, and because of discriminatory housing practices like redlining and restrictive covenants, they had limited choices of where they could move.”³

The impacts of the destruction of the Rondo community continue to be felt in the Twin Cities today. Despite steady growth in population size, economic opportunity, and diversity, wealth gaps — including disparities in homeownership and small business launch and success — continue to grow because of historic and current manifestations of institutional and systemic racism and discrimination. The Twin Cities is home to some of the starkest racial inequities across all metrics including infant mortality,

education outcomes, poverty, employment and life expectancy. These disparities are known as the “Minnesota Paradox,” which refers to the simultaneous ranking of Minnesota as the best state to live in, while also being the worst state to live in for Black people.

Racial covenants, redlining, blockbusting, steering, and other forms of racism created neighborhood segregation that is still present today, to the extent that Minneapolis remains one of the most segregated cities in the United States. According to a report by the Brookings Institution, 51% of the White population in the Twin Cities would need to move to a different neighborhood for the White and Black population to be distributed evenly, reflecting the segregation. On May 25, 2020, George Floyd was murdered by a white police officer, sparking nationwide protests against police brutality and a history of inequity. The murder placed a spotlight on the Twin Cities, the region’s history of racist policing, and the stark racial disparities experienced by the Black communities in the Twin Cities. Minneapolis became the center of a national movement that highlighted the ongoing tensions over race, policing, and inequality. According to the Washington Post, while the police officer who murdered George Floyd was convicted of murder and is serving a 22.5 year sentence, a recent Minnesota investigation found that the Minneapolis Police Department continues to engage in racially discriminatory policing by targeting and using force on Black people at a higher rate than Whites even though Black people make up merely 19% of the population. Since Floyd’s death, two other Black men have been killed at the hands of the police. Black communities in the Twin Cities continue to fight against racist policing, and for equitable access to wealth building resources and quality of life improvements.

Minneapolis continues to be Minnesota’s fastest growing city. Today, the city is home to approximately 434,346 residents and is the state’s most populous city. Over the course of its history, Minneapolis has become increasingly racially and ethnically diverse, as African, Asian and Pacific Islander, and Latin American immigrants have sought better economic opportunities and safety in the city. Today, the largest four racial and ethnic groups are White (62.9%), Asian (5.9%), Black or African American (18.9%), and Hispanic or Latino (9.6%), and 1.4% of the population is American Indian or Alaska Native.

The Twin Cities are home to 17 Fortune 500 companies, including United Health Group, Target, Best Buy, and 3M. These companies bring in hundreds of billions in revenue and continue to be a major contributor to the
Minneapolis economy. Unemployment rates in the Minneapolis-Saint Paul-Bloomington MN-WI MSA have been on a steady decline from 5.2% in April 2012 down to 1.5% in April 2022.10,11

Wealth gaps today

As wealth gaps in Minneapolis and more broadly the Twin Cities persist, there are stark contrasts in the wealth building opportunities between Black and Brown communities and White communities. BIPOC communities in Minneapolis continue to suffer from historical policies and social practices that have hindered their economic growth and wealth building access for centuries. This disparity leaves poorer BIPOC families at risk for a myriad of challenges including access to quality education, safe and affordable housing, and reliable health infrastructure. Notably, the Twin Cities has been found to have some of the most dramatic racial wealth gaps in the country. The cities’ five largest industries today are Health Care and Social Assistance, (2) Educational Services, (3) Manufacturing, (4) Retail Trade, and (5) Accommodation and Food Services. Gaps in economic well-being persist in wage distributions across the top five industries driving economic value and prosperity in Minneapolis. Not only do White workers make considerably more money in each industry, but they also tend to have a higher presence in the labor workforce in industries that have the highest median earnings.

Table 1: Median Earnings of Largest Industries in the Twin Cities12

<table>
<thead>
<tr>
<th>Industry</th>
<th>All</th>
<th>Asian</th>
<th>Black</th>
<th>Hispanic</th>
<th>White</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care and Social Assistance</td>
<td>$40,000</td>
<td>$35,000</td>
<td>$28,800</td>
<td>$35,000</td>
<td>$41,000</td>
<td>$35,000</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>$52,000</td>
<td>$36,100</td>
<td>$40,000</td>
<td>$38,900</td>
<td>$57,000</td>
<td>$63,000</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>$26,700</td>
<td>$28,800</td>
<td>$20,000</td>
<td>$19,000</td>
<td>$30,000</td>
<td>$18,000</td>
</tr>
<tr>
<td>Educational Services</td>
<td>$45,000</td>
<td>$45,000</td>
<td>$40,000</td>
<td>$24,000</td>
<td>$45,000</td>
<td>$42,000</td>
</tr>
<tr>
<td>Professional, Scientific, and Technical Services</td>
<td>$70,000</td>
<td>$88,000</td>
<td>$53,000</td>
<td>$55,000</td>
<td>$70,000</td>
<td>$65,000</td>
</tr>
<tr>
<td>Median Earnings over all Workers</td>
<td>$44,000</td>
<td>$40,000</td>
<td>$32,000</td>
<td>$31,200</td>
<td>$46,000</td>
<td>$35,000</td>
</tr>
</tbody>
</table>


12 Data compiled by the Urban Institute.
Table 2: Workforce Composition of Largest Industries in the Twin Cities\textsuperscript{13}

<table>
<thead>
<tr>
<th>Industry</th>
<th>All</th>
<th>Asian</th>
<th>Black</th>
<th>Hispanic</th>
<th>White</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care and Social Assistance</td>
<td>100%</td>
<td>7.26%</td>
<td>16.57%</td>
<td>14.27%</td>
<td>59.12%</td>
<td>2.79%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>100%</td>
<td>5.58%</td>
<td>11.63%</td>
<td>18.06%</td>
<td>61.56%</td>
<td>3.18%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>100%</td>
<td>7.14%</td>
<td>10.23%</td>
<td>16.79%</td>
<td>63.79%</td>
<td>2.05%</td>
</tr>
<tr>
<td>Educational Services</td>
<td>100%</td>
<td>5.53%</td>
<td>10.85%</td>
<td>12.67%</td>
<td>68.38%</td>
<td>2.56%</td>
</tr>
<tr>
<td>Professional, Scientific, and Technical Services</td>
<td>100%</td>
<td>11.52%</td>
<td>6.08%</td>
<td>10.08%</td>
<td>69.64%</td>
<td>2.67%</td>
</tr>
</tbody>
</table>

Our qualitative and quantitative research indicates that the solutions to building wealth for BIPOC residents in Minneapolis need to be systemic, intentional, culturally appropriate, and grounded in equity-based strategies. These approaches working in tandem can support the level of both community and individual stabilization that enables wealth building and addresses historical policies of harm head on. One small step that has been taken by local government is a recently adopted wage ordinance that will raise minimum pay to $15/hour across the city. This will be implemented in large businesses as of July 2022, small businesses by 2025, and micro businesses by 2027.\textsuperscript{14}

\textsuperscript{13} Data compiled by the Urban Institute.
Homeownership

Barriers to more equitable homeownership

In Minneapolis, historical and present systemic racism, gentrification, and actions of corporate investors create market conditions that impede aspiring BIPOC homeowners throughout their homebuyer journeys.

Market conditions

Corporate investors

Corporate investors continue to make homes in Minneapolis less affordable, buying up a large portion of the housing market in the Twin Cities. Investor ownership has increased from 1.8% in 2006 to 4.1% in 2021. External investors are pricing out many first-time homebuyers by snatching up homes with very lucrative offers, and they are getting increasingly more aggressive. In 2021, investors spent $1 billion on 1,849 homes in the Minneapolis/Saint Paul region in just one quarter. As a result, market prices for both buyers and renters have skyrocketed in the last two years. It is important to emphasize where investors are strategically buying property. These purchases are happening in predominantly low income communities/communities with higher poverty rates – and where there are high concentrations of BIPOC households. Households in these communities are more likely to be renters or limited to purchasing and residing in multi-family housing units. Decreasing housing stock, rising housing costs, and increasing competition for homes creates a market that does not fairly allow BIPOC home seekers the opportunity to buy a home in their own communities. As one interviewee noted, institutional investors and empty nesters can “make quick decisions faster than first time home buyers [which is] exacerbated for households of color and first-generation buyers.”

Ultimately, corporate investors are impeding wealth-building access for BIPOC communities. These investors are also not keeping up with maintenance, reducing the quality of units. For BIPOC communities that have historically been subject to exploitive policies, landlords, and starved of resources, this perpetuates a cycle of historical harm. Interviewees noted the impact of external investors acquiring rental properties, saying “[We need] policy to put an end to investor purchasing, it's

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20 FSG interview.
just hurting our city.” Protection of the housing stock, especially for the region’s most vulnerable, is a critical aspect of equitable wealth building for BIPOC communities in the Minneapolis and the Twin Cities at large.

Table 3: Rate of Investor Ownership of Single Family Rentals by Neighborhood and Poverty Rate

<table>
<thead>
<tr>
<th>Location</th>
<th>County</th>
<th>Share of single-family rentals that are investor-owned</th>
<th>2019 poverty rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minneapolis—Northeast of downtown</td>
<td>Hennepin</td>
<td>30.7%</td>
<td>41.7%</td>
</tr>
<tr>
<td>Fridley</td>
<td>Anoka</td>
<td>27.1%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Hopkins</td>
<td>Hennepin</td>
<td>24.8%</td>
<td>13.7%</td>
</tr>
<tr>
<td>Minneapolis—North</td>
<td>Hennepin</td>
<td>22.5%</td>
<td>14.2%</td>
</tr>
<tr>
<td>Minneapolis—North</td>
<td>Hennepin</td>
<td>22.3%</td>
<td>31.0%</td>
</tr>
<tr>
<td>Minneapolis—North</td>
<td>Hennepin</td>
<td>21.2%</td>
<td>28.7%</td>
</tr>
<tr>
<td>St. Paul—North End</td>
<td>Ramsey</td>
<td>19.1%</td>
<td>26.1%</td>
</tr>
<tr>
<td>Minneapolis—North</td>
<td>Hennepin</td>
<td>17.6%</td>
<td>42.5%</td>
</tr>
<tr>
<td>St. Paul—Payne-Phalen</td>
<td>Ramsey</td>
<td>16.6%</td>
<td>27.7%</td>
</tr>
<tr>
<td>St. Paul—Frogtown</td>
<td>Ramsey</td>
<td>16.1%</td>
<td>25.1%</td>
</tr>
<tr>
<td>St. Paul—Payne-Phalen</td>
<td>Ramsey</td>
<td>16.1%</td>
<td>33.3%</td>
</tr>
<tr>
<td>St. Paul—Summit University</td>
<td>Ramsey</td>
<td>15.8%</td>
<td>38.0%</td>
</tr>
<tr>
<td>St. Paul—Frogtown</td>
<td>Ramsey</td>
<td>15.5%</td>
<td>27.5%</td>
</tr>
<tr>
<td>Minneapolis—North</td>
<td>Hennepin</td>
<td>15.1%</td>
<td>41.9%</td>
</tr>
<tr>
<td>St. Paul—Payne-Phalen</td>
<td>Ramsey</td>
<td>14.8%</td>
<td>28.7%</td>
</tr>
<tr>
<td>Minneapolis—North</td>
<td>Hennepin</td>
<td>14.4%</td>
<td>10.9%</td>
</tr>
<tr>
<td>Oak Park Heights-Stillwater</td>
<td>Washington</td>
<td>14.4%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Minneapolis—North</td>
<td>Hennepin</td>
<td>14.2%</td>
<td>34.8%</td>
</tr>
<tr>
<td>Minneapolis—South</td>
<td>Hennepin</td>
<td>13.6%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Minneapolis—North</td>
<td>Hennepin</td>
<td>13.4%</td>
<td>28.7%</td>
</tr>
</tbody>
</table>

Jim Foster, Star Tribune  Source: Federal Reserve Bank of Minneapolis
Homebuyer journey

Whereas market conditions constrain affordable and available housing inventory, many other structural barriers shape the journey of individual BIPOC residents seeking to purchase a home in and around Minneapolis. The following sections describe the barriers BIPOC residents face before, during, and after purchasing a home.

<table>
<thead>
<tr>
<th>Pre-Purchase</th>
<th>Purchase</th>
<th>Post-Purchase</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Knowledge gaps, trauma, and mindsets</td>
<td>• Use of down payment assistance and other forms of financial assistance</td>
<td>• Maintenance costs and refinancing</td>
</tr>
<tr>
<td>• Down payments</td>
<td></td>
<td>• Devaluation of assets in Black communities and keeping families housed</td>
</tr>
<tr>
<td>• Lending criteria</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Discrimination in lending</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Pre-purchase

Knowledge gaps, trauma, and mindsets

Our interviews suggest that generational knowledge gaps around finances, homeownership, and wealth building are a major barrier preventing many BIPOC families in Minneapolis from beginning the homeownership process. Furthermore, policies and practices that have systemically inhibited wealth-building opportunities for BIPOC communities in the Twin Cities have contributed to trauma, a sense of scarcity, and the mindset that homeownership is out of reach.

Among focus group participants, very few came from families that discussed finances or the importance of homeownership. One participant said, “I wasn't really educated, thoroughly, on how to manage my finances, especially growing up and stuff. They just gave me pocket change, spending it here and there. I never really had money long enough to really hold onto it. I really didn't think nothing of finances until I got older. As I went onto college and stuff, I've had to take a step back and reevaluate my spending habits.” Another shared, “Credit was never talked about. My dad actually owned a home…But it was never anything that was talked about, so I didn't know how to do it. Especially coming here because it's different. Times are different. So, I really had to start from the bottom and just kind of feel my way through.” All of the focus group participants expressed a wish that they had learned about finances earlier in their lives, noting that this would have made a drastic difference both before and during homeownership. One participant explained, “It's things that we needed to know before we actually got into owning a home -- those are the kind of things that we're facing right now.”

Interviewees noted that BIPOC families feel intimidated by the homeownership process because of a lack of exposure, and this contributes to first generation BIPOC homebuyers feeling an immense sense of pressure and responsibility. Focus group participants also called out education as a reason they had not pursued homeownership. One said, “I don't understand why I had the fear because I attempted to buy three times and chickened out. Probably, because of the lack of education...because I would like to buy something, even though I'm old.”

The impacts of generational trauma and knowledge gaps must be recognized as barriers to entry for BIPOC communities and addressed accordingly. The fear that interviewees named is rooted in a history
Minneapolis Needs Assessment

of disinvestment and barriers to access. It is difficult to operate within a mindset of abundance when that has not been the experience of many BIPOC communities, ever. Interviewees named the care with which this trauma needs to be addressed. One notes, “When we talk about finances, especially with Black folks, it can be incredibly triggering, we have to enter those conversations with so much intentionality.” Another said, “Almost every black man I know has contemplated suicide. I think about that. I know we’re talking about financial access, but these are the things that it hinged upon. Until we can talk about and address those things, people are traumatized, people need healing. It’s more than just throwing money, there’s healing that needs to happen, and part of the money needs to be used for healing.” Interviewees emphasized that these issues need to be viewed in synergy and not in silos. Addressing the mindsets and generational knowledge gaps as a critical barrier to access can contribute to addressing the ownership disparities.

Down payments

Down payments are another commonly known and significant barrier to homeownership for BIPOC applicants. Saving for a home loan implies that applicants have financial space to save, while also meeting all of their regular financial obligations, including rent, student loans if applicable, and day-to-day expenses.

Per data compiled by the Urban Institute, only 18.1% of Black residents in Minneapolis are homeowners, compared to 57.9% of White residents. Hispanic and Asian homeownership rates are 31.9% and 36.8%, respectively. The disparity, especially between Black and White residents, is drastic. This data tells us that the vast majority of BIPOC are renters, and we also know that a large subset of that population is rent burdened. Statistically, BIPOC populations are more rent burdened than White people, which impacts their ability to save for down payments. Per the Minnesota Compass Assessment, 70.5% of renter households in Minneapolis are cost burdened, compared to 29.5% of owner households. Spending more money on rent often means that families are unable to save for the down payments necessary to access homeownership. Focus group participants named increasing rent costs as an issue, saying, “I feel rent isn’t affordable no more. It’s gone up. I had a time when I paid a lot more than I should.” Rent burdened households have higher eviction rates, an increase in financial fragility, and a higher need for social safety net programs—all of which have direct impacts on one’s ability to buy a home. According to ACS data, the median household income for a Black family in Minneapolis is $31,700 compared to $84,200 for White households. Black households in Minneapolis are living with less than half of the income of that of White households. The U.S Census Bureau defines those living in poverty as a family of four making less than $27,750 a year. Many Black families in Minneapolis are toeing the line of poverty. A wealth building strategy for the city of Minneapolis must include intentional strategies to address the very specific needs of the BIPOC communities in Minneapolis.

21 Data compiled by the Urban Institute.
Lending criteria and discrimination

Once a potential buyer makes the decision to start the journey, there are a number of criteria related to the underwriting process that have to be met. Lack of credit has been a huge obstacle for Black homebuyers. The use of credit scores often penalizes borrowers for having large amounts of student loan debt or high debt-to-income ratios, both of which tend to be more common among BIPOC borrowers. The most common reason cited in credit denials for BIPOC homebuyers in Minneapolis is high debt-to-income ratios.23 The growing gap in student loan debt is a factor that is increasingly preventing BIPOC homebuyers from accessing credit; this is especially true for Black college graduates.24

The Urban Institute outlines the disproportionate impact of credit on BIPOC communities, writing:25

> Even though credit scores play a key role in determining who gets a mortgage and at what terms, the current credit system disadvantages a disproportionate share of low-income consumers who don’t have enough information in their credit files. To better allow these consumers to access credit or access it at better terms, lenders can leverage alternative data not found in traditional consumer credit reports.

These consumers are disproportionately people of color who, by choice or circumstance, manage their financial lives mostly with cash. Without using credit, they don’t have credit scores or have subpar scores. This can compound historic inequities and prevent them from accessing the generational wealth-building opportunities available via homeownership and other credit opportunities. As of October 2020, 31.5 percent of Hispanic consumers and 45.1 percent of Black consumers had subprime credit scores, but only 18.3 percent of white borrowers did.

The combined facts that credit scores are one of the central criteria for home loan approval and that data shows that BIPOC borrowers are more likely to have subprime credit are indicative of a systemic issue with the homeownership underwriting process. For decades, banks have denied BIPOC communities access to credit building resources. Minneapolis is not exempt from this reality. A report by the Minneapolis Federal Reserve Bank found that Twin Cities neighborhoods with higher shares of residents of color have less access to credit.26 It reads:

> We find that neighborhoods with higher shares of residents of color tend to have less access to credit. Even after adjusting for household income, neighborhoods where the largest racial group is White residents tend to have more credit access and higher credit scores than neighborhoods where the largest racial or ethnic group is Asian, Black, or

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23 Data compiled by the Urban Institute.
This analysis reflects the extent to which credit access is difficult for particular groups, and as such, inequitable. To effectively address homeownership, it is critical to acknowledge the systemic barriers that are affecting Black and Brown communities and address them with intention. An interviewee named the importance of providing credit-building resources. They said, “What can help them to be ready...the main piece is credit. In order to solve those issues, the sustainable approach of financial education blended with coaching will not only teach the skill, but help them build their own credit. Financial education by itself is not enough. It has to be combined with tools to help them improve their credit.” Per this point, Black and Brown communities in the Twin Cities need holistic financial supports that include credit building resources — and Minneapolis needs to address the racist structures that value credit and inhibit access for specific communities.

Separate from the history of wealth inaccessibility for Black communities in Minneapolis, immigrant communities bring different cultural practices around money, saving, and lending that go unnoticed by mainstream financial institutions, making it difficult to build credit, and in turn, access homeownership. For many Muslim homebuyers in the Somali-American community in the Twin Cities, Koranic law forbids paying and receiving interest, or “Riba” in Arabic. If practicing Muslims in this community want to buy a home, they are not able to use traditional lending mechanisms that include interest. Minnesota has the largest Somali-American population in the country, with a significant majority of that population living in the Twin Cities. Mainstream financial institutions have not implemented a mechanism of financing or created alternative opportunities for home buying that respect the cultural boundaries of this large community in Minneapolis. As a result, the Somali-American population is essentially barred from this very critical wealth building opportunity. One interviewee called this conflict out: “Somali and Hmong communities often don’t have credit access and realtors/loan officers are unwilling to help.”

Interviewees also spoke about community wealth building strategies common in immigrant communities, which are an asset but can make it more difficult for participants to secure a loan from mainstream financial institutions. “There’s also the community wealth building processes like susu’s or lending circle. Every small immigrant community has that. That’s one of the issues we run into. You aren’t really setting aside money. Because it’s informal, there is no receipt or proof that the money is yours. That creates a problem even though they have been saving up for a long time.” Additionally, BIPOC cultures place an emphasis on communal wealth and support, which often means co-ownership of assets. However, that is not a value that is typically accommodated in traditional financial institutions. One interviewee noted, “Standard loan products don’t work well for co-ownership arrangements (for businesses and housing); it can be awkward to determine who will take on the risk or how.”

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these processes do not fit squarely into the criteria created by lending institutions, the onus is placed on marginalized communities to navigate institutions that weren’t built for them, or risk being excluded completely.

When the criteria used by financial institutions is racist, so is the implementation of mortgages and other home loans. Financial lending institutions have made it nearly impossible for BIPOC communities to access mortgage loans for decades via the use of both overt and covert methods of discrimination. Historic practices of redlining allowed the denial of financial services to certain neighborhoods based on race, and the impacts of those policies are still felt today. Lending institutions have not made significant progress in addressing the homeownership disparities that its system created. According to an article by AP:30

Holding 17 different factors steady in a complex statistical analysis of more than 2 million conventional mortgage applications for home purchases, we found that lenders were 40% more likely to turn down Latino applicants for loans, 50% more likely to deny Asian/Pacific Islander applicants, and 70% more likely to deny Native American applicants than similar white applicants. Lenders were 80% more likely to reject Black applicants than similar white applicants. These are national rates.

National data shows a clear racial disparity in mortgage loan rates and evidence of bias in denials. In Minneapolis, the reality is the same. According to a report by the Minneapolis Federal Reserve Bank, conventional-mortgage applications from people of color are more likely to be denied, and more importantly, the denial gaps are not explained by available data on application differences. The differences also persist regardless of the racial composition of the properties surrounding neighborhood.31 The application process is already statistically more challenging for BIPOC applicants. This reality coupled with an unexplainable denial rate is reflective of a system that does not support the advancement of BIPOC communities.

Several interviewees named the lack of access to financial products that allow for wealth building. More specifically, BIPOC communities are underbanked and have limited access to flexible loans that “higher asset” financial institutions can provide. One interviewee noted, “For a traditional bank who plays in the mortgage-backed securities, they pretty much have to play by the rules. So yes, the rules are bendable, but the banks that do it – the communities we serve don’t have access to those banks.” Lack of access to banking opportunities can have drastic impacts on wealth building. Most homes are purchased with a mortgage and most businesses rely on credit or loans. When institutions do not provide those resources to BIPOC communities the gaps in homeownership and entrepreneurship grow.

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Purchase
Use of down payment assistance and other forms of financial assistance

While financial assistance programs can serve as a significant resource to BIPOC homebuyers, lack of knowledge about these programs as well as bias and discriminatory practices among lenders, realtors, and sellers can limit their effectiveness. Interviewees called out the fact that realtors and lenders are not educating themselves on the various programs available to support homebuyers. One said, “[There are] tons of assets for first time homebuyers. The question is a lot of lenders aren’t utilizing the programs available…it’s all about education of loan officers. There needs to be more education, information for lenders and agents so they understand all of the different products and programs available for homebuyers.” On the selling side, several interviewees, including those who work in the lending industry, described how sellers and realtors often steer away from offers involving down payment assistance or FHA loans, which must be disclosed. This makes the competitive housing market even more out of reach. One interviewee said, “We are finding that realtor associations are telling realtors not to accept certain loan products, particularly FHA products. When we think about the number of Black families who use FHA products to get into homeownership because it’s the only option they have. You now not only have to compete in a competitive market, but your offer isn’t even being seen or presented to the seller so it can be considered among other eligible offers.” Realtors and sellers may avoid FHA loan offers because they are concerned they will have to lower the price if the home doesn’t appraise in order to complete the sale, but the avoidance of offers with assistance or FHA loans can also be rooted in racial bias. Realtors and sellers may assume that those using assistance are poorer and less likely to follow through on an offer. Because many of the programs are designed to support lower income people, the private market correlates lower income with Black and ultimately, undesirable buyers.

Post-purchase
Maintenance costs & refinancing

After the home is purchased, home maintenance costs can be difficult for BIPOC and low-income families to take on, especially after depleting their savings to purchase the home in the first place. Focus group participants across the board agreed that maintenance costs and services were a significant concern both as home seekers and homeowners. Many did not feel like they were adequately prepared for those additional costs while others avoided homeownership all together out of fear of purchasing a home that lacked quality infrastructure. One focus group participant said, “You get in that house, you find out your bank account is empty because you just spent all your money. What you going to do for this, that, and the other? One person on my street, the second or third family that's lived in the home, to this day they still do not have a driveway, and we're talking about 30 years ago when these houses were built. So, what I'm just saying is, it’s wonderful to have a house, but you got to be ready. And you got to know what to expect. You're going to have expenses more than you know, you know?” Other participants shared similar sentiments noting, “I mean all sorts of issues, when water starts backing up and now we have to think about...these pipes are really old. I'm in Saint Paul, and they're made of clay, and now they're going to fall apart, and it's my responsibility, not the city’s. And that's tens of thousands of dollars. And how do you manage all of that without all of a sudden going broke? Like literally not being able to pay for food and stuff. And so, I am really grateful for the classes. It made me pause to think about whether or not I was actually ready. Because one of the things that they encourage you to do is save a certain way, and if you can't save for three months and be able to think you can do that,
then you shouldn't buy a home, because you're going to be out of your home really quickly.” Getting people into homes is one part of the equation but keeping people in their homes is a critical part of wealth building, which means supporting the ongoing financial needs of homeowners.

Devaluation of assets in Black communities and keeping families housed

Wealth building in homeownership happens when the value of the home increases over time. BIPOC communities in Minneapolis face underinvestment, which drives home values down, and an appraisal gap – where comparable homes are priced lower just because they are in majority black neighborhoods. Both dynamics constrain the wealth building potential of homeownership for BIPOC homeowners. A report by Brookings notes that nationally, homes in neighborhoods where at least 50% of the population is Black, are valued at roughly half the price as homes in neighborhoods with no Black residents.\(^32\) According to the same report, the actual median home value in majority Black neighborhoods in the Twin Cities is $145,798, compared to the estimated median home value without the devaluation\(^33\) at $178,936. The average devaluation of homes in majority Black neighborhoods in the Twin Cities is 20.5%.\(^34\) An interviewee called out this disparity saying, “The history of racism and segregation in the city play a tremendous role, like in other cities. Devalued assets in certain parts of the city impact continued wealth accumulation. [That is a] big part of lack of investment in certain communities.” There is a correlation between the depreciation of home values in BIPOC neighborhoods and the disinvestment in those same communities. Lack of assets and infrastructure like high crime, quality schools, transportation, and green space make it difficult for homeowners to stay in their homes and for their home equity to increase. Homeownership alone will not solve the quality-of-life issues that BIPOC communities are experiencing in Minneapolis. Providing resources to create and sustain thriving communities for BIPOC families must work in tandem with increases in BIPOC homeownership.

Several interviewees spoke about the recent uptick in foreclosures and the importance of keeping existing homeowners in their homes. COVID-19 had drastic impacts on homeowners, and many fell behind once the moratoriums were lifted. One interviewee noted, “[The] biggest reason is the moratoriums were lifted. There were folks who were behind…A lot of folks who got forbearances didn’t understand the agreement. A lot of folks had lump sum payments due now or past. The wealth and income inequities are really drastic. So you layer that in to folks falling behind. Once banks could start

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\(^33\) “Devaluation is defined as the percent discount in median home values between neighborhoods with 50% Black population and neighborhoods with no Black residents, after accounting for structural characteristics of homes and neighborhood amenities. In our preferred estimate, it is calculated by observing the relationship between median neighborhood home prices per square foot (from Zillow) and Black population shares across the full range of neighborhoods within individual metropolitan areas that have at least one majority Black neighborhood and at least one neighborhood with less than 1% Black population shares. In most, though not all, metropolitan areas with at least one neighborhood of each type, the percent difference is negative. Structural characteristics of homes and neighborhood amenities do not fully explain the absolute difference in home value.” --Brookings

foreclosure activity, they did.” Service provides noted the difficulty in supporting homeowners facing foreclosure. The issue is twofold—there are not enough resources to meet the scale of the need and one-time payment resources are not enough to support the changing financial circumstances of many homeowners post COVID. Interviewees stressed the importance of ongoing homeowner education and support as the housing landscape changes.

Landscape of actors
There are a number of critical actors in Minneapolis and the Twin Cities at large that work in the homeownership space across sectors. The list below is not exhaustive but aims to capture a glimpse of that ecosystem and the services they provide.

<table>
<thead>
<tr>
<th>Non-profit</th>
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<tbody>
<tr>
<td><strong>Build Wealth MN Inc. (BWM)</strong></td>
<td>Offers affordable home/closing cost loans to low-income homebuyers that are otherwise</td>
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<td></td>
<td>unable to access equitable credit. BWM also operates programs focused on financial</td>
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<td></td>
<td>literacy, budgeting, home buyer education, credit, saving, and financial planning, with</td>
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<td></td>
<td>a goal of helping families create generational wealth.</td>
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<tr>
<td><strong>CLUES (Comunidades Latinas Unidas En Servicio)</strong></td>
<td>CLUES aims to advance social and economic equity and wellbeing for Latinos by building</td>
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<td>upon their strengths and cultures, uplifting community, and activating leadership for</td>
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<td></td>
<td>systemic change.</td>
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<tr>
<td><strong>Family Assets for Independence in Minnesota</strong></td>
<td>Assists families in building assets through a lucrative savings program. Eligible</td>
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<td>participants can deposit up to $2,000 into a custodial savings account over a 24-month</td>
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<td>period. FAIM then provides a 3:1 match. This program aims to increase low-income</td>
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<tr>
<td></td>
<td>Minnesotan households’ access to purchasing a home, investing in education, starting a</td>
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<tr>
<td></td>
<td>business, and/or purchasing a vehicle.</td>
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<tr>
<td><strong>Family Housing Fund</strong></td>
<td>Supporting organization that fosters partnerships and collaboration focused on building</td>
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<td>affordable homes, providing homeownership loans, preventing investor ownership,</td>
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<td>supporting public housing and voucher holders to become homeowners, and investing in</td>
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<td>research and programming focused on dismantling systemic racism and racial disparities</td>
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<td></td>
<td>in homeownership and wealth across the Twin Cities.</td>
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<td><strong>Habitat for Humanity Twin Cities</strong></td>
<td>Offers low-cost mortgage program for new homeowners that build their house with</td>
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<td></td>
<td>Habitat volunteers and staff. This provides access to credit and affordable homes to</td>
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<td>families in areas that otherwise might not be accessible to them. Additionally, Habitat</td>
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<td></td>
<td>has a buyer education programs that focuses on financial wellbeing and emphasizes</td>
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<td>racial equity.</td>
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<tr>
<td><strong>Metropolitan Consortium of Community Developers</strong></td>
<td>MCCCD is an association of nonprofit community development organizations committed</td>
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<tr>
<td></td>
<td>to expanding the wealth and resources of neighborhoods through housing and economic</td>
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<tr>
<td></td>
<td>development initiatives</td>
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<tr>
<td><strong>Neighborhood Development Alliance (NeDA)</strong></td>
<td>Provides one-on-one counseling and workshops to help people make a financial plan to</td>
</tr>
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<td></td>
<td>buy their first home.</td>
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## Minneapolis Needs Assessment

### NeighborhoodLIFT
Sponsored and led by NeighborWorks® America and Wells Fargo, this partnership provides eligible recipients $15,000 to put toward their down payment and/or closing costs upon completing a buyer education program.

### NeighborWorks Home Partners
NeighborWorks Home Partners’ mission is empowering individuals and communities by helping people buy, fix, and keep their homes.

### NEXUS Community Partners
Nexus supports strong, equitable, and just communities in which all residents are engaged, are recognized as leaders, and have pathways to opportunities.

### PRG
Renovates vacant houses and sells them at an affordable cost to low/middle income families. Provides home buyer education sessions and financial wellness advising, with a focus on refinancing and foreclosure prevention.

### Rondo Community Trust
Community trust set up to create and keep homes affordable for low/moderate income families by building them on land held by the Trust. The buyer pays a $15/month fee to lease the land but has full ownership of the home. In an additional step to build wealth for future generations, land leases may be transferred to the heirs of homeowners.

### Urban League Twin Cities
The Urban League’s Wealth Development program provides clients with housing and financial counseling services for homebuyers, renters, and those experiencing homelessness.

### Local Government

#### Homeownership Opportunity Minneapolis (HOM)
Homeownership Opportunity Minneapolis is a down payment assistance program that provides a 0% interest, no payment 30-year loan with $10,000 in assistance for homebuyers between 61-80% AMI and $20,000 in assistance for homebuyers below 60% AMI to purchase any home in the City of Minneapolis.

#### Minneapolis Public Housing Authority
The mission of the Minneapolis Public Housing Authority (MPHA) is to promote and deliver quality, well-managed homes to a diverse low income population and, with partners, contribute to the well-being of the individuals, families and community they serve.

### Financial Institutions

#### Federal Home Loan Bank of Des Moines
Home loan bank servicing Minneapolis. Recently launched a partnership with the National Association of Minority Mortgage Bankers of America to expand diversity of mortgage professionals in the field and improve outreach and services provided that will support communities of color in their pursuit to become homeowners.

#### U.S Bank
The American Dream program, offered by U.S. Bank, helps consumers with limited resources become homeowners, especially low-to-moderate income (LMI) borrowers and in LMI neighborhoods.
Perspectives on city government

Perspectives on Minneapolis government agencies varied across interviewees but point to areas of growth needed to support equitable homeownership. By and large, interviewees believe that city government can and should be doing more to move the needle on homeownership for BIPOC households. Interviewees would like to see city government intentionally adopt targeted race-specific programs, implement interventions that are appropriately scaled to address the magnitude of the problem, and enhance collaboration with other government entities, nonprofits, and community members.

Interviewees called out the fact that government has shied away from race-based policy interventions and funding and that many disparity studies have not led to real interventions. They called for targeted race-specific programs to remediate generations of discriminatory practices and disinvestment. Equity means that resources and support are distributed with the intention of addressing the differences in access for various communities. This should be done with respect to the history of disinvestment and policies that inhibited equal opportunity for everyone. As such, the interventions should be as intentional as the inhibiting policies. Race neutral policies have not yielded measurable progress in closing homeownership disparities in Minneapolis and are unlikely to do so.

Interviewees also called out the need for government funding commitments and investments to be more robust and for scale to match the stated commitments. “There is not a commitment, especially for home ownership, especially in Saint Paul, but even Minneapolis, putting your money where your mouth is, isn’t here. And the same can be said of the state. They say, ‘The private market will take care of it; we will work on rental and multifamily.’ You can see it and the needle isn’t moving. The scale of resources is just not enough.” Another interviewee named the ways in which all aspects of quality of life are intertwined within homeownership and said, “Minnesota has the worst racial gaps in the country, worst homeownership gaps in the country, second or third to last, income inequality, racial inequality, it’s all packed in there with no real resources or avenues specifically [to address these gaps] from city or state governments.” These sentiments are indicative of the extent to which the homeownership disparity is at play in Minneapolis. Community feels the impact of the disparities, hears the commitments from government to address them, but does not see adequate resources being implemented to move the needle. Making investments around homeownership can propel positive changes to other aspects of quality of life.

Scale also requires aligning city efforts with state and federal initiatives (and advocating for them). The issues around homeownership and wealth disparities are layered, complex, and require multilevel intervention. However, government is not coming together to advance the strategies necessary to enact change. One interviewee said, “Cities alone can’t scale to that point because the policies began in the federal government.” Another said, “[Community] urged city government to focus more on accessing state funding to scale access to homeownership”

Local nonprofits also spoke of a desire to collaborate more closely with city government. Interviewees also mentioned that government has neglected to partner with grass roots organizations, who are critical partners. One says, “I keep reminding people that for the Latino community there are only seven nonprofits that provide services directly to the Latino community. Seven community led organizations. When the funding goes to mainstream organizations, they end up coming to us anyway and saying, ‘How can we work better with your community?’” Empowering community partners who have the
relationships to efficiently distribute resources and information can make a major difference in addressing the needs of BIPOC communities.

While city government may implement beneficial programs, we heard from a number of interviewees and focus group participants that they **lack the community relationships necessary to reach all communities across the city.** More specifically, there are very few opportunities for community engagement and input. Interviewees overwhelmingly noted that residents feel like decisions are made for them and not with them. Mechanisms of input and accountability are central to trust and relationship building, particularly for BIPOC communities.

Akin to the lack of relationships, many interviewees and focus group participants expressed a **general lack of trust of government,** which impacts the ways in which resources are received. This mistrust is rooted in the fact that government has historically and currently, intentionally and unintentionally, perpetuated policies and practices of inequity in BIPOC communities. Additionally, many BIPOC residents do not see themselves reflected in government leadership and interviewees spoke of the importance of diversity of experience and identity in city government. For all of these reasons, it is difficult for BIPOC communities to trust that government is now on their side and is operating with their best interest at heart. When they are engaged, it does not feel genuine. One interviewee called out what they perceived as tokenization of their input and said, “Whenever the city has an issue, there’s always a community advisory board created but the community board never looks like the people who were impacted, or it’s tokenized people, people who have the stage or are already known. We have such vast communities in the cities that we really could be talking to additional folks in the city.” Interviewees spoke of the need to build awareness and capacity of residents to engage in advocacy and political processes and the difficulty of making progress. One shared, “There’s a lot of bureaucracy that goes on that gets in the way of good policy. You have to go through so many layers of meetings.” Participants across the board expressed the need to see government engage more meaningfully with BIPOC communities in a way that addresses past harms, involves listening to as much of the community as possible, and incorporates their wants and needs in decision making.

**Ecosystem dynamics**

Interviewees spoke to several cross-ecosystem dynamics that are either accelerating or impeding progress.

**Coordination & collaboration**

Generally, there is opportunity to further strengthen collaboration and coordination. Interviewees perceive that the ecosystem is more connected than it was several years ago. Since the murder of George Floyd, they say that even if actors don’t collaborate closely, there is greater awareness of each other’s work and more inclination to work together. However, several interviewees spoke of a need for more support from city government, greater coordination among actors, and more leadership in fostering collaboration. They said that whereas there are strong nonprofit leaders and a fair amount of coordination among nonprofits, there is a need for greater leadership in other sectors, and more coordination and collaboration across sectors.
Simplifying and increasing direct investment in BIPOC led community organizations

There is a need to simplify and increase resource flows to community organizations. The existing subsidies / financial supports often don’t reach the people who need them most because as one interviewee noted, the funds are either pumped through a filter that absorbs most of the funding or is oriented toward people who know how to fill out the right things. Interviewees also spoke about the burden and constraints associated with accessing government dollars, which often have restrictions regarding how funds can be used and stringent reporting requirements, and in some cases require nonprofits to make large upfront investments, with the promise of reimbursement in the future if certain conditions are met.

Alternatively, interviewees have seen a recent shift towards government and philanthropy directing more resources towards community organizations led by BIPOC, but there is still room for improvement. More specifically, one interviewee says, “Government is finally, I finally see some of these conversations moving or changing, whether its public or private – moving to Latino led nonprofits. We are moving in that direction but we have not arrived yet.” As earlier mentioned, government lacks the community relationships and often depends on these very same grassroots organizations to help bridge the gap. Supporting BIPOC nonprofits and community organizations from the onset can maximize impact.

Lack of diversity and lived experience among cross-sector leaders

Interviewees spoke of the lack of diversity among professionals, including realtors, loan officers, appraisers, and city government. They spoke about the importance of diversity both in terms of shifting decision-making power to those most impacted and the power of providers having shared experiences and identities, which enables trust building and culturally relevant supports.

Racial bias and persistence of race-neutral approaches

Our interviews surfaced numerous examples of the ways that racial bias – whether conscious or not – is still shaping the homeownership landscape and the need for race-specific approaches and policies to counteract generations of discriminatory policies and practices. While some of the points below are discussed elsewhere in the report, it is worth considering them as a set because they highlight the pervasiveness of racism in the existing system and the need to address it directly.

- Interviewees see government assistance programs that restrict where a home can be purchased as modern red-lining and evidence of unconscious bias (i.e., “You are poor, so you have to qualify by being poor and then you can choose which poor neighborhood you can live in.”) They emphasized the importance of ensuring that potential homebuyers have choices: “We said, if people want to live in these neighborhoods, great. We need to give people choice. If people can only live in these census tracts, that’s not choice.”
- According to interviewees, BIPOC homeowners experience discrimination in home appraisals and there is no recourse or accountability system for the real estate professionals involved.
- One interviewee described how realtors’ perception of neighborhoods as being low quality perpetuates this narrative, steering potential homebuyers away and continuing the cycle of
**disinvestment.** Rather than researching the neighborhoods (e.g., identifying grocery stores, parks, and community spaces) and driving homebuyers through the neighborhoods, realtors share photographs based on prequalification information.

- Generations of discriminatory practices and policies, exacerbated further by the mortgage crisis of 2008, have led to distrust and racial trauma. This has contributed to BIPOC residents being hesitant to seek government assistance for buying a home and resistance to participating in land trusts where a white organization owns the land. One interviewee shared, “For some communities the historic experience of someone else owning your land, the trauma connected with that is very deep...it was visceral...The idea that a white organization owning the land that your house was on is a lot...Some waited and purchased their homes outright instead.”
- **BIPOC-led community organizations are still being underinvested in,** despite some positive shifts: “[BIPOC-led organizations] are a starting point for many people, but those interventions are not supported by policies or funding.”
- Several interviewees spoke of the need for targeted race-specific approaches across sectors (including in government programs) but recognize that there is strong resistance and risk aversion. One described it this way -- “Blended in with racism is that piece of not focusing, or targeting investment.” Another urged, “We need to look at creation of a special purpose credit program where we can use race as a determining factor in investment decisions...Very few people are comfortable with that locally. Not at the state level. I tried to get MN Housing involved, they aren’t touching it. We need someone to step into that space and say, ‘We are going to do that.’ We need resources that are intentional and...the scale of resources needs to look different.” Relying on legislative funding to support existing resources in a system battered by and built on racism creates a power dynamic that limits local actors’ ability to challenge the status quo and generate direct investments and supports for specific BIPOC communities. One local actor acknowledged this tension saying, “When you bring that up in a polarized environment, you risk losing it all.” We heard that city government employees have had some success in targeting funds/programs to specific populations, but it requires creativity and rather than being a widely accepted approach.

**Current strategies and gaps**

Interviewees highlighted several current strategies to increase access to homeownership for BIPOC households in the Twin Cities and shared perspectives on what is both contributing to and impeding progress.

**Financial education and credit building/credit repair**

- Many interviewees spoke about the need for multi-year holistic approaches to wealth-building. Several take a continuum approach, recognizing the need to move households to a place of stability before homeownership or starting a business are in reach. They highlighted the long-term consequences of decisions made by policy makers and limited access to resources (e.g., the importance of being an empowered renter, which enables stable, healthy housing and financial stability, thus unlocking the potential for saving and ultimately a path to home ownership).
Interviewees shared many examples of the lack of knowledge regarding credit, financial planning, managing personal finances, and the homeownership process—and the importance of in-depth financial education that starts early, meets individuals and households where they are, and helps them advance along multiple dimensions simultaneously (e.g., improving rental conditions, increasing income, repairing and/or building credit). They also emphasized the importance of post-homebuying education to help people make decisions that will contribute to wealth building in the long term (e.g., regarding home repairs, avoiding foreclosure, refinancing, and plans for leveraging and passing assets onto the next generation).

Several organizations offer culturally specific financial education services, recognizing the particular challenges and experiences different racial, ethnic, and immigrant groups face.

**Down-payment assistance**

Down-payment assistance was frequently mentioned as a key strategy to increasing home ownership in the Twin Cities, yet interviewees named a number of concerns and constraints:

- **Down payments that are not large enough** to enable purchase of a home in a desirable neighborhood, or homes large enough for larger families
- **Restrictions on where homes may be bought**, which constrain choices and reinforce patterns of segregation
- **Challenges navigating the process**, contributing to the process taking so long that people give up or find that home prices have risen since they started, making homeownership once again out of reach
- Some down-payment assistance programs fail to advance equity in generational wealth building by design. **Means-tested programs limit eligible recipients** of funds by restricting awards to individuals or families who have an income and/or asset level that falls within a designated threshold. In the Twin Cities, most homeownership programs are capped at 80% AMI. This cap makes it more difficult for participants to participate in additional programs available to them or seek higher wage jobs that might push them out of eligibility for the means-tested program, thereby keeping them in poverty. As one local actor said, “The system is designed to keep people poor.” This often excludes larger families that need the support, but slightly exceed the cutoff. The result is more money going to younger professionals with smaller houses and families.

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Investing in cooperatives and land trusts

- **Community land trusts** in the Twin Cities have been an effective way to keep homes affordable and produce new homes, while still generating wealth for homeowners. Previous land transfers have supported expansion of existing trusts, such as the Rondo Community Trust in Saint Paul. Support of the community land trust model helps advance progress toward building wealth for residents and communities. Interviewees opined that local government should continue to transfer city and county-owned properties into land trusts or into “some structure that removes it from the speculative market.”

- One interviewee emphasized the need to focus on directing funds to BIPOC-owned/led cooperatives, saying, “We see that the White cooperative work is incredibly funded. If the city invests in this work, it brings another level of affirming the work; helps bring in other funders.”

- Some interviewees have reservations about the land trust model because it constrains wealth building through home equity, and they’ve had experience with participants who are surprised they have not accumulated more wealth upon eventually selling their homes. However, others see land trusts as an important mechanism for ensuring housing affordability in perpetuity, keeping wealth within the community, and enabling stabilization and some level of wealth generation. They see homeownership as just one path to wealth building. Just as wealthy people usually have many parallel strategies for building wealth, owning a home as part of a land trust, even if it has more modest financial returns, can enable an individual or household to make additional investments, such as starting a business, investing in real estate, etc.

- Interviewees also spoke about knowledge gaps among professionals, stating that local realtors are unfamiliar with supporting buying a home built on land held in a trust.

The strategies that surfaced the most through our conversations were mainly focused on the access and demand side of the housing market rather than on the housing supply, though we did hear about the challenges related to development costs. There is more to learn about the impacts of low housing inventory, strategies to increase supply that are rooted in equity, and the resources needed to advance those strategies and solutions.

**Solutions**

As reflected by the data in this report, the scale of the wealth disparities and the sum of the systemic barriers that are contributing to them are profound and painful. The solutions must be commensurate. The following solutions are informed by interviews, focus groups, and secondary research, and include actions that should be taken by local government, the private sector, grassroots organizations, and a

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combination of other actors who influence the sector. Additional deliberation is needed to co-design with impacted communities and determine the specific roles each actor should play.

Summary of needed solutions discussed in more detail below:

- Build trust and collaboration between community and government
- Institute race-based policy and financial investments
- Ensure sustainability and accountability
- Increase access to financial education and mentorship resources
- Increase housing stock and affordability
- Engage the banking community to deliver more equitable lending practices
- Support community development

Build trust and collaboration between community and government

Need: Interviews and focus groups surfaced that community members experience a mistrust of government coupled with a lack of meaningful engagement, which impacts government’s ability to efficiently serve their needs.

Goal: Build trust and processes for regular engagement between BIPOC communities and the city of Minneapolis.

Solutions:

- Publicly acknowledge, reckon with, and be honest about the role that government has played in perpetuating racial wealth disparities in Minneapolis.
- Increase and sustain physical presence in BIPOC communities via regular community walk throughs, attending community meetings, and other forms of in person engagement.
- Commit to transparency in process and outcomes. Share information with community at every step. Ensure that the information is accurate, comprehensive, honest, and accessible. Be upfront about limitations, power structures, and flexibilities.
- Co-create with community. Validate and incorporate their ideas and recommendations. Acknowledge that they know their community best and pay them for their expertise and time.
- Create an ongoing mechanism for feedback and clarify how their recommendations were or were not incorporated.
- Accountability is key. Implement processes of accountability that communities feel good about. Trust is built when government does what they say they will do.
- Maintain ongoing relationships with community. Do not just engage with community during election time, solely at moments of tragedy, or for the sake publicity. Continue communication and engagement.
- Create mechanisms of engagement that capture the perspectives of as many community members as possible. Be aware of gatekeeping and tokenization (i.e., only tapping the same few community members or engaging to check a box).
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Institute race-based policy and financial investments

**Need:** Centuries of racism, economic exclusion and exploitation of Black people and communities will never be fully repaired. However, the widening wealth gap is indicative of an ongoing systemic problem that requires intentional and aggressive solutions. Black Minneapolis residents were intentionally barred from home buying and wealth building opportunities, which propelled decades of residual impacts that include poverty and overall poorer outcomes in all aspects of life. The impacts of the racist policies were astronomical, and the solutions should be as significant.

**Goal:** Use policy and budgetary resources to address the historical impacts of racist policies and build wealth for BIPOC communities.

**Solutions:**

- Publicly acknowledge, reckon with, and be honest about the role that government has played in creating and perpetuating racial wealth disparities in Minneapolis.
- Completely disengage with any processes or policies that continue to contribute to wealth disparities in Minneapolis.
- Initiate a regular cadence of disparity studies to protect the legality of the race-based investments and policies. As a part of the study, determine the amount lost by BIPOC families due to racist policies. Having a clear picture of the debt owed is an important starting point in addressing the disparities.
- Invest in narrative shift about the importance of race targeted solutions as a necessary aspect of addressing past and ongoing harm.
- Make a budgetary commitment specifically intended to address wealth building for Black communities in Minneapolis. A significant percentage of the commitment should go directly to the hands of the people.
  - As a part of this effort, establish permanent funding streams across sectors and levels of government that cover down payment, closing costs, home maintenance funding support, and other financial needs for all BIPOC homebuyers and owners at necessary scale.

Ensure sustainability & accountability

**Need:** Systems level change requires accountability and sustainability to be embedded in the process. Without them, change can be temporary and unsustainable. Historically, while racist practices have been deemed illegal, they continue to operate socially. In many instances, institutions have found loopholes that allow for the same disparate outcomes. As such, it is critical to address both the legal and the social practices that contribute to the disparities in homeownership and wealth building.

**Goal:** Develop mechanisms of accountability and sustainability to ensure changes are actualizing in the long term and regardless of political shifts.

**Solution:**

- Pass laws with specific anti-racism commitments that ensure they live beyond administration/political changes.
- Align cross sector actors and community members to determine specific time-based goals.
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- Regular public reporting on progress, in consultation with impacted communities, including reporting on actors who choose not to participate in anti-racist initiatives.
- Expose and sever relationships with any actor who refuses to meet the standards established by the city of Minneapolis in partnership with impacted communities.
- Explore options for creating accountability for real estate professionals who act in a discriminatory way, e.g., reporting mechanisms with consequences.
- Invest in narrative shift and anti-racist trainings for housing system actors (realtors, lenders, policymakers, etc.) that address biases and race-based perceptions of BIPOC residents and neighborhoods, in an effort to equitably improve the experience of BIPOC homebuyers.

Increase access to financial education and mentorship resources

**Need:** Many interviewees and focus group participants named education as a significant need in Minneapolis. More specifically, many named that they were not taught about financial literacy or the benefits of homeownership in building wealth. The city of Minneapolis has a number of actors and organizations who are working to address these needs but lack resources to address the problem at scale.

**Goal:** Increase awareness and access of homeownership opportunities and resources in BIPOC communities in Minneapolis. Develop a system of ongoing support and mentorship.

**Solutions:**

- Incorporate financial literacy education into K-12 school curriculum.
- Development of a network of BIPOC homeowners and seekers who provide ongoing mentorship and share resources.
- Develop navigators who help home seekers navigate the home buying process and advocate on their behalf. The navigator would maintain an ongoing relationship with the homeowner to address questions or concerns that arise even after they are housed in an effort to keep the owner in their home for the long term.

Increase housing stock and affordability

**Need:** Challenges around housing supply, like external investors and increased construction costs, drive up costs and make homeownership even less accessible for BIPOC communities.

**Goal:** Increase housing supply coupled with mechanisms of increasing affordability and access for BIPOC homebuyers in perpetuity.

**Solutions:**

- Adopt a first right of refusal policy for BIPOC renters.
- Advance policy to minimize barriers and risks for non-profit and affordable housing developers.
- Conduct an audit of all city land use and develop a process/screen for decision making so that opportunities to expand homeownership are always considered.
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- Continue to transfer city and county-owned properties into land trusts or into “some structure that removes it from the speculative market.”
- Invest funds directly in BIPOC-owned/led housing cooperatives.
- Increase financial support for small developers to offset rising operation and construction costs, e.g., a loan loss reserve fund for CDCs.
- Take advantage of zoning changes that allow for more multi-family housing units.
- Conduct an equity audit on zoning laws across the city.

Engage the banking community to deliver more equitable lending practices

Need: Racist and inequitable practices in banking and lending are at the epicenter of the racial wealth gap and the homeownership disparity. Unfortunately, inequity is deeply engrained in this system, which means that major shifts in lending are necessary for true equity.

Goal: Develop a new system of banking and lending that is rooted in equity and works to undo the harm caused by traditional institutions of lending.

Solutions:

- Work with cities across the state, region, and nationally to advocate for banking reforms and accountability mechanisms, including the following:
  - Abolishing the current criteria used to determine lending feasibility including credit scores, student loan debt, and other criteria for which BIPOC home seekers are more predominantly represented. Replace with a comprehensive and equity-based system of lending.
  - Establishing a standard for the banking experience across all neighborhoods in Minneapolis that include denial explanations, awareness and encouragement of homebuyer programs/resources, cultural competence, and robust accessibility infrastructure that encompasses the immigrant experience.
  - Strengthen HMDA reporting and transparency requirements on disaggregated mortgage and lending data, with a focus on race and other forms of identity.
  - Commit to implementing a Special Purpose Credit Program that aims to serve unmet credit needs and create equitable access to credit for BIPOC and other underserved communities. Find more information here: https://www.consumerfinance.gov/about-us/blog/using-special-purpose-credit-programs-to-serve-unmet-credit-needs/
- Test solutions that address home appraisal disparities (potentially in partnership with other cities).
- Expose and sever relationships with banks and lenders who refuse to meet the standards established by the city of Minneapolis in partnership with impacted communities.
Support community development

Need: Community development and homeownership promotion need to happen in tandem in order to build thriving BIPOC communities and create wealth-building opportunities.

Goal: Embed equity principles and practices into the processes of other city departments to support community development strategies that contribute to the creation of a thriving community and meet the holistic needs of the residents.

Solutions:

- Realign city programming and policies to take a holistic approach to economic support.
- Co-create community investment priorities with the community and create transparent and accessible tracking systems.
- Ensure anti-displacement procedures are in place to combat gentrification as resources flows are increased.
- Work with community on anti-racist public safety mechanisms.
- Commit funding to upgrade infrastructure, community facilities, housing rehabilitation, public services, community centers, and other investment as outlined by community.
- Minneapolis Public Housing Authority should increase funding to support the establishment of more community land trusts, with a focus on trusts led by persons of color.
**Entrepreneurship**

**The role of entrepreneurship in building wealth**

Owning a small business can be a pathway to building wealth for an individual, their family, and the broader community, and evidence suggests that it can be an effective strategy for closing the racial wealth gap. A 2016 report by the Association for Enterprise Opportunity states that Black business owners are 12 times wealthier than their peers who do not own businesses, even when controlling for different levels of wealth prior to launching a business. Furthermore, business ownership creates new wealth faster compared to wage employment. While White adults have 13 times the wealth that Black adults do, the median wealth of White business owners is only three times higher than that of Black business owners. The potential for wealth building extends beyond the business owner because small businesses tend to hire from the community, thereby creating opportunities for economic empowerment. Ninety-six percent of Black owned businesses are non-employer firms compared to just eighty-one percent of all firms. Increasing Black business revenue to enable more Black owned businesses to become employers or hire additional employees would create hundreds of thousands of jobs nationally and result in a measurable decrease in the Black unemployment rate. Interviewees spoke of entrepreneurship as a means of asset building, leadership, and power building: “We want to give people control. We do that through giving them ownership of businesses, where they can have a say in governance; usually in their own workplace. And broadly, the ability to have more than just a wage job where you can get fired at any point and not have a say.”

However, despite the potential for entrepreneurship to be a path to wealth building for BIPOC communities, a number of conditions need to be met. A history of racist policies have intentionally inhibited the wealth building opportunity for BIPOC communities. The impacts of these policies are still being felt today. First, BIPOC business owners face many systemic barriers that make it more difficult to start, stabilize, and scale their businesses. As a result, BIPOC owned businesses are more likely to fail. At the start, BIPOC entrepreneurs are less likely to have startup funding from their own assets or from friends or family. Without assets for collateral and a track record of business success, it is more difficult for BIPOC entrepreneurs to attain bank loans or other traditional mechanisms of funding. Furthermore, without savings to cushion against unexpected events or income volatility, BIPOC entrepreneurs are at a higher risk of missing payments, which can later impact their ability to secure additional business funding. They are also more likely to use high interest financing options such as credit cards, which exacerbate the challenges. Interviewees also emphasized that it is important for entrepreneurs to own the assets that underlie their business – “ownership of the building and making sure that it is legally separate from the business, so regardless of the outcome people can leave with the outcome of an asset that can support their next thing.”

For entrepreneurship to serve as a vehicle for wealth building for BIPOC business owners, the structural challenges have to be addressed.

**Racial inequities in entrepreneurship by the numbers**

Our interviews and secondary research confirm that the systemic barriers facing BIPOC entrepreneurs nationally are present in the Twin Cities, despite entrepreneurs and small business owners being a driving economic force for the Twin Cities. More specifically, BIPOC entrepreneurs have made economic
contributions to the region in spite of many ongoing challenges. Those challenges have created significant disparity in entrepreneurship representation, growth, and opportunity:

- Black residents represent 9.5% of the Minneapolis/Saint Paul metropolitan statistical area (MSA), however, Black-owned businesses only comprise 1.8% of all firms and have 0.9% share of sales. At the state-level, Black-owned businesses have a larger share – growing from 2.4% in 2007 to 5.1% in 2017.
- There is a gap in number of startups: While they are 44.4% of the population, BIPOC-led startups only represent 10.2% of all new firms in the Minneapolis-Saint Paul MSA, while White-led startups represent 89.8%.  
- There is a gap in the distribution of sales: BIPOC-led startups only have a 5.8% share of sales among firms in the Minneapolis-Saint Paul MSA, while White-led startups have 96.2% share of sales.

A Brookings Institution study estimates the economic and community losses of these inequities by calculating the potential impact of Black businesses reaching parity with all businesses in the Twin Cities:

- If the average pay to employees of Black-owned businesses matched the average pay of all businesses, it would increase overall total pay in the city by approximately $989,927,936.
- If the average number of jobs created by Black business reached parity with the average for all businesses, it would create approximately 9,512 new jobs.
- If the number of Black businesses in the Twin Cities relative to the Black population matched the overall business per capita rate in the city, and the employees per Black owned firm matched the average business, it would create 178,961 jobs.

The data reflects the stark disparities in entrepreneurial opportunity and success for BIPOC small business owners. The challenges expressed by aspiring and current entrepreneurs, coupled with the secondary research, paint a holistic picture of the current state of BIPOC entrepreneurship, the barriers, and areas of opportunity to support their needs.

**Barriers to an equitable landscape for small business**

**Access to credit and capital**

Limited access to financing is the largest barrier that creates and exacerbates racial inequities in entrepreneurship. Entrepreneurs’ first line of credit is usually their own or their families. Generational wealth has been limited in BIPOC communities in large part due to racial discrimination in homeownership and other forms of wealth building. As a result, White entrepreneurs are much more likely to have access to personal and family financing and collateral, which in turn increases their

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40 Data compiled by the Urban Institute.  
41 Data compiled by the Urban Institute.  
Minneapolis Needs Assessment

likelihood to receive additional business loans. On average, White entrepreneurs in the United States receive five times more funding from family than Black entrepreneurs. BIPOC entrepreneurs also face a costlier and more liability-burdened path to capital, often relying on personal credit cards. This in turn increases their debt-to-income ratio, making it more difficult to secure a bank loan. Nationally, large banks approve only 29% of loans sought by Black small business owners compared with 60% of White small businesses owners. Racial biases have also led to limited access to venture capital funding for Black and LatinX entrepreneurs - since 2016, Black and LatinX owned businesses in the United States received less than 3% of distributed venture capital funding.

These trends manifest at the local level. In 2020, BIPOC startups in the Minneapolis-Saint Paul MSA received just 5% of the $1.3 billion venture capital funding invested in local entrepreneurs. Interviewees called out the lack of seed funding as a significant barrier to entry. One said, “For startups, the seed funding is critical because doing a startup is like doing a second job. At first you are volunteering your time, because you don’t have a business that is paying you. Maybe you’ll get that time back as a founder of a successful company, but that could be years...If you could pay someone full time or strong part time to get these off the ground, that could be magical, if they have the right skills and drive.” Another interviewee emphasized that financial assistance is often needed to capitalize the business, i.e., “funding the actual equipment, space, operations.” Banks’ preference to make larger investments that are lower risk than startups and small community businesses can make it difficult to receive private loans. One interviewee said, “Banks want to start at loan amounts that are often too big for smaller businesses, we need bridge loans between a $200k loan and starting microloans.” Interviewees shared that even when entrepreneurs are able to attain bank loans, they face unfair and discriminatory interest rates: “Is it [current lending] affordable to our own client? Do they have to make hundreds of additional sales to cover interest? They would be able to get by just fine if they had fair interest rates.”

Education and technical assistance

Focus group participants emphasized the importance of education to create awareness of entrepreneurship as a path to wealth building. One shared, “So when we think about entrepreneurship and business, education is important because education prepares you to enter these conversations.” Other participants called out that traditional education doesn’t always emphasize entrepreneurship as a means of wealth building. Instead, most of the training is focused on how to be an employee. Participants across the board wish they had more educational resources and learned the benefits of entrepreneurship earlier on.

Interviewees emphasized the importance of wraparound services and long-term/locked in technical assistance. Every business will need “multiple sectors of support” and whereas there are often supports

for business launch, there is a gap in ongoing supports to help entrepreneurs weather challenges and grow. One shared, “You get a financial assistant who says, ‘We got your back for the next five years.’ That kind of thing could be amazing. Often with a consultant it is hard. [They say,] ‘I can show you these tools and give you an introduction to them and then good luck.’”

Knowledge capital, networks, and gatekeeping
Beyond support for developing business acumen, interviewees and focus group participants highlighted the inequities in knowledge capital and access to networks, as well as the harmful impacts of gatekeeping. Interviewees shared that financial institutions often extend more knowledge capital to White entrepreneurs. For example, banks expect to see certain details in a pro forma (business plan) and anecdotal evidence suggests that when they are missing, they are more likely to point this out to White entrepreneurs, whereas BIPOC entrepreneurs are denied without explanation.

Information and resources are dependent on relationships. One focus group participant observed, “The government has a lot of money and companies have all of this money to be invested. But the way in which this money flows has to do with relationships, who [someone] knows.” BIPOC entrepreneurs are often victims of gatekeeping, which can be a major inhibitor to their growth and scale. And even when BIPOC representation is facilitated, it is often experienced as tokenizing: “And when they’re invited to come to a place, no, they’re invited for the token, so a few faces of color can be seen around.”

Navigating bureaucracy
Focus group participants also called out the challenges around maneuvering through city processes, which are rigid and complicated. For many, the ability to adequately complete paperwork makes the difference between accessing opportunities or not. Interviewees spoke of the need to modernize government processes so that entrepreneurs engaging with one part of the system are automatically engaged by other relevant departments.

Stereotypes and racial trauma
Race and identity played a major role in the experience of focus group participants. Participants named being stereotyped and underestimated in their work because of their identity:

“Even in housekeeping, as simple as that sounds, it was always male dominated. And I was always received as the housekeeper, not the business owner. So in addition to being Hispanic, it was always the stereotype, she’s Hispanic or whatever she is, she’s probably the housekeeper. Let’s wait for the business owner for the billing or the employees.”

“Just getting into bigger accounts involved a lot of barriers. I always had to go through a contractor, who was male and white.”

“But since you saw me, you assumed that I didn’t speak the language. You assumed I didn’t understand. You assumed so much. It was a huge barrier for me to stay in the business because they were like, ‘Do you know how to use the machines?’ I was being questioned about my ability, yet at the end of the work, they were so amazed and surprised.”
Interviewees also spoke about the way that racial trauma shapes BIPOC entrepreneurs’ vision of what is possible. One explained, “And then there’s trauma and how that shows up in people's lives. Most of my clients are people of color, mostly African American, a lot of trauma...We go through this whole process in my class -- we’re in financial planning -- everybody's eyes all glaze over and they talk about being overwhelmed by all these variables...and they start seeing the numbers? Oh it’s going to cost half a million dollars, $200k, $100k. When you have a mindset of lack those numbers can be very intimidating, very scary. I think the trauma plays into that, specifically for [the BIPOC] community, that sense of lack, that sense of scarcity is embedded.”

Cultural incompetency and differences are another significant contributor to the disparities in how BIPOC businesses are supported by the city of Minneapolis. City processes do not value cultural forms of wealth building or entrepreneurship. Many business owners in Minneapolis come from communities that value businesses outside of the traditional structures. One participant notes, “And it shouldn't be awkward that they want to work from home too. Or sell from those stands, it shouldn't be ghetto. It shouldn't be frowned upon. It’s like, oh, it’s cute when a kid does the little lemonade stands, but when you see an adult doing their barbecue, it's all of a sudden not right.”

**Specific challenges for immigrant entrepreneurs**

An entrepreneur’s immigration status can also have a heavy influence on their access to credit. Stringent government requirements around documentation and immigration status, including the difficulty in obtaining a social security number, makes it more difficult for immigrants to access credit. One interviewee explained, “Not having a social security number and having to use a license number [prolongs and disrupts the approval process]. Or a new immigrant that does have a social security number but has a low credit score because they are just beginning.” Another observed, “Only three banks will loan to someone with a Tax ID number instead of a social security number. Only having access to three banks is already a systemic barrier. It's not a law but a policy decision by the banks.”

Lending circles and other cooperative models of financing are common in the Latino community and other immigrant communities in Minneapolis. This community asset can inadvertently contribute to challenges accessing loans and other capital from traditional financial institutions if participants co-mingle funds or don’t have a clear paper trail. There is also a lack of understanding of the tax system, particularly in Minneapolis’ immigrant communities, which results in oversight of wealth-building opportunities. One local actor noted that private accountants do not serve these communities justly: “You can move up in your wealth building if you do [taxes] right. Nobody understands the tax systems. Few [accountants] who do taxes for our community do it in a way to save [entrepreneurs] money.”

**Landscape of actors**

There are a number of critical actors in Minneapolis that work to support BIPOC entrepreneurship. The list below is not exhaustive but aims to capture a glimpse of that ecosystem and the services they provide.
<table>
<thead>
<tr>
<th>Non-profit</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>AEDS (African Economic Development Solutions)</strong></td>
<td>A resource center providing African immigrants and entrepreneurs in the Twin Cities with business development and skill trainings, financial literacy workshops, lending services, and networking opportunities.</td>
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<tr>
<td><strong>Latino Chamber of Commerce of Minnesota</strong></td>
<td>A resource center offering a multitude of services to the Latino community in Minnesota with a focus on business and workforce development. In partnership with many community organizations, they offer job/skills trainings, networking, mentoring, financial and legal advising, and startup consultations. The Chamber also educates members on relevant policy issues and candidates, and advocates for positions voted on by members.</td>
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<tr>
<td><strong>Meda</strong></td>
<td>A resource center providing business consulting services, loan products, and connections to opportunities for BIPOC-owned businesses in the Twin Cities.</td>
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<tr>
<td><strong>Metropolitan Consortium of Community Developers (MCCD)</strong></td>
<td>An association of non-profits providing entrepreneurs in the Twin Cities with free business consulting services, business loans, and mentoring and networking opportunities.</td>
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<tr>
<td><strong>NDC</strong></td>
<td>A placed-based initiative that offers a wide range of services to support entrepreneurs in the Twin Cities, including trainings, business services, business loans, incubators, and real estate. NDC rates are on a sliding scale based on entrepreneurs’ household income and family size.</td>
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<tr>
<td><strong>Nexus Community Partners</strong></td>
<td>A community organization providing a variety of services to uplift communities of color and close racial wealth gaps in the Twin Cities. A few services offered include business development and transition consulting, promoting employee-owned business models, and leadership trainings. In 2023, Nexus will launch a sabbatical program for BIPOC business owners.</td>
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<tr>
<td><strong>The Latino Economic Development Center</strong></td>
<td>A resource center providing the Latino community of Saint Paul with low-cost business development and skill trainings, certification programs, loan services, entrepreneur scholarship funds, incubators, and agricultural services.</td>
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<tr>
<td><strong>The Minnesota Black Chamber of Commerce</strong></td>
<td>A resource center providing business and registration guides, mentorship programming, and network development opportunities to Black business owners in Minnesota.</td>
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<tr>
<td><strong>Model Cities</strong></td>
<td>A community organization that provides home ownership, youth, family, commercial development, and residential development services in the Twin Cities.</td>
</tr>
<tr>
<td><strong>CLUES (Comunidades拉丁as Unidas En Servicio)</strong></td>
<td>CLUES aims to advance social and economic equity and wellbeing for Latinos by building upon their strengths and cultures, uplifting community, and activating leadership for systemic change.</td>
</tr>
<tr>
<td><strong>The Alliance</strong></td>
<td>The Alliance is a coalition of community-based organizations and advocacy groups building shared power to advance strategic campaigns around the intersections of racial justice, economic justice, environmental justice, and health equity. Their mission is to advance justice and equity in economic growth and land development in the Twin Cities region.</td>
</tr>
</tbody>
</table>
### Government

<table>
<thead>
<tr>
<th><strong>City of Minneapolis Business Assistance Center</strong></th>
<th>The local government offers a variety of support systems including minority-owned business certification programs, HUD resources, and entrepreneurship guidebooks.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Minnesota Employment and Economic Development’s Small Business Assistance Office</strong></td>
<td>A resource center offering business consultations, guidebooks, and additional services to reduce entry and development barriers for small businesses and startups in the Twin Cities.</td>
</tr>
</tbody>
</table>

### Public-Private Partnership

| **The University of St. Thomas Small Business Development Center (SBDC)** | A free resource center offering business-consulting services to businesses and startups in the Twin Cities, with an emphasis on growth strategies (e.g., sales, profitability, and expanding customer base). |

### Commentary on the landscape

Our interviews surfaced specific reflections on several players in the ecosystem:

- Interviewees shared about the importance of community-based organizations with deep community relationships and culturally specific approaches. There is a perception that these organizations are under-resourced and underappreciated, and several interviewees advised investing more in these organizations rather than having city government play a stronger role in direct service.

- We heard from an interviewee that the Twin Cities have a “robust network for community development financial institutions to support the small business sector.”

- Multiple interviewees see an opportunity for corporations with headquarters in the Twin Cities to play a stronger role as anchor institutions. In this role, both the city and corporations can help

  “You'll have companies that say, 'We're all about diversity, we're all about supporting, we're committed to communities of color,' but then when it comes to working with companies, like minority-owned business [purchasing programs], there is a lot of paperwork, the process is not easy, it’s very cumbersome. They have to set you up in the system and all that.”

  “Then you don't get paid, you don't get paid, only after you have already offered the services, many times, months after you have, and then you have to be checking with them and ‘Hey, do you have everything you need?’ And then eventually at some point, down the road in three, four months is when they pay you.”

  “So when you hire them or when you contract with them to perform a service for you and you don't pay them for three, four months, you are working with their money. So it's like, okay, here you have a billion dollar, large, multinational, sometimes big Fortune 500 company with millions in earnings, holding money from this little mom and pop or young individual person that is trying to make a living.”
existing entrepreneurs access new markets. One interviewee said, “Other assets that go unnoticed or challenged is we have headquarters – [that] could function as anchor institutions that really go completely invisible and there isn’t an adequate challenge to them to really change behavior or how they invest that would be a benefit to entrepreneurship in not just food related businesses. Those are assets that haven’t been fully tapped into.” Focus group participants shared that larger corporations lack meaningful engagement with BIPOC businesses. Companies often tokenize BIPOC communities and do not invest in communities in a way that matches their stated commitments. Larger companies do not pay BIPOC small business in a timely manner, which can be devastating. They also ask for discounts or low ball them on payments—all reflective of their biased perceptions of BIPOC businesses and owners.

- One interviewee shared that there is an opportunity to support BIPOC entrepreneurs in the health space: “There’s an opportunity for multiple outcomes to be achieved around quality of care that people receive, the wealth created, good paying jobs, the potential wealth for the owners of it. Ownership of a clinic you could have community members that own it and other people who operate it.”

Ecosystem dynamics

Overlooking the informal economy

Many of the current interventions/supports are not designed to reach entrepreneurs in the informal economy. Home-based business models, primarily operated by BIPOC entrepreneurs, are not as supported through legal structures, making them more difficult to scale.\(^{47}\) The nature and complexity of navigating legal structures often leads to these businesses staying under the radar, which further prevents them from taking advantage of resources and supports available through community organizations and government programs.\(^{48}\) Beyond the loss of these supports, running an informal business can further perpetuate a lack of credit access, impacting not just their entrepreneurial pursuits, but also attempts to acquire other assets to build generational wealth. One interviewee said, “People can’t find money to start their business in a formal way. They run it through their home, a cash business, which prevents them from being able to grow. And they aren’t able to prove they have a steady income, so how am I going to be able to buy a house or even rent an apartment?”

Fragmented programming

Interventions and support systems in Minneapolis are fragmented and lack pull through. Not only can this lead to inefficiency in the solutions space, but it can also cause confusion as entrepreneurs try to navigate the system to identify which supports they need the most and have available to them.\(^{49}\) One local actor noted, “The Twin Cities has a tremendous amount of nonprofit infrastructure, TA expertise, loan and grant programs. The challenge is each one has a specialty and you have to work with two and a half of them to get what you need.”

\(^{47}\) FSG Interviews.
\(^{48}\) FSG Interviews.
\(^{49}\) FSG Interviews.
Collaboration and investment in existing supports can help foster a stronger community, shifting ecosystem dynamics to become more favorable. During the COVID-19 pandemic, local businesses “came together because the relief dollars were not getting to small businesses and wanted to ensure that happened. Shows what can happen when you invest in the ecosystem,” one local actor said.

**Low trust**

Although the legal structures are difficult to navigate, low trust and a negative perception of local government also prevents entrepreneurs in Minneapolis from seeking government resources. The local government is seen less as a resource and more as an enforcer. One local actor noted this tension, stating, “COVID relief going through government entities failed because people weren’t looking to them for relief.”

**White-centered programming**

Interviewees shared that many resources and programs available in Minneapolis often center on the White experience. One local actor emphasized the disconnect of cultural inclusivity present in local resources saying, “…in the Latino community things are done differently because of our culture. We often have multi-generational families. That creates a problem when they are trying to receive assistance, or put together their income.” Support for BIPOC entrepreneurs requires an approach that is sensitive to the history of racist policies, the current state of disparities, and the complexity of the solutions.

One interviewee wondered, “How do cities think about reparations? Even if not at the federal scale but there’s ways cities can be thinking about this and undoing the harm. Correct the level of disinvestment in our communities--it has been deeply systemic...There is a sentiment of deservingness that is rooted in racism across all systems. This idea that certain people have to do certain things to deserve more. Its more about power and we believe that equitable investment is about justice but also how you make a city/community thrive.”

Focus group participants also named the lack of culturally competent support. Business ideas that came from non-White aspiring entrepreneurs are received differently. The validity of their ideas and the risk assessment is tied to their identity, which impacts the resources and support given to them. One community member mentioned that unless a business owner receives support from others within the ecosystem, their ideas are not validated, which can be daunting for the aspirant. He added, “Some of the biggest ideas in the world when they were presented for the first time, people thought they were the craziest ideas.” In many ways, BIPOC entrepreneurs are pressured to be more humble and less confident at the start. While it is important to be receptive to feedback, the validity of their ideas should not be tied to their identities.
Current strategies and gaps
Interviewees highlighted several current strategies to support BIPOC entrepreneurship in the Twin Cities and shared perspectives on what is both contributing to and impeding progress.

Access to credit and capital
Several programs are working to fill gaps in access to credit. Family Assets for Independence in Minnesota’s (FAIM) 3:1 match savings program helps build capital that can be invested in homeownership, a business, or to pay off college debt. They also provide credit rebuild tools that assist individuals in navigating/paying off predatory loans. The Minnesota Emerging Entrepreneur Loan Program provides grant funding, through DEED, to certified non-profits, which then offer loans to low-income- and minority-owned businesses. Some of the local actors offering these loan products include Meda, Metropolitan Consortium of Community Developers, and the Latino Economic Development Center, among others.

Cooperative models
Co-ops have played a strong role in building community wealth in BIPOC communities throughout history, especially in predominantly Black neighborhoods. According to a study by Project Equity, co-ops enhance workers’ wealth by allowing them to “build assets through business ownership.” Local actors echoed this sentiment and expressed the opportunity to expand the number of commercial real estate co-ops. Local actors are focused on both supporting the launch of new cooperatively owned businesses and converting existing businesses into worker-owned structures; the latter is generally seen as more promising because of the high failure rate of startups. However, it requires unique mechanisms to protect the interests of both the seller and buyer during the conversion process. Co-ops have unique legal structures and require thoughtfulness and expertise to create ownership arrangements that serve everyone and which are sustainable; the ecosystem could use more support of this type. There is also a specific opportunity to convert businesses from retiring business owners into worker-owned coops.

Interviewees would like to see tax breaks to support cooperatives (both cooperatively owned businesses and land trusts). They pointed to examples in other countries where the portion of business proceeds that are invested in the community are not taxed.

Minneapolis Needs Assessment

Culture as an asset and economic driver
Interviewees see culture as an underleveraged asset for creating a flourishing BIPOC entrepreneurial landscape in the Twin Cities. They pointed to the Night Market and African Mall as successful examples. Culture can create lucrative business opportunities; furthermore, the culture of collaboration and shared ownership held by many BIPOC communities can be leveraged. Whereas in the American dominant culture mindset “it’s hard to trust and [people want to be] a millionaire rather than a shared billionaire,” BIPOC communities hold cultural knowledge of collaborative approaches.

Legacy owned Black businesses (and other locally owned BIPOC businesses) are “cultural hubs,” places “where the elders gather,” and represent community assets in places where displacement from highways and other forces have destroyed so much community wealth. One interviewee shared, “Small business has two roles -- a social, cultural role and they meet the needs of our community. Commercial corridors are critical. If we lose those, our neighborhoods go with them.” Interviewees also see an opportunity to support creative businesses more and create a narrative and pathways of opportunity for artists as entrepreneurs.

Community development
Interviewees and focus group participants emphasized that community development must happen in tandem with entrepreneurship support. Quality communities support small businesses in thriving. Focus group participants called out the need for holistic community support. They want to keep their businesses in their own communities but find it challenging when the community lacks resources that can help it thrive. Entrepreneurs named that they have been encouraged to relocate their businesses outside of BIPOC neighborhoods if they want to succeed and grow. One said, “Well, [community development] does tie into business. I think the high crime rates and the deteriorating buildings have been a barrier that we need to change...I wanted my community to have the same attention as Woodbury. I don't want to have to drive to Woodbury to get a nice restaurant. I want to stay in my community, but then when people ask me they say, 'Maybe you should go work in Edina. I don't want my purse being stolen or my car.'” BIPOC entrepreneurs should be able to stay in their own communities and experience economic growth. Improving the quality of life for the entire community would have positive residual impacts for entrepreneurs and small business owners.

Solutions
As reflected by the data in this report, the scale of the wealth disparities and the sum of the systemic barriers that are contributing to them are profound and painful. The solutions must be commensurate. The following solutions are informed by interviews, focus groups, and secondary research, and include actions that should be taken by local government, the private sector, grassroots organizations, and a combination of other actors who influence the sector. Additional deliberation is needed to co-design with impacted communities and determine the specific roles each actor should play.
Minneapolis Needs Assessment

Increase educational resources and knowledge capital for BIPOC entrepreneurs

**Need:** Interviewees and focus group participants named that knowledge capital and educational resources are a major growth inhibitor. Entrepreneurs need lifelong wrap around services that meet all of their unique needs, support them in navigating complex systems and processes, advocate on their behalf when necessary, and aid them through inevitable business challenges.

**Goal:** Increase educational resources and provide wrap around services that meet the needs of BIPOC entrepreneurs at scale.

**Solutions**

- Invest in a broad set of existing and new resources that are informed by BIPOC entrepreneurs, accessible, and culturally competent and responsive at scale.
- Partner with the Minneapolis Public School system to provide entrepreneurship education.
- Provide navigators and mentors to BIPOC entrepreneurs to support them in all aspects of their business growth and sustainability.
- Establish an advocate role/department to help entrepreneurs navigate government programs/services/processes across departments and jurisdictions.
- Expand and create additional channels in city government for listening to BIPOC entrepreneurs, co-creation of solutions, and joint decision-making.

Institute race-based policy and investments

**Need:** The leading barrier for BIPOC entrepreneurs is access to capital, seed funding, and other financial resources. The wealth disparity is a major contributor and needs to be addressed directly to provide meaningful financial support to BIPOC entrepreneurs. Simultaneously, racism exists within traditional financing mechanisms from lending institutions. Both sides of this issue need to be solved for BIPOC entrepreneurs to have equitable access to opportunity.

**Goal:** Use policy and budgetary resources to address the historical impacts of racist policies and build wealth for BIPOC communities.

**Solutions**

- Publicly acknowledge, reckon with, and be honest about the role that government has played in perpetuating racial wealth disparities in Minneapolis.
- Completely disengage with any processes or policies that continue to contribute to wealth disparities in Minneapolis.
- Make a budgetary commitment specifically intended to address the holistic financial needs of BIPOC entrepreneurs in Minneapolis. A significant percentage of the commitment should go directly to the hands of the business owners in perpetuity.
  - Ensure that funding sources are flexible, culturally relevant, and accessible.
- Initiate a regular cadence of disparity studies to protect the legality of race-based investments and policies. As a part of the study, determine the amount lost by BIPOC families due to racist policies. Having a clear picture of the debt owed is an important starting point in addressing the disparities.
Minneapolis Needs Assessment

- Invest in narrative shift about the importance of race targeted solutions as a necessary aspect of addressing past and ongoing harm.

Enhance collaboration and accountability across ecosystem actors

**Need:** Minneapolis has a rich ecosystem of organizations that support entrepreneurs in the city. These organizations are often working in siloes, limiting the reinforcement of their activities. This makes it challenging for BIPOC entrepreneurs to access the services they need and the interventions less effective at growing Minneapolis’ overall economy. Better coordination would allow organizations to proactively focus their efforts on an aligned set of goals.

**Goal:** Enhance collaboration and accountability across the ecosystem of actors supporting BIPOC entrepreneurs in Minneapolis

**Solutions:**

- Convene actors for joint sense-making of existing research/reports/plans and facilitate shared prioritization across efforts (in coordination with existing coalitions).
- Consider aligning economic development efforts to build industry clusters.
- Create uniform and public tracking system to enable all actors and residents to track progress.
- Map where resources exist by stage of business (and other categories, e.g., culturally-specific) and strengthen referral system.
- Hire resource navigators that can hold relationships with entrepreneurs and help them navigate the resources across the ecosystem. Ensure that these navigators are trained in implicit bias and anti-racism.
- Support creation of a one stop shop for entrepreneurs that encompasses both public & private resources.
- Prioritize establishing small businesses as preferred vendors.
- Expand business transition services available to local entrepreneurs, like those offered by Nexus
  - Emphasize employee-owned co-ops and conversion to co-ops as an exit strategy
- Invest in programming to help co-ops create more inclusive governance structures
- Explore tax breaks for cooperatives who invest proceeds in the community
- Evaluate programs to identify cultural disconnects
- Work with state and county to modernize government processes
Appendix A: Acknowledgements

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