CITIES AND BUSINESSES OF COLOR:
A GUIDE TO ECONOMIC GROWTH

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FOREWARD FROM CITI FOUNDATION AND LIVING CITIES

By: Kristen Scheyder, Senior Program Officer, Citi Foundation and
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When we launched the City Accelerator in 2015, our goal was to foster partnerships between philanthropy and local government to drive innovation in cities as a means to help tackle some of their most pressing challenges and improve the lives of low-income residents. Since then, approximately 30 cities across the US have collaborated to address topics ranging from inclusive procurement practices to embedding innovation in local government systems. Even as the City Accelerator has always strived to focus on essential issues, it is perhaps now – in a world grappling with the long-term impacts of COVID-19 and confronting the impacts of systemic racism – that the learnings from the most recent City Accelerator cohort are most timely and needed.

The theme of the fifth cohort of the City Accelerator was 'Local Business and Job Growth' with an intentional focus on building support for firms owned by people of color. For over a year, the cities of El Paso, Long Beach, Newark, Rochester, and Atlanta came together to learn how to apply a racial equity lens to municipal economic development systems and refocus their work on developing more inclusive small business ecosystems as a way to meaningfully support entrepreneurs of color in their communities.

The learnings shared in this guide from the various initiatives come at a critical moment as small businesses everywhere, but especially those owned by people of color, are struggling to survive due to the economic impacts of COVID-19 while also confronting the very real and lasting consequences of systemic racism. As communities across the country consider how to make recovery efforts more equitable for residents of color, we hope the lessons learned, case studies, and strategies in the following pages can empower them to create solutions that close racial income gaps and encourage entrepreneurship.

It must be noted that this work would have not been as impactful or as successful if the cities worked in a vacuum. Throughout their time in the City Accelerator, participating cities partnered with local business owners, universities, community-based organizations, financial institutions, and others to ensure the creation of a sustainable small business ecosystem that would be supportive of firms owned by people color.

Witnessing the inspiring work built through these cross-sector partnerships, along with the cities of different sizes, geographies and challenges, has been a powerful reminder that when we work together, we can produce real and systemic positive change.

FOREWARD FROM ASCENDANT GLOBAL

By: Rodrick T. Miller, President and CEO of Ascendant Global

The world is at the cusp of a major economic shift and opportunity. The question is, "can this shift present an opportunity for people of color in the United States to gain economic parity and repair some of the damage caused by centuries of systemic discrimination?"

The answer is yes and the time for that change is now. Every major economic shift throughout history whether industrialization or the rise of the computer age has created new pockets of wealth and opportunity. As COVID-19 has afflicted more than 25 million people worldwide and killed 840,000 people with nearly 200,000 of those deaths happening in the United States, it has wreaked a particular mortal and economic blow to American communities of color. The combination of COVID-19's impact on communities of color and longstanding discrimination issues punctuated by the murder of George Floyd, an unarmed Black man killed by a white police officer in Minneapolis, have resulted in national and global protests demanding change. Americans of all hues have come together to hold leadership accountable articulating that we expect more and better from our leadership. Corporate, philanthropic, and civic leaders have come out with an array of statements and initiatives showing solidarity with the sentiment of greater equality and economic opportunity for people of color, especially Black Americans.

Cities need to deliver and lead on that mandate. This implementation guide provides concrete tools and approaches for city governments to play a key role in helping companies owned by people of color to grow and create jobs. It also argues that cities and other governmental institutions, not only hold the puzzle pieces to resolve this dilemma; but have historically implemented policies and practices that have led to this ongoing economic divide.

Between February and April of 2020, the number of working Black business owners plummeted more than 40 percent, while Latinx-owned business dropped by 32 percent Asian-owned businesses dropped by nearly a quarter, and immigrant-owned business fell by a whopping 36% over the same time frame according to data from the US Census Bureau and the Bureau of Labor Statistics. Businesses owned by people of color seem to suffer from a perfect storm of a high concentration in leisure related industries, communities that have been overwhelmed by the virus resulting in physical shutdown and/or weaker revenues, and thin savings which do not allow them the staying power to weather the storm. As the old adage goes, "When white America gets a cold, communities of color get pneumonia."

Despite these challenges, there is hope. The economy is going through some dramatic corrections and COVID-19 is shifting the decision-making paradigm through which companies, entrepreneurs, policymakers, and individuals must respond. This paradigm transformation will render business and society as we once knew it irrevocably changed. From social distancing to remote working, these changes are already underway and others will play out over the coming years to ensure society's long-term sustainability. As you read the pages ahead, the depths of the historic economic chasm between whites and people of color will become much clearer. The time is now for cities to lead with intentionality in policy and practice so that all residents can flourish.

INTRODUCTION

America's business landscape is changing. Large, mature businesses, the titans of the 20th century economy, are not producing enough jobs or income to meet growing demand. Meanwhile, smaller, emergent companies are creating the vast majority of new jobs across the United States.[1] These economic realities suggest that policymakers looking to boost local economies and create jobs would be wise to develop and expand strategies that support small businesses and their owners.

The demographics of America are changing as well. Over the next 30 years, the United States is projected to not have a single racial or ethnic majority. People of color, historically disenfranchised and excluded from full participation in American life, will represent the greatest share of the United States population.[2]

To city government leaders, these two trends—the need for more and stronger small businesses to provide jobs and wealth-building opportunities to owners and workers, and the rise of a historically excluded population of Black and Brown people as the new American majority—represent a significant challenge and a tremendous opportunity.

What is the best role for cities to play in nurturing small business ecosystems?

How can cities create space for innovation, marshal their assets and those of partners, and connect new and potential entrepreneurs to the resources and supports they need to sustain and grow the economy? How—and why—should cities confront the legacy of structural and institutional racism that have held people of color back, and be explicit about the moral and economic case for racial equity?

The answers to these questions are not simply theoretical—they can literally shape the economy and economic outcomes. The racial wealth gap in the United States—the disparity between how much wealth white households and households of color have to secure their livelihoods and create businesses and jobs—continues to grow at an accelerating pace. For example, if this gap is left unaddressed, median Black and Latinx household wealth is projected to fall to zero within the next 50 years.[3] In other words, the rising American majority is and will be less economically secure, and less able to create the businesses and jobs needed to sustain the economy of the future, than ever before.

We can already see the economic impact of these disparities. Research shows that the gap in business creation among people of color is costing America over one million businesses, an estimated nine million jobs, and $300 billion in income annually. [4]

Nearly three quarters of US mayors identified economic development and business growth as top priorities in their respective 2019 State of the City addresses. In fact, these priorities were referenced more than any other policy issue.[5] As economic growth becomes further concentrated in a small handful of cities, it is incumbent upon city leaders everywhere to pursue innovative and inclusive growth strategies.[6]

Recognizing this urgency, Living Cities and the Citi Foundation launched the City Accelerator on Local Business and Job Growth in 2018. The program was designed to provide an opportunity for five cities to work collaboratively over the course of a year to explore the ways in which levers of municipal government can drive local economic opportunity and help entrepreneurs, particularly people of color, to start and grow their businesses.

The selected cities— Atlanta, El Paso, Long Beach, Newark and Rochester — were selected from a large and diverse pool of applicants. These forward-thinking city governments brought together cross-functional teams to map their existing business ecosystems, identify gaps and opportunities, and implement strategies across sectors to activate and encourage entrepreneurs of color.

We believe this Implementation Guide contains valuable ideas and strategies for local economic developers and planners, equity and inclusion leaders, and allied community partners who see the promise of a stronger economy comprised of more small businesses and more diverse owners.

THIS GUIDE CONTAINS SEVERAL KEY ELEMENTS:

1. The Time is Now: The Case for Growing Businesses Owned by Entrepreneurs of Color. This initial section of the Guide provides the contextual nuance to underscore why job-creating businesses of color are essential to the economic revitalization of cities and the role of cities in leading this charge.

2. Principles for Securing Economic Inclusion. While cities should pursue place-appropriate strategies to support inclusive growth, the key principles to follow in pursuing economic inclusion are described to provide useful touchstones for program development.

3. System Development, Design, and Performance. This section of the guide outlines a practical approach for planning and designing inclusive and equitable economic development projects in cities, and includes tips on how to avoid common pitfalls. This section also provides guidance to cities seeking to support businesses in reaching their goals without creating unnecessary hurdles or disadvantaging businesses owned by people of color.

4. Strengthening the Capacity of Diverse Businesses. This section dives into specific strategies that work to help businesses of color grow in revenues, employees, and strategic position. For the reader that wants to get right to work on a particular issue, this is the place to find the substance you are looking for to navigate the challenges and opportunities in front of you right now. This section also provides diverse case studies and innovative practices as fodder for additional innovations.

Taken together, this Guide aims to help fill in knowledge gaps and provide supporting evidence of strategies for creating jobs and expanding economic opportunities in communities of color.

THE CITY ACCELERATOR

The Time is Now: The Case for Growing Businesses Owned by People of Color

THE CITY ACCELERATOR

The City Accelerator is an initiative led by Living Cities and supported by the Citi Foundation. And through our partnership with GOVERNING.com, we are able to document the progress of the cities throughout the City Accelerator to a key audience of state and local government leaders. The City Accelerator helps cities adopt innovations that can improve the lives of residents, low-income residents specifically. Each year, the City Accelerator works with a cohort of cities to implement a particular economic development innovation. Previous cohorts have focused on community engagement, financing infrastructure and inclusive procurement. Through a competitive process, in mid-2018 Living Cities chose 5 cities to join the fifth cohort of its City Accelerator program, the Local Business and Job Growth Cohort. The City Accelerator worked with cities that had or were developing comprehensive small business development plans to include specific strategies for supporting firms owned by people of color. Strategies focused on strengthening the local small business ecosystem for existing, home-grown businesses with > 1 full time employee (FTE) including:

- identifying gaps in technical assistance offerings to business owners;
- assessing the capital landscape for starting and growing companies;
- availability of commercial space; and
- applying a racial equity lens to city-led or city-supported services and resources.

Individual city teams from the participating cities included leadership from the mayor's office, departments of small business services and economic development, licensing and permitting, equity and inclusion, budget, and workforce development. Each chosen city received a grant of $100,000, targeted technical assistance and expert coaching delivered by Ascendant Global over 12 months. Job growth was a key desired result of the improved ecosystem.

In addition to each city's individual improvement goals, an objective of the City Accelerator was for cities to share experiences, and for lessons learned to be collected and shared in the form of blog posts, articles, and this guide. To further collaboration, the city teams came together to meet at the launch of the project and at the end of the 12 months.

In addition, there were monthly calls during which the teams discussed their progress and had sessions delivered by experts on various economic development topics including data measurement, debt and equity investments, and opportunity zones. The teams from Atlanta, El Paso and Rochester also met for a racial equity awareness training. Case studies of their work can be found throughout this guide that illustrate their challenges, opportunities, and successes and demonstrate that results are achievable, but require focus, flexibility, diligence, and cooperation.

THE TIME IS NOW: THE CASE FOR GROWING BUSINESSES OWNED BY ENTREPRENEURS OF COLOR

Cities have a crucial role to play in developing and supporting economic opportunities for people of color. Over half of American cities are majority people of color. Across all cities in 2010, 41 percent of residents were white, 26 percent were Latinx, and 22 percent were Black.[7] It is startling to see that though people of color are the majority of the population in many cities, they still lag behind their white counterparts in economic attainment. If cities that are majority-minority are not working to reduce or eliminate this disparity, they are failing over half of their populations. Cities prosper when their residents do well economically, so it is in a city's best interest to promote the growth of businesses owned by people of color as people of color tend to represent a significant portion of their residents. The striking demographics of people of color in cities further underscore the importance of cities' mandate to work toward racial economic inclusion.

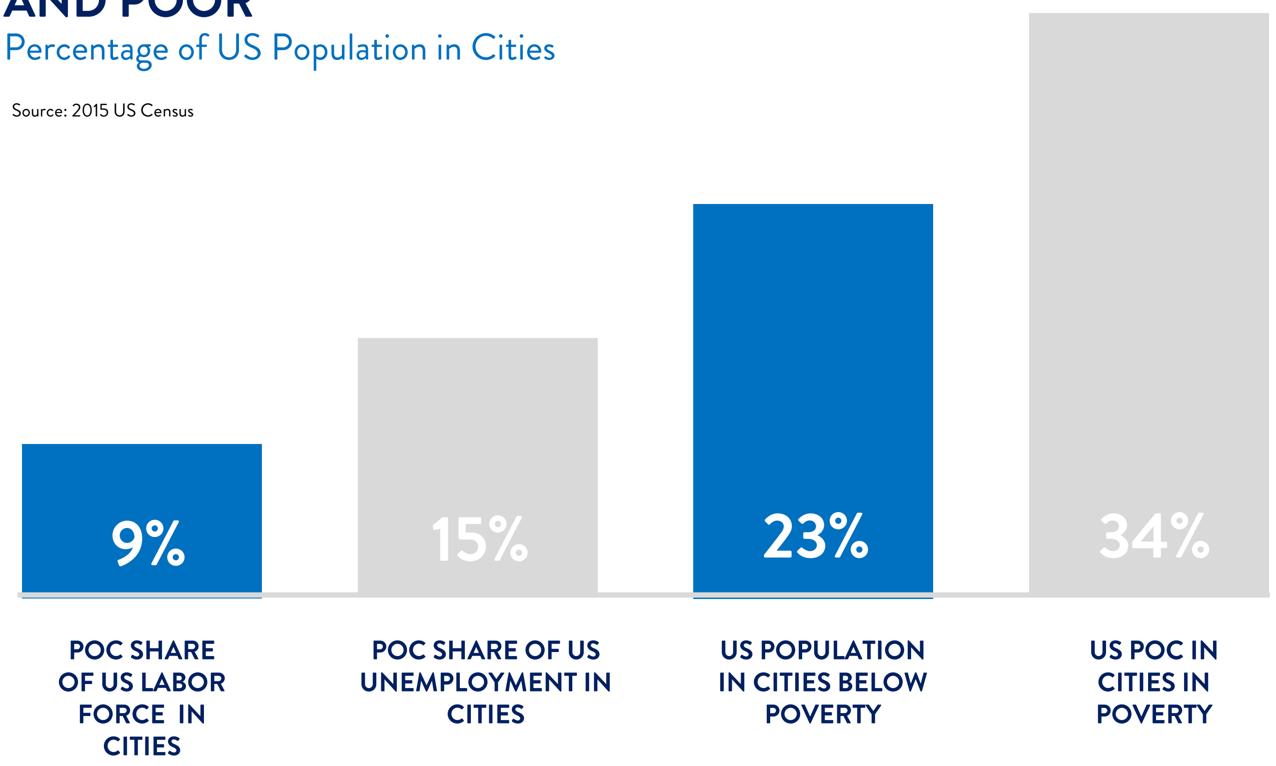
Cities have enjoyed somewhat of a renaissance since the 1970s. During the late twentieth century, American cities were popularly perceived to be places of poverty, crime, instability, and inescapably, darker-skinned/non-majority populations.[8] The fact is that persistent redlining, white flight, deindustrialization and offshoring, disinvestment from infrastructure and schools, and limited employment opportunities prevented many longtime city residents from experiencing financial mobility.

In recent decades, coastal cities and larger cities that are magnets for investment by Big Tech and the financial sector, have been substantially revitalized through strategies that lead to gentrification. There has been a renaissance in the downtown/midtown areas of cities like Detroit and Austin. Many newer residents to cities such as Washington, D.C., New York City, and San Francisco have experienced growing prosperity. Despite these wealth gains for some urban residents over the past two decades, this economic growth has not extended to the full community. The poverty rate among people of color in many US cities remains troublingly high.

PEOPLE OF COLOR IN CITIES ARE DISPROPORTIONATELY UNEMPLOYED AND POOR

Percentage of US Population in Cities

Source: 2015 US Census



People of color are less likely to be entrepreneurs. Entrepreneurship is a critical driver of economic growth. Entrepreneurs create new firms, new industries, and new markets--the key ingredients in net job creation and wealth generation. Entrepreneurs often bring new technologies and innovations to a market, increasing its competitiveness, spurring new economic activity, and driving economic growth.

While people of color represent 38 percent of the US population, they account for only 19 percent of entrepreneurs. In inner cities, people of color represent 76 percent of the population, and just 22 percent of the entrepreneurs.[9] This gap needs to be addressed in order to build a more inclusive base of entrepreneurs and support a more dynamic and competitive American economy.

Research indicates that entrepreneurs of color face different challenges than their white counterparts. They face critical shortfalls in the areas of management education, access to money, and access to markets. While disparities persist nationwide, they are most acute in cities where residents tend to be lower-income and live with a legacy of historic disinvestment, housing segregation, and heavy-handed urban renewal efforts. [10]

> Marginalized communities of color often have incredible talent, creativity, and business savvy. However, they need tools, capacity building and opportunity to transform their moxie into revenue, profitability and ultimately wealth.
>
> Rodrick Miller, Ascendant Global

The systems that have established these challenges have developed over many generations and will take a long time to dismantle. However, emergent case studies point to cities' attempts to address these issues, in pockets, at a local level. For people of color, successfully pursuing entrepreneurship requires support to counteract the obstacles they face.

A broad array of factors including income, wealth, socioeconomic circumstances, networks, capital, and discrimination inhibit the performance of businesses owned by people of color. As a result, businesses owned by entrepreneurs of color tend to underperform, in terms of profitability, as compared to their mainstream counterparts.[11] Firms owned by people of color earn just 48 percent of the revenue of firms with white owners. Even among the high-growth, inner city businesses that Initiative for a Competitive Inner City (ICIC) tracks, businesses owned by people of color have not kept pace with their white counterparts. Businesses owed by people of color earn 72 percent of the revenue of white-owned firms and just 44 percent of profits.

Communities of color in cities have the potential, if they are able to participate in the economy on a par with their white counterparts, to raise overall US levels of productivity and economic activity, increasing everyone's prosperity and upward mobility. Research shows that families who own a business have higher median net worth than families who do not. Black families who own a business have eight times the net worth of Black families who do not.[12] Similarly, Latinx families who own a business have four times the net worth of Latinx families who do not.

MEDIAN HOUSEHOLD WEALTH BY BUSINESS OWNERSHIP STATUS

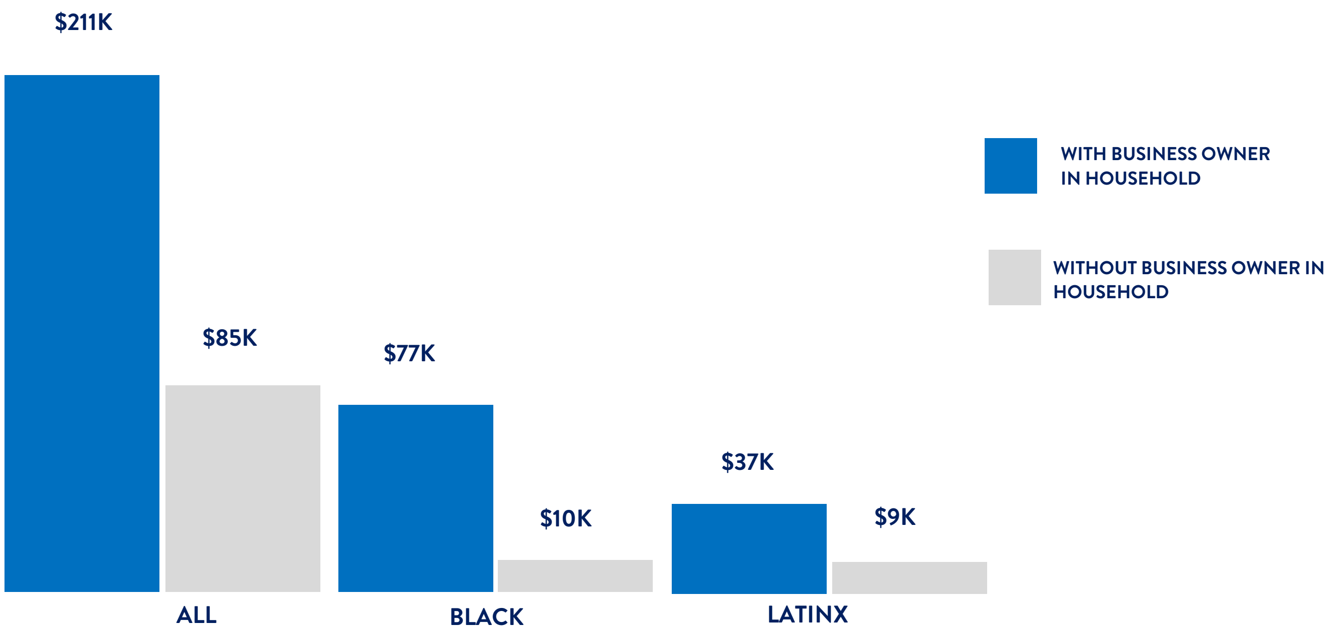


Figure 1. Comparison of Median Income and Wealth among whites, African-Americans, and Hispanic/Latinx Households. Source: Sullivan, et al, Equitable Investments in the Next Generation, Source: Bridging the Wealth Gap Through Small Business Growth [13]

An inclusive economic approach which is market-driven versus patronage or social service oriented and focused on those neighborhoods represents a proven path to economic revitalization.[14] Creating a supportive ecosystem of services and resources for entrepreneurs of color will help cities to revitalize their underinvested neighborhoods and raise the standard of living for all their citizens.

Cities are home to a disproportionately high number of poor and people of color and have a responsibility to fully include them in the city's economic growth strategies and social fabric. Cities must address issues of economic inclusion and poverty alleviation for their own long-term sustainability. It is a matter of sound governance that cities fulfill this public mandate to their residents.

While many municipal codes, regulations and policies have perpetuated segregation and disinvestment, these same levers can be used to address historic disparities. Cities hold the tools, and influence to confront the scourge of the racial wealth gap. Cities can use their might across an array of decisions--including housing, economic development, real estate, health, education, and infrastructure--to drive more inclusive outcomes.

Public procurement represents a major revenue opportunity for businesses owned by people of color and can drive the economic performance of a city and region. Contracting rules, policies and protocols can be designed to help businesses owned by people of color gain greater experience, scale, innovate, and sustain their operations. Cities nationwide have found that a strategic and intentional approach to procurement is a powerful tool in expanding opportunities for local, business owners of color. In cases where a business's product or service targets government clients—for example, in the area of civic tech—government contracting may be the only major revenue stream.

> Working with the Chief Procurement Officer of the City of LA has been the catalyst that we needed to take our business to the next level. Because of this project we were able to compete for more contracts nationwide. . .increase our staff by 40%, and obtain another $1 million in venture capital funding. . .
>
> *Sky Kelly, founder of Avisare, A Los Angeles based tech startup.*
>
> Culture, Collaboration and Capital: Leveraging Procurement for Economic Equity

One of the main difficulties faced by entrepreneurs of color in accessing public procurement opportunities is that they often lack visibility within the pool of contractors tapped by cities for goods and services. They also may not have enough cash reserves to perform the work needed and wait the usual long payment times that cities take to pay entrepreneurs upon completion of work. Cities that commit to seeking out qualified, performance-ready companies owned by people of color, as well as companies with a substantial number of people of color employees, and providing them with procurement technical assistance, are providing a critical public service.

The City of Detroit recognized this and created the D2D (Detroit to Detroit) program which grew the spend between small- and medium-sized businesses in the city and major anchor institutions from $500M to over $830M in just three years. Newark, New Jersey, recognized that they could strengthen businesses of color by making sure that companies throughout the real estate development cycle had appropriate capacity to respond and be competitive for real estate development opportunities in the city.

CASE STUDY: NEWARK, NJ

POPULATION	282,102
LABOR FORCE	128,606
DEMOGRAPHICS	52% Black, 34% Latinx, 12% White, 2% Asian
KEY SECTORS	Healthcare & Social Assistance – 14% Transportation & Warehousing – 13% Construction – 11% Retail & Trade – 9% Administrative Support – 8.5% Manufacturing – 7%
MEDIAN HOUSEHOLD INCOME	$37,642/year
UNEMPLOYMENT RATE	10.7%
POVERTY RATE	28.3%

LOCAL CONTEXT

Newark is experiencing a historic surge in commercial and housing development. However, Newark-owned firms--especially those owned by people of color-- have not been the primary beneficiaries of this surge. Although people of color make up 71.6 percent of the population, most of the firms benefiting from Newark's renaissance are not owned by people of color. Moreover, the city's majority population of people of color holds a minority of the city's jobs (39.7 percent). The goal of Newark's City Accelerator work has been to incorporate local businesses owned by people of color into its renaissance, and in, fact, drive its character as it develops.

SNAPSHOT

Baseline data collected at the outset of the City Accelerator project from the Census indicated that 1,611 businesses in Newark were owned by people of color.

OBJECTIVES

Their goals were to enhance and expand the reach and effect of Newark's Hire. Buy. Live. Initiative to entrepreneurs of color. Prior to being selected for this City Accelerator cohort, Newark had launched, in partnership with Rutgers University-Newark, RWJ Barnabas Health, Prudential, and other local anchor institutions, the Hire. Buy. Live. initiative. The aim was to reduce unemployment, grow local businesses, and increase rental and homeownership choices for employees of these local businesses. The City Accelerator project continued this work focusing on assisting local businesses owned by people of color in growing and becoming integrated into Newark's renaissance.

WHAT THEY DID

The project had two core elements, a Contractors' Development Initiative (CDI), and an All-Inclusive Business Portal.

Contractors Development Initiative. Newark expanded on a previous capacity-building program targeted to local contractors/developers owned by people of color. The aim was to provide technical expertise and back office operations to increase their scalability and sustainable growth to participate in local contracting opportunities, both with public sector and private sector anchors. This program helped entrepreneurs of color build back office operations, create a roadmap to the bonding process and eventually lead to becoming an M/WBE prime.

Surveys were conducted to determine training needs among local businesses to ensure that courses being offered were relevant and would be utilized. The most often requested topics related to internal bookkeeping/financial management, general financial literacy such as understanding insurance and credit underwriting standards and understanding and accessing the procurement process.

A cohort of businesses was chosen to participate in the program. In order to participate in the program, businesses chosen had to be Newark-based, be M/WBE- certified or willing to be certified, submit an application that includes tax returns, certificates of insurance, company revenues, etc.

Businesses ranged in age from start up through businesses that had more than 15 years history, with the largest portion in the 3-to-8 year range. Revenues ranged from $20,000 to $5,000,000. About one-third of the firms responding were micro enterprises with revenues between $20,000 to $50,000, about 50 percent were between $50,000 and $500,000, and 16 percent had revenues above $500,000. About half of the firms over $500,000 had revenues above $1,000,000.

Local anchor institutions were tapped to participate in teaching for the training programs. This approach has helped to introduce business owners of color to them, resulting in some successful contracting matchmaking. Specifically, Newark has aimed to bring more entrepreneurs of color—including architects, contractors, and developers—into the real estate development ecosystem that is powering the city's growth.

In addition to the capacity-building, anchor institutions participation in the training has allowed these large businesses to get to know more local small businesses. There have been some successful partnerships through subcontracting as a result. As further described below, local procurement has begun to increase. Participants bid on over thirty projects over the course of the cohort and have won 16 engagements to date.

The other initiative was the All-Inclusive Business Portal. Newark is establishing a business portal to assist firms owned by women and people of color in navigating training, resources, and opportunities. Highlights will include links to pages regarding access to capital. This portal will link in with all of Newark's partners to streamline and aggregate all RFPs out for bid and produce them in one place. Marketing of opportunities in the City of Newark will be accessible in one central, easily accessible place. The website will be highly interactive.

While the project is ongoing and the portal has not yet become operational, there have been some notable successes:

- Local procurement spend has tripled since June 2017.
- Rutgers University is currently at 24 percent, with a goal of 30 percent by 2020.
- There has been match-making of local suppliers with key anchor institutions, including Prudential Financial engaging Royal Marketing, Prudential Center engaging BMC Construction (a CDI graduate) and Blue Cross Blue Shield contracting with women-owned KS Engineering.

PRINCIPLES IN ACTION

Newark's approach, in targeting the businesses owned by people of color for training, basing the trainings on data collected from those entrepreneurs, and focusing on procurement as the tool of inclusion. Newark's Contractor Development Initiative provided training to entrepreneurs of color, but focused on entrepreneurs that could benefit from accessing procurement opportunities from the city's major investors/anchor institutions. Moreover, by surveying the businesses prior to designing the training program, and analyzing the data, the city was able to help potential contractors obtain the skills they needed to compete for contracts from the anchor institutions. By engaging those very anchor institutions in the training, the city not only created partnerships with the businesses that are key to the region's economy, it created one-on-one networking, in a learning setting that was conducive to anchor institutions really getting to know potential contractors, which resulted in local procurement, but also long-term relationships between these smaller businesses and anchor institutions that will outlast the project. The other part of the City Accelerator project, the All-Inclusive Business Portal, in bringing together resources for the both large and small businesses in one place, easily accessible, will improve the city's ecosystem.

WHAT THEY LEARNED

One of the main operational shortcomings holding back small businesses was poor back office operations. The surveys at the outset of the project revealed that businesses were most interested in learning to manage their accounting, bookkeeping, and payroll. Many did not have financial statements sufficient to satisfy lenders in an application for credit. These shortcomings handicapped business' ability to seek larger opportunities. The training in these basic operations were valuable for the participants in the CDI and prepared them for taking on larger engagements.

Engaging larger anchor institutions in the training that were delivered to the small businesses promoted relationships that led to contracting opportunities for the small businesses; supporting meaningful networking promotes growth for small businesses. In addition to online access to a database of opportunities, one of the benefits of the City Accelerator has been personal relationships between representatives of large anchor institutions such as insurance and construction companies, and smaller businesses in a position to contract or subcontract with them. In setting up the training for the small businesses through CDI, the city recruited instructors from the large anchor institutions. This promoted contact and allowed the large and small businesses to get to know each other. As described above, small businesses have been able to secure contracts from the larger participants in the Newark economy even before the end of the project.

In sum, cities are the appropriate actors to support racial equity in economic opportunity. If cities do not lead the way, prospects for comprehensive action around economic inclusion at state and national levels seem slim. Cities are home to concentrated populations of people of color and have a vested interest in promoting evenly spread focus economic growth. City Halls and city agencies are the closest government actors to both active and aspiring entrepreneurs. Cities have access to many of the drivers of economic opportunity for businesses of color, have a mandate to support these residents, and should have a vested self-interest in the success of these businesses.

PRINCIPLES FOR SECURING ECONOMIC INCLUSION

PRINCIPLES FOR SECURING ECONOMIC INCLUSION

Every local government faces challenges to addressing economic inequality—some that are common and others that are particular to the history of a city or region. Similarly, partnerships, industries, market cohesion, connectivity, and other factors vary from place to place. While cities should pursue place-appropriate strategies to support inclusive growth, the following key principles are useful touchstones for program development.

Principles for Economic Inclusion

Principle 1: Acknowledge history, discrimination, and systems that have kept people of color from optimally participating in economic development.

Principle 2: Act now while investing in the long term.

Principle 3: Equitable economic growth is better for everyone.

Principle 4: Build more competitive communities.

Principle 5: Inclusion will bolster innovation.

Principle 6: Use a data-driven approach.

Principle 7: Strategies need to be specific and targeted versus generic and global.

Principle 8: Cities are ideal ecosystem builders.

PRINCIPLE 1:
ACKNOWLEDGE HISTORY, DISCRIMINATION, AND SYSTEMS THAT HAVE HISTORICALLY KEPT PEOPLE OF COLOR FROM OPTIMALLY PARTICIPATING IN ECONOMIC DEVELOPMENT.

It is difficult to sustainably secure the buy-in of the diverse parties needed to build an economic, inclusion strategy if there is no reckoning with past failures. Minimally, history, discrimination and systems that have promulgated racial inequity need to be acknowledged. Optimally, these issues should be addressed directly and deliberately, with honesty and empathy, to secure a long-term commitment to carrying out the difficult work.

Unequal economic opportunity is the result of structural racism that is embedded in our historical, political, cultural, social, and economic systems and institutions.[15] People of color have been redlined out of home ownership and, on average, start life's journey with significantly less in assets than whites. They are often relegated to geographies and limited networks where job access is minimal; public services are burdened; and public schools are under-resourced. These inequities have resulted in lower income levels, higher levels of unemployment, and barriers to wealth generation and asset building. For example, while per capita income nationally for whites as of 2015 was $31,313 annually, it was $18,406 for Blacks and $15,674 for Latinx.

Unemployment levels further confirm these disparities; the unemployment rate for white Americans is generally half of that of Black Americans. Unfortunately, one could make a strong case that such patterns are worsening. For example, the gap in net worth between white and Black households has actually widened over the past 50 years, with the wealth of the average Black American family standing at a mere 10 percent of white counterparts.[16]

Deep-seeded inequalities require an intentional, structural, strategic, and targeted approach to overcome. A failure to acknowledge the damage of American history limits the possibility of an honest foundation to begin the work of dismantling oppressive structures which have largely shut people of color out of economic opportunities. Essential to the economic inclusion equation is the development of collaborative systems and partnerships based on a shared understanding of the root problems and goals at hand.

MEDIAN HOUSEHOLD WEALTH BY BUSINESS OWNERSHIP STATUS

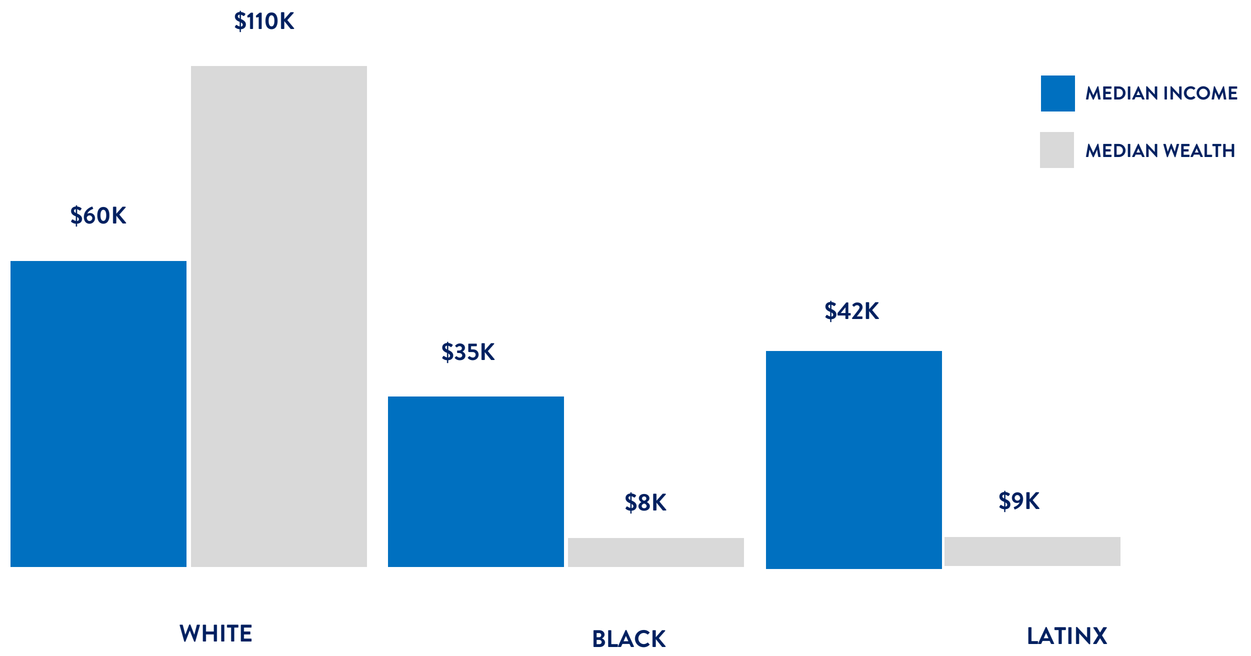


Figure 1. Comparison of Median Income and Wealth among whites, African-Americans, and Hispanic/Latinx Households. Source: Sullivan, et al, Equitable Investments in the Next Generation, 6

PRINCIPLE 2:
ACT NOW WHILE INVESTING IN THE LONG TERM.

There are no quick fixes; the problems facing communities of color developed over time, long-term commitment is needed for sustained change. Sustained investment is the ultimate proxy for commitment; however, near-term actions that show progress towards a well-defined goal will signal the urgency and intent of leadership to grow businesses owned by people of color. While program development initially will likely be project-based, city partners should progress to program-based and ultimately embed systems change.

Systems change can only happen over time, when practices and programs lead to new ways of doing business and delivering services.

Short-term efforts rarely yield the desired results or sustainable outcomes and ultimately deepen distrust and engender cynicism. To develop and implement programs that work, cities have to regularly evaluate and refine project goals and elements–especially in the early stages—to respond to unforeseen variables and tailor program elements to recognize shifting market and civic realities.

New private investment and market forces alone have proven insufficient to overcome economic inclusion hurdles.

Until these hurdles are directly addressed by policymakers, politicians, business leaders and economic developers, the economic outcomes of people of color en masse will not improve. Policymakers must incentivize coordination between private sector, community, nonprofit, and philanthropic stakeholders toward agreed upon goals and desired outcomes. The goal should be to methodically address the hurdles that have historically inhibited access to opportunity for people of color. Conversations around institutional racism can be difficult. Nonetheless, meaningful and solutions-oriented partnerships that both acknowledge historical grievances and ineffective systems while recognizing the need for economic advancement for people of color should yield tangible results.

PRINCIPLE 3: EQUITABLE ECONOMIC GROWTH IS BETTER FOR EVERYONE.

Equitable economic growth is better for everyone in an economy. When communities improve systems and structures to advance racial equity, the effect is often to improve the entrepreneurial ecosystem for everyone, including for the white majority. The goal of racial equity and inclusion is not only to bridge the gap between people of color and white Americans, but to increase success overall, for everyone. Systems that depress outcomes for people of color depress outcomes for the economy overall.[17]

In addition to providing opportunities to people of color, businesses prosper by serving customers in underserved communities. While cities tend to offer excellent amenities overall, low- and moderate-income neighborhoods within their boundaries tend to house the densest concentrations of people of color and grapple with a lack of access to basic amenities such as transportation, childcare services, grocery stores, retail outlets, and major employers. High-growth ventures in inner-city communities are even more rare. The challenges that make inner cities unattractive for major corporations are an even bigger impediment for local residents hoping to launch new ventures, as they often do not have the capital, breadth of experience, or technological tools to overcome the markets' disadvantages.

These missed opportunities hinder economic mobility for residents and potential earnings for other firms as well. Everyone is worse off due to the lack of investment in the inner city. As the consumer population shifts, firms will need to appeal to, and engage with, an increasingly diverse customer base to sustain growth and viability.

People are at the center of any economy's sustainability and growth. Therefore, demographic trends need to be understood and openly accounted for in building new economic inclusion agendas, strategies, and tools. As of 2013, people of color were over 50 percent of the overall population in the metropolitan areas of New York, Los Angeles, Houston, Miami, Dallas, the greater Washington D.C. area, Riverside, Atlanta, San Francisco, and San Diego. Moreover, the number of students of color now exceeds the white student population in US public schools. It is projected that, by 2060, people of color will represent 57 percent of the US population.

As US demographics increasingly skew toward cities and people of color, a new reality and representation of America can manifest–our position in the world, our capacity to innovate and produce, and the idea of the American dream. Unfortunately, based on current performance indicators and outcomes for people of color, America is on a trajectory to be poorer, offer less opportunity for social and economic mobility, and ultimately, challenged to compete in the global landscape.

> To effect lasting change, companies must examine how individual, structural and institutional racism impact all aspects of their business – from policies and practices to products – and use these levers to promote inclusive growth, particularly for people of color.
>
> *Lata Reddy, Senior Vice President, Diversity, Inclusion & Impact, Prudential Financial, Inc, Chair and President, The Prudential Foundation*
>
> *Ben Hecht, President and CEO Living Cities Blog, September 27, 2018.*

CASE STUDY: HIPPIE GIRL SPA AND BOUTIQUE

OWNER: Michelle Rivera
CITY: El Paso, Texas
INDUSTRY: Personal Services/Retail

As Michelle Rivera explains, in 2008, when she was 25 years old, she opened a medical spa. As a single mother, she wanted to manage her own schedule to be able to attend her children's events without asking for permission. She initially considered opening a tanning salon, but that type of establishment did not match the needs of her dark-skinned, Latinx neighbors. Although she lacked business experience and had never been to a spa, she saw an advertisement for a piece of equipment that performs endermologie, the first FDA-approved process for cellulite reduction. She thought she could sell the service to women of all backgrounds. She bought a used machine at a substantial discount from the retail price. She negotiated a lease with seven months free rent. The service became popular and her business grew. In 2011, Michelle created her own line of natural treatments, that promote natural circulation and body contouring. When she sought to provide natural soaps to her clients as well, she discovered that "natural" soaps are far from natural. In order to tell her clients with certainty that the products she was offering were natural, she decided to make them herself. She took biology classes to understand the ingredients. Natural products have become her passion and now she grows her own ingredients onsite at the business. Some of her offerings include coffee soap to reduce cellulite and rosemary soap to help skin elasticity.

Michelle came to the City of El Paso and its partners for assistance with turning her passion, the natural products, into her profit-driver. They provided her with some funds for marketing and helped her with strategy. At that time, the spa was the profit-driver, allowing her the funds for ingredients for her natural products. With support from the local ecosystem of assistance and training, she was able to improve her marketing and went from losing money on her natural products to increasing her sales by threefold between April and October of 2019.

In order to fulfill the orders more quickly, Michelle needed more capital. The City of El Paso helped her to apply for and secure funding. She identified an FDA grant that will help her to expand internationally, through one of the program's classes on international growth. Before COVID-19, she was working with the City to get approved and expand her business abroad. Her revenue from the spa prior to March 2020 was approximately $100,000. Her natural products brought in about $5,000 per month, but her projected growth goal was to be in the $300-500,000 range at the end of 2020. Thanks to the City Accelerator, she had a plan for reaching that goal. Then came COVID-19.

COVID-19 UPDATE

When the COVID-19 crisis hit, Michelle was forced to shut down the spa as a nonessential service. She turned her efforts to increasing the sales of her natural products. Without foot traffic, she needed to go 100% online, which she did with the help of City of El Paso technical assistance providers. Her natural hand sanitizer sold out immediately, and buyers returned to her website for other products.

After navigating supply issues, needing to more than triple production, and cashflow limitations, as of May 2020, her net revenue from her natural products now exceeds her previous spa revenue. While she has not been able to secure loan funding, the rent moratorium helped her ride out her cashflow issues, which have eased significantly at the end of May when the payments from her increasing online sales reached her. For this entrepreneur, the COVID-19 crisis presented an unexpected opportunity to realize her dream of making her natural products the center of her brand and business—she seized, realized, and has expanded on that opportunity with the gusto and grit that is the hallmark of entrepreneurship.

PRINCIPLE 4: BUILD MORE COMPETITIVE COMMUNITIES

Harvard Business School Professor, Michael Porter defines competitiveness based on productivity and the microeconomic foundations of competitive advantage that underpin productivity in nations, regions and clusters.[18] A community's competitiveness involves a cross-cutting mix of factors that drive the attractiveness of a place as a location to live, work, or invest. Competitiveness is influenced by government and fiscal policy, real estate, infrastructure, crime, educational assets, human capital, and civic institutions such as libraries, museums, and arts spaces. Competitiveness is not just about the productivity of a community, but about the elements that make it productive, attractive, and profitable.

Competitiveness enhances firm productivity and profitability. The traditional economic development model has long held that that communities need external investment to survive. By developing public programs focused on competitiveness, communities can more successfully attract transformative investment while also becoming less dependent on this external support. An effective competitiveness approach makes communities central to businesses' success. Planning and phasing are key; while developing an economic inclusion program for a given community, the focus should be on a more robust repositioning of that community for investment over the long-term.

CASE STUDY: GLOBAL ORGANIZATION AND PLANNING SERVICES

Owner: Vanessa Whitehead
City: Newark, New Jersey
Industry: Event Planning

Since 2002, Vanessa Whitehead has been a techie-turned-entrepreneur. While working for a software developer in NJ, after securing an engineering degree from Cornell, she found herself restless. As an engineer, she could go all day not talking to anyone. As a self-described "people person," she craved more personal interaction in her work. In her personal life, she and her sister were the trip planners among their friends. She started working in event planning in 2002. When she was laid off from AT&T in 2004, she had a jumpstart with a business that had already been started.

For the first two years, Vanessa volunteered for faith-based nonprofit organizations to get experience around Newark. While she was doing the volunteer work, she consulted with friends about her business set up, tax issues, and other logistics. She had her marketing in place early on, with her name, logo, and business cards. She registered early on with the New York New Jersey Minority Supply Development Council (NY/NJMSDC). After her layoff she moved to Atlanta. As a result, she sought clients in both the Newark and Atlanta markets.

A large part of her business becoming a sustainable full-time business was obtaining government contracts. She learned how to read and respond to RFPs, registered as a diverse supplier, and registered with private corporation portals. In 2007, she won as a subcontractor to a Department of Education project with the Educational Testing Service (ETS). She did meeting planning for the National Assessment Educational Progress (NEAP) annual meeting, including travel logistics. That contract lasted for four years and brought substantial revenue. To support that contract, she had a $100,000 credit line to cover the delay in government payments for hotels and flights. She developed a specialized, proprietary software to manage reservation, flight and other travel requests. With some months bringing in up to $70,000 in revenues, the business thrived.

In addition to the large government contract, Global Organizing also has done work for the Super Bowl in New Jersey in 2014, working on their business development forums. She has also done smaller projects with city governments and smaller nonprofits.

Vanessa came to the Newark Economic Development Corporation (now Invest Newark) to find ways to maintain more consistent revenue. They provided her with one-on-one mentoring and introduced her to numerous potential clients. She received help in strategizing how to diversify her client pool, seeking private clients to balance the unreliability and huge initial expense involved in government contracts.

Vanessa has three permanent employees, but contracts with people in several states and overseas, and has worked globally. At the height of the government contract, she had 5 employees just to service that contract. Her goals are to (1) expand her services to include training in event planning; (2) offer the development and implementation of software similar to the software she developed that had worked to streamline travel arrangements for her Department of Education contract; (3) expand her number of clients overall; and (4) hire more employees as her business expands.

COVID-19 UPDATE

Once the crisis hit, and events became virtual, Vanessa began to draw on her tech and engineering background to try to develop offerings in that space. One of her employees has a similar technical background and they are investigating options to offer a service that would allow clients to maximize their experience virtually—whether a fashion show, sports event or professional conference. What has allowed her to continue to work on new offerings was a Paycheck Protection Program (PPP) loan that allowed her to keep her employees and keep them busy with reorienting the business. She and her employees are continuing to develop products and relationships with new clients.

PRINCIPLE 5: INCLUSION WILL BOLSTER INNOVATION.

Dynamism, innovation, and "disrupters" are all celebrated features of American entrepreneurship. Innovation hinges on improving processes, products, and ideas to increase productivity, solve problems more effectively, enhance marketing, and offer a value-based advantage over other firms.[19] Ultimately, innovation is a driver of value. Thus, diverse innovators are needed to provide nuanced perspectives and insights into emergent business and market opportunities. Studies show that companies with diverse staff and management are key to spurring new innovations. [20] If people of color are left out of America's innovation frontier, long-term national prospects for innovation are also limited.

The lack of low-income people of color and women among the ranks of American inventors is not due to a dearth of talent. A recent study released by the Equality of Opportunity Project at Stanford University finds that many of these talented Americans demonstrated higher performance at a young age.[21] Socioeconomic status impacts the likelihood that a child will pursue an innovation-centered vocation; children with wealthy parents are ten times more likely to become inventors than children with below median income parents. In this way, aspiring innovators and potential disrupters of color face barriers in many forms, including discrimination, whether individualized and/or systemic.

When this occurs, the whole economy loses productivity and potential. Entrepreneurs of color also fall behind on the innovation front even if they start out with what appears to be advanced ability.

An approach to inclusion which recognizes that more founders of color are needed, not only in lifestyle and traditional businesses, but in disruptive industries as well is essential. Lifestyle businesses are those that are "geared towards supporting the owners' income and personal requirements rather than maximizing revenues."[22] Meanwhile, traditional businesses are those in legacy industries such as construction, manufacturing, and business services. Disruptive industries such as technology, pharmaceuticals, and the internet of things can dramatically shift firm productivity and impact, cause ripples across multiple industries, and potentially create staggering wealth. Programs that build capacity, incentivize product and process improvements and encourage partnerships between emerging and more experienced firms can boost business performance and create synergies resulting in new intellectual property.

PRINCIPLE 6: USE A DATA-DRIVEN APPROACH.

Success metrics guide data strategies, and data drives decisions and collaboration. Before designing the engagement plan for a given initiative, a baseline data set should be used to establish the profile of target businesses. Factors that might be examined in relation to the business profile might include number of years in business, geographic location, industry sector, and revenues, amongst others. Community factors examined in the process may include overall number of business, labor participation and unemployment figures, education levels, income levels, access to amenities and more. With a better understanding of businesses' and residents' realities, a more tailored and efficient solution can be designed.

In many cases, business and city leaders believe they understand the issues businesses face and the needed solutions. Anecdotal evidence is a key part of the narrative and is necessary to provide context. However, data allows the symptoms to be separated from the root causes and contributes to a shared baseline understanding. Baseline data and a target business profile serve as common reference points spanning the full project/cycle, from the early program design stage through refinement and ongoing outreach, engagement, and fundraising. Decision makers and stakeholders alike should use these as touchstones to focus and align efforts. There are times such as post-disaster when the necessity of urgent action might require moving forward with an approach before capturing the desired data sets. In these cases, it is still important to embed processes for capturing data and tracking in the program implementation process.

A challenge arises when communities lack data on local businesses of color. City leaders—especially those with many years of service—are often familiar with the top challenges to entrepreneurship by people of color, such as lack of access to capital and difficulty navigating legal issues. While owner/manager anecdotes offer clues about the local business climate, quality data includes details that point to businesses' operational and financial health. These data points may include, for example, revenues, assets, financing, bonding, leasing/ownership issues, sector-specific trends, supply chain issues, technological capabilities, customer base, number and type of employees, and years in business. Many communities launch programs for entrepreneurs of color that focus on grants, loans, or angel capital only to later experience low levels of enrollment or a general lack of enthusiasm about the program by likely participants. When this occurs, it is often the case that the program was not aligned with the needs of local companies.

Federal, state, municipal, nonprofit, and academic partners are potential sources of quality data. Diverse chambers of commerce tend to have information about the businesses they represent and the communities they serve. In addition to these groups, there are some high-level statistics available through the US Census Bureau and US Department of Commerce.

To gather data, economic development departments may consider hosting business retention and expansion programs and include roundtables, interviews, and surveys. City data offices can sometimes support economic development teams with identifying and analyzing data sets from multiple sources. Taken together, these data sets provide a shared foundation from which to generate locally appropriate policies and programs.

PRINCIPLE 7:
STRATEGIES NEED TO BE SPECIFIC AND TARGETED VERSUS GENERIC AND GLOBAL.

Cities must begin this work with the end in mind. Confront potential programmatic or policy challenges using specific, scalable, metrics-based, and merit-based approaches and tools. When a new initiatives launches without a clearly articulated problem or outcome, there is a greater likelihood of failure. For example, a generic, small business support initiative is unlikely to help improve firms' bonding capacity and competitiveness in the public procurement marketplace. A tailored approach is needed to fulfill clear and specific goals.

Identify a geography within the city, specific sector, types of businesses, or specific subpopulation to impact. A highly focused initiative is more likely to help businesses that have been left out of the mainstream overcome complex challenges. This approach is also conducive to piloting a concept/idea, working through the flaws, and rolling out a program to new business segments over time.

As a general practice, it is important to observe how often businesses that have been longtime beneficiaries of city programs repeatedly access new initiatives, whether focused or general. Oftentimes, mainstreamed businesses continue to benefit from access to public initiatives in ways that marginalized businesses of color do not. True inclusion requires a sustained focus on serving those for whom the most lucrative opportunities have largely been out of reach due to systemic barriers.

Design a multi-faceted, step-by-step approach to addressing the specific problem(s). Economic development projects too often use blanket provisions or generic numerical requirements. This happens, for example, in the case of one-time, limited-availability funds.

Businesses owned by people of color span industries, technologies, and consumer bases, and public initiatives should reflect a careful consideration of this diversity. **To obtain broad impact, it is best to have a targeted strategy to support businesses of a certain profile.**

Examples of such strategies include:

- Facade programs for grocery stores
- Programs that match building owners with small business owners
- Property ownership initiatives that help business owners of color purchase property in a neighborhood that is the focus of revitalization efforts.

Concentrating efforts on specific geographies or business features (e.g. location, sector, size, maturity/growth stage) has the potential to accelerate business growth, raise the profile of a market or submarket, leverage investment in new ways, and spur positive local activity.

Imprecise strategies yield diffuse impacts. It becomes difficult to create a narrative for additional promotion of these businesses. It is also less likely that these activities will spur enough activity to encourage a substantial private sector infusion into the market.

PRINCIPLE 8:
CITIES ARE IDEAL ECOSYSTEM BUILDERS.

Cities cannot build ecosystems alone. They must continuously work across sectors to empower and connect partners, providers, and talent.[23] Local strategies should be designed with the goal of developing partners' capacity; ensuring coordinated project management; and collaborating with public, private, and nonprofit partners to accelerate and sustain measurable impact. An integrated ecosystem that addresses systemic inequities assures the sustainability of the coordination efforts underlying a specific program.

The role of ecosystem builder is not to design, implement and measure the perfect strategy; it is to encourage an ecosystem's growth by activating local and regional resources, harmonizing their strengths and using its unique powers to address gaps.

SYSTEM DESIGN, DEVELOPMENT, AND PERFORMANCE

SYSTEM DESIGN, DEVELOPMENT, AND PERFORMANCE

Through experience with initiatives that target increasing the number of and performance of businesses owned by people of color based in cities, there are two main categories in which projects geared toward these businesses should be designed to promote racial equity and inclusion: foundational system development and program design and implementation.

System development endeavors to confront the root causes of disparity and build an organizational infrastructure to ensure that the work is continued in earnest and performs over time.

1. **Racial Equity Lens:** In order to support and sustain inclusive business ecosystems, local government leaders must build their individual and organizational racial equity competencies, understand the disparate impact of past policies and develop a shared vocabulary about race, equity and inclusion.
2. **Data collection, analysis, and monitoring:** Data collection and analysis is at the core of building a program that works. Quality analysis in the early stages of program development should strengthen the quality of the resulting design, accelerate impact and allow for quality performance management.
3. **Ecosystem Building:** Ecosystem building is organizing a concerted and integrated effort by a robust network of partners, usually spanning the public, private, and nonprofit sectors, in a given region or market to provide targeted support to entrepreneurs to help them have greater success and more quickly across a number of growth indicators to ensure that more start-up, stay-up, and scale-up. "Start-up, Stay-up, and Scale Up" is a concept that recognizes that a successful entrepreneurial environment has a high rate of new companies launching and that there are dedicated resources and efforts to ensure that these companies remain in business and grow their revenues, profitability, and employment. The practice of ecosystem building has become prominent in recent years as it acknowledges that no one institution, government, or business holds the complete set of skills, tools, or policy levers to optimally support entrepreneurs. It promotes sharing of information, joint project management, team accountability, and partner specialization to provide the highest caliber of care to address a particular challenge across the region. While quite a few communities have adopted an ecosystem building approach to entrepreneurship, many still fail to build these supports with intentionality to make sure businesses owned by people of color are included.

Program design and implementation should be crafted to ensure that the appropriate resources including technical assistance, capital, real estate and networks are made available to the businesses that most need them and demonstrate propensity towards performance, especially those owned by people of color.

1. **Technical Assistance:** Technical assistance, properly designed to fill the skills/knowledge gaps for business owners, can help entrepreneurs of color move forward on a more equal footing with peers. Entrepreneurs of color face significant obstacles to acquiring business acumen and pulling together a team with the needed competencies to help their business thrive. This lack of access to skills development is a direct byproduct of systemic educational challenges and lack of exposure to scalable business growth opportunities. The efforts highlighted in the City of Newark's case (page 15) represents a viable example of how technical assistance can combat this challenge.
2. **Capital and Financing:** Another obstacle more keenly experienced by people and businesses of color is difficulty in obtaining financing due to lower property ownership and the racial wealth gap, which includes lack of access to family networks that entrepreneurs often tap for start-up assistance when starting their businesses. Making capital and financing available through funds, credit-risk support, or creative financial products, can help to close the financing gap.
3. **Real Estate:** Real estate and development is a market that people of color have historically been fairly shut out for reasons of wealth, race, and policy. Now as urban centers nationwide experience a resurgence, many people of color are struggling to retain property they own, reinvest in development of their own communities, and access resources or opportunity even through publicly-led redevelopment initiatives. Creating intentional efforts to increase access to ownership, development opportunities and preservation of culture is essential to market development, placemaking, and wealth-building.
4. **Networks:** Through the systemic exclusion from traditional business networks that segregation, redlining, disinvestment and educational obstacles, business owners of color often lack the connections that help a business integrate into the existing economic ecosystem/community. Facilitating networks and connections to grow businesses, develop sectors, cultivate talent and spur innovation with an inclusion lens will grow the overall economy and businesses owned by people of color.

INTEGRATING EQUITY INTO POLICY MAKING REQUIRES A CULTURAL CHANGE: THE RACIAL EQUITY LENS

In order to support and sustain inclusive business ecosystems, local government leaders must build their individual and organizational racial equity competencies and develop a common understanding around racial equity and inclusion. This is an essential element to building an inclusive economy as the historic wrongs have engendered distrust and discomfort in many communities.

For city officials to begin to ameliorate long-standing divides along racial lines, a shared point of view between city departments and the local ecosystem which embraces economic inclusion needs to be developed. This point of view is essential to making sure that there is a long-term commitment to fulfilling the work, an ability for staff to contextualize the urgency and importance of economic inclusion, and to restore public confidence so that the difficult work of economic growth can be tackled collectively. Cities are likely the best-positioned to lead this conversation, but it can be led by the business leadership or local ecosystem partners as well. The most important element to it being productive is that the conversation around racial equity be sustained and the commitment to progress become ingrained amongst the partners.

Racial equity and awareness must be embedded in the project design, policymaking, goals, and metrics of economic growth initiatives for economies to grow sustainably and inclusively. When this approach is embraced rather than considered a "special interest", there will be many more opportunities for the gamut of a community's residents to participate in economic growth as either employees or entrepreneurs. Cities and regions will be more productive as a result as shown through GMP, unemployment rates, intellectual property development, labor participation rates, and a lowering of the income gap along racial lines. Without a deliberate effort to bring all team members to a common understanding and agreement around the importance of racial equity in collective economic growth, race risks becoming a checkbox, an afterthought, a quota-filling exercise, or worse—completely lost in the implementation and results.

DATA: THE FOUNDATION OF DECISION-MAKING, PROGRAM DESIGN, AND PERFORMANCE MANAGEMENT

Quality data collection and analysis is essential in designing a program to support business growth at a systemic level, drive performance and accountability for ecosystem partners, and monitor impact. Communities often struggle with how to collect, compile, analyze, monitor and update this data over time. It is quite difficult and rare for cities themselves to collect data in a strategic way, however, this competency can be built over time. In this section, we aim to offer concrete approaches on each of these topics for communities no matter where they are in their development cycle or the budget they have to engage in this work.

Data Collection

The quality, quantity, and depth of data secured directly impacts the caliber and specificity of programming that can be designed and implemented. A few things to keep in mind with data collection are:

Third party official sources are a good starting point to begin data collection. These sources have proven methodologies for data collection and the figures are generally defensible or accepted as being correct. Sources such as the Bureau of Economic Analysis and the American Communities Survey are most common. However, state departments of labor tend to have refined data sets as well.

Data will need to be collected with some regularity in order to track progress. So as your communities begins to capture data, they should establish clear processes and protocols to collect it at a regular cadence, store and manage it, and protect it. These processes and protocols will ensure the data has minimal likelihood of being corrupted, leaked, or misrepresented. Additional suggestions for data collection strategies are included in Appendix 6.

Perfect is the enemy of "good enough." In the early stages of developing an inclusion agenda, it is important to determine the most important elements for your community and focus on collecting relevant data points that set a good foundation for measuring project success.

Cities have many touchpoints with businesses and individuals, both directly and through partners. These touchpoints should represent consistent channels to secure specific information in a well-defined format to lessen the likelihood of biased inputs in gathering data about residents and businesses. Cities can and should leverage their internal departments as well as utilities, local anchor institutions, nonprofit organizations, and other related governmental entities to gather insights. Common departments which house or can easily capture information for these purposes include planning and zoning, permitting, procurement, business licensing, and economic development. It is fairly easy to capture information as part of registration or intake processes during the course of regular business activities. That said, cities should set parameters around how information is used and shared to protect residents. Common practices include collecting the information in a fashion that does not allow for a specific individual or company's information to be attributable directly, limiting the information's access to select departments or initiatives, and making provision of the data optional.

Chambers of Commerce, community development organizations and universities tend to make excellent resources for data as well. Chamber groups almost always have information about their members and often have information about businesses in their community at large. Community development organizations often track activity in their geography or perform surveys of businesses in their area. Universities, due to either commitment to a region or their influence on driving entrepreneurship performance, often have institutes or centers that track local business performance. Memoranda of understanding (MOUs) can be useful to formalize these partnerships outlining how these organizations and the city can support one another, either financially or through information, technology, or other resource-sharing relationships.

DATA ANALYSIS

The quality of policymaking, program design, and initiatives can be directly linked to the caliber of the information used to inform decision-making. Nonetheless, without strong analytics to dissect data sets, the data becomes less helpful and unfortunately, data can be spliced thousands of ways. It is recommendable to lean on organizations, partners, or consultants that have strong data analytic capabilities if your organization is not experienced in analytics.

Data analysis can add value to your city's economic development program in several ways:

- By helping policymakers and key stakeholders understand the nuances of the problem;
- Through program evaluation, which can clarify which economic development interventions work, and which ones do not;
- By allowing a feedback loop that can serve as a performance management tool for better strategy execution;
- By providing insights that can demonstrate what areas of the city and communities are most in need and allocating resources in alignment with those needs; and
- Through creation of a common point of reference for cross-sectoral collaboration.

Most likely, the economic development office in a city is charged with collecting raw numbers on businesses, perhaps disaggregating by type of owner, race or sex, and recording the size and functions of local businesses. However, economic development offices often lack the in-depth analytical skills and technological tools to compile and analyze the data in ways that would be useful for evidence-based policymaking. These departments should leverage their data offices, consider external consulting support, and partnerships with local universities.

Additional resources that tend to be helpful in providing data and analyzing data sets include local organizations who are members of the National Neighborhood Indicators Partnership (NNIP), local university institutes, think tanks, regional economic development organizations, and certain technical assistance providers. Creating a protocol to share information with the office or department that is managing economic inclusion strategy early on is recommendable.

CASE STUDY: RAPID RECOVERY AND RESTORATION

Owner: Christie Peters
City: Atlanta, Georgia
Industry: Construction/General Contractor

Rapid Restoration and Recovery is a general contractor that provides restoration and construction work for both residential and commercial customers throughout Metropolitan Atlanta. One of the unique aspects of the company is that the restoration and construction functions, more often separate, are done by one company, like a "one-stop shop'.

Christie Peters, the founder, started her professional life as a financial analyst, working for a large commercial real estate firm. After several years there, she joined her husband in his construction business. When they started receiving inquiries about restoration work, she decided to specialize in it and in 2014, started Rapid Recovery and Restoration.

Christie walks through a customer's site and helps to articulate, in detail, their vision for what they want. She has been known to tile, paint, tear down walls but her first role is as the project/construction manager. She provides the estimate for the job, and then brings together her trusted, regular subcontractors in order to complete the project. She also assists customers with any needed permitting and/or compliance issues. She is currently assisting in the conversion of a home to a coffee shop in her own neighborhood, with both renovation and the needed zoning variance.

Christie came to Invest Atlanta to improve her messaging and increase her revenues to $2 million. Currently, the company earns up to $400,000 in annual revenues. She has one full-time employee and plans to hire some of her subcontractors as employees as she expands. Her subcontractors are all people of color or companies owned by people of color. They are all from Atlanta. In addition to business planning assistance from the City Accelerator, Christie is planning to have an office in the planned Pittsburgh Yards container garden that is also part of the City Accelerator project. Shipping containers are to be renovated into offices, providing entrepreneurs the opportunity to acquire affordable real estate. Pittsburgh Yards is in Southwest Atlanta, which is more than 80 percent Black. The site is benefitting from the new Belt Line which by reviving abandoned railroad tracks and installing streetcars will connect it to downtown and integrate it into the rest of the city.

Christie feels strongly about working with and within her community and wants to help others do the same. She hires teenagers who live near her projects for short-term jobs and talks to them about opportunities in the construction and real estate investment fields. Although Atlanta's recent boom has led to significant displacement of Black residents through gentrification, Christie wants to show, by example, that Black-owned businesses can thrive and grow in Southwest Atlanta.

COVID-19 UPDATE

Christie Peters' pivot in her business in relation to the crisis is demonstrative of the power of entrepreneurial flexibility. While her restoration work had involved time inside of homes with homeowners, planning renovations, her disaster recovery work is done outside, working with plumbing and other systems that can be repaired without needing to be in close quarters with homeowners during the planning or during the work. She is pivoting her business to that aspect. She has not had to let anyone go and is in the process of rebranding and redirecting her work.

City leaders should rely on accurate demographic data along with direct inquiries that can challenge accepted assumptions. Organizations with data and research departments should consider updating publicly available data at least biannually. However, securing more detailed disaggregate information about businesses along lines of race, geography, gender, and income levels often require targeted surveys and additional resources. This disaggregated data, should be collected at least every two years to help develop a shared narrative among policymakers. Disaggregated data will show how outcomes vary by community and/or neighborhood and city policymakers can identify communities and/or neighborhoods with the greatest inequities. The city government can then develop and implement strategies to prioritize support for entrepreneurs in and from those neighborhoods.

DATA MONITORING AND PERFORMANCE MANAGEMENT

"Data monitoring is the process of proactively reviewing and evaluating data and its quality to ensure that it is fit for purpose."[24]

By establishing a baseline of standards around completeness, uniformity, accuracy, and uniqueness of data, data can be monitored over time to understand the performance of the market and program outputs. This longitudinal tracking forms the foundation for quality performance management to hold municipal government, economic development agencies, technical assistance partners, and other participants in the process accountable.

Additionally, the outputs of this monitoring and performance management exercise can provide defensible trends and outcome data that could be useful for raising additional funds and managing political pressures.

ECOSYSTEM BUILDING AND STRATEGY DEVELOPMENT

Ecosystem building is organizing a concerted and integrated effort by a robust network of partners, usually spanning the public, private, and nonprofit sectors, in a given region or market to provide targeted support to entrepreneurs to help them have greater success and more quickly.

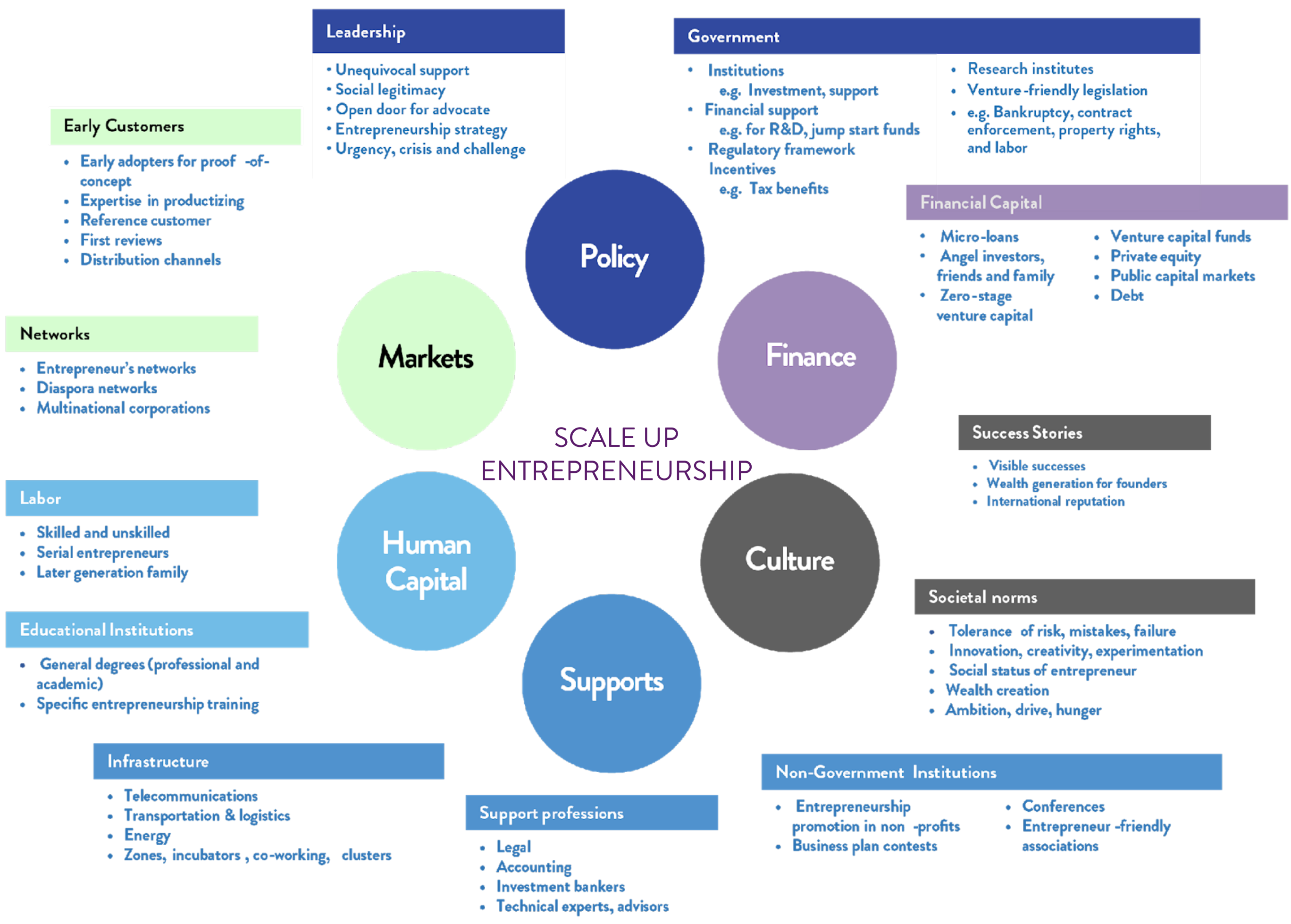
Effective ecosystem building should lead to more start-up, stay-up, and scale-up activity. Ecosystem building goes beyond the traditional business climate understanding referring to policies that limit or expand restrictions on businesses. An entrepreneurial ecosystem includes not only the regulatory climate, but resources and institutions that deliberately support and encourage entrepreneurs.[25]

Ecosystem building is about catalyzing resources to help companies develop and grow faster and in a more sustainable and efficient manner. While entrepreneurs benefit individually from strong ecosystems, the authentic goal of this process is to create a market engine that fuels economic prosperity and opportunity for existing residents and attracts new investors and entrepreneurs. Ultimately, by developing a well-functioning ecosystem your economy will be more competitive overall as it becomes easier to do business, there will be greater capital access, and abundant opportunity for innovation and human capital development.

Embedding inclusion in this process will grow revenues for businesses of color and create new opportunities for majority businesses as well. Ecosystems cannot be bought; they must be built.

An entrepreneurial ecosystem is intentional in developing supports for entrepreneurs ranging from capital access to procurement opportunities. Ecosystems exist for important reasons, including to craft small business training programs; promote access to needed, productivity-enhancing talent; and enhance coordination between city governments and local academic institutions with the aim of business capacity building. Coordination between city, state, and federal grant-making bodies is a key aspect of creating a system that works well. Given the breadth and depth of ecosystem building, communities should approach this work with the understanding that it is an ongoing long-term process and developing the full ecosystem in a singular initiative is not feasible. Ecosystem development will require both the flexibility to correct missteps as well as to respond to unforeseen market shifts. The following diagram helps to illustrate how many different elements feed into a supportive infrastructure that create the entrepreneurial ecosystem of a particular city.[26]

SCALE UP® ECOSYSTEM DOMAINS-DETAILED



According to the Kauffman Foundation, entrepreneurial ecosystems thrive when people and resources are connected and working together to develop new approaches and solutions for serving entrepreneurs. Entrepreneurial ecosystems rarely develop in a robust fashion without intentional efforts to encourage diverse service providers, financial institutions, nonprofit organizations, and public agencies to work in concert to support emerging enterprises. Even in markets that have fairly robust entrepreneurial ecosystems to support mainstream businesses, the institutional supports for businesses of color tend to lag significantly. A high-performing entrepreneurial ecosystem does not happen by chance. It is the result of interdependent factors, including:

- Joint problem-solving and meticulous coordination of services among diverse educational, technical assistance, and financing partners;
- Specialization by different technical assistance providers and partners on different parts of the ecosystem at various phases along the business development life cycle; Intentional information sharing;
- Storytelling as a marketing and learning tool to elevate key successes and fix systemic failures;
- Strategic connections between businesses, individuals, financiers, government, and philanthropy to create synergies to launch or augment initiatives and programs, innovations and products;
- Appropriate on-ramps to provide businesses with accessible support appropriate to where they are in their lifecycle; and
- A culture of trust fostered by clearly articulated goals, responsibilities, a focus on results, and consistent communication.

STEPS TO ECOSYSTEM BUILDING

1. CULTIVATE RELATIONSHIPS

At the core of the concept of ecosystem building is an understanding of the interdependence of resources and efforts to gain the desired outcomes. Essential to developing an interconnected system of service providers and partners is a solid relationship, an understanding of what the diverse players do, and how well they do it. To gather this information, a quality rapport must be established, conversations to understand the mission and results of the diverse players is essential, and a belief that the exercise of engaging with the organization leading the charge will ultimately result in better outcomes for the community and ideally the collective of other organizations in the ecosystem.

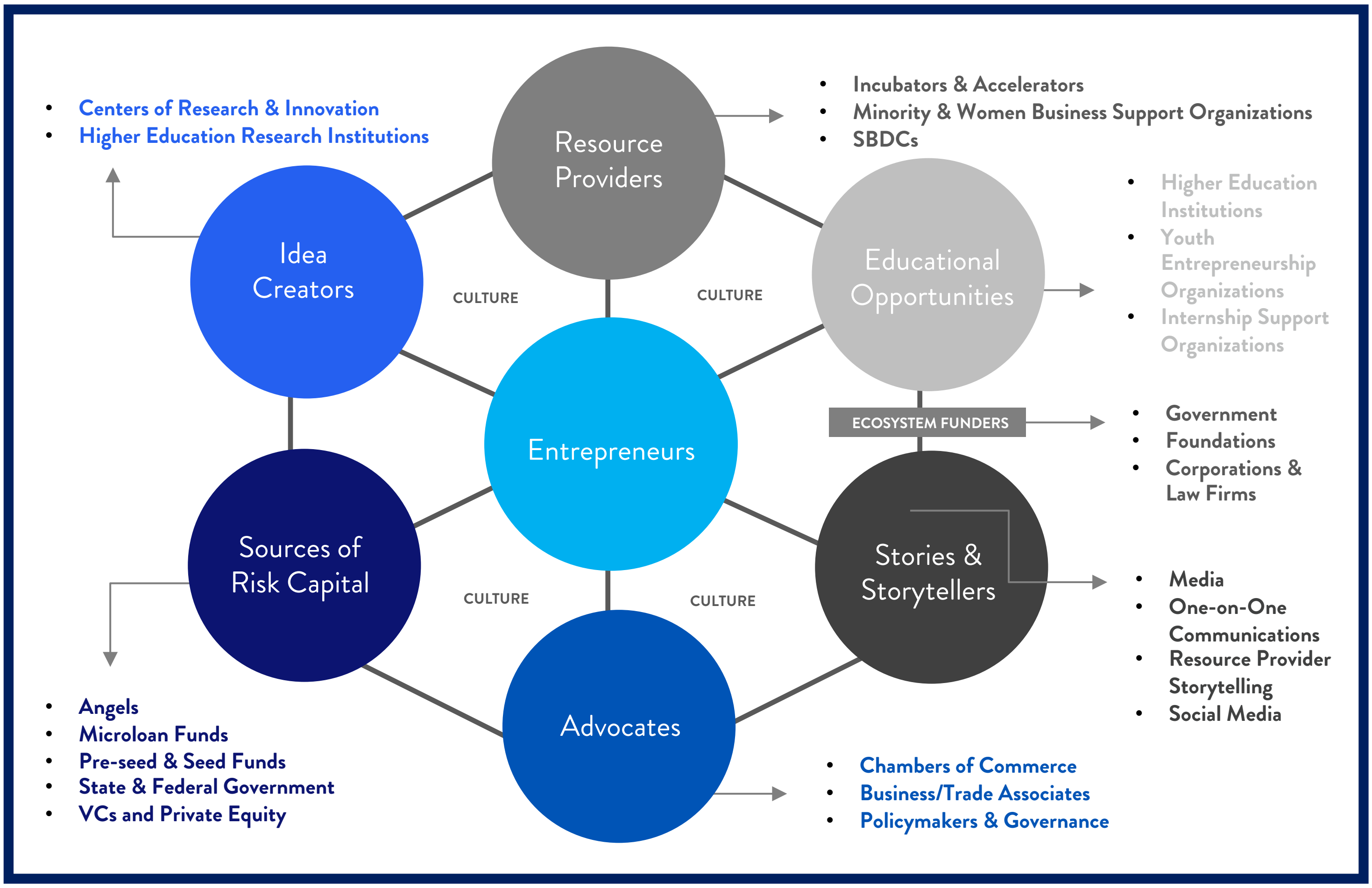
Technically, any group in the ecosystem has a right or the ability to lead ecosystem development. However, in the most successful cases, the organization(s) leading these efforts have some conferred or understood power that can serve as a drawcard to pull the group together. Funding and resources top the list of motivators for collaboration, but other things that can serve as an impetus for collaboration include the public mandate of an organization, a group's purchasing power, the scholarly resources that can assist partners as well as firms, and access to potential partners and clients that would not be achievable without the entree of the lead organization.

City governments have the power to mobilize and coordinate elements within an ecosystem, which is why they are well-positioned to lead this work. The major risks that cities bring to the table in this process include the risk of political pressure tainting the focus and development of programming and the risk of changing interests and values if there is a change in leadership through election cycles. While serious, these challenges can be managed if the appropriate groundwork is laid and other strong partners are brought into the equation to balance the influence of the strategy.

A city will need to work with numerous partners and stakeholders in any economic development initiative. Potential partners/stakeholders include:

- Financial Institutions
- Major Private Businesses including targeted sector representation
- Public/Quasi-Public Anchors
- Foundations
- Technical Assistance/Service Providers/Accelerators
- Professional Service Providers
- Businesses owned by people of color
- Champions (political, private sector, success stories)

To foster relationship development, cities should clearly and ideally, publicly, articulate their interest in pursuing an ecosystem development effort with an economic inclusion lens. They should pledge budget and human resources to the initiative to demonstrate the sincerity of the effort and motivate partners to engage. Cities should resist the urge to only include partners who have worked closely with the administration on other initiatives and/or that are politically connected. Rather, they should invite a diverse swath of entities that are doing work in the particular area of the ecosystem that the group would like to strengthen. This means that ecosystem partners should span the public and private sectors, work with entrepreneurs of distinct profiles, and offer differing points of view to promote a more thoughtful dialogue.



During the City Accelerator on Local Business and Job Growth, each city had a unique experience, but one of the unifying themes was that each city worked with several partners. Some formed alliances that were in addition to, or different from, those initially intended. Each city's experience with partners is instructive and captured in the case studies throughout this guide.

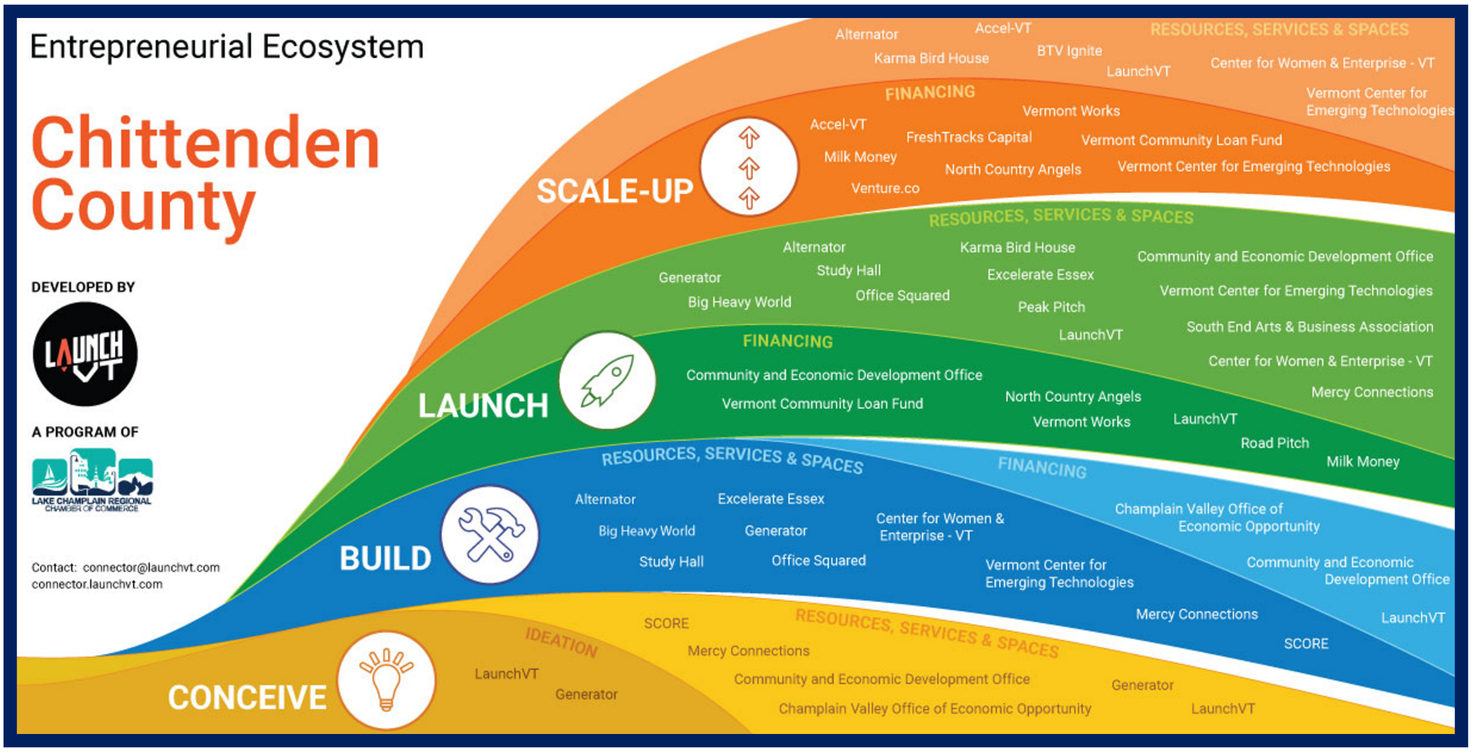
Relationship development takes time as these organizations often compete with one another for funding and may have a distrust of government due to other experiences. One of the best ways to embark upon this journey of relationship cultivation is through hosting small meetings and listening sessions with appropriate stakeholders and participating in initiatives and events led by other ecosystem partners. At some juncture, formalizing a regular meeting cadence to share information, collaborate on projects, and establish clear strategic priorities will be helpful.

"Good ecosystems need to be continuously facilitated, orchestrated, and developed by ecosystem developers."[27] Cities should develop a coordinating mechanism to help navigate the entire ecosystem of business services, market access and technical assistance services. Over time the city government should encourage information sharing from partners about performance metrics, who they service, how they provide support, the types of assistance the providers need, and the kinds of issues entrepreneurs face. Eventually, these relationships between ecosystem partners can be codified in an MOU or other partnership agreements.

2. MAP THE ENTREPRENEURIAL ECOSYSTEM

Many markets, even those with the most robust ecosystems, lack the ability to effectively engage and support entrepreneurs of color. The stated reasons for this often range from there are no businesses of color which meet our requirements to the ecosystem partners saying that they do not measure their performance as it pertains to issues of race. Whatever the cause, it cannot be appropriately addressed without a guiding ecosystem map to maximize alignment between a business's performance and ecosystem lending, investment, and technical assistance support activity.

Often cities have an abundance of dispersed actors in their ecosystems. What they often do not have is guidance for entrepreneurs to navigate the different organizations and services. For many entrepreneurs this is the single most frustrating part about setting up a venture or project, not having a one-stop-shop offering advice and guidance, not knowing what services are available, or having access to the right services from the right organization.[28] Entering the system through the wrong door—e.g., going to an organization focusing on startups as a later-stage company—is wasted effort. Many cities support entrepreneurs of all descriptions with single-point advisory services. The accessibility of such 'one-stop-shops' is key. In fact, many services can even be offered online.



A good entrepreneurship ecosystem map can help cities manage the ecosystem in a turnkey fashion. The ecosystem map should clarify who provides support and the type of support for entrepreneurs at different stages of their growth cycle. An entrepreneurial ecosystem map is one of the best ways to capture a snapshot of the comprehensive network of business supports in a market. At the most basic levels it should provide what organizations provide which supports. However, at the most complex levels it would identify the type and caliber of the support, for businesses in which phase of their growth cycle, and the outcomes that these organizations deliver or aim to reach.

There is not a 'right' way an ecosystem map should look. A map needs to be functional and should provide a clear direction for businesses to find the needed support. An ecosystem map is always evolving, never static. It is a living and vibrant guide to a system of support for entrepreneurs and entrepreneurship in your community, and it is important to keep it updated and evolving as local conditions change.

Creating an Ecosystem Map

1. Identify roles and be specific. Be thoughtful about the activity, emerging businesses, and partners in your ecosystem and begin the mapping process by creating categories of support and identifying who does what in those areas. For example, most communities have service providers that provide loans to small businesses. However, rather than just identifying that Organization A provides loans to small businesses, one should note in the ecosystem mapping process that most of the businesses that Organization A supports are businesses with less than three years of activity and tends to favor lifestyle businesses. Whereas, Organization B may specialize in offering working capital to established businesses via lines of credit. The more specificity in terms of what supports are offered, by whom, and to whom the better the map will be. In other words, across verticals of financing, marketing, operational support, market access, real estate and more, it is important to not only identify who does what, but also to acknowledge how they do it and for whom. That said, mapping everything in an ecosystem is a tremendous undertaking so begin the process with clarity about what you are trying to capture. Ecosystems grow and evolve, so plan to update and amplify the map over time.

2. Draw and define the roles of the diverse players. This can be done using arrows, a chart format, or other graphic features. The most important aspect of the map is that it can be easily understood by partners and entrepreneurs.

3. **Identify existing services and specific needs for capital among entrepreneurs of color in the city.** As with white owners, the capital and financing needs of businesses owned by people of color will vary based on size, type of business, and credit profiles of the partners, and other participants in the process accountable. Mapping the existing assets and needs of entrepreneurs is essential to moving to increase their access to capital. Below is a figure that sets forth a generic map based on business size and maturity and types of financing available to each size/maturity.

CAPITAL LADDER – ILLUSTRATIVE OVERVIEW

DEMAND	SUPPLY – Sources of Fund	CHARACTERISTICS
Stable Business (5+ years)	***Traditional Banks:*** *Bank loans – lines of credit, term loans, asset-based loans, construction loans, etc.*	*+ Market interest rates* *+ Varying repayment terms* *- Slower turnaround time* *o Based on cash flow or collateral* *o Higher credit score required*
Growing Business *(2-5 years)*	***Community Banks:*** *Some Regional / Local Banks, Credit Unions* ***Alternative Responsible Lenders:*** *US SBA, CDFIs, CDCs, P2P Lending, City Loan Programs*	*+ Low to average interest rates* *+ Longer repayment terms* *- More paperwork* *o Based primarily on cash flow*
New Business *(0-2 years)*	***Micro-Business Programs:*** *City Loan Programs, CDCs, non-profits*	*+ Some are "risk-free" capital due to flexible repayment schedule* *+ Potentially risky to relationships*
	Friends & Family: *Gifts, loans, crowdfunding*	
	You, Friends, Family: *Personal savings, credit cards, home equity line of credits, bootstrapping, angel / equity*	

4. **Verify and Socialize.** Ecosystems are dynamic and changing. Organizations are also constantly changing. In this vein, making sure that the map appropriately tells the story of opportunities in a given market requires a lot of input and feedback from different stakeholders. Ecosystem mapping is much easier if done in a collaborative fashion that allows the diverse players to provide input on what they do and how early in the process, but minimally must allow for critique before public presentation. In the verification and socialization process, one is likely to find that some organizations have shifted their focus, others may need to shift, and some have become more entrenched in their focus. Additionally, securing feedback from businesses that have had to navigate the system is important. Before publishing an ecosystem map, it is critical to 'stress-test' it for accuracy and credibility. This will ensure that the map answers the most pressing questions around support faced by your entrepreneurs. *(Continued on page 45)*

COHORT SPOTLIGHT

Mapping Information as Portals for Entrepreneurial Support

In the City Accelerator Local Business and Job Growth cohort, mapping information was turned into information portals to assist entrepreneurs. El Paso, Newark, and Rochester all created platforms to allow entrepreneurs to access services more easily than currently. Rochester established a portal that will collate information about all providers of services to small businesses in one place, accessible to entrepreneurs and supported by the providing organizations (www.nexusi90.org). El Paso created Ask Laura, an automated question and answer portal that assists small businesses seeking services (https://www.elpasotexas.gov/purchasing). Newark created an all-inclusive business portal to allow women and entrepreneurs of color who are seeking training, resources, or opportunities including contracting from one portal (https://investnewark.org/procurement-portal).

Legal, Licensing, and Permitting

The Legal, Licensing, and Permitting tab features organizations that offer legal support services for your small business. These services can guide you when you need help with lease negotiations, zoning, getting licenses for your industry, forming an entity, preparing a contract, and drafting real estate documents, to name a few.

ORGANIZATION	IDEA	STARTUP	EXISTING BUSINESS
ACCESS Growth Center	✓	✓	✓
Building Safety Engineering and Environmental Department (BSEED)		✓	✓
Center for Community Based Enterprise	✓	✓	✓
Detroit Economic Growth Corporation (DEGC)		✓	✓
Detroit Health Department		✓	✓
Detroit U.S. Export Assistance Center		✓	✓

Legal, Licensing, and Permitting

A Detroit ecosystem map that separates the sources of assistance by stage of business. SOURCE: https://detroitbizgrid.com

(Continued from Page 43)

5. **Share the map broadly and use it.** These sorts of tools mean little if they are not distributed broadly. Ideally, they should be available in both virtual and physical options. The players throughout the ecosystem should use it to help support entrepreneurs in guiding them for support. For the ecosystem builders, the map is also useful in identifying duplication and gaps in the system. For entrepreneurs, it is a guide to where to find the needed support. Ecosystem maps are most useful if there is a feedback loop to allow users of the system provide their experiences with the tool and partners. A good ecosystem map should answer several questions:

    - What supports are available for businesses, what type of businesses, and at what phase of growth?
    - Are there specific supports (organizations, programs, initiatives, training, etc.) for businesses of color?
    - What support is overlapping by multiple service providers?
    - In what areas of support are there no, few, or inadequate resources?
    - Do specific roles provide resources, work, or sustenance for others?

Those insights could be leveraged to better manage the ecosystem, support entrepreneurs, and refine future versions of the map.

3. STRATEGY DEVELOPMENT: MARKET ASSESSMENT, SYSTEM PERFORMANCE, AND SHARED OBJECTIVES

At this juncture, enough information is available to paint a clear picture of where the economy is and what supports are available to support businesses and business of color. The relationship development work should have uncovered insights about the performance of ecosystem partners and some of the needs of entrepreneurs. An understanding of a local economy and ecosystem provides the foundation for developing not only a specific program or tool, but also allows the work to be designed to fix problems based on data, user experiences, and shared information rather than opinions.

Ecosystem partners should now be thinking about the kind of market outcomes that can make their city more competitive and help grow businesses of color. At a systems level, resolving competitiveness issues may serve to increase capital access, foment innovation, cultivate talent, or the like. The competitiveness challenge addressed should clearly affect the economy at large. The types of issues uncovered through this market analysis might range from questions related to supply chain gaps to capital absorption to talent access.

ECONOMIC INCLUSION IN PRACTICE

Building Coalitions to Enhance the Entrepreneurial Ecosystem: Chicago Anchors for a Strong Economy

A network of organizations dubbed the "Chicago Anchors for a Strong Economy," or CASE, supports 15 local institutions in more intentionally using all of their assets, especially the money they spend on buying goods and services, to help grow local businesses and create more jobs for Chicagoans. A dedicated staff at CASE works to plays matchmaker, connecting institutions with the right local businesses to meet their needs. They also help participating small businesses navigate the procurement processes of larger institutions and provide advisory and workforce development services out of the University of Chicago. This type of matchmaking requires an in-depth knowledge of large and small players in a defined local market. A city government or one of its partners may have this knowledge. State and federal agencies are likely to be too removed from a local view to have such knowledge, although they may be a helpful source for data.

Some communities might opt to develop a strategic plan or some other ecosystem-wide document at this stage. However, a pilot project or program is an approach that may yield more near-term results and allow for a more penetrated attack of a specific issue. Before embarking on a particular initiative, pilot project or program, cities should make sure the data and insights captured from the work to date is summarized and understood by the network of partners. Ecosystem partners need to review the information available and see what it illustrates about market performance in terms of revenues, market access, capitalization, technology, assets, innovation, and sophistication. These findings should help the group start to develop some priorities and shared objectives. These objectives and priorities will provide the outline needed to develop a quality program. Some of the questions that can help with this prioritization process include:

- Is the market growing or shrinking? In what sectors can these market trends be seen?
- How robust are capital and debt markets locally? In communities of color? With businesses owned by people of color?
- Who are local businesses' customers?
- Is the market growing or shrinking for businesses of color? In what sectors?
- Are the resources in the local ecosystem adequate to support the market's ambitions?
- Do businesses of color have the same level of access to these resources as other businesses or is there equivalent resources focused specifically on supporting businesses of color?
- What are the biggest inhibitors for growth for our businesses? For our businesses of color? Why?
- Are there levers that we as an ecosystem can control or heavily influence to produce better outcomes? If so, what are they and how can we influence them?
- Are there any strategic initiatives already underway in the ecosystem or that are synergistic near the ecosystem which might make a good partnering opportunity to scale, amplify, or accelerate results?
- What is the level of interest in addressing an issue by the stakeholders especially the entrepreneurs and public?
- Is there a funding source to support the initiative?

4. DESIGN AND EXECUTE PROGRAM

After going through this exercise, cities and partners should be able to come together around solving some very specific issues which hinder businesses of color from growing and represent an opportunity for the rest of the economy. While an ecosystem map is an important element of developing a program, communities need not be paralyzed by performing analyses and studies before taking action. These activities merely provide greater perspective for action, especially when confronted with numerous challenges. Analysis and action can and should overlap.

Assessment of data from ecosystem mapping should provide leaders with an understanding of the economic performance landscape in their community with a racial inclusion overlay. This work is likely to find gross disparities in income and opportunity along the lines of race for both individuals and businesses as this is common in nearly every community. This should not be discouraging to the process. Rather, it represents an opportunity to fix a solvable issue by crafting a new policy or program, or better enforcing existing regulations and requirements.

Once properly identified, the solutions to these challenges may be fairly straightforward with the right ecosystem approach, partners, and tools. That said, most likely the process of developing a solution will need to go through numerous iterations for it to deliver the desired results. It is important that the local government and its partners:

- Have flexibility in refining the policy and program, as needed. If the designed solution does not work, it may require refining or even starting over. This is normal and part of the development process and that willingness to adjust, revamp, or start over is essential to finding the right solution for your community.
- Start the policy or program at a project or pilot level and scale over time. This will allow for the city to assess how it is working, make tweaks, and scale a program that delivers the desired results.

Some other rules of thumb in designing new policies and programs are outlined below:

Define the target community.

For successful efforts to improve racial inclusion, it is important to identify a geography within the city or specific population to impact. Broad-based or city-wide, or MSA-wide efforts can become generic and fail to address the specific needs of the community.

Identify and support existing companies with the potential to scale their business models.

Long Beach exemplified this principle during its City Accelerator work. A significant part of the project was to identify entrepreneurs that were ready to scale their businesses, and then help them do it. Since KIVA [29], the well-known online crowdfunding lending platform, was already operating in Long Beach, the city used KIVA funding as an initial selection tool. The trust of KIVA lenders, and the businesses' record with the lending entity, provided an initial "vote of confidence." Six companies were chosen for the Long Beach business cohort: food vendors that were ready to go from cottage industry to brick and mortar stores, a specialized beauty supply store increasing online marketing as well as foot traffic to the store, an indoor plant-scaping company expanding its geographical reach through acquisitions of other firms, and a logistics firm rapidly expanding the scope of its services. The entrepreneurs in the cohort were provided with training, technical assistance, and mentorship by other established business owners. [30]

Target support in sectors with high demand for large buyers.

Contracts with large institutional buyers and government agencies are critical for entrepreneurs in high-growth sectors. Yet, many cities find it difficult to identify qualified, businesses owned by people of color that have the capacity to perform on high-dollar-value contracts. More assistance from entrepreneurial support organizations (ESOs) should be targeted to building the capacity of these firms in industries or sectors that are in high-demand by entities with strong purchasing power.

Commit to securing results.

A medium-term commitment of a couple of years and ideally a long-term commitment is needed to create systems change and sustainable results. The medium- and long-term commitment is not to a particular policy or program per se, but to changing an outcome. Goals to improve economic growth should focus on long-term interests, but election cycles prioritize clear near-term political wins. The counterproductive short-term, "win-seeking" nature of current approaches to economic development have been noted. [31] Conventional economic development remains largely reactive, driven by deals in the pipeline. Recruiting new firms and taxpayer-funded incentives geared to one-time job creation tend to take precedence over the more multi-faceted task of positioning industries and assets for long-term growth and improving existing firms' performance and expansion.[32] Achieving continued growth and improving ecosystems for entrepreneurs of color requires a long-term investment in confronting systemic barriers and developing the needed ecosystem capacity. As ecosystems develop their approach regarding how to grow businesses owned by people of color, they may want to consider distinct hurdles women of color face as well due to structural intersectionality. Ecosystems may also need to account for these barriers in their agenda-setting and capacity-building work.

Create more inclusive industry-specific entrepreneurial support organizations.

Increasing access to industry-specific ESOs for entrepreneurs of color is critical, since these kinds of ESOs provide access to tailored, powerful networks and targeted capital. Examples of industry-specific ESOs include those focused on food manufacturing or high-tech products and services. Entrepreneurs of color are not participating in these ESOs at the same rates as their white male counterparts. This is particularly true for high-tech incubators and accelerators. A study by the National Business Incubation Association showed that only 9% of the entrepreneurs serviced by incubators and accelerators were Latinx, 8% were African American, and 4% were Native American, and 3% immigrants.[33] Over the last decade numerous industry specific ESOs focused on entrepreneurs of color have emerged such as NewMe, an accelerator focused on serving early-stage founders of color and Manos Accelerator which aims to enable the brightest Latinx entrepreneurs with innovative ideas through mentorship.

Invest in new partnerships for a comprehensive approach.

Collaboration is needed among existing organizations to address the three primary structural challenges faced by all small businesses – management, money, and markets. While all businesses face these challenges, they are particularly difficult for businesses owned by people of color: access to management education, capital (money), and contracts and new customers (markets) -- the three M's. Most programs focus on supporting only one of the M's and operate independently from other programs. One notable exception is the new Ascend 2020 program, now operating in ten U.S. cities and growing.

Another resource to support businesses owned by people of color is Interise, a national nonprofit, which has programs in 80 cities and has helped their businesses experience a 36 percent increase in revenues and create jobs at five to ten times the national rate. Through programs such as their Streetwise MBA, Accelerate Latinx, and their LEAP (Leadership in Equitable Procurement) they are building capacity of business owners, raising awareness of the need for greater entrepreneurship, and providing support to increase procurement opportunities for business of color.

Ensure business owners of color can access growth capital from multiple sources to allow entry into higher-growth sectors.

Because of capital-access challenges, entrepreneurs of color are more likely to enter industries with low capital requirements and high failure rates rather than high-growth sectors. More startup and growth capital needs to be available to entrepreneurs of color to allow them to access the more lucrative pieces of the economic pie. They need support accessing a broad range of sources -- not just more venture capital but also equity infusions from corporations and impact investors. Bridge financing, contract-based financing, operating capital and more is needed. Crowd-funding and community-based capital sources may be particularly helpful for entrepreneurs of color seeking to overcome the limitations of traditional bank funding underwriting requirements.

CASE STUDY: ROCHESTER, NY

Population	209,463
Labor Force	90,549
Demographics	38.5% Black, 37% White, 18% Latinx, 3% Asian, 3.5% Other
Key Sectors	Healthcare & Social Assistance – 22% Educational Services – 12% Retail Trade – 12% Accommodations & Food Services – 8%
Median Household Income	$32,037 per year
Unemployment Rate	3.6%
Poverty Rate	20.3%

LOCAL CONTEXT

Historically, Rochester was known as the headquarters of its "Big Three" companies, Kodak, Bausch & Lomb, and Xerox; together these companies once accounted for nearly 70 percent of the area's jobs. With technological and economic change, these companies have declined along with the city's fortunes overall. As in many "Rust Belt" cities, a deep legacy of structural racism and disinvestment has resulted in some of the most concentrated areas of poverty in the country. Rochester has committed to overcoming this legacy and becoming more supportive of locally owned businesses, particularly businesses owned by people of color.

SNAPSHOT:

Based on a 2012 survey and the US Census Bureau data, the city determined that of the businesses owned by people of color, 3,976 were owned by African-Americans, 686 by Asians, 1,182 by Latinx, 180 by Native Americans, 530 by "other" owners of color. Aggregate revenue for these businesses was $307 million for Asian businesses, $270 million for Black/African-American businesses, $89 million for Latinx businesses and $3.7 million for Native American businesses.

OBJECTIVES

Rochester's economic development goals have been described as going from a Company Town to a Town of Companies. From the outset, Rochester realized that it didn't have comprehensive or current information about its entrepreneurs of color and what resources they needed-- building this data set was seen as a critical first step. Rochester also aimed to increase the number of businesses owned by people of color in the city by 30 percent within two years, by increasing access to and coordination among the city's numerous technical assistance providers, and reducing the regulatory burden for businesses. The city is home to many organizations and partners for entrepreneurs, but has historically lacked an ecosystem approach to support, coordinate and curate these partners-- a role that city government is well-positioned to play.

WHAT THEY DID

Focus groups with local businesses were held in order to determine the current obstacles faced by small businesses, and their needs as far as reduction of regulatory burden and supportive services and technical assistance. The focus groups included women-owned businesses, Black-owned businesses, businesses with revenue of $100,000 or less, and businesses that have tried to or have done business with the City of Rochester. A Small Business Study was also conducted to capture general demographics about small business owners and entrepreneurs in Rochester, understand what resources they used or needed throughout the process of starting and growing their business, and explain pain points in any of the processes mentioned around being a small business owner that the City could potentially alleviate. The results of the Small Business Study are being compiled.

A Kiva microloan program helped the City of Rochester identify entrepreneurs looking to move toward more substantial capital access. City officials worked with entrepreneurs who needed loans of $10,000 or less, which are often not available through traditional banks, in establishing their profiles on Kiva's crowdfunding site. Kiva posts the borrower's profile, and borrowers then "fundraise" through crowdsourced lending. They have 30 days to become fully funded and most succeed. The intense, one-on-one work the city officials did with individual entrepreneurs helped them to (1) apply for their Kiva loans; 2) create successful profiles that allowed crowdfunding of their loans; and (3) begin to establish credit based on their repayment of their Kiva loans.

The one-on-one work was made possible through substantial marketing efforts by the city, supported directly by the Mayor. In order to recruit applicants, Americorps volunteers, working with the city officials responsible for the project engaged in outreach through attendance at business association meetings, meeting clients in their communities, and staying with clients through the process of application, fundraising and repayment; these relationships led to referrals by clients to new applicants. They helped to educate potential applicants on the mechanics of credit and credit rating. Effective messaging directly by the Mayor also helped to inspire confidence in participants. They put in place easily accessible processes for application such as office hours where they have and continue to help hundreds of potential clients. In addition, this intensive assistance allowed the city to collect data on how many people were served, how many came back for second loans, how many expanded into brick and mortar spaces, and how many were referred to other agencies. This work, though preceding the City Accelerator, set the stage for it.

The City of Rochester found that the most successful businesses were the ones that accessed the most services and other publicly available resources. To make support more ubiquitous services, Rochester leveraged Source Link, a comprehensive database of services for small businesses which serves as a resource portal and also as a vital data collection tool to support small business. They have integrated these resources through a branded portal called Nexus i90 (www.nexusi90.org).

Through Source Link technology, Nexus i90 is designed to be a valuable data-gathering tool. The software tracks how many people are entered into the system, creates a profile for each new client, tracks each service provider they visit, and allows service providers to make digital referrals in a closed-loop system. It will quantify the number of small business owners and entrepreneurs in the SourceLink system as well as how many hits the website receives online. The software collects relevant demographics and firmographics. A Small Business Study will be conducted annually with the assistance of SourceLink data. In addition, the City of Rochester has made racial awareness training a prerequisite for partners participating in SourceLink, in order to integrate inclusion into its mission and implementation at the outset.

PRINCIPLES IN ACTION

Rochester's project design, with the targeting of businesses, data gathering, training and creation of the Source Link interactive database, reflect Principles 1, 2, 4, 6 and 8. From the beginning, Rochester identified businesses owned by people of color as part of the group to study and for whom to target assistance. The Small Business Study provides baseline data upon which Rochester can build to track the needs of the targeted entrepreneurs as well as progress as Source Link continues to add to the data on an ongoing basis. Source Link itself, in providing connections between businesses and services they need, as well as procurement opportunities, will greatly improve the business ecosystem for existing businesses and new businesses that enter the market, thus improving Rochester's competitiveness for the longer term. The partners that have been involved in the development of Source Link, and the partners that will continually be added to it, also reflect that cities need partners in order to support racial equity in entrepreneurship.

WHAT THEY LEARNED

Racial equity training is crucial to integrating a racial equity lens into city economic development programming. After the Living Cities racial equity training for the cohort, racial equity training was made mandatory for all Source Link partners to assure that ALANA-owned businesses (African, Latinx, Asian, and Native Americans) are served.

One-on-one intensive technical assistance was important for helping the entrepreneurs navigate the Kiva loan process and thus grow enough to benefit from the next level of credit access. In order to deliver these services, the city had to overcome a good deal of skepticism by the small business owners. Trust was forged over time, through the mayor's support, meetings in the community, and intensive collaboration. Now early clients are referring new clients to work with the city in the same way.

CASE STUDY: PITTSBURGH YARDS, SOUTHWEST ATLANTA

Google Earth picture of the Pittsburgh Yards site, close to downtown and on the planned Belt Line expansion. Credit to curbed.atlanta.com 10-3-18 article

Invest Atlanta, the city's economic development agency, has concentrated much of its effort on Southwest Atlanta, and particularly, on supporting Pittsburgh Yards. Pittsburgh Yards, pictured above, is a planned office park development in Southwest Atlanta that will be connected to the rest of the city by the Belt Line, a much-anticipated expansion of the city's transportation system that will send streetcars past Pittsburgh Yards over rehabilitated formerly obsolete railroad tracks.

DESIGN APPROACH BASED ON COMMUNITY'S COMPETITIVENESS AND ECOSYSTEM

Economic development projects too often use simplistic approaches such as one-time fund availability or quotas. Use competitiveness/comparative advantage approaches to determine the problems and target the appropriate industry cluster(s), anchor employer, or ecosystem improvement (i.e. retail access, small business support, zone creation, infrastructure, etc.) Aim for high-growth, wealth-building businesses when possible. There is debate around how to best define high-growth businesses, but generally these are businesses that can generate a return on equity of greater than 15 percent. Sectors that tend not to meet this requirement include retail, labor-intensive businesses, and certain service sector firms. Growth and wealth-building businesses should be scalable, replicable, and have the capacity to employ significant people over time. Consider realities of budget, political will, capacity, timeline, and stakeholder/community support. Design a multi-faceted, step-by-step approach to address the specific problems versus blanket policies or generic quota requirements.[30]

Identify opportunities in policy and practice to create new value in geographies that have historically been underserved and have unique challenges. Do not neglect the importance of place. These communities often represent untapped commercial opportunities in terms of retail, labor, and real estate development.

CASE STUDY: ARCA WORLD LOGISTICS

Owner: Jessica Somera
City: Long Beach, California
Industry: Transportation/Logistics

ARCA World Logistics is a logistics and supply chain management company based in Long Beach. Its website states:

"ARCA World Logistics is a licensed and bonded non-vessel operating common carrier (NVOCC), ocean freight forwarding, domestic shipping, and logistics company offering door-to-door global shipping services."

Started in 2014, the company has enjoyed steady, substantial growth as it increases both its customer base and capabilities. It serves clients in numerous industries, including garments, textiles, e-commerce, flooring, rugs, electronics, machinery, recyclables, retail, hazardous cargo, and pharmaceuticals, among others.

ARCA World's projected revenue for 2019 was $4 million dollars. The founder, Jessica Somera, has been working in the industry since 2004. She has worked in all aspects of logistics—freight forwarding, steamship lines, and as a direct importer/exporter. While working in Charlotte, NC in 2014, she became frustrated with larger carriers bidding for her business, but not delivering on service. She saw a niche in the market that she could fill—providing quality service to businesses of all sizes—large and start-up. She started ARCA World in her native Long Beach, and it has grown steadily since then.

Jessica joined the Long Beach Growth Cohort to obtain assistance in implementing her expansion plans. Jessica intends to open regional offices in the Midwest and Southeast, and eventually a global office in Asia. She currently has six employees, is hiring an additional sales representative, and expects to hire more with each new office. Since the Grow Long Beach training began, Arca World has expanded its qualifications by obtaining IAC—International Air Certification.

COVID-19 UPDATE

The COVID-19 crisis dealt sudden challenges to the logistics and shipping industry. February, immediately after Chinese New Year, went from being a busy season to a 60-day lull for freight forwarders. Jennifer has come through it by being ahead of the game in adjusting to the new reality. She had foreseen the need to have employees work from home and trained them and established the necessary technology in February prior to beginning WFH on March 13. Jennifer attributes their subsequent recovery, from losing 20% of volume in February and 50% in March, to projected profitability in May 2020, to the small size of the company. As a small company, ARCA World is "more agile and flexible" than the larger freight forwarding companies. Large freight forwarders turned away companies that they "couldn't help" while Jennifer and her staff found new solutions to their customers' challenges.

Examples:

Freight is very reliant on passenger flights, so DHL and FedEx became prohibitively expensive after airlines were largely grounded, moving from approximately $2000/pallet to $10,000/pallet from China. Small businesses could not afford it. ARCA World was able to combine customers' shipments and charter a flight from Shanghai to the US at a rate the individual clients could afford.

A retail client found ARCA World online in mid-March, desperate because shoes from Morocco were stuck in Istanbul. Jennifer was able to work with an agent in Istanbul who arranged with an airline to bring the shipment to the US from there.

Many new clients have found ARCA World through their social media presence, greatly enhanced through its work with the City Accelerator. Jennifer has not had to let any employees go. She was able to get a PPP loan in order to bridge the gap in revenues by approaching a small credit union after her regular bank told her they were out of funds.

ECONOMIC INCLUSION IN PRACTICE

Leveraging Opportunity Zones to Build Inclusive Communities

Opportunity Zones are a new federal program that creates incentives for investment in historically underinvested and disinvested communities. Amid discussion about the possibilities, experts have acknowledged fears that the available funds will be channeled to communities that are already well on their way to economic health, i.e. gentrified, and are already attractive to investors, rather than the communities that most need support in attracting investment. Avoiding this result, which detracts from rather than supports economic inclusion, requires policymakers who are designating the opportunity zones and administering their use to define the geographic areas as well as the communities that are the targeted beneficiaries of the development in those zones. Supplemental local efforts which identify targeted projects, provide local incentives in keeping with the program's aims, and provide information and support to potential investors are essential to achieving the desired goals.

STRENGTHENING THE CAPACITY OF DIVERSE BUSINESSES

STRENGTHENING THE CAPACITY OF DIVERSE BUSINESSES

EMPLOY A TRUSTED GUIDANCE MODEL

Meeting the needs of small business owners and aspiring entrepreneurs in low-wealth communities is not about the design of a single training course or tool. The goal is to make customized products, services, and resources easy to understand and access while expanding social networks and market opportunities.

Trusted guidance must be designed and delivered in a manner that entrepreneurs recognize and value the direct short and medium term benefits to them. Certainly, bridging the gap described above between 'needs' and 'wants' requires creating awareness of business opportunities and barriers in a clear and relatable manner.

A trusted guidance model includes fuel to ignite confidence and the spark of entrepreneurship along with actionable advice and access to resources to improve the odds of success along the way. A trusted guidance model includes tools and help in the form of products and services to support action and insight. Ultimately, this new model for technical assistance is a support system that meets individuals where they are and empowers them to achieve aspirations and to reach goals.

For organizations, trusted guidance represents both a new model and a mindset. It requires the leadership of nonprofit organizations to make critical strategic choices. It requires focus and specialization within organizations along with coordination and collaboration across them. No single organization has all of the resources needed to meet the needs of every entrepreneur or segment of entrepreneurs. Without purposeful focus on the potential contributions and needs of Main Street businesses, these individuals and neighborhoods will continue to be left behind. By shifting the approach to trusted guidance, this framework can unlock focus and a better allocation of resources.

Local trust and accessibility are key. One key to successfully replicating a program is ensuring that trust resulting from local control and convenient, accessible locations for entrepreneurs is retained.

Recognize that what gets measured gets done. Put in place metrics to assess the performance of any policies or programs designed. Confront the challenge with an initiative, program, or policy that is scalable, metrics-based, and merit-based. Common metrics include:

- Job Creation
- Capital Invested or Loaned
- Wages of new jobs created
- Revenue Growth
- Sector Diversification
- Market Share
- Entrepreneurs/Businesses served

COHORT SPOTLIGHT

El Paso Provides Technical Assistance to Entrepreneurs of Color through the Library System and Online Assistance Through Ask Laura

El Paso has addressed the problem of confusing and overlapping technical assistance opportunities by providing a 'one stop shop' service for entrepreneurs that guides them regarding available city programs, grants and services to assist them in selecting and then accessing those that are appropriate. Entrepreneurs can avail themselves of the one stop shop service at a local library.

The El Paso Public Library's WorkPLACE program, available throughout their 12 branch locations, gives entrepreneurs and businesses one additional resource center that can provide information and direct assistance. Individuals looking to start or improve their businesses make use of free library resources such as computer hardware and software, meeting spaces, databases, books, videos and other resources. El Paso Public Library WorkPLACE staff provide direct help with business plans, marketing ideas, information searches, training programs and more. Libraries also act as an information hub where local business owners can go to get information to improve their businesses such as how to get funding, registering their businesses and finding mentors for their businesses to name just a few. Through the City Accelerator program, libraries work with their partners within the City of El Paso as well as external partners to find the resources their business clients need to improve their businesses.

In addition, the Purchasing & Strategic Sourcing Department has created the city's first virtual information officer, an online avatar named Ask Laura. Ask Laura provides users with a unique customer service experience by providing immediate information to recently asked questions. This allows constituents, including businesses, to submit questions online to receive direct answers from numerous city departments including economic development, planning & inspections, environmental services, public health, libraries, purchasing, and the tax office. Ask Laura significantly reduces the amount of time certain departments utilize in responding to frequently asked questions, thus allowing the staff to be reassigned to other strategic initiatives.

COVID-19 UPDATE

Due to the pandemic, the El Paso Public Library is offering limited services. Their locations are currently closed to the public. However, they are offering curbside pickup and online services. Businesses can still make use of their databases and research applications and can access business books and other resources in hardcover and in digital form. They are also keeping businesses informed on how the City of El Paso can help them continue to operate by offering financial support through the CARES Act funding and other federal, state, and local resources.

CASE STUDY: EL PASO, TX

Population	683,577
Labor Force	367,000
Demographics	81% Latinx, 13% White, 3.8% Black, 1.4% Asian
Key Sectors	Healthcare & Social Assistance – 14% Educational Services – 12% Accommodations & Food Services – 9% Public Administration – 7.5%
Median Household Income	$45,656 per year
Unemployment Rate	7.3%
Poverty Rate	20%

LOCAL CONTEXT

El Paso is a border city with a large, multicultural, bilingual population. Seventy-seven percent of the city's businesses are owned by people of color. Despite significant public investment over the last decade, El Paso has struggled to meet the needs of entrepreneurs of color who lack formal training in essential business skills. The El Paso City Accelerator is aimed at helping local minority-, women-, and veteran-owned businesses in El Paso by connecting them with the resources they need to succeed.

SNAPSHOT

Baseline data collected at the beginning of the project through a 2012 survey, the Census Bureau, and City Accelerator Survey of Business Owners indicated that there were 43,311 businesses owned by people of color. Their average age was 3.25 years and their average revenues were $154,813.

OBJECTIVES

At the outset of the City Accelerator, the City sought to improve its understanding of its population of business owners of color and their needs, as well as the City's delivery of technical and job assistance training to its small businesses. The goal was to assist participating businesses in becoming competitive with their peers, especially for those businesses connected to neighborhood growth and development. Areas targeted for training were largely focused on financial literacy, including bookkeeping and credit, but also included strategic planning.

WHAT THEY DID

On February 5, 2019, the City of El Paso spearheaded an initiative through a cross-functional team consisting of multiple city departments including Purchasing & Strategic Sourcing, Economic Development, Community Development, El Paso Public Libraries, and the Performance Office to centralize business support efforts into singular brand, called Accelerate EP, and leveraged the City Accelerator project to aid the business community. The project began with a survey of 170 El Paso firms, 70 of whom became the Accelerate EP cohort that participated in trainings and mentoring. The overwhelming need for specific skills' training, primarily focused on financial and credit literacy, and operations emerged from the surveys. El Paso also leveraged data from its artificial intelligence tool, Ask Laura, a Virtual Information Officer. Labeled as a "Game Changer," Ask Laura provides a unique customer service experience by providing immediate information 24 hours a day to frequently asked questions from El Paso residents. Bilingual Ask Laura answered as many as 9,000 questions in one year. The frequency and timing of questions was captured, providing valuable data to the city on the information most sought by the public, and helped to shape the business trainings that have been offered.

To provide the necessary training and services to small businesses, the City of El Paso entered into Memoranda of Understanding (MOUs) with seven unique partners, including an incubator, community college, University of Texas entity, two local chambers of commerce, the local workforce board, and the county economic development department. By establishing formal MOUs, accountability with partners was created. The partners worked together to provide trained in needed areas to the Accelerate EP cohort. The El Paso Public Library (EPPL), a department of the City of El Paso, also took charge in providing training to the cohort of businesses. As part of the Accelerate EP kickoff event, EPPL presented a marketing training, and highlighted the different services provided to business owners at little to no charge. Computer hardware and software, meeting spaces, databases, books, videos and other resources inside the EPPL WorkPLACE have been well-utilized by the businesses. EPPL's WorkPLACE program, available throughout their 12 branch locations, gives entrepreneurs and businesses an additional resource center that can provide information and direct assistance. Through this project, The City of El Paso elevated its role as a convener, collaborator, and portal in and for the business community. As a convener, the City brings together physical and digital infrastructure for individuals to kickstart and grow their business in a centralized location such as the library. As a collaborator, the city engages partners to better serve businesses through referrals as well as more formalized approaches like MOUs. The city also serves as a portal of opportunities and resources for residents by providing access to competitive government contracts.

In one year, the City Accelerator project in El Paso achieved the following results:

1. Led the City of El Paso to understand its role as a convener, collaborator, and portal for the business community.
2. More cooperation and responsiveness across city departments as a result of centralizing business support efforts under the Accelerate EP brand.
3. Increased demand among small businesses for certifications, which will increase their competitiveness.
4. Expansion of trainings offered by providers that were not the original seven partners.
5. Extensive one-on-one interactions with the city's small businesses during the survey and outreach phase of the project that has led to increased and continued interaction, collaboration, and relationships between local businesses and the City.
6. Numerous individual business successes such as one small business emerging from financial distress with the help of trainings and another business obtaining a certification that is helping it compete for procurement contracts.
7. City Accelerator work is being institutionalized in the El Paso Community Development Department.

The City of El Paso will continue to collect feedback and data on local businesses so that services offered remain receptive to the needs of the entrepreneurs targeted.

PRINCIPLES IN ACTION:

Recognizing the value of the City Accelerator program, the City of El Paso applied to continue with the City Accelerator into the next cohort to improve how it leverages its procurement to grow businesses in the city. El Paso is also expanding the network of businesses served and partners involved in the training and support ecosystem. Additionally, the City's Purchasing Department plans to bring racial awareness training to other city staff. Data, gathered through surveys and Ask Laura, was at the heart of determining the training needs of the small businesses being targeted by the City Accelerator work. Lastly, new MOUs and partnerships reflect an understanding that the city government needs to work within a robust ecosystem of business support in order to accomplish its goals.

WHAT THEY LEARNED

Formalized partnerships through Memoranda of Understanding highlight and strengthen the role of the City and its resource partners as collaborators. Partners maintained participation and became integral to service delivery. The partnerships created have survived the City Accelerator and the City of El Paso is expanding to include new partners into the entrepreneurial ecosystem. Businesses within the El Paso ecosystem view the City as a catalyst to their success and growth. Libraries hosted 1,000 hours of one-on-one assistance to entrepreneurs and the EPPL WorkPLACE has become a well-utilized resource, supporting many of the businesses that the City is working to support. The initial assumption that libraries, located within communities, would be an accessible resource, valuable to entrepreneurs, has been validated and continues to yield results for local businesses.

TECHNICAL ASSISTANCE FOR OPERATING BUSINESSES

Entrepreneurs of color face numerous obstacles to growth; some of the most significant obstacles include inexperience in managing a business, a lack of exposure to certain business practices and networks, and a need for training in specific business skills. While many entrepreneurs know their core business well, other aspects of business management often go lacking. These gaps in knowledge hurt a company's ability to compete over time, access capital, and position themselves for success. These hurdles are the direct byproduct of longstanding discrimination, often intentional barriers, and a lack of resources in many of the communities where these entrepreneurs were raised and/or launch their businesses. Properly designed technical assistance can fill the skills/knowledge gaps for business owners and help entrepreneurs of color move forward on a more equal footing with peers. Technical assistance is the broadest category of support; it can encompass a broad suite of assistance, including marketing support, site selection, business planning, accounting, and employee development.

Entrepreneurs of color need access to skills development in order to start, scale and sustain their businesses. They also need access to business networks that can help build a customer and supplier base, improve access to debt and equity finance, and provide useful advice and support. Such networks can be especially beneficial for new and smaller firms, which because of their size often have a narrower range of contacts. While there is not a one-size-fits-all approach to technical assistance, there are certain types of support—irrespective of industry or sector—that businesses require in order to be able to effectively compete in the marketplace.

The following is an overview of the type of support often required by entrepreneurs. This section also. includes a description of some of the selected organizations and other resources that may be instructive for city officials.

ESSENTIAL TECHNICAL ASSISTANCE ELEMENTS

1. **Access to Capital. This** is a core function that entails connecting entrepreneurs with equity and debt financing sources, including potential investors (from angel investors to venture capitalists) as well as instruction in alternative forms of capital raising.

2. **Mentorship.** The prospects for success among all entrepreneurs can be increased multifold if they can benefit from the experiences of more seasoned entrepreneurs. According to an analysis by Endeavor, a nonprofit organization that supports high-impact entrepreneurs globally, companies whose founders have been mentored by a top-performing entrepreneur are three times more likely to go on to become top performers themselves. This analysis validates the strong emphasis that many incubators and accelerators place on serving as the brokers of mentorship relationships.

3. **Office Space.** Access to affordable office space is essential to the growth of many early stage and mature companies, and this is a resource generally provided by incubators, accelerators and co-working spaces.

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4. **Pitch Deck Creation/Digital Marketing/Growth Hacking.** These are vital instructional marketing services that are intended to help entrepreneurs more easily access investors and customers. Pitch decks are typically PowerPoint presentations that help entrepreneurs capture in a concise manner the essence of the importance of their product or service; digital marketing entails the effective use of the internet as a marketing resource; and growth hacking refers to a marketing strategy typically employed by start-ups designed to help them connect with as expansive a customer base as possible without expending a great deal of time or financial resources.

5. **Financial Literacy**. An entrepreneur that understands the basic financial tools of a business is much more likely to be fully in control of his/her business. Being able to understand what balance sheets and profit and loss statements mean provides a clear view of the financial state of one's business, thereby enabling entrepreneurs to make smarter business decisions. This is especially important for businesses seeking to go to scale, which often entails taking on debt or equity financing. When the time comes to talk to commercial lending institutions, private equity firms, or other investors, it is crucial that entrepreneurs be able to enter into these discussions armed with a sound understanding of their own financial needs, and how certain financial tools mesh with their growth needs. On a more fundamental level, many entrepreneurs, especially those just starting out, may also require credit counselling, accounting, and tax planning assistance.

6. **Legal Services.** Entrepreneurs at any stage in their business need affordable, quality legal services. These services are perhaps most crucial for early-stage firms that often require legal counsel for partnership or investor agreements, incubators, accelerators, and co-working spaces. Making low-cost legal services available to entrepreneurs is an important element of help them to establish a solid foundation for growth.

7. **Export Promotion and Technical Assistance.** As part of a broader effort to help entrepreneurs broaden their network of potential clients and customers, some technical assistance programs, including one accelerator program concentrating on early stage tech and knowledge-based enterprises, has incorporated an export promotion component into its offerings. Export promotion instruction is designed to help companies develop a strategic export growth plan and features in-depth workshops generally spanning three months. Training and individualized mentoring is provided from a wide range of experts, including financing, payment risk, compliance, sales and distribution, country selection and more. As part of the program, entrepreneurs also receive access and exposure to trade related grants and resources, such as the Small Business Administration's STEP Grants and the US Commercial Service's Gold Key Matching Service.

Cities looking for effective and efficient ways to facilitate access to technical assistance resources for entrepreneurs of color, however, do not have to provide all—or any—of the services themselves. By availing themselves of the right combination of support services and trusted third-party advisors and providers, they can have a substantial positive impact on entrepreneurs of color.

TRAINING, BUSINESS SUPPORT, AND NETWORKING

Training, business support, and networking are key elements in helping businesses scale more quickly by increasing the business's capacity through expanded knowledge and awareness, establishing partners who can support specific elements of the operations, and creating a brain trust of counterparts, clients, and mentors. Promising models focused on low-wealth individuals seeking to start or grow their businesses combine a curriculum for training with opportunities for networking and discrete consulting services for businesses. The suite of services offered tends to evolve dynamically with the needs of the business owners in the network. Some examples include the Workshop in Business Opportunities (WIBO), based in Harlem, New York, which has begun to license its nearly 60-year-old entrepreneur training program and operating model to other nonprofits across the country and Rising Tide Capital. The latter aspires to expand its program for training and coaching entrepreneurs in New Jersey, along with its back-office system, to a national audience.

COHORT SPOTLIGHT

Newark Increases Local Participation in Real Estate and Procurement through Training and Networking

Within the cohort's cities, most of them provided intensive technical assistance to entrepreneurs they identified as promising. In Newark, one of the first steps the city undertook was a survey asking its target small businesses the areas in which they most need training. Financial literacy, including accounting/bookkeeping, was one of the most requested trainings; 95 percent of the businesses surveyed paid their own bills and 70 percent maintained their own accounting systems. After bookkeeping, the surveyed entrepreneurs wanted information on contracting: locating opportunities, understanding the bid process, responding to Requests for Proposals (RFPs) and assistance with bonding for their businesses and bids. With the specific needs of their entrepreneurs of color in mind, the city was able to design a targeted training program that not only covered the requested topics, but brought trainers from the anchor businesses in Newark to deliver classes and meet the entrepreneurs. Through relationships formed during trainings, local spending on procurement went from 3 percent in June 2017 to 9 percent in June 2019. The opportunities continue to increase as the entrepreneurs grow and the training modules are made accessible to entrepreneurs on an ongoing basis through video recordings.

Just as WIBO and Rising Tide Capital serve clients in locations convenient to the neighborhoods they serve, Urban Co-Lab, a recently launched incubator space in a historically excluded neighborhood in East Austin, Texas, provides individuals in the neighborhood access to work and event space, entrepreneurial programming, community programming and job creation opportunities.

ACCELERATORS AND INCUBATORS

Local governments should give serious consideration to forming partnerships with entities such as incubators and accelerators, which tend to provide structured, centralized and comprehensive programming for client companies. The aforementioned services are typically provided by both incubators and accelerators, which are very similar, but the differences bear explanation.

Incubators typically focus on early stage start-ups that require more intensive basic technical assistance; accelerators focus more on helping accelerate the growth of more mature early-stage firms. Mature firms are those that have been in existence for two to three years, and require assistance moving to the next level.

The first company known to use the word "accelerator" was Y Combinator, which was launched in Cambridge, Massachusetts in 2005 and later moved to Silicon Valley. However, other accelerator programs have since emerged across the US, and many contain elements of the Y Combinator model including Techstars (Boulder, CO); 500 Startups (Mountain View, California); MassChallenge (Boston, Massachusetts); Parallel 18 (San Juan, Puerto Rico); and the UVI Research and Technology Park Accelerator (US Virgin Islands).

ECONOMIC INCLUSION IN PRACTICE

New Orleans LaunchPad: Coworking Space Launched New Orleans Businesses, Expanding into Opportunity Zones

LaunchPad was started in 2009 in downtown New Orleans to bring entrepreneurs together in the wake of New Orleans' recovery from Hurricane Katrina's devastation. It provides affordable coworking spaces. The goal was to create a community of "doers", and thus build the entrepreneurial ecosystem. Since its "launch", Launch Pad's New Orleans entrepreneurs have raised hundreds of millions of dollars and created 5000 jobs. Launch Pad has expanded into Newark, Memphis, Stockton and Nashville. Expansion into 20 more locations is expected in 2020, with the latest expansion focused on Opportunity Zones, to give entrepreneurs in the areas with the most need access to space, resources and funding.

Pop-Up Center in Long Beach Provides Marketing Opportunities for Cottage Businesses

Pop-up spaces which allow entrepreneurs, primarily retailers, commercial space to display and market goods when a permanent brick-and-mortar store is not yet viable, also represents a good cost-effective space and marketing option for emerging businesses. These pop-up spaces serve several purposes: They allow for a city to test the viability of a particular location or venue as a retail space, generally.

That is, pop-up spaces are low cost options to get an underperforming or out of service property back in commerce on a test basis without the high cost needed to permanently retrofit or renovate an older property. Pop-up spaces allow the budding companies to benefit from the foot traffic generated by other firms sharing the space. This traffic in many cases will expose businesses to consumers who might not normally check out their product.

As part of the City Accelerator Local Businesses and Job Growth Cohort, the City of Long Beach, working in partnership with Pacific Gateway and LINC Housing, established the Corner Pop-Up on the ground floor of its historic Palace building, which is part of LINC Housing's affordable housing portfolio. Among the first entrepreneurs to display their wares at the opening were two of the entrepreneurs that had been part of the Long Beach City Accelerator program, Arturo Enciso of Gusto Bread, an artisanal bread maker, and Emerald Austin of Royal Gourmet Cookies. Both businesses are currently 'cottage' businesses, conducted from their homes. They deliver to customers all over the city. With assistance in business planning and marketing through Long Beach City Accelerator's training programs, both are seeking to establish brick and mortar locations. The Corner Pop-Up provides entrepreneurs like them an opportunity to display their products and court customers in advance of having their own locations.

ECONOMIC INCLUSION IN PRACTICE
Noteworthy Technical Assistance Programs & Initiatives

Over the last few years, several national initiatives have emerged to support different segments of entrepreneurs and business building activities with the intent of creating scalable network architecture: modular content in the form of curriculum or toolkits, along with resources and social connections for use by organizations and individual business owners that opt-in. Each initiative combines local energy and resources with a national framing and coordinating role. Most are purely private initiatives. Others enlisted support from government. For example, Start-Up America was a high-profile public private partnership that has since morphed and merged into TechStars, a technology start-up support ecosystem previously referenced. Lean Start Up started as a book proposing a methodology focused on start-up tech companies but has since evolved into a methodology applicable to any company looking to introduce new products or services into the market. The methodology has sparked self-organized groups in communities across the country and around the world.

Three other programs represent models that warrant mention: Goldman Sachs 10,000 Small Businesses, Rise of the Rest and VilCap Communities. The Goldman Sachs 10,000 Small Businesses program integrates practical business and management education, business support services, and access to capital for small business owners in urban areas who have growth aspirations for their existing businesses. The goal of the program is to unlock the revenue growth and job creation potential of these small businesses. The businesses that participate in 10,000 Small Businesses are diverse in their industry representation and ownership. The common defining feature is a desire to grow from an established base.

Rise of the Rest launched in 2014 under the leadership of entrepreneur and philanthropist Steve Case in order to shine a spotlight on emerging high growth companies located outside of a few coastal cities. In 2016, Village Capital, in collaboration with Rise of the Rest and others launched VilCap Communities with the purpose of addressing challenges experienced by new business models that are pioneering new business models for social change. The program combines awareness, capital and collaboration in order to close this gap. As part of the national campaign and commitment, each of sixteen selected communities has committed to develop a problem thesis that their community is well-positioned to address; source local entrepreneurs with unique insights into the problem; and run business development programs to train these entrepreneurs.

SUPPORTING ASPIRING REAL ESTATE DEVELOPERS

Real estate development represents a powerful opportunity for entrepreneurs of color, especially those in disinvested neighborhoods. As developers, they can play a leading role in redeveloping their communities with an inherent understanding of the needs, desires, and personality of the community. As developers, these entrepreneurs have a unique opportunity to drive new revenues to the city budget in the form of property taxes, create significant jobs, and help solidify long-term wealth creation for businesses and people of color through participation in major publicly funded projects. Unlike the technical assistance network for entrepreneurs, specifically owners of operating businesses, the support network for current or aspiring real estate developers of color is relatively slim, and in some communities, it is virtually nonexistent.

On the national level, there are a few programs that aim to tackle this challenge worth mentioning. The Real

Estate Associate Program (www.projectreap.org) is an industry-backed, market-driven program that serves as a bridge between talented professionals of color and commercial real estate companies looking for talent. It is supported by groups such as the National Black MBA Association, Latino Professionals in Finance and Accounting, National Organization of Minority Architects, and the Real Estate Executive Council in partnership with the business schools at Howard University and Clark Atlanta University. The Real Estate Executive Council (www.reec.org) can also be an incredibly useful network as it is a trade association formed specifically to promote the interests of executives of color doing business in the commercial real estate industry. The USC Lusk Center's Ross Minority Program in Real Estate (RMPIRE) is also noteworthy as it is an intensive continuing education program designed specifically to provide real estate practitioners, non-profit and community leaders, public sector decision makers, and entrepreneurs with the skills and expertise needed to influence and lead redevelopment in traditionally underserved communities (https://lusk.usc.edu/ross). The mission of the USC Ross Minority Program in Real Estate is to enable people of color and those that invest time, talent and financial resources in emerging communities to establish a foundation toward becoming leaders in real estate finance and development. Both of these programs have played significant roles in increasing the capacity for businesses and people of color to engage in commercial real estate at a scalable level. That said, the absence of formal, structured technical assistance programs for real estate developers of color at the local level can provide city leaders with the unique opportunity to create programs that mesh neatly with their priorities.

In 2008, the City of Denver sought to include more people of color and white women in larger-scale real estate projects citywide. In order to do this, it partnered with a local university and small group of independent real estate developers to provide a combination of classroom instruction in relevant topics (i.e., real estate finance, construction management, urban planning), mentorship, and experiential learning opportunities to aspiring real estate developers from historically excluded groups. This initiative captured the attention and imagination of the Urban Land Institute, a prestigious national trade association for real estate developers, which became a sponsor. Nearly a decade later, the Real Estate Diversity Initiative[36] has assisted over 200 people of color and women real estate developers, thereby enabling them to either secure positions with established real estate development firms, or successfully undertake real estate projects as independent developers.

Since the emergence of the Real Estate Diversity Initiative, a few organizations have launched similar, albeit more streamlined programs, that should be examined by local governments. One relatively new program was initiated in Detroit by Capital Impact, a Community Development Financial Institution (CDFI). In an effort to better ensure that real estate developers truly reflect the city's diversity and that real estate developers of color are able to participate in growth and revitalization efforts Capital Impact launched the Equitable Development Initiative. A statistic that captures the scope of the challenge is what ultimately focused Capital Impact on a significant matter of inequality:

$152 million it loaned for Detroit projects between 2006 and 2015, projects led by developers of color received just 10 percent of that financing.

Charting a new path toward inclusive economic opportunity, this program combines the CDFI's local knowledge, partnerships, and project financing capabilities to support developers of color to grow their careers and contribute to Detroit's revitalization. The program offers classroom training, one-on-one mentoring, budget and financial planning, and legal services.[35]

Finally, the absence of formal mechanisms for fostering inclusion for emerging real estate developers of color can also complicate efforts to secure the financing required to undertake projects of virtually any scope and size. The following section on capital and financing (page 74) therefore focuses heavily on resources and tools that could be activated for both operating businesses as well as real estate developers of color seeking to participate in local (re)development and placemaking activities.

NETWORKS

Through the systemic exclusion from traditional business networks that segregation, redlining, disinvestment and educational obstacles created, business owners of color often lack the connections that help a business integrate into the existing economic ecosystem/community. Facilitating networks and connections specifically for entrepreneurs and real estate developers of color can provide needed support for business owners in seeking visibility, customers, suppliers, partners, and other benefits. To build a racially inclusive ecosystem for entrepreneurs, leaders across sectors must proactively connect business owners of color with experts, networks, and resources in a seamless way. Three ways to foster these connections are:

1. Create new fund structures that replicate "friends and family" investments for lower-income and lower-wealth entrepreneurs.

The majority of entrepreneurs draw on their savings to get off the ground, and lean on funds from family members and often, credit cards. The enormous racial wealth gap coupled with limited angel capital and loan funding, means that capital is more difficult to come by for entrepreneurs of color. One small business owner expressed, "Their (majority firms) friends and family are a little different than mine. I need significant financial help to get off the ground." A lack of sufficient capital early in a business's launch almost dooms it to failure.

A pilot fund in New Orleans launched by the Network for Economic Opportunity[37] bridged this gap for small businesses bidding for public construction and infrastructure projects, providing much-needed capital to grow their capacity and take on larger city contracts with more stable revenue streams. During the evaluation of the pilot, one African-American business owner explained that he'd been denied a loan from three different banks, despite having a FICO credit score of 720. At the same time, a white colleague with a much lower score had walked away with a million-dollar line of credit.

2. Establish formal mechanisms that connect prominent entrepreneurs of color with emerging entrepreneurs of color and engage them as mentor.

We know, based on rich research like Gallup's Builder Profile[38], that the qualities that characterize successful entrepreneurs don't discriminate by race. But from an early age, social networks shape perceptions of who can become a successful entrepreneur in the first place. Exposure to business owners in one's own network is a powerful lever; it has been shown to boost the likelihood that someone will become an entrepreneur themselves, according to research[39] from the Kauffman Foundation. Other studies show that even a very small number of successful entrepreneurs in a single market serving as mentors to emerging businesses can stimulate an exponential amount of startup activity and growth.

3. Establish formal mechanisms that connect entrepreneurs of color to anchor institutions and corporations as mentors, business partners, suppliers, and clients.

Small businesses fail for a broad array of reasons. Entrepreneurs that tend to have the right product and work ethic can overcome many hurdles through a business relationship with the right corporate partner. However, these relationships tend to be difficult to establish organically due to different social circles, scale of businesses, and historic economic segregation. By developing strategic business to business relationships businesses of color gain a different perspective on business strategies and opportunities, may identify ways to solve problems for larger companies that can result in significant revenues, and may create strategic partnerships that result in new opportunities for both organizations.

ECONOMIC INCLUSION IN PRACTICE

Motor City Match and D2D in Detroit: Creating Connections to Grow Businesses

Since its bankruptcy in 2013, the City of Detroit has been a laboratory for economic growth efforts. The Motor City Match program – a concept that aims to help incubate businesses from idea to open – was a successful initiative that aimed to strategically forge connections between businesses and their necessary supports such as lenders and property owners. The program recognized that the revival of Detroit's urban corridors lays in the hands of the local community. Motor City Match recognized the need for jobs, retail and anchors in neighborhoods citywide and facilitated that development through matching property owners and businesses, providing diverse capital and offering technical assistance. To facilitate neighborhood revival by local entrepreneurs, Motor City Match launched a quarterly business plan competition that provided businesses with grant dollars, connected them to lenders, matched property owners with businesses, and provided business planning and other technical assistance.

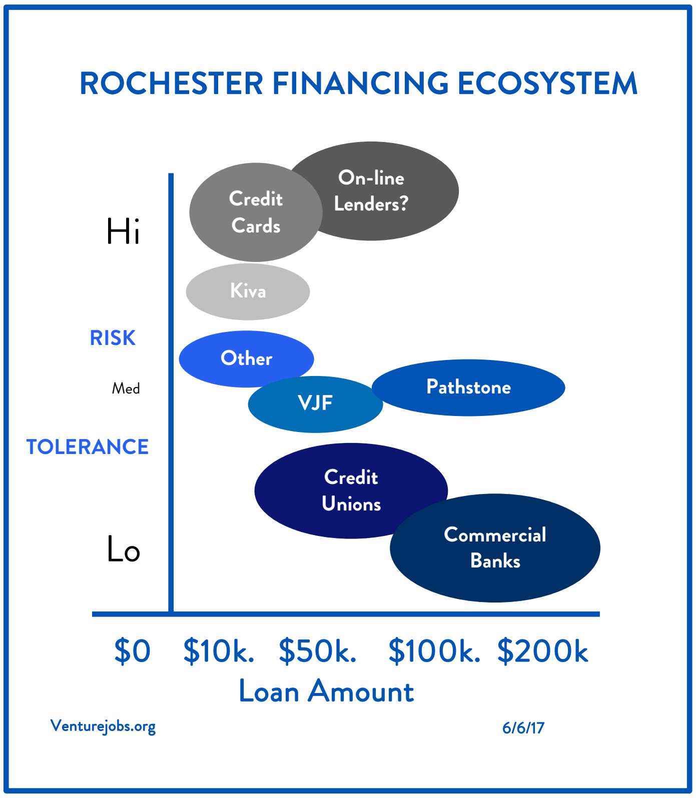
Another initiative, D2D brought together major anchor institutions around the idea of local procurement and created an avenue for quality businesses which historically lacked access to an opportunity to augment their network, portfolio of projects and revenues.

CROWDFUNDING

Crowdfunding and community-based funding can be a valuable tool for cities where such sources of capital have a history, or where there is infrastructure in place to allow entrepreneurs of color to take advantage of these sources of cash. In two of the City Accelerator Local Businesses and Job Growth cohort cities, Kiva, the silicon-valley based online crowdfunding provider, played a significant role in the small business financing landscape.

CAPITAL AND FINANCING

People of color have faced obstacles to wealth-building and access to capital throughout US economic history. Entrepreneurs of color are no exception. They often start with fewer resources, such as family wealth. They may not own real estate or their real estate's value may be lower than white counterparts due to redlining having limited the value of homes where they live. In addition, they may have more difficulty obtaining credit from lending institutions due not only to structural factors such as less wealth, but outright discrimination. In fact, according to the Minority Business Development Agency (MBDA), "among firms with gross receipts under $500,000, loan denial rates for firms owned by people of color were about three times higher, at 42 percent, compared to those of white-owned firms, 16 percent." MDBA concluded[40] that "the opportunity cost of these businesses not having the same access has been a significant detriment to the economy."



This graphic developed by the City of Rochester shows that when the sources of funding were mapped out, nontraditional lending sources were a significant resource in the community. Kiva, already operating in the city, filled the need for smaller loans, below $10,000, through crowdfunding, that commercial banks did not. In Long Beach, Kiva played an important role in funding for nascent businesses.

COHORT SPOTLIGHT

Crowdfunding serves as a community "voucher" for Long Beach's City Accelerator Program participants

Long Beach's Grow Long Beach cohort consisted of 7 businesses that were offered training and one-on-one technical assistance for their business issues. Kiva is active in Long Beach and has provided small loans to nascent businesses there. In choosing the businesses for the cohort, Long Beach gave credit to Kiva loan participants as having been "peer-approved" through the Kiva loan process. The crowdfunding, by local people, served not only a financial purpose, but allowed the funders to 'vouch' for the businesses and bring them into the cohort to continue their growth.

FEDERAL PROGRAMS AND OTHER TOOLS TO BUILD ACCESS TO CAPITAL FOR ENTREPRENEURS OF COLOR

As municipal governments attempt to advance an aggressive economic inclusion agenda, they can utilize a set of access-to-capital and technical assistance interventions that enhance opportunities for entrepreneurs and real estate developers of color. Outlined in the following pages is a description of several economic and community development debt and equity sources and lending products that should be harnessed by municipal governments seeking to maximize their impact on entrepreneurs and developers from historically excluded groups. These tools can be used to support activities and initiatives undertaken by small and mid-sized operating businesses as well as real estate development practitioners and firms pursuing potentially beneficial (re)development projects.

Furthermore, it bears emphasis that the focus here is largely on certain specific programs in the federal ecosystem for several reasons. These programs were created for the purpose of facilitating the redevelopment of disinvested communities and businesses, and should thus be viewed as important tools to help strengthen the capacity of entrepreneurs and developers of color, many of whom may be engaged in economic development activities in the very neighborhoods described in the statutes establishing these federal programs. These programs also tend to align well with the development priorities and needs of many cities. Perhaps most importantly, they have a demonstrated track record of being utilized for relevant activities and projects, especially in larger and mid-sized cities, which means these programs carry proof-of-concept for municipal governments seeking to implement access-to-capital tools to help members of historically excluded groups participate meaningfully in local economic and community development.

This review of access to capital programs and resources is divided into two broad sections:

- Financing programs that could be directly administered by local governments, and

- Financing tools that could be accessed by cities on behalf of entrepreneurs and developers of color through partnerships with third-party entities such as US Treasury Department-certified Community Development Financial Institutions (CDFI) and privately administered capital targeted to projects in areas designated by state and local officials as Qualified Opportunity Zones (QOZ).

FINANCING PROGRAMS FOR IMPLEMENTATION AND ADMINISTRATION BY CITY GOVERNMENTS

Using Community Development Block Grant (CDBG) for Revolving Loan Funds and Other Products

The Community Development Block Grant Program (CDBG) program administered by the US Department of Housing & Urban Development (HUD) is one of the longest continuously operating community and economic development federal funding programs. CDBG is made available to over 1200 units of local government and States on a formula basis each year, providing grant support for them to address a broad range of services for low- and moderate-income persons. CDBG is a widely available and administered tool by city governments in cities with populations exceeding 50,000. That said, it can often be an underutilized resource for economic development initiatives, especially those being led by entrepreneurs and developers of color requiring patient, flexible financing. Common CDBG products include the Community Development and Small Business Finance Fund; the Subcontractors' Finance Fund; and HUD's Section 108 Loan Guarantee Program.

FINANCING PROGRAMS TO PURSUE IN PARTNERSHIP WITH OTHER INSTITUTIONS

Federal New Markets Tax Credits

Another federal financing tool that merits greater attention from cities seeking to expand access to capital for entrepreneurs and developers of color is the federal New Markets Tax Credit (NMTC). Established by Congress in 2000 and administered by the US Treasury Department, the NMTC program incentivizes investment in the rehabilitation and construction of real estate projects and the expansion of operating businesses in low-income communities.

The NMTC program attracts capital to economically-challenged neighborhoods by providing investors with a dollar-for-dollar federal tax credit for investments made in qualified economic development projects or expanding businesses in census tracts with at least a 20 percent poverty rate, and those in which the median family income does not exceed 80 percent of the area median.

Whether local governments decide to apply for NMTCs or leverage an existing allocation from a third-party, there are some critical steps that must be taken prior to partnering with existing CDEs. Specifically, they should:

- Create a detailed pipeline of projects and initiatives that are consistent with the City's economic development strategy, and which would qualify for NMTC investments;
- Research NMTC awards from the previous two or three rounds to get a sense of which CDEs are receiving tax credit allocations and for what purpose
- Identify CDEs with a NMTC investment strategy and geographic focus that encompasses your city's priorities and region, respectively; and
- Participate in a webinar (or more intensive training) on NMTCs and ensure that city staff can have an informed dialogue with CDEs about the scope of a partnership.

ECONOMIC INCLUSION IN PRACTICE

Leveraging Opportunity Zones to Build Inclusive Communities

Opportunity Zones are a new federal program that creates incentives for investment in historically underinvested and disinvested communities. Amid discussion about the possibilities, experts have acknowledged fears that the available funds will be channeled to communities that are already well on their way to economic health, i.e. gentrified, and are already attractive to investors, rather than the communities that most need support in attracting investment. Avoiding this result, which detracts from rather than supports economic inclusion, requires policymakers who are designating the opportunity zones and administering their use to define the geographic areas as well as the communities that are the targeted beneficiaries of the development in those zones. Supplemental local efforts which identify targeted projects, provide local incentives in keeping with the program's aims, and provide information and support to potential investors are essential to achieving the desired goals.

The Grow America Fund Program

Many cities partner with the National Development Council (NDC), one of the nation's oldest and largest Community Development Financial Institutions (CDFI), administers the for myriad types of technical assistance, as well as access to resources such as the Grow America Fund (GAF), which is partially guaranteed by the US Small Business Administration. The GAF is designed to provide flexible financing to small and mid-sized businesses in a community's priority industry sectors. The Fund can also help foster a more inclusive economy by reducing or eliminating barriers faced by entrepreneurs of color by providing long-term, flexible debt that can be structured with longer amortization periods than loans from traditional banks.

City governments could facilitate the creation of a GAF loan pool for local businesses and entrepreneurs of color by capitalizing a fund with a modest investment, perhaps utilizing CDBG dollars or even general fund money. NDC will match a community's investment 4:1, which means that a local government could help build a sizable access-to-capital resource with the commitment of a relatively small amount of city or local money. All loans are underwritten and serviced by NDC, but local governments could certainly work with the CDFI shape the lending guidelines and overall focus of the loan pool.

WHEN SMALL BUSINESS OWNERS RETIRE: CAPITAL AND FINANCING ASSISTANCE CAN FACILITATE OWNERSHIP TRANSFER

When small business owners retire what to do with the business can be fraught with complications. It is common for an owners' children to be unavailable to "take over" the family business. However, continuing the business' service to the local community and the goodwill it has built yields significant economic and social benefits. Longtime workers are often capable successors to "take over" the business, but lack of access to enough capital and financing can stymie such a transfer even with very willing business owner-sellers and employee-buyers. Developing support for ownership transfer can be greatly accelerated by local government through providing viable capital and financing tools for the would-be successor-entrepreneur. The ownership transfer initiative that is part of the Long Beach project (described in the Long Beach case study on page 66) is working to support ownership transfers by addressing capital limitations of small buyers, financing standards and laws that may facilitate employee buyout[41] or other successor takeover.

Financing the Inclusive Economy, part of the Building the Inclusive Economy series of reports funded by Citi Community Development and authored by the Democracy Collaborative, **identified five key characteristics of financing broad-based ownership model:**

1. Investor returns on financing broad-based ownership models vary across the spectrum of enterprise ownership.
2. Philanthropic and government funding are important in business development in low-income communities.
3. Nontraditional, specialized, and innovative forms of finance are often involved.
4. Ecosystems of support reduce risk and increase the likelihood of success.
5. Knowledgeable lenders are needed to transition entrepreneur- and family-owned firms to worker ownership.

The most common forms of employee ownership are cooperatives and employee stock ownership plans (ESOPs). According to the US Federation of Worker Cooperatives, worker cooperatives are values-driven businesses that put worker and community benefit at the core of their purpose. Workers participate in the profits, oversight, and management of the company. Meanwhile, ESOPs are usually set up to help facilitate succession planning in a closely held company by allowing employees to purchase stock. ESOPs[42] aim to motivate employees for optimal performance as their personal wealth is tied to the performance of the firm as owners.

Traditional financing for worker-owned cooperatives include the members, community development financial institutions (CDFIs), banks, and cooperative banks. Examples of cooperative banks include CoBank, part of the US Farm Credit System, with assets of $145 billion and the National Cooperative Bank, a subsidiary of the National Consumer Cooperative Bank, with deposits of around $2 billion. **More innovative financing models for cooperatives include:**

- Subsidizing member capital contributions through other members and donations;
- Matched saving programs where the cooperative dedicates a portion of its profits to a matched savings account;
- Peer financing through other cooperatives;
- Sales of preferred shares;
- A direct public offering where cooperative make an investment offering to their local stakeholders which can include accredited and unaccredited investors; and
- Foundation support from philanthropy.

From the City of Long Beach's concentrated focus on employee-owned enterprises in manufacturing to the City of Newark's recent investment in helping workers purchase the Newark Paper Company, municipalities are playing an increasingly important role in driving employee ownership. **Project Equity, an organization that works with businesses and communities to discover the power of employee ownership offers the following practical steps for cities that are interested in supporting employee ownership transitions:**

1. Cities should track the impact and progress of small business ownership including size in revenues and employees, how long they have been operating, and sector.
2. Cities should reach out to businesses that are over 15 years old to engage with them regarding succession planning and employee ownership transitions, understand business risks, and identify which businesses need the most support in staying planted in the community as owners move towards retirement.
3. Cities should work with succession planning experts to provide resources and support for employee ownership.
4. Cities should fund technical assistance for businesses to sell to employees including feasibility studies and creating technical assistance matching funds to support transitioning businesses.

Strategies to convert businesses to worker-owned cooperatives are particularly important for economically disadvantaged communities[43]. To optimize the likelihood of success a coordinate approach is required:

- The focus should be on firms with 20 to 100 employees as they are large enough to be impactful, but often lack the scale to secure traditional financing.
- Targeting sectors that employ low-wage, historically disadvantaged workers generates new wealth for populations that have historically been left out.
- The necessary ecosystem supports are essential to ensuring that the transformative impacts of the conversion are fully realized.

In sum, conversion of businesses to employee ownership is an incredible benefit for all involved. It allows employees to build assets and skills through ownership. The median household net worth is 92% higher for employee-owners, median income is 33% higher, and median job tenure is 53% higher according to a study completed by the Democracy at Work Institute, the National Urban League, and Citi Community Development. Businesses which undergo conversions benefit from lower employee turnover, improved longevity, and greater resilience during economic downturns. Communities reap the ultimate benefit of quality jobs, delivery of essential goods and amenities, and stabilized business corridors.

> "Across the country, Baby Boomer-owned businesses – most of them healthy and viable – are closing rather than being sold, leaving an economic gap in vulnerable urban areas and rural towns. These established businesses contribute to the economic activity and "lifeblood" of cities and regions."
>
> *Natalie Abatemarco, Managing Director, Citi Community Development and Inclusive Finance*
>
> *Ellis Carr, President and CEO, Capital Impact Partners*

CASE STUDY: LONG BEACH, CA

Population	469,450
Labor Force	238,000
Demographics	41% Latinx, 30% White, 14% Black, 13% Asian, 1% Pacific Islander, 1% Native American
Key Sectors	Healthcare – 14% Educational Services – 9% Accommodations & Food Services – 8% Professional, Scientific, & Technical Services – 7%
Median Household Income	$61,610 per year
Unemployment Rate	4%
Poverty Rate	19.1%

LOCAL CONTEXT

In recent years, Long Beach has attracted investment by larger industries including health care, transportation and space travel, but the city's most diverse neighborhoods are not benefitting from the resulting overall growth. Many of the existing businesses owned by people of color in Long Beach are relatively new and small, and the city has developed a focus on sustainability for these businesses. In April 2017, Mayor Robert Garcia and the City Council adopted the Blueprint for Economic Development (Blueprint) to serve as a plan for cooperation among the City of Long Beach, private sector, academia, and community-based organizations (CBOs) toward a strategic vision for economic vitality. However, the plan left open a question: How does Long Beach ensure this work is radically inclusive, equitable, and collaborative? The answer has been found in the Long Beach City Accelerator Initiative.

OBJECTIVES

The City of Long Beach aimed to provide business owners of color a culturally responsive system of support. It has brought together academic institutions, investors, entrepreneurs and other stakeholder to create a sustainable system of support to the business ecosystem for small businesses, and for entrepreneurs of color in particular.

WHAT THEY DID

Support to incubators. Accelerate Uptown was opened with the support of the City Accelerator project in North Long Beach. Accelerate Uptown is a business accelerator in the city of Long Beach, CA. The first of its kind in the city, it focuses on fostering economic inclusion through entrepreneurship for people-of-color-owned, women-owned, and reentry/homecomer communities. Accelerate Uptown offers co -work space and business support in all areas of launching a business, connection to city departments, nonprofits, stakeholders to help new businesses grow. Services are available in English, Italian, Arabic, and Spanish. The existing United Cambodian Community (UCC) in Central Long Beach received substantial support to develop programs to assist Cambodian immigrant entrepreneurs.

Support to ownership transfer for business owners who are retiring or otherwise wish to sell. Without support to the parties to structure a viable transaction, small businesses may simply close, when there are longtime employees or another stakeholder that is interested in buying and continuing the business. Golden Burgers, a chain, is one beneficiary of the project. Employees are buying it with the assistance of the project in helping to locate a third-party evaluator to set the price and help to resolve issues impeding the sale of the real estate.

To allow entrepreneurs to display their products affordably and effectively, a 900 square foot Pop-up facility, the Corner Pop-Up, was established in a historic corner storefront. The Corner Pop-Up is a first-of-its-kind partnership between LINC, a community-minded affordable housing developer, the local workforce board, Pacific Gateway, and the city. The Corner Pop-Up offers free retail space to small businesses who apply, are accepted, and complete an orientation. They use the space over two consecutive weekends. It will serve as a testing-ground for the entrepreneurs, who will work with a team of experts to activate the space. The first tenant was a baker, Emerald Austin, who has been running her business out of her home. Others will similarly be able to access retail space to test their products, displays and pricing. The goal is to create a popular consumer destination for new products and businesses that leverages each startup's social media following and the city's six million annual visitors into a unique entrepreneurial lab.

Like Rochester, Long Beach leveraged its work with Kiva in designing its City Accelerator program and plan to increase access to funding for entrepreneurs. Long Beach became a “Kiva City” in 2018. Long Beach entrepreneurs access zero-percent interest, no-fee loans to sustain or grow their businesses. Kiva fills a credit gap for businesses who cannot access traditional financing. Long Beach was able to leverage Kiva’s support through a partnership with the Los Angeles Local Initiatives Support Corporation (LA LISC). Local Kiva borrowers who are endorsed by a Kiva Trustee can access a matching fund. Every dollar that is lent from Long Beach residents and people across the world is matched dollar-for-dollar, in real time. Trustees are local, trusted CBOs that publicly vouch for entrepreneurs in their community for a Kiva loan. They identify and reach out to businesses, evaluate borrowers based on their business model and the impact a Kiva loan would have, and, most importantly, help support borrowers throughout the loan process. To date, the City has recruited 13 Trustees that have partnered with us to provide these loans to 17 businesses, deploying $157,000 in capital.[37]

To help entrepreneurs bridge the funding gap for small businesses, a cohort of seven Kiva Loan graduates to be provided with targeted technical assistance. As part of the City Accelerator, Long Beach created a “GROW Lab” and provided training and technical assistance seven businesses chosen in part based on their Kiva loan records and readiness for growth. Technical assistance included upgrading payroll systems, integrating new marketing approaches, and updatiing business plans. Businesses were also provided with one-on-one,“high-touch mentorship”to assist them with developing strategies for marketing and growth.

Participants received individual assessments of their businesses by a qualified business coach; were paired with an experienced business owner that can impart his or her experience and wisdom; created a one-year action plan based on their individual business needs; and participate in a series of cohort meet-ups where participants will network, share challenges and opportunities, and receive training on issues ranging from access to capital to branding and digital communications. As a result of the city’s efforts, with Kiva and with the City Accelerator, LISC is providing $1 million dollars to support access to capital at the next level from Kiva, above $10,000, going forward.

PRINCIPLES IN ACTION

The different elements in the Long Beach City Accelerator project, and results that continue to promote growth after the project end. By targeting specific immigrant communities such as the Cambodian community, and geographies such as North Long Beach, as well as Kiva loan recipients, Long Beach was able to tailor the elements of the program to suit the targeted groups of entrepreneurs, those that had passed the startup phase of capital through Kiva, and potential entrepreneurs such as Cambodian immigrants and those who will use the Accelerate Uptown incubator and the Corner Pop-Up. The establishment and support of physical spaces, such as Accelerate Uptown, the Corner Pop-Up, and the UCC, as well as securing further funding from LISC to build upon the work done by Trustees in approving Kiva Loans, all extend the impact of the City Accelerator beyond the one year project into the future, as per Principle 2. Interestingly, Principle 5, innovation, was served as well. The Corner Pop-Up will allow cottage industries and other startups to market their untested products and test their prices. By targeting entrepreneurs of color, the City Accelerator has assisted those that have non-mainstream products, such as Our Essence Beauty Supply. Principle 8 is demonstrated by the partnerships with the institutions supported and established, and LISC’s increased investment.

WHAT THEY LEARNED

Leveraging existing platforms such as Kiva's loan programs provided credibility for other partners to support entrepreneurs. The system of lending and matching with the Kiva loans provided vetting, community vouching for the entrepreneurs, and a credit history to build on as they sought larger loans as they grew. LISC's increased funding reflects confidence in the program and validates the success of the approach.

Intensive help, "high touch" technical assistance, is crucial in assisting entrepreneurs with growth. Entrepreneurs ranged from cottage businesses run from their homes, who would grow to brick and mortar, to a logistics/transportation company with $4 million dollars in revenue that is growing at a rapid rate. Each entrepreneur benefitted and made a detailed plan for growth based on the training completed with the Long Beach GROW lab.

CASE STUDY: ATLANTA, GA

Form of Government	Mayor – Council
Population	498,073
Labor Force	256,891
Demographics	51% Black, 38% White, 5% Latinx, 4% Asian, 2% other
Key Sectors	Professional, Scientific & Technical – 17% Healthcare & Social Assistance – 10% Education Services – 10% Accommodations & Food Services – 8.5% Retail Trade – 8%
Median Household Income	$65,345/year
Unemployment Rate	3%
Poverty Rate	22.4%

LOCAL CONTEXT

Atlanta's real estate market has spiked in recent years, which has left commercial tenants of color at risk of displacement in gentrifying neighborhoods. Firms owned by people of color are less likely to be able to take advantage of Atlanta's meteoric growth. Part of the meteoric growth of Atlanta's real estate market is driven by the Atlanta Beltline, a 22-mile loop connecting 45 historic Atlanta neighborhoods mostly occupied by the City's Black population. At the same time, Pittsburgh Yards, a 30-acre site in Southwest Atlanta, is undergoing a major redevelopment. 87% of the population in this part of Atlanta is Black. This redevelopment site leverages the Beltline expansion to improve connectivity while providing an opportunity for small businesses to capitalize on the popularity of this catalytic project.

SNAPSHOT

Based on a 2012 survey and the US Census, there were 1,110 businesses of color in Atlanta with paid employees, with an average revenue of $921,392. The average number of employees for these firms with employees was 8, at an average wage of $34,621.

OBJECTIVES

Focusing on Atlanta's Southside, the Invest Atlanta team proposed to assist entrepreneurs of color in wealth-building and real estate acquisition, in order to provide stability in the face of changing market forces. The initial plan was to launch and test a new financial product to assist small businesses in acquiring commercial real estate, in this instance, the acquisition of shipping containers to be renovated into affordable office space, and located in a "container garden" retail park at the Pittsburgh Yards redevelopment. Knowing the challenges entrepreneurs face with sustaining their business, technical assistance was also provided to entrepreneurs to assist them with business growth.

WHAT THEY DID

The shipping container acquisition and renovation plan ran into a roadblock almost immediately—financial institutions were not willing to finance them as real estate, only as movable property, for which financing terms are much less favorable. Invest Atlanta created a dedicated working group of financial institutions and strategic partners to understand how to secure container funding and to develop a financing product for the shipping containers. A new product called Accelerate Southside Commercial Down Payment Assistance was developed and consisted of down payment assistance providing up to 20 percent of acquisition costs of a shipping container retrofitted for commercial use. The product also utilizes different underwriting criteria that will support the targeted entrepreneurs and at the same time complement traditional underwriting criteria of local CDFIs and banks. Invest Atlanta raised funding from Atlanta Emerging Markets, Inc., a CDE, to cover the remaining costs of the shipping-container acquisition. The businesses targeted for assistance were also reconsidered in light of the new underwriting standards, because of the complexities of the property type, and to satisfy the need of attracting businesses that could serve as anchors to the Pittsburgh Yards site. With these requirements, microbusinesses were eliminated from eligibility. The new requirements targeted businesses with at least three years of operating a brick-and-mortar location or had generated sales from online platforms. As of the close of applications, Invest Atlanta had received 91 applications for Accelerate Southside from companies wishing to purchase a shipping container to locate in Pittsburgh Yards.

The other arm of Invest Atlanta's efforts is the 2019 Community Wealth Building Accelerator. This is a training, mentorship and support program for businesses owned by people of color that have moved past the ideation stage. Businesses accepted into the program received business skills' training, networking opportunities, shared back-office resources such as accountants and HR assistance, mentors and peer coaches, and information on alternative capital-raising and ownership strategies to promote wealth-building and community investment. The program's curriculum included community-wealth-building ideas, such as cooperative and worker-owner models, as well as ideas for how to position your business for equity injections, franchising, and commercial real estate.

PRINCIPLES IN ACTION

Atlanta's project, with its targeted beneficiaries and geography, cooperation with partners, and long-term impact, demonstrates the principles outlined in this guide. InvestAtlanta set out specifically to help entrepreneurs of color build sustainable wealth through ownership of commercial real estate. The geography targeted was the new Pittsburgh Yards development that is benefiting from the expansion of the Belt Line, which will make it accessible from downtown. In order to help the targeted entrepreneurs find financing for the shipping container offices they will buy, InvestAtlanta put together a working group of financial institutions that helped to develop underwriting criteria that led to the development of the downpayment assistant product that has come out of the City Accelerator. In supporting the integration of entrepreneurs of color into the emergent Pittsburgh Yards development, Invest Atlanta has also given these entrepreneurs a measure of security and protection from being displaced by gentrification, improving their business environment/ecosystem.

Pittsburgh Yards, benefitting from commercial tenants assisted by Invest Atlanta's City Accelerator work:

WHAT THEY LEARNED

Where gaps are identified, cities can create creative funding structures, innovative approaches and programs to fill the needs of their small businesses. Some approaches include combining grants with loans and evaluating its own terms in supporting loans. Working with partners such as angel investors, community development financial institutions, philanthropy and other private firms can create access to finance for entrepreneurs of color. While there may be ideas about how to best secure the needed financing, flexibility is essential to craft a solution that works for the specific needs of a communities' entrepreneurs.

CONCLUSION

CONCLUSION

The systemic and institutional racism that has characterized the first 400 years of the American experience are not products of happenstance; they were designed, refined, and sustained over time by many actors. Arguably, the government has been the most important actor in carrying out policies and practices that inhibit the ability of people of color to fully participate in the economic opportunities the United States presents. At a time when Americans are starting fewer businesses overall, the gap in business creation among people of color will continue to exact a significant toll on local economies. Inclusive ecosystems have the power to deliver exponential growth possibilities to individual businesses as well as transform the business environment to better foment productivity, accelerate scale, and deepen profitability for all. Over time, creating and cultivating these ecosystems should lead to better economic outcomes in terms of wealth creation, closing the income gap, and entrepreneurial activity.

Local governments are in a unique position to lead this charge. We have seen evidence of cities' ability to pivot and mobilize to promote their immediate interests. Last year, American cities of all sizes competed for the chance to become Amazon's second home and gain an estimated 50,000 new jobs. Almost all of these local governments brought together cross-functional teams from multiple departments, engaged local partners, moved to streamline regulations and designed generous incentives to lure America's second-largest private employer and one of the world's most valuable companies.

The intense competition underscored cities' interest in creating jobs, income, and wealth for their residents. The national search resulted in only two winning cities, where the long-term impacts for growth and opportunity may take many years to measure.

Research shows that large, established firms account for less than a third of net new job creation. A more promising path to jobs, income, and wealth for local communities hinges on developing and strengthening small business that can scale over time and are likely to have a deeper connection with the local community. Economic development strategies should depend less on big-game hunting and more on cultivating a robust local ecosystem that can center local needs and close pervasive opportunity gaps.

Refining these strategies takes intentionality, honesty, and innovation. If local governments were to dedicate the same resources, capacity and energy to creating the entrepreneurial environment to grow businesses owned by people of color that they invest in traditional corporate attraction efforts, the returns would likely be quicker and the risk would be spread over efforts to support multiple firms to provide greater sustainability.

The need to confront systemic racism and grow businesses of color with intentionality, honesty, and innovation is arguably truer today than ever. When the process of writing this guide and working with the diverse cities around the country began, no one knew that COVID-19 would come and change the world forever.

Nor did anyone know that the powder keg of racial injustice would spill over into prolonged protests, a progressive agenda around police reform, and a national conversation around Black businesses and businesses of color, more generally. However, the data has been clear for a long time that America's potential, economic and social, could not be realized without ensuring that businesses of color play a more pronounced role in the country's economic advancement – not just for the betterment of communities of color, but also for the US's long-term health. The insights gained, perspectives shared, and recommendations expounded upon in this guide provide strategic context and pointed steps to accelerate economic expansion through businesses of color leveraging tools that cities have had all along.

As new stimulus packages are released, corporate commitment to growing businesses of color are elevated and additional private capital enters the market, these things mean very little if there is no long-term commitment, clear objectives, or if businesses of color are merely seen as political pawns or exploitative opportunities. Deeper engagement recognizes the interconnectedness of overall economic health and these businesses and commits the needed resources for ongoing progress.

Growth of businesses of color should not be a political agenda, but an economic one. Smarter engagement leverages these businesses as some of the most untapped fountains of innovation which may hold solutions to some of the most pressing challenges of our time. Until the latent potential of businesses of color is more fully catalyzed, billions of dollars in potential profits and innovation lay on the sidelines.

Effective engagement invites businesses of color to the table to co-create versus crafting programs or dictating policies without their input. An old proverb states, "that which is done without us is done to us." Continued economic turmoil, marked disparities in quality of life, and unsettling social unrest are likely to continue as long as large swaths of society are left out of the economic equation. Cities can and should be a leader in fixing these challenges. Now is the time for cities to fully engage their communities and businesses of color, leverage their power and build a better and more inclusive future.

APPENDIX 1 EXAMPLES OF ADDITIONAL CAPITAL STRATEGIES

CDBG Case Study: Brewer's Café RVA, Richmond, Virginia

Recipient of Loan from a CDBG-Based Capital Pool for Businesses in Priority Target Corridors

A.J. Brewer didn't always know he was destined for the coffee business. Instead, the Richmond native spent his twenties buying and selling stocks, first with a firm in Washington, D.C. then with TD Ameritrade back home in Richmond. The birth of his son, waning passion for the work, and late-night questions about what his legacy would be got him hankering for a new kind of grind. That was when Brewer's Café was born. Brewer's Cafe opened on Bainbridge Street in Richmond's Manchester neighborhood in late 2015 with the assistance of a loan from a revolving loan fund that the city had established to support economic development projects and small businesses located within high-priority corridors.

(Sub)Contractor's Finance Fund

HUD Section 108 Loan Guarantee Program for Larger Real Estate Projects, Equipment, Inventory and Working Capital

Section 108 Case Study: Black History Museum and Cultural Center of Virginia, Richmond, VA: Recipient of a Section 108 Loan

Working in partnership with a local African-American real estate developer and the City of Richmond, the Black History Museum and Cultural Center of Virginia in 2015 completed the renovation of its new home, the historic former Leigh Street Armory in the northern stretch of the city's downtown arts and culture district, Historic Jackson Ward. The brick building at 122 W. Leigh St. was originally constructed before the turn of the 20th century for the First Battalion Virginia Volunteers Infantry, the city's first African-American regiment. This $13 million redevelopment project undertaken by a Black developer would have not been feasible but for a $3 million Section 108 loan from the City. For collateral, the City took a deed of trust on the building. Collateral from third parties is also often crucial to mitigate the risk of repayment failure resulting in loss of city revenue.

The Leigh Street Armory, home of the new Black History Museum and Cultural Center, Richmond, VA

Federal New Markets Tax Credits

NMTC Case Study: Evergreen Cooperatives, Cleveland, OH: Recipient of a New Markets Tax Credit Investment

The Green City Growers Cooperative is a 100% worker-owned, hydroponic, food production greenhouse located in the heart of Cleveland, Ohio. It is a project of Evergreen Cooperatives with the support of the Cleveland Foundation and the City of Cleveland. GCGC operates a 3.25-acre hydroponic greenhouse, which has become the largest urban food production greenhouse in the country. GCGC provides an example of an innovative and employee-owned food production enterprise that is revitalizing Cleveland's Central neighborhood, which has a nearly 40 percent poverty rate, while providing quality employment opportunities and promoting healthy food access both in the immediate neighborhood and citywide. Cleveland is a city in which nearly 65 percent of residents are people of color, and GCGC was established in part as a means of promoting racial equity and inclusion in local economic development. GCGC provides 40 jobs with living wages and affordable benefits for local, low-income community members, many of whom are people of color. This $16.5 million project was completed with an allocation of $8.5 million in NMTCs from a national Community Development Financial Institution.

<u>The Grow America Fund -- Case Study</u>

Following is a case study highlighting the impact of the GAF on an entrepreneur of color.

Grow America Fund Case Study: MEDWheels, San Antonio, TX: Recipient of a GAF Loan

The Grow America Fund (GAF) assisted MEDWheels, a San Antonio, TX based, durable medical supply company owned by an entrepreneur of color refinance its debts and provide needed permanent working capital to meet its expansion needs. After 20 years of working in the finance department of a major corporation, Jane Gonzalez, a San Antonio native, founded MEDwheels in 2005. The idea to create the company came to her while providing end of life care to her mother. During this period Jane realized that there was a gap in affordable hospice care to serve local markets, and MEDWheels was thus established to address this need. The company provides durable medical goods to the local San Antonio community as a preferred provider for programs like Medicare, Medicaid, Wellcare, Humana, and Care Improvement Plus. Through its preferred provider programs, MEDwheels supplies its clients with wheelchairs, walkers, hospital beds, compression socks, oxygen tanks, catheters, mobile electric scooters and many other medical products for home use. GAF provided MEDWheels with two loans totaling approximately $500,000. The first loan was utilized to refinanced MEDwheel's existing bank loan for its commercial property, while the second loan provided equity to refinance existing debts and fund working capital. The refinance saved the company $1,685 in monthly debt service (over $20,000 annually) that was used to fund inventory and receivables. This loan helped retain 10 jobs while creating four new full-time opportunities.

<u>Jane Gonzalez, Founder of MEDWheels.</u>

APPENDIX 2 ADDITIONAL RESOURCES

1. The Association for Enterprise Opportunity, www.aeoworks.org, creates economic opportunity for underserved entrepreneurs throughout the United States.
2. The Case Foundation, www.casefoundation.org, invests in people and ideas that can change the world.
3. Concerned Capital, www.concernedcapital.org, is a pioneer in recycling and repurposing community-based small manufacturing companies by transferring ownership to long-term employees.
4. The Democracy at Work Institute, www.institute.coop, was created to ensure that worker cooperative development in economically and socially marginalized communities is adequately supported, effective, and strategically directed.
5. The Federal Reserve Bank of New York, www.newyorkfed.org/outreach-and-education/community-development/economic-inequality, Through the economic inequality and equitable growth initiative, the New York Fed conducts research to better understand what contributes to economic inequality in its many forms.
6. Living Cities, www.livingcities.org, harnesses the collective power of the world's largest foundations and financial institutions to close racial income and wealth gaps in American cities.
7. The International Economic Development Council, www.iedconline.org, provides leadership and excellence in economic development for its communities, members, and partners.
8. The New Growth Innovation Network, www.newgrowth.org, is a network for and by practitioners committed to leading inclusive growth strategies in their neighborhoods and regions.
9. Interise, www.interise.org, is on a mission to create an inclusive economy by supporting established small businesses that are located in low-income communities or that are owned by people of color.
10. The Ewing Marion Kauffman Foundation, www.kauffman.org, is a foundation of connectors and doers who dream big, solve problems together with the communities we serve and take calculated risks to drive results.
11. Kiva, www.kiva.org, is an international nonprofit based in San Francisco, with a mission to expand financial access to underserved communities.
12. Local Initiatives Support Corporation, www.lisc.org, known as LISC, is one of the country's largest social enterprises supporting projects and programs to revitalize communities and bring greater economic opportunity to residents.
13. National Development Council, www.ndconline.org, focuses on homes, jobs and community across the nation.
14. Policy Link, www.policylink.org is a national research and action institute advancing racial and economic equity by Lifting Up What Works® through promoting an equitable economy, creating and maintaining healthy communities of opportunity, and building a just society
15. Project Equity, www.project-equity.org, helps businesses and communities discover the power of employee ownership. Owners retire well, employees gain equity, and businesses stay locally rooted.
16. REAP, www.projectreap.org, is an industry-backed, market-driven program that serves as a bridge between talented professionals of color and commercial real estate companies looking for talent.
17. The Real Estate Executive Council (REEC), www.reec.org, is the leading professional trade association formed to promote interests of executives of color doing business in the commercial real estate industry. REEC strives to create opportunities for relationship development and access to information that will lead to increased business opportunities between and among members, as well as within majority-owned firms.
18. The Reinvestment Fund, https://www.reinvestment.com/, is re-imagining neighborhood revitalization by combining expertise, analysis and creative approaches to investing with a social purpose to create thriving, healthy neighborhoods.
19. USC Ross Minority Program (RMPIRE), https://lusk.usc.edu/ross, is an intensive, comprehensive continuing education program designed to provide real estate practitioners, non-profit and community leaders, public sector decision makers, and entrepreneurs with skills and expertise to influence the redevelopment process in traditionally under-served communities.

APPENDIX 3 DATA COLLECTION IDEAS FOR CITIES

DATA COLLECTION CONSIDERATIONS

Basic parameters that communities should capture on businesses include:

- Number of businesses;
- Revenue*
- Number of employees*
- Length of time in business
- Ownership of businesses (race, gender, age, ethnicity/national origin)
- Sector of businesses and concentration of sector in economy and
- Geography of business

Other non-business indicators that should be evaluated across race, age, ethnicity/national origin, and gender include:

- Median household income;
- Poverty levels;
- Unemployment;
- Labor participation rates;
- Startup rates;
- IP creation;
- Education levels;
- Property Values (residential and commercial by geographies); and
- Assets

This demographic data can be found on the American Community Survey (ACS). Unemployment and labor participation information is generally available through State Labor Departments, while property value information can be obtained through the local assessor's offices. Good localized start-up rates and IP creation data is a little more difficult to locate. However, there are tools and data for exploration available through the Census Bureau, the Kauffman Foundation, and The Association of University Technology Managers. However, there may be a local ecosystem partner or think tank that tries to capture that data. This may be the more preferable route as there is likely a localized proxy that can provide more specific insight.

From the data, identify the competitive advantages of the city: location, transportation, workforce, existing industries, capacities. Also dig into the clusters to identify available skills, suppliers, costs and market trends. Additional research and industry data may be useful to capture a thorough market understanding.

Increasingly city governments are leveraging data more effectively through offices of performance management. Communities that have this resource should consider using this department to help decipher information. While these offices are usually more focused on measuring performance and tracking KPIs of existing program, they can be an invaluable resource in setting up the systems for data capture to ensure minimal bias in the collection process and analyzing the information to answer desired questions related to economic performance and opportunities for people and businesses of color. Examples of select cities which have developed this capacity include:

- New Orleans, https://datadriven.nola.gov/nolalytics/
- New York, https://www1.nyc.gov/site/analytics/index.page
- Chicago, https://data.cityofchicago.org/
- Detroit, https://data.detroitmi.gov/

Several types of data should be captured and assessed for optimal program design and performance. Ideally, data should be disaggregated by a mix of variables at the corporate and individual level including race, business sector, geography, age, national origin, and gender. This data should serve to answer several questions:

- Who are the city's entrepreneurs? (age, sex, gender, education, etc.)
- How large are their businesses? (employees, revenues, customer base)
- Are they growing or shrinking?
- Who are their employees?
- How were these businesses started? (acquisition, inherited, start up, spin out)
- How long have they been in business?
- What sectors are they engaged in? Are these sectors growing or shrinking globally, nationally, and locally?
- Where are they located geographically?
- Who is their competition?
- Who are their customers?
- What do they perceive as their biggest hurdles to growth?

There is an array of software tools that may provide data sets and/or niche analysis to better understand and dissect your market. These include, but are not limited to:

- EMSI (www.economicmodeling.com), EMSI provides labor market data to professionals in higher education, economic development, workforce development, talent acquisition, and site selection.

- ESRI (www.esri.com), ESRI is a data company that uses powerful mapping and spatial analytics software to unlock unforeseen insights and opportunities.

Statebook (www.statebook.com), Statebook is a comprehensive online database that allows communities to compare themselves to competitor markets across a broad range of indicators.

Synchronist Suite (https://blanecanada.com/synchronist-suite/), Synchronist provides tools and capabilities that give development professionals unprecedented insight into their local businesses as well as community economic potential, insights that drive decision-making and resource allocation. Synchronist has established exacting standards that encompass Interview, Interview Validation, Objective Analysis, Predictive Analysis, and Key Performance Indicators (KPI).

Policy Link Tools

> The National Equity Atlas, www.nationalequityatlas.org, a comprehensive data resource to track, measure, and make the case for inclusive growth.
> The Equitable Development Toolkit, https://edtk.policylink.org/

Data management and monitoring is not an insignificant exercise, but there are limitless electronic platforms that can be used to assist communities in monitoring and tracking data. With quality data monitoring software communities can measure and track data using dashboards, alerts, and reports. Software programs that include this capacity include:

Informatica (www.informatica.com)
Experian Data (www.edq.com)

APPENDIX 4
ENDNOTES

ENDNOTES

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