

PATHWAYS TO PATIENT CAPITAL:

# Laying The Foundation For Innovative Capital Programs

A report from our St. Louis event around  
capital access for manufacturers of color

PATHWAYS  
TO PATIENT CAPITAL



With generous support from  
the Surdna Foundation:



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# INTRODUCTION

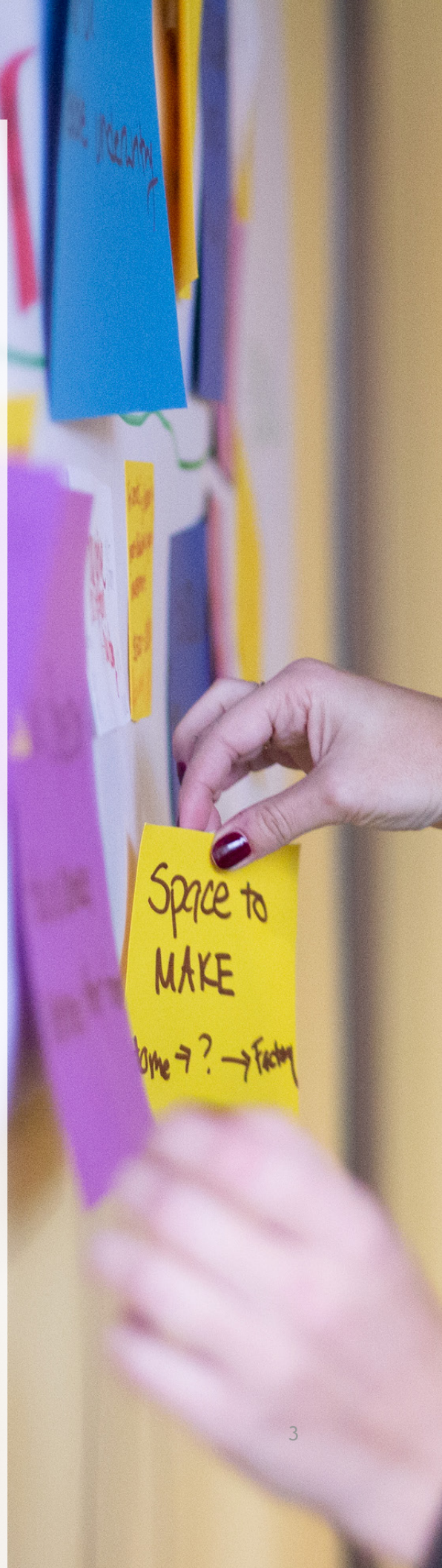
The entrepreneurial spirit that defines our country is falling short of its potential. Since 1996, the rate at which new businesses are created has remained about the same—roughly 0.3 percent of the population starts a business every month. That is despite the fact that over 60 percent of Americans have said they have a business in mind that they'd like to start.<sup>1</sup>

Barriers stop them from doing so. Barriers like not knowing what government offices to go to to start a business, and social or economic conditions that make it near impossible for them to invest their time or money into entrepreneurialism. But one of the biggest barriers—an irony in the wealthiest country in the world—is the lack of access to capital that can help their businesses start or grow.

The Urban Manufacturing Alliance created the Pathways to Patient Capital program to help wear this barrier down—particularly for manufacturers and makers of color.

Our [\*State of Urban Manufacturing\*](#) research found that manufacturing entrepreneurs of color are not accessing the same kinds of traditional capital, like bank loans and friends and family networks, that their white counterparts are. Pathways focuses specifically on manufacturing entrepreneurs of color because we believe they uniquely face two obstacles.

<sup>1</sup> [https://www.startsupnow.org/wp-content/uploads/sites/12/2019/10/Kauffman\\_AmericasNewBusinessPlanWhitepaper\\_October2019.pdf](https://www.startsupnow.org/wp-content/uploads/sites/12/2019/10/Kauffman_AmericasNewBusinessPlanWhitepaper_October2019.pdf)





The first obstacle is better-known: that people of color generally have less assets and find traditional forms of capital harder to access. The second obstacle is sector-specific: that manufacturing entrepreneurs—some of the main drivers of innovation in the U.S.—need significant capital to start or scale because of high equipment, material, space, and production costs.

In November 2019, we brought eleven community-based capital programs, and an advisory board of capital experts, to St. Louis from across the country to collectively dream up what types of capital products and programs are needed to change the investment system in our communities.

These groups come from a variety of backgrounds, ranging from CDFIs with a history of impactful business lending, to municipal government initiatives, to local organizations that view entrepreneurial financing and resource-sharing as a community effort. But they're all forward-thinking in their approach, and recognize that the challenges around capital access for entrepreneurs of color should be addressed with targeted efforts that mix traditional and groundbreaking financial models, and wraparound services that aid the individual behind the enterprise.

During our time together we settled on the shared aim of ensuring that manufacturing entrepreneurs—and entrepreneurs broadly—get the holistic support they need to achieve the economic impact they're capable of.

Financial 0 →  
Coaching  
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**UMA's priorities for the Pathways to Patient Capital program include:**

- **In-depth Cohort Documentation:** Continuously lift up and share innovative models and programs and capture our collective impact.
- **Building Connections:** Create opportunities for peer-learning and relationship-building among the cohort and advisory board.
- **Influencing the Field:** Contribute meaningful content and work products to the broader field of study around capital, including tools that help policymakers view and engage with these issues.
- **Deepen Understanding of Production Businesses:** Lift up and highlight capital access needs of production businesses at all stages of growth.





# LAYING THE FOUNDATION FOR INNOVATIVE CAPITAL PROGRAMS: IDEAS AND POSSIBILITIES

The two-day event kicked off at STL Foodworks, a new food entrepreneur incubator in the Central West End neighborhood of St. Louis that provides industrial kitchen space to budding entrepreneurs that need more than what their home kitchens offer.

We were one of their first customers. We were also thrilled to be the first event catered by Lil Red Hen catering company, a woman of color-owned food business that received robust applause from our emcee, Scale Up Milwaukee executive director Elmer Moore, and cohort members when they wrapped up service.

The overall sentiment as the St. Louis event progressed: we need more initiatives that invest in people alongside their businesses. That holistic outlay can give manufacturers of color the financial reach they need to acquire the equipment and space their business's growth depends on. Because if manufacturing entrepreneurs don't feel financially confident in their personal lives, it's difficult to imagine how they'd feel financially confident enough to invest in machinery and a business license.

During the first day, participants worked together to identify the main service and capital gaps in their communities, and blueprint the types of products that they think could help create a more equitable investment field.

Those products and ideas were:

- Supporting the creation of local pools of guarantors, including philanthropic organizations, that can vouch for individuals trying to access traditional financial systems for the first time or for those that need credit enhancement to access additional capital.
- Common application systems in which an entrepreneur's single application for loans or financial support is distributed to all capital practitioners within their market.
- Cooperative debt forgiveness models in which multiple investors decide to absorb the debt of an aspiring entrepreneur in addition to providing them business capital.
- Adopting a door-to-door "get the vote out" approach to building local awareness around the importance of manufacturing, and the opportunities available to neighborhood residents that have ever

dreamed of becoming business owners or careers in which they get to create physical products.

- Expansion of credit enhancement programs (e.g. public financing of loan loss reserve funds) that allows financial institutions and other capital providers to reduce the risks inherent to mission-driven investment initiatives.
- Community investment funds that are open to accredited and non-accredited investors but managed by the residents where the investment will take place.
- Rapid purchase order financing models, in which organizations or partnerships of organizations quickly deploy capital to help manufacturers get the space, equipment, or materials they need to fill a big order.

Cohort members also expressed a desire to come together around a number of programmatic or capacity-building exercises including:

- Collaborating with local and state-level legislative partners to establish a national policy agenda that uplifts local successes and outlines a clear roadmap to effectuate change at the national level.
- Customized technical assistance opportunities for each individual cohort members to develop outcome measurement practices and theory of change models as they expand services for production businesses.
- Develop or adapt wraparound services and programs to address the unique needs of production businesses owned by people of color at all stages—from awareness of capital products, to capital readiness, to deeper coordination between manufacturing-focused service and capital providers.



The Urban Manufacturing Alliance is now configuring this wishlist of products and group exercises into the structure of the Pathways program. Through policy reports, toolkits, briefs, thought leadership pieces, and profiles of the organizations in our cohort, we will expand upon these ideas in new, valuable research that helps capital practitioners and government officials alike lay the foundation for such initiatives in their own communities.

UMA is also working internally to come up with ways to celebrate the initiatives that are already represented by this dynamic group. What we're envisioning is not based on dreams: there are programs being deployed locally and right now that have the potential to change the way we invest in manufacturing entrepreneurs. This cohort is fortunate enough to be made up of a number of those programs, and we'll be tapping into this brain trust to build campaigns that support the replication of their work.

"This is systems change work," said Samantha Pree-Stinson, executive project director at the Village Financial Cooperative/Association for Black Economic Power in Minneapolis. "It's not just access to capital [and] throwing money at the problem isn't going to fix it."

She described the Pathways meeting as "a really cool space where we can really change [the core issues] of what we're actually talking about," said Pree-Stinson.



# ADDRESSING THE PERSON BEHIND THE BUSINESS: CONVERSATIONS AROUND MEASURING EQUITY

Chris Brown, a Pathways advisory board member and the head of government relations at Bird, discussed some of those core issues during the second day of the event at Covo, a local coworking space. He presented a troubling fact: in 2018 low-income communities spent \$150 billion on alternative financial systems, like payday loans and check-cashing stores.

To him, real change requires addressing capital issues that affect the people behind the businesses. “There are things that government needs to do in terms of changing policies and regulations, but there are things that private market actors can do in order to help promote these folks



into a world where financial inclusion for 67 million people is more of a reality,” said Brown, referring to the number of Americans that are unbanked or underbanked.

Brown’s recap on financial inclusion in the United States laid the foundation for the day’s discussion around a commonly used but broadly defined word: equity. To him, an equitable system is one in which financial systems and services work for all people. This includes providing opportunities for unbanked and underbanked individuals to access financial products and move into ownership opportunities.

Stakeholders used that introduction as a platform to discuss metrics system that measure both their own work and the collective work of the Pathways cohort. One recognition that circulated throughout the room was that the traditional metrics frequently associated with business success—like revenue growth—are not on their own accurate predictors of whether or not equity is being achieved in a community. Other metrics, like the previous income levels and residential zip codes of employees at a manufacturing business, should be looked at to achieve a much deeper understanding of how the entrepreneurs we work with are spreading opportunity.

Louisa Shepherd, director of collective impact at Epicenter Memphis, provided the group with three key questions that can help achieve this level of understanding of program efficiency:

1. **How much are we doing?** Identifying what to measure to show the amount of work that we are doing.
2. **How well are we doing it?** Showing that what we

are doing is what we said we would do.

- 3. Is anybody better off because of what we're doing?** Finding out if the businesses and organizations we've serviced, and the broader social and economic environment around them, have improved because of our work.

These conversations encouraged participants to both re-examine their approach to measuring program impact and their own personal commitment to incorporating just and inclusive principles into every facet of their work.

"It's a matter of having the will and motivation of making equitable work a priority," said Kareen Boncales, the Learning Services Specialist at Mountain BizWorks in Asheville, North Carolina. "So because of [this gathering] I'm going to dedicate myself to being an advocate of equitable work within my organization."

Advisory board member Laura Wolf-Powers closed the second day with a presentation that guided participants on how to form a theory of change. Her talk ended with an interview clip from Bryan Stevenson that resonated with some of the deeper challenges at play behind issues of capital access for manufacturing entrepreneurs of color.

"It's important to redefine what it is we are dealing with when we deal with poverty, and that definition begins with recognizing that the opposite of poverty isn't wealth," said Stevenson, speaking with Vox's Ezra Klein. "The opposite of poverty is justice."



A photograph of two women in conversation. The woman on the left is wearing a red blazer and has her glasses perched on her head. She is smiling and looking towards the woman on the right. The woman on the right is wearing a tan jacket and a black headband, and is looking back at the first woman. The background is a blurred indoor setting with a window.

# NEXT STEPS

Participants overwhelmingly said they thought what happened in St. Louis was a strong start down the right path. “I came into [the Pathways meeting] a little skeptical, like thinking ‘This is a big task.’ But the participation and the group really fortified my hope that we can figure this out,” said Lars Kuehnow, the Neighborhood Program Officer at LISC Duluth. “All in all it’s been absolutely terrific and it absolutely aligns with the work that we’re trying to do in Duluth.”

St. Louis was the first leg of a marathon. Kuehnow was spot-on—the task ahead is a significant lift. But UMA will help practitioners move towards it by working with them to identify which of the innovative ideas that came from St. Louis should be expanded upon and crafted into reality.

These ideas will be chiseled at and improved within two work areas that UMA will build out alongside Pathways cohort and advisory board members:

1. **Financial Product Innovation (FPI):** Focus on designing financial products and tools to better address capital access needs of maker and manufacturing businesses owned by people of color in underserved communities.
2. **Capital Readiness for Businesses (CR):** Focus on examining the effectiveness of programs and resources, and properly updating these programs and resources, so that they enable people to successfully obtain and deploy capital in accordance with their needs and desires for entrepreneurial success.

And we'll move down these paths together with the following outcomes in our sights:

- Move beyond economic impact to prioritize investment in individual business owners.
- Consider equity issues first, and create tools and products around equity goals.
- Create practical opportunities for technical assistance and valuable connections for cohort members, including support for capital product development but also assistance on a range of related issues like local advocacy and ecosystem-building.

Follow what happens next at [urbanmfg.org](http://urbanmfg.org).



# PATHWAYS TO PATIENT CAPITAL PARTICIPANTS

The *Pathways to Patient Capital* program is made up of the following cohort members and advisory board members. More information can be found about each participant [at our website](#).

## CAPITAL PRACTITIONER COHORT:

- Bridgeway Capital (Pittsburgh, PA) [bridgewaycapital.org](http://bridgewaycapital.org)
- Build Institute (Detroit, MI) [buildinstitute.org](http://buildinstitute.org)
- ICA Fund Good Jobs (Oakland, CA) [icafundgoodjobs.org](http://icafundgoodjobs.org)
- LISC Boston [lisc.org/boston](http://lisc.org/boston)
- LISC Jacksonville [lisc.org/jacksonville](http://lisc.org/jacksonville)
- LISC Duluth [lisc.org/duluth](http://lisc.org/duluth)
- Mountain BizWorks (Asheville, NC) [mountainbizworks.org](http://mountainbizworks.org)
- Boston Ujima Project (Boston, MA) [ujimaboston.com](http://ujimaboston.com)
- Nashville Made (Nashville, TN) [nashvillemade.us](http://nashvillemade.us)
- Village Financial Cooperative (Minneapolis, MN) [villagefinancial.org](http://villagefinancial.org)
- Wisconsin Women's Business Initiative Corporation (Milwaukee, WI) [wwbic.com](http://wwbic.com)

## ADVISORY BOARD:

- Ashia Sheikh Dearwester, Chief Strategy & Partnerships Officer, Nest
- Cate A. Fox, Senior Program Officer, MacArthur Foundation
- Christopher Brown, Senior Manager of Government Partnerships, Bird
- Chris van Bergen, Chief Financial Officer & Chief Operating Officer, Nest

- Courtney Robinson, Financial Inclusion Lead, Square
- Darrin Redus, Vice President & Executive Director of the Cincinnati Minority Business Accelerator
- Diego Portillo Mazal, Director at Inner City Capital Connections program, Initiative for a Competitive Inner City (ICIC)
- Katherine Lynch, Senior Manager of US Partnerships, Kiva
- Laura Callanan, Founding Partner, Upstart Co-Lab
- Laura Wolf-Powers, Associate Professor of Urban Policy and Planning at Hunter College, City University of New York (CUNY)
- Linda Fowler, President and Founder, Regionerate
- Louisa Shepherd, Director of Collective Impact, Epicenter Memphis
- Maura Keaney, First Vice President of Nonprofit Banking, Amalgamated Bank
- Noelle St. Clair, Community Development Relationship Manager, Woodforest National Bank
- Rachel McIntosh, Senior Opportunity Investment Officer, LISC
- Stacey Weismiller, Program Manager, SecondMuse
- Steve Hall, Vice President of Small Business Lending, LISC
- Treye Johnson, Regional Outreach Manager, Federal Reserve Bank of Cleveland
- Victor Rubin, Senior Fellow, PolicyLink



# ACKNOWLEDGEMENTS

This event owes its success to the dedicated participation of our cohort members and advisory board, whose expertise and guidance allowed us to collectively envision more equitable financial and investment systems for our communities. We would also like to thank our emcee, Elmer Moore, for guiding participants through each day in thoughtful, entertaining ways. Many thanks to Lil Red Hen for providing catering, and to STL Foodworks and Covo for providing us the spaces in which we hosted our convenings.

Both the Local Initiatives Support Corporation and Square supported this event, for which we are deeply grateful.

And a special thanks to the Surdna Foundation for engaging with our staff to help us design the Pathways to Patient Capital program, and for the generous funding support they provided to make this work a reality.