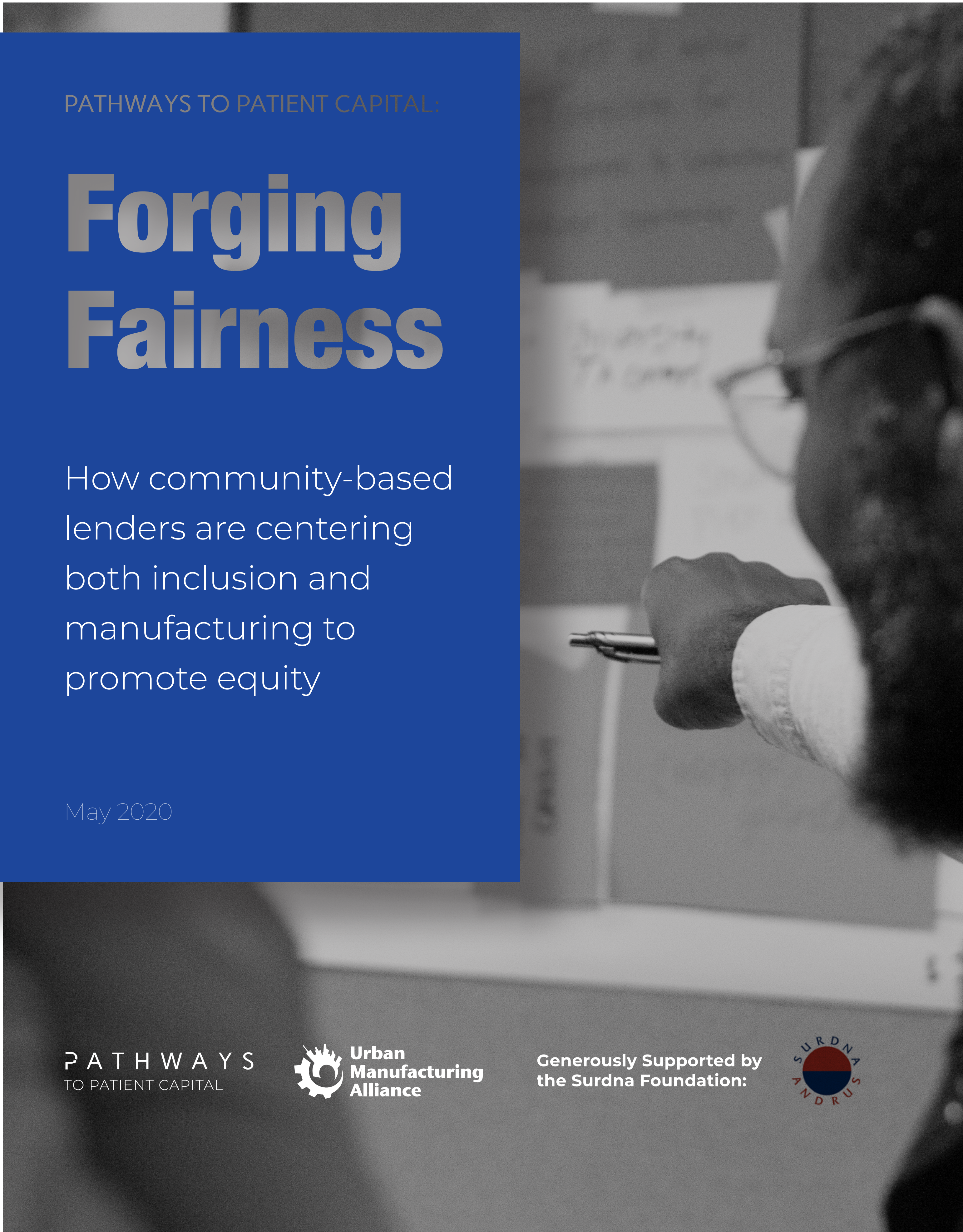
PATHWAYS TO PATIENT CAPITAL:

Forging Fairness

How community-based lenders are centering both inclusion and manufacturing to promote equity

May 2020



PATHWAYS TO PATIENT CAPITAL

Urban Manufacturing Alliance

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INTRODUCTION

The Urban Manufacturing Alliance (UMA) was founded, in large part, on the principle that making and manufacturing can be a strategy for building wealth in cities—especially lower-income communities and communities of color—through ownership, entrepreneurship, and employment. Inherently, manufacturing is capitally intensive; successful businesses, almost by definition, result in greater wealth for their owners simply because of the tangible components of their businesses.

But the other side of that coin is that these endeavors also require access to more capital to get started or to scale up.

Anyone working in the field of community-level economic development knows that undercapitalization is the chronic condition for most small business owners. This is especially true for manufacturers who need capital to hire new talent, to invest in research and innovation, to buy equipment, or to invest in the right kind of physical space. Unlike the storied tech sector, few investors lavish capital on an idea or concept in manufacturing. The businesses UMA focuses on need to have a product that must already be proven and successful in the marketplace. This takes patience, time, and money—not to mention extremely hard work on the part of the entrepreneur.

But as becomes clear in reading through the profiles of UMA's current cohort of *Pathways to Patient Capital* practitioners, these challenges loom even larger for entrepreneurs of color who—as a result of inequitable and discriminatory practices in education, employment, and the financial system—experience a yawning wealth gap relative to their white counterparts, depriving them of capital to start or grow businesses. Based on UMA's own research and the experience of our cohort, African Americans, in particular, envision greater financial independence and opportunity arising out of entrepreneurship, but experience deep frustration with the barriers keeping them from pursuing their business plans.

UMA has assembled our *Pathways* practitioner cohort because each member has found a successful or promising approach to helping entrepreneurs of color—including makers and manufacturers—to get access to the capital and know-how they need to realize their business ideas and plans at scale. We know there is great benefit in lifting up and sharing this information among other practitioners, but also with other audiences, such as policymakers, lenders, and other funders. We compiled the brief profiles you are about to read to give these audiences a sense of both the personal and the practical: one section describes the people and organizations doing this work and the inspiration that guides them ("The Practitioner"); the other describes the innovations in capital access or readiness that each is pioneering or bringing to scale ("The Practice").

As we went to press with these profiles, the realities of the coronavirus pandemic —that are now so much a part of our every-minute consciousness—were just coming into sharp relief. Given the timing, the realities of COVID-19's impact aren't reflected in these profiles. However, with a bit more perspective that we've gained over the past several weeks, it's become clear that the implications of the pandemic will fundamentally shift the landscape for communities around the world—and for people of color, in particular. Perhaps unsurprisingly, we are already seeing that the virus' health impacts are uneven, exacerbated by 400-plus years of systemic racial discrimination and oppression.

The public health response is taking too long to mobilize. The economic response will have to be much more nimble and creative to ensure many small businesses survive. The organizations you will read about here are at the helm of that response. They are trusted by and embedded in their communities. They are well positioned to provide the front-line economic support that will be needed—because they've been doing it, in most cases, for years already.

UMA is committed to making sure we do everything we can to make sure they are supported alongside the businesses they are nurturing. These organizations will be the first to be able to mobilize the capital and technical expertise that will be needed as our economy comes out of "hibernation," as one of our *Pathways* cohort members called it.

It's heartening, at this very early stage, to see that the Federal response has now included the importance of supporting these noble community-based organizations in some of the stimulus programs. As a field of practitioners fighting for our communities, we need to remain vigilant in our continued advocacy on their behalf, and on behalf of the diverse businesses they serve.

We look forward to leading that effort with you.

PROFILES

ASSOCIATION FOR BLACK ECONOMIC POWER

PUSHING BOUNDARIES IN THE NAME OF RACIAL ECONOMIC JUSTICE

MINNEAPOLIS, MN

The Association for Black Economic Power (ABEP) in Minneapolis is calling out racial economic oppression for what it is—and centering the conversation of economic mobility as one of justice. As one very obvious example, to combat the proliferation of payday lenders on the northside of Minneapolis, ABEP piloted an alternative tool: $500 no-interest Liberation Loans, repayable over 12 months. It was a success and they plan to offer them again on a wider scale beginning this summer. In addition to being less expensive than payday loans, they help borrowers build or repair their credit.

"At the same time, we're asking ourselves and our community what 'paying it back' even means," says Samantha Lee Pree-Gonzalez, the new executive director of ABEP. "In the case of a zero-interest loan, we're asking if borrowers can contribute in some other ways that add value to the community. For instance, if they own a business, can they host an intern?"

Pree-Gonzalez wants to push the boundary in thinking about what's possible. ABEP should be a testing ground, she says, for trying new models of economic participation and wealth-building that traditional institutions are afraid to try to to invest in.

The organization is poised to launch a credit union in order to pool the savings power of the community and help un- and under-banked folks. They are in the process of capitalizing the credit union, Village Financial, with an initial infusion of $500,000 from city government and a plan to raise $15 million over five to seven years from city philanthropies and local depositors. Village Financial will be both a way to keep cash in the community and a tool for innovating community capital- and wealth-building opportunities. “We have purchased some county property to develop in cooperative housing,” Pree-Gonzalez says. “A lot of folks won’t have the buy-in funds for their share, so we’re developing a co-op loan that will allow them to participate with a very small initial contribution. That’s not something any other bank is going to do.”

Pree-Gonzalez says they’re also changing the narrative on deploying capital in the community, especially among businesses and entrepreneurs. She and her colleagues have succeeded in getting other lenders to share their underwriting approach so that ABEP can understand how the communities it’s lending in are being rated. “There’s lots of money and programming available for new or growing businesses,” she says. “But when we look at who benefits from the capital and the support, it’s not our communities at all. Everyone talks about how so-and-so is a risky borrower because of X, Y, or Z reason. We’re creating a risk assessment tool that flips how we’re currently doing it. It looks at communities that are most vulnerable and asks the question: What’s the risk if we don’t invest here, in this person, in this business? And now we’re putting pressure on them to use our tool to evaluate requests for capital.”

Pree-Gonzalez wants ABEP to continue pushing boundaries like these in Minneapolis. “We should be a testing ground for trying new models that folks are afraid to try, or to invest in,” she says.

SAMANTHA LEE PREE-GONZALEZ

ASSOCIATION FOR BLACK ECONOMIC POWER

Samantha Lee Pree-Gonzalez leads the Association for Black Economic Power, and their Village Financial Cooperative program, in Minneapolis, the first credit union focused on black economic liberation in the United States. The “financial” part of their title is key, but it’s the “cooperative” part that most attracts her.

“My career history has had nothing to do with money but it does have to do with helping people,” she said. “That’s been a passion as early as I could remember.”

Pree-Gonzalez served in Afghanistan as a combat medic. After that she pursued different careers in the healthcare industry before arriving at an inflection point.

“I started to realize how this job was participating in the disenfranchisement of the culture that I love,” said Pree-Gonzalez, regarding the United States’ infamously expensive health care system. “I didn’t feel like I was making any real contribution to the community I lived in.”

From there, Pree-Gonzalez got involved in politics, launching her own city council campaign and later working as an advisor to another city council member. She got wind of Village Financial Cooperative when they came to her council member’s office to ask for $500,000 in funding, which caught her attention (and her respect) for its boldness.

The city said yes, and since then Village Financial has attracted nearly $1 million in funding from philanthropic and government sources. After that intro Pree-Gonzalez started helping Village Financial build out their organizational structure. Staff shake ups happened along the way, and she was selected by the organization’s board to lead the cooperative.

Village Financial hasn’t officially opened yet for deposits or transactions, but they plan on targeting their financial products at black entrepreneurs and makers of all sizes in the Minneapolis area. They joined UMA’s

Pathways to Patient Capital cohort to learn from national peers about how to best do that.

Their work is rooted in Ujamaa, the Kwanzaa concept of cooperative economic growth that prioritizes the community over individualism. That mindset has helped their office become a beacon for the community. Pree-Gonzalez often gets calls and drop-in visits from neighbors interested in volunteering or just sharing words of support.

She drops what she's doing and listens to them every time. "The impact that we're making is not going to be just the programming or access to loans—it's the culture we're creating and ingraining within the community," said Pree-Gonzalez.

BOSTON UJIMA PROJECT

PEOPLE-POWERED, LOCALLY-LED CAPITAL DEPLOYMENT

BOSTON, MA

Boston Ujima Project is putting working-class communities of color at the center of decision-making in the Dorchester, Mattapan, and Roxbury neighborhoods. Ujima Project does this by helping to gather community members in public planning assemblies, at both the neighborhood and city-wide levels, where hundreds of residents work collectively to hammer out shared values and plans for their local economy.

One of the grassroots decisions community members make is where and how to invest capital in their neighborhoods. That's where the Ujima Fund comes in. It's a $5 million community investment fund that pools contributions (as small as five dollars) from neighbors, outside supporters, and foundations, and deploys it in the form of small business loans of $5,000 to $250,000 or as grants. An investment committee of Ujima grassroots partners, business owners, and local finance professionals uses the community-created plans to review investment opportunities, conduct due diligence, and make recommendations to members before all investments come to a member vote. (Each general member of Ujima that is also a Boston resident, selected via an application process and, regardless of whether or not they've invested in the fund, gets one vote.)

The Ujima Fund is designed to remain accountable to residents by consulting with them through ongoing assemblies.

In addition, an annual business review by a member-elected Community Standards Committee ensures investments meet community-defined and community-ratified Good Business Standards (e.g., businesses that pay employees fair wages).

During a pilot of this process in August 2016, Ujima members voted to invest in loans to five local Black- or immigrant-owned businesses using the Kiva Investment Platform. Among them was a Cape Verdean wholesale market that received a loan to install additional refrigeration; Fresh Food Generation, a food truck that was able to make the move to a brick and mortar location; and Norma Rosario Catering (who has been the first to pay off their loan and will be celebrated soon by Ujima).

The first investment of the Ujima Fund, which has raised $2 million so far, was approved in December 2019. The community voted to provide worker-owned Cero Cooperative, which collects businesses organic waste to create compost, with a $100,000 loan to support the hiring of a sales team and expand their market. A next round of investments is being considered now. Among them is CityFresh, a 100-person firm that makes healthy school lunches. CityFresh and the community are ironing out how the company can ensure fair, predictable scheduling of employees' shifts. This is one of the community's standards for investment, but how it should be applied to food businesses in a way that makes sense is being discussed.

The fund invests in:

- Microfinance (e.g., a loan for a small equipment purchase for a new worker-owned catering co-op);
- Working capital (e.g., inventory purchase for a new bike shop);
- Growth capital (e.g., loan for a new truck for an energy efficiency company);
- Real estate (e.g. acquisition financing for a local community land trust); and
- Community infrastructure (e.g., seed financing for community-owned internet infrastructure).

"Ujima provides technical assistance services and peer learning to help businesses become loan-ready. The two workstreams in UMA's *Pathways to Patient Capital* program—Whole-Entrepreneur Capital Readiness and Financial Product Innovation—will help Ujima provide a longer-term, higher-touch solution to supporting entrepreneurs of color here in Boston," says Nia Evans, director of Boston Ujima Project. "We believe that many of our businesses are ready for capital, which is why we are willing to provide it, filling in a gap left by traditional lenders. Our technical assistance and other additional supports are more oriented around exhibiting trust and faith—that many businesses owned by people of color don't often receive—with our actions."

Ujima is also in the process of launching a Business Alliance made up of community-oriented business owners, managers, and entrepreneurs who are committed to advancing social and economic justice through the private sector. Business Alliance Members align their corporate practices with Ujima values by creating good jobs, sharing ownership and wealth, meeting local needs, and generating community benefits. Business Alliance Members are finding strength in unity, and value cooperation over the competition to achieve shared success. This will be familiar to anyone who knows UMA's effort to create similar "Local Branding" organizations in efforts to sustainable mutual support networks for new and established business owners alike. "Participation in UMA's cohort provides an important opportunity for Ujima to expand our network, learn from peers, and refine our strategies as we expand and scale our programs," said Evans.

NIA EVANS

BOSTON UJIMA PROJECT

Nia Evans says her professional history is made up of three pillars: education, entrepreneurship, and policy. All of that stands over her foundational commitment to community—a foundation as firm as cement.

The entrepreneurial spirit runs in her family. Her dad was a business owner, and she followed that same path in college, where she studied industrial and labor relations and launched her own enterprise with her friends. "I believe a lot in experimentation and taking risks," she said.

But it wasn't until landing a gig working on economic development at the NAACP's Boston Chapter that she started to contemplate ways they could involve residents in the big financial decisions that affect their communities.

"There was a common thread of frequent school budget cuts [in the community], and this would hit families by surprise. I started to wonder: how can communities be a part of these conversations as early as possible, and as equal participants?" said Evans.

Evans is now director at Boston Ujima Project, a financial organization that's breaking new ground in community-led investment at both the national and local levels. In December 2018 it launched what it describes as the "first democratically governed capital fund" in the United States.

For that fund, some of its investors are working class residents of color in the Boston area, although it is also open to investors outside of Boston

More impressive than the dollar amount is how Ujima brings community members in to guide the investment plans for that money. No matter how much money you put into the pot, members get an equal say in how it's used.

Evans described Ujima as leading a "'financial commons' that serves the needs of people and planet over private profit."

Ujima works with residents to create community standard awards for businesses that advance ethical practices. They're also building relationships with economic anchors like hospitals, universities, and financial institutions so that Ujima-supported companies can have access to major purchasing contracts.

The pilot they launched in 2016 suggests their strategy is a winning one. They raised $10,000 from 175 community members in three days at their first local summit. After that, they picked up donations from local non-profits that brought their total up to another $20,000. From there, they identified five businesses to invest in, and sent out texts to community members to receive feedback on their investment plan for those businesses.

They've joined the UMA's *Pathways to Patient Capital* cohort because they want to bring more urban manufacturers into their strategy. Boston is endowed with hard-working manufacturers in food production and other areas that Ujima's products could lift.

"In the end, all of the businesses ended up getting financed, with zero percent interest loans," remembers Evans, talking about their first five businesses. "That was the moment that it all clicked. Amongst all of the challenges we face, this was something where we created something concrete, and I could see that it was inspiring for the entire group [of local investors]," said Evans.

BRIDGEWAY CAPITAL

WHEN YOU BUILD IT BUT THEY DON'T COME (YET)

PITTSBURGH, PA

Pathways cohort member Bridgeway Capital developed the Creative Business Accelerator (CBA) to help grow Pittsburgh-based creative businesses (artists, makers, designers, and craftspeople) into micro- and small manufacturers who create jobs and ignite innovative, equitable growth in the region. The CBA provides emerging and established creative businesses with better access to elements of business success: space, capital, peers, markets, guidance, and workforce. To better align with Bridgeway's mission, the CBA wanted to engage with more entrepreneurs with the racial diversity to ensure equitable economic growth. Only 16 percent of the 175 makers in CBA's network were entrepreneurs of color. One-quarter of even that extremely small number—eight in total—were pursuing their creative businesses as their primary employment. African Americans, in particular, envision greater financial independence and opportunity arising out of entrepreneurship, but experience deep frustration with the barriers keeping them from pursuing their business plans.

Bridgeway Capital engaged with African American creatives to identify solutions that would help more come to the CBA and take advantage of the program's business-propelling resources. Based on those conversations, the CBA launched ORIGINS, a multifaceted initiative to improve access to business development services for makers of color. ORIGINS

comprises five components: **the cohort**, a peer network of African American creative businesses characterized by mentorship and collaboration; **the incubator**, six-12 weeks of individualized in-depth guidance for businesses; an **online platform**, which celebrates African American creatives, provides them greater visibility, and connects them to wider audiences and markets; **the residency**, 12 months of subsidized light industrial space to businesses ready to ramp up production; and **new market opportunities**, including subsidized booths at retail events.

ORIGINS fully subsidized high-touch, one-on-one product development and marketing consultation to an inaugural cohort of 16 African American makers. The CBA is tracking pre- and post-program sales and social media data to validate ORIGINS' ability to increase African American creatives' visibility in target markets.

CBA has analyzed Pittsburgh-area supply chains and market demand to help ORIGINS participants to identify and access potential new markets. Monmade, another CBA program, helps to connect local makers with new markets, is working in concert with ORIGINS.

"What's most compelling to us about the ORIGINS approach is that it lets the CBA help entrepreneurs access capital to grow their businesses while simultaneously helping African American creatives expand into new markets," says Lee Wellington, executive director of UMA. "Growing businesses aren't just saddled with debt; they're also able to quickly access opportunities to leverage that debt and grow their businesses. It could not be more squarely aligned with what we're doing at UMA—in particular with the *Pathways to Patient Capital* cohort program."

ORIGINS' outreach and engagement is a key part of making the program successful. "Nisha Blackwell brings direct experience to bear in her position leading outreach and strategy for ORIGINS. She is the founder and owner of Knotzland Bowties, an apparel manufacturing business, and has worked for over three years to engage and understand the needs of Pittsburgh's African American creatives. The ORIGINS program is the culmination of this effort, and provides customized business development and marketing programs designed to close the barriers faced by these entrepreneurs," says Tanu Kumar, UMA's director of special projects and a lead on the *Pathways* cohort.

CBA is now identifying additional funds to raise that will provide grants to allow business owners participating in ORIGINS to step away from their side gigs and focus on full-time entrepreneurship.

NISHA BLACKWELL & KATIE JOHNSON

BRIDGEWAY CAPITAL

Nisha Blackwell and Katie Johnson joined Bridgeway Capital's Creative Business Accelerator program because they saw first-hand how well the program worked. Both had benefited from it in the past, Johnson as a small-batch ceramic tile manufacturer at Braddock Tiles, and Blackwell as the owner of Knotzland Bowtie Co.

During UMA's 2019 Milwaukee Gathering, Blackwell told the audience that the Creative Business Accelerator "felt like home." "Nothing really felt quite like it was honing in on the maker side of it, the craft business side of it," she said, referring to other business support programs she'd participated in in the past.

Today Blackwell and Johnson are leading the launch of a new initiative that applies the successful elements of the Creative Business Accelerator specifically to African American manufacturers and makers.

The program is called ORIGINS. It connects entrepreneurs to grants, loans, and production space so they can realize greater business success, creative fulfillment, and community impact.

Johnson's interest in this field can be traced to her time at Braddock Tiles, a mission-driven tile manufacturer located outside Pittsburgh, that provided employment and job-readiness skills to disadvantaged young adults.

She says ORIGINS is treading towards a similar kind of community impact. She saw the first glimpses of that when they interviewed their first maker-in-residence, Selima Dawson, proprietor of Blakbird Jewelry.

Johnson asked her if she'd had trouble accessing space for her business in the past. Dawson told her she'd never thought to look. She never imagined her business growing to a point where it would need it.

With help from ORIGINS, Dawson now has her mind set on growing to the point that she can hire another African American woman and give her a good-paying career path in the crafts. Johnson and Blackwell joined UMA's *Pathways to Patient Capital* cohort to provide insight on how they plan to help Dawson and others achieve that success, while also learning about the struggles and successes of other mission-driven financial programs across the country.

"I firmly believe that there is a ripple effect with this work, that by creating access to resources in a thoughtful, intentional, and meaningful way, they will in turn open up opportunities for other people in the community," said Johnson.

BUILD INSTITUTE

REACHING DEEP INTO COMMUNITIES TO FIND AND MEET ENTREPRENEURS WHERE THEY ARE, INCLUSIVELY

DETROIT, MI

Since 2012, Build Institute entrepreneurs have created over 500 businesses and 1,300 jobs across 144 zip codes in and around Detroit. To date, they have graduated over 1,850 aspiring and experienced entrepreneurs, many of whom have gone on to start successful businesses in the city.

Build's intentionality around and success with inclusivity is what excites UMA about partnering with them and including in the *Pathways to Patient Capital* cohort; 83 percent of Build's graduates are women, 63 percent are people of color, and 45 percent are African American. Almost two-thirds (62 percent) are 35 or older and three-quarters are low-income.

Beyond Build's participant demographics, UMA is also impressed by how the organization thinks about the impact it's having with participants. Since December 2013, Build has endorsed 24 small businesses and raised $136,450 in micro-loans with a 98% repayment rate through the Kiva funding platform. (Kiva also serves on the *Pathways*' Advisory Board.) To date, almost 600 businesses have been started by their graduates.

The organization spurs community, too; over half of alumni collaborate with one another on their projects and businesses. And recognizing that entrepreneurship

and business ownership can be intensely personal journeys that require as much nerve as knowledge and know-how, it's noteworthy that more than 90 percent of graduates indicate that they feel more confident in business as a result of their participation. Perhaps that's, in part, because 77 percent of graduates were connected to resources they say they were not previously aware of. Build works hard to collect this difficult-to-measure, qualitative feedback to make sure their programs are fulfilling the participants' needs.

Build also finds creative, effective ways to reach into communities and meet entrepreneurs where they are. Classes are offered throughout the City of Detroit, Metro Detroit, and beyond. They host coaching events in neighborhoods throughout the metro area, including at local coffee shops and bakeries. If a participant is not able to pay for coaching, Build will barter with them for in-kind services.

They are also about to launch the Pay-It-Forward Fund. Recipients will be able to borrow up to $5,000 at zero percent interest and won't have to begin paying back the principal until they reach $100,000 in business revenues. This will in turn make the Pay It Forward Fund a shared-risk impact investment fund in the long-term.

Moving forward, Build is eager to apply these successful community-building strategies to reach the growing number of local manufacturers in the food, furniture, textiles, and metal fabrication sectors. Jacquise Purifoy, Build's entrepreneur-in-residence and *Pathways*' participant, and her coworkers believe *Pathways* syncs up nicely with their work as they continue to dive into problems around makers and access to capital. "It's not that [underserved entrepreneurs] don't have ideas, it's that they don't have the funding to do business," she said. "So when the RFP came across our desk, we were like 'This would be the perfect fit.'"

JACQUISE PURIFOY

BUILD INSTITUTE

"None of us, I feel, are here for the paycheck," said Jacquise Purifoy, speaking about her colleagues at the Build Institute in Detroit. "We really come here with a passion to serve, with a passion to make the lives of ordinary people better."

It's not luck that Purifoy, entrepreneur-in-residence at Build Institute, is surrounded by dedicated coworkers. She became a lawyer expressly to break down barriers and lift up neighbors. Build is doing that by providing underserved entrepreneurs with training and investment opportunities.

"I'm a native Detroiter, born and raised here, and a lot of my passion for serving people of color without access to resources is because I've been one," she said. "I wanted to help people who looked like me."

A transformative moment for Purifoy was when, as a teenage mom in college, she went to a state human services office in Detroit to see how she could qualify for more public assistance. The employee pulled out a chart and explained to Purifoy that the more children you have, the more assistance you can receive.

"I was like, 'I couldn't even study if I had more kids,'" said Purifoy. "This is the WIC program [the federal Special Supplemental Nutrition Program for Women, Infants, and Children] and it's federally mandated. These laws are written in place to keep people poor."

Working with Build is her way of pushing back against similarly systemic issues in the business field. They provide classes, Kiva loans, retail opportunities, and connections with local financiers and peer lenders to their entrepreneurs.

Build leads a handful of creative capital programs. Detroit SOUP, for example, is a micro-granting dinner that's open to anyone from the neighborhood where it takes place to come and pitch their business or project idea to small funders. For a donation $5 attendees receive soup, salad, bread—and a vote. Attendees hear four presentations on topics ranging from art, urban agriculture, social justice, social entrepreneurs, education, technology, and more. Each presenter briefly shares their idea and answers questions from the audience who, ultimately, votes to donate the money raised to the project they think benefits the city the most. In the five years this grassroots event has been held, there have been 95 dinners in a dozen neighborhoods that have raised $85,000 for new creative projects.

Manufacturing is like a native language to Detroiters, but Purifoy says it's time for them to start looking beyond their borders. That's why they joined the *Pathways to Patient Capital* program.

"Over 2,000 alumni have come through our program, from bakers to jean makers to candle makers to t-shirt makers, all these different makers," she said. "We know what [making and manufacturing] looks like in Detroit, but what does it look like nationally?"

INNER CITY ADVISORS

CONVERTIBLE DEBT WITH WRAPAROUND ENTREPRENEURSHIP SUPPORT SERVICES

OAKLAND, CA

Undercapitalization is the chronic condition for most small business owners, especially manufacturers. It impedes their ability to buy needed equipment, hire new talent, invest in research and innovation, and access lines of credit to support daily operations. These challenges loom even larger for entrepreneurs of color who—as a result of inequitable and discriminatory practices in education, employment, and the financial system—experience a yawning wealth gap relative to white families, depriving them of capital to start or grow businesses.

Cohort member Inner City Advisors (ICA) recognized that small businesses can drive wealth-building opportunities for owners and their employees, especially for women and people of color. But ICA knows too many small business owners lack access to the growth capital—and the coaching and connections that help fuel growth and build wealth while creating good jobs in their communities. This is especially true for owners who are women or people of color, who are often turned down for financing because they have insufficient assets—a legacy of structural inequities resulting in a racial wealth gap.

To begin to address that gap in an innovative way in the San Francisco Bay Area, ICA is helping to deploy convertible debt as a way for undercapitalized entrepreneurs to attract investment to their growing companies. A convertible note is a flexible financing tool that is structured as debt—including terms and interest rates—but that can convert to equity at maturity. This is an especially attractive option for the owners of growing businesses who can decide either to repay the note with increasing revenues, or allow the notes to convert to investor equity knowing that the overall value of the company is increasing (and, therefore, not unduly diluting owner equity). Convertible debt is also relatively easy to put in place; agreements don't require a company valuation, as stock agreements do and the legal agreements are typically much simpler. And, importantly, these funds show up on companies balance sheets as assets, which improves their ability to pursue loans from traditional lenders.

In addition to capital, ICA also offers a structured, four-month acceleration program that includes mentorship through a network of 60 pro bono professionals who ensure growing businesses have crystallized their growth strategy, including a plan for attracting and on-boarding talent that will be aligned with the growth strategy, and preparing for additional rounds of investment. About 30 companies, approximately a third of whom are manufacturing businesses, have gone through ICA's accelerator with five receiving investments, through convertible notes, totaling $2.5 million. ICA estimates that these companies have earned $30 million in revenue and support 350 jobs. In the past 5 years, the equity ICA has invested has grown by three times (though not all of it is yet liquid).

ICA's focus is agnostic in terms of sector. Their primary focus is on businesses that are creating good jobs that are accessible at the entry, pay family-supporting wages, and have pathways to advancement.

ICA's CEO, Allison Kelly, saw the opportunity to increase both the volume and velocity of their convertible debt investments in high-growth-potential entrepreneurs of color. She is currently raising a new $10 million fund now and is working with ICA's network of community-based partners to identify potential candidates for future investment and acceleration. "We have an impressive set of robust selection criteria," Kelly says. "Our primary focus is on a business' fundamentals—a sound business plan and growth strategy. But we also focus on metrics that support the impacts ICA is looking for, including employment opportunities with quality jobs and opportunities for wealth building. Applicants get extra points if they are people of color or women. We think it's profitable to invest in businesses owned by people of color and women; we want to help them grow their firms into true assets that create wealth for them and their employees."

ALLISON KELLY

INNER CITY ADVISORS

Allison Kelly is the the chief executive officer of ICA Fund Good Jobs, a business training organization and CDFI based in Oakland, California. Her work explicitly focuses on creating more opportunity for entrepreneurs of color.

At home she seizes the opportunity to explain why to her kids.

On Martin Luther King Day 2020, Kelly took her two children, seven- and nine-years-old, to the African American Museum and Library in Oakland. They watched a documentary about the famed minister and civil rights leader, which left its mark.

“They felt sad, scared, and confused,” she said. “I told them there are still places in our world that have systemic racism and sexism built in [and] we had a very wide reaching conversation on humanity.”

It was around this time that she proposed a goal to her coworkers at ICA Fund Good Jobs. “I’m hopeful that on the 100th anniversary of the death of MLK there will be no work for our organization,” she said.

To date ICA Fund Good Jobs has worked with over 600 companies that employed 5,500 people and paid out $105 million in wages. They invest in high-potential businesses that are committed to paying good wages and treating employees fairly through benefits and other means.

Food manufacturers make up a significant chunk of their portfolio. Those businesses range from vegan meat makers to manufacturers of ghee, the clarified butter.

Despite a strong two decades in existence, Kelly said they were excited to join the *Pathways to Patient Capital* cohort to share their expertise and absorb the expertise of others. They’re also looking for more funders that are willing to invest in the ICA Fund Good Jobs model and its holistic approach to business training and investment.

“Like our entrepreneurs, who encounter obstacles to capital access on a daily basis, ICA also faces challenges to building a network of mission-aligned capital providers,” said Kelly. “Our main challenge is to identify capital providers that align with our mission and investment strategy to provide patient, equity-like capital and fill the gaps within the small business capital ecosystem."

They're also looking for support as they double down on their target of supporting women entrepreneurs and entrepreneurs of color. "We still aren't seeing the outcomes we need in terms of equity in access to capital across racial, gender, geographic, and industry lines," wrote Kelly, in a letter that opens up ICA Fund Good Jobs' Impact Report 2019. "With an explicit focus of directing resources and capital to these communities, ICA is testing and measuring the outcomes this kind of work creates."

With those principles in mind, they just might be on track towards creating a better investment environment by Martin Luther King Day 2068.

LISC BOSTON

WITH FOCUS AT THE INSTITUTION, ANCHORS CAN DRIVE SIGNIFICANT BUSINESS TO SMALL VENDORS

BOSTON, MA

In 2016, recognizing its leadership role as an anchor institution with the power to provide significant support to Boston’s neighborhood economies, Northeastern University (NEU) set out to cultivate a diverse slate of minority- and women-owned small businesses as vendors for its tens of millions of dollars in annual procurement spending.

NEU partnered with LISC Boston to create a suite of loan products designed to provide a lending ladder to help small businesses come up the curve to institutional procurement, including: contract loans to help businesses who won a contract develop a reserve of working capital as advances of the anticipated invoice amounts; traditionally structured term loans to help finance growth over a five- to ten-year horizon; microloans of smaller amounts using and shorter terms; and, in partnership with Kiva, character-based loans, that served aspiring vendors. Lending capital and administration costs for these tools was provided by a $2.5 million contribution from NEU.

The lending program’s most successful component was the character-based loans: they were highly accessible for businesses needing very small amounts of capital. Topping out at $10,000, they were uncollateralized, interest-free, and charged no fees. The loans were 50 percent crowd-

funded with the other 50 percent being matched by a $100,000 Impact Lending commitment from NEU. A number of local partners acted as Kiva “Trustees,” which are community members or organizations who add credibility to a borrower by vouching for their character, business, and social impact—and who provide a further layer of support and assistance to these smallest business borrowers.

Karleen Porcena, who led the business outreach effort for LISC Boston, says it’s important to tell the story of how small loans can be some of the most impactful for businesses as they get their foot in the door with larger customers, such as anchor institutions. Food-related businesses were some of the best-represented among these loans and, overall, one-third of the 30 or so recipients were makers or manufacturers.

As other anchor institutions look to replicate a similar program, Porcena says they will benefit from identifying a champion at the institution who can work with procurement offices to proactively create purchasing opportunities geared toward small businesses. “It’s a different mindset than most anchor procurement operations are used to,” she says. “These are professionals who are generally expected to maximize volume and minimize costs. Those important efforts sometimes run counter to what is needed for smaller vendors to find a right-sized opportunity for them to get a first contract and establish a successful relationship with the institution. It takes a bit of time—and strong institutional champions to reinforce it—to help them think about ways to create value in the community that are also in alignment with the institution’s goals.”

KARLEEN PORCENA

LISC BOSTON

Karleen Porcena's past plays a major role in her work today.

She started her career overseeing direct services—everything from food security assistance to programs targeted at seniors—at Action for Boston Community Development (ABCD), at the Mattapan Family Service Center, Boston's largest anti-poverty agency. Her clients were low- to moderate-income individuals whose stories reminded her of her youth growing up in the city's public housing system with immigrant parents.

"I felt like I shared so many of the stories of the people that I worked with," said Porcena.

Throughout her ten years at Mattapan, Porcena found the work "extremely fulfilling," but she was discouraged when she saw repeat clients who didn't seem to be gaining more economic mobility. "Services were important, but equally important is to work on systems strategies that were more big picture," she said.

Supporting entrepreneurial aspirations, she realized, was one way she could prop up "big picture" strategies around creating and sustaining wealth at the neighborhood level.

"I think a lot of times with low-income people we just think, 'How can we fix folks?'" said Porcena. During her time working on small business development at LISC Boston, she said their approach was to "take what they [clients] already knew and do well and advance that."

"It was an avenue where people had more autonomy over the trajectory of their lives," she said.

She recalls one company, Sweet Teez Bakery, that received financial help to fulfill a big Whole Foods contract in a short period of time. That could have been a steep challenge without LISC Boston. "The owner was early on in her baking career so she basically had to put layers of different financing together to get the right amount of funds," remembers Porcena. "Boston LISC helped provide that for her."

Today Porcena works as a banker at Berkshire Bank, a regional financial services company where she supports entrepreneurs in the Roxbury neighborhood and coordinates a capital fund aimed at businesses without networks of wealthy friends and family. That fund, aptly titled the Friends and Family Fund, is being coordinated in part by the Runway Project, an organization that launched a similar seed fund for entrepreneurs of color in Oakland.

It's all part of a career path that Porcena says has "made me see the power, strength, and value in the people I was working with who we categorize as low-income individuals."

LISC DULUTH

WORKING TO MAKE A CRAFT BUSINESS DISTRICT INCLUSIVE

DULUTH, MN

The dozen or so blocks of the Lincoln Park Craft Business District, in western Duluth, are tucked into a pocket hemmed in by elevated highways from the middle of the last century, near the edge of Lake Superior. In the past several years, 40 or so new businesses, including several manufacturers, have emerged or located in the district. These include soft goods manufacturers, clothiers, a craft brewery, and several food producers. In addition to the burgeoning retail presence, many of the businesses sell online and abroad, creating an important export economy for Duluth.

All of this has made Lincoln Park one of UMA's favorite examples of how a city can support small-scale manufacturers as an important part of its economic development and commercial corridor strategies. In addition to a city-run loan program that helped business owners cover some of the costs of rehabilitating buildings, non-profit partners like LISC Duluth have also contributed by providing lending capital and technical assistance to business owners.

The district's success has also made it a favorite of locals and visitors alike, including *The Atlantic*'s James Fallows and his wife who included a profile of Lincoln Park in their recent book *Our Towns,* and then discussed it in a CBS Sunday Morning story. Among the parade of visitors checking out Lincoln Park's craft business scene was one of LISC Duluth's local funders, the McKnight Foundation. "After the tour, the Foundation observed that there were few, if any, people of color running the businesses in the district," says Lars Kuehnow, who is responsible for leading Duluth LISC's commercial revitalization efforts. "It was an epiphany for us in the midst of a lot of success."

McKnight Foundation posed the challenge to LISC Duluth and its partners to address the race gap.

Kuehnow, who spent time working in a regional CDFI before joining LISC, anticipated that an important part of the challenge to getting more entrepreneurs of color off the ground was in technical assistance and accessing start-up capital. He worked in the community to convene a group of entrepreneurs of color and, with their input, brought the incubation curriculum of ***Creative Startups*** to Duluth. Of nearly two dozen business owners who have entered the incubator, 40 percent were from underrepresented communities. "Given that Duluth's people of color population is 12 percent, we are really proud to have such a diverse group of cohort members participating," Kuehnow says.

The Northwest Area Foundation, based in St. Paul, noticed LISC Duluth's efforts to close the race gap and has stepped in with support to help them go further with African American and Native American entrepreneurs, in particular. The foundation has offered LISC Duluth a one-year planning grant to develop an approach to engaging nonwhite communities further in both entrepreneurship and employment as pathways to economic mobility. LISC Duluth anticipates receiving funding for a subsequent two-year implementation grant.

And the timing couldn't be better. In addition to the financial resources to help LISC Duluth make its craft business district an inclusive one, Kuehnow will get to tap into the community of practice that is the *Pathways to Patient Capital* cohort. "I was incredibly impressed by the expertise of my fellow participants. We all share similar challenges. Prior to convening with them, I felt our task was possible. Now, I know there is a solution and it will come from our work."

LARS KUEHNOW

LISC DULUTH

Lars Kuehnow grew up helping his family run their grocery business in Duluth. In other words: "entrepreneur" was always part of his vocabulary.

But it wasn't until his mid-20s when he realized he wanted to follow that same path. He set a somewhat ambitious goal to do so. "I didn't say what kind of a business, or where or any of those things," he remembers. "I wasn't super thoughtful about it, but I knew I wanted to open my own business by the time I was 30 years old."

Five days before his 30th birthday he incorporated his first company, Kuehnow Management Inc. They bought and managed gas station convenience stores, and ended their 16-year run in 2000 with 30 employees and annual average revenues of $8 million.

From there he moved between leadership roles in the construction material industry and a non-profit. In each case he pulled these enterprises out of their struggles and into states of success.

Now with LISC, he's applying that same business management experience through an advisory lens. In 2018, and in partnership with the University of Minnesota-Duluth, LISC Duluth helped launch a local chapter of Creative Startups Labs, a pre-accelerator program designed for creative entrepreneurs just starting to think about business management.

The program is mostly targeted at entrepreneurs of color. Participants work with Kuehnow and other advisors to decipher the market viability of their idea, and identify the customer relations steps they should take to forge long-standing ties with consumers.

Fifteen of the 22 participants in the first cohort were generating revenue six months after graduating. Thirty percent decided that they wanted to keep their business low-key and run it from home—"which is a success story," noted Kuehnow.

So Duluth has the accelerator support nailed down. Now they're thinking about ways to launch equity-focused capital programs that can help graduates take next steps.

One impetus for this is their charge to turn Duluth's Lincoln Park district into a maker-centric Main Street-style thoroughfare. They've been applauded by local press and leaders for making that happen, but Kuehnow's concern is that few of the participating makers in that area are businesses of color.

"That's where the UMA cohort was perfect timing," said Kuehnow.

With support from UMA and the Creative Startups program, they're hoping to change that reality. The goal is to give a greater diversity of Duluth residents the opportunity to create entrepreneurial environments that their families can grow up in—just like Kuehnow had.

LISC JACKSONVILLE

INVIGORATING A COMMERCIAL DISTRICT TO CREATE ECONOMIC OPPORTUNITY FOR ADJACENT NEIGHBORHOODS

JACKSONVILLE, FL

U.S. Route 90, as it heads west from Downtown Jacksonville, is called Beaver Street. The stretch of road serves as the spine of an area that has historically been a collection of businesses that served or benefited from the massive freight depot in the northwest part of the city. “It’s a 100-year-old industrial district beside the CSX rail yards,” says Chuck Shealy, real estate and lending program officer at LISC Jacksonville. But, recently, smaller manufacturers and other businesses began popping up in the area next to long-standing ones, like Beaver Street Fisheries. LISC Jacksonville began studying the market more closely and found that it houses more than 100 unique small businesses. The newer businesses in the area, which was rechristened the Rail Yard District, include architectural salvage company Eco Relics; social enterprise Rethreaded, which trains former sex trade workers in soft goods production; and Engine 15 Brewery.

“There are about 6,500 jobs in the one-square-mile area now, but only about five percent are held by residents from adjacent communities,” says Shealy, describing Jacksonville’s predominantly African American Neighborhood. “Our goal is to try to reverse that.”

One way they're aiming to do that is by stepping up support to identify entrepreneurs of color and help them launch or grow their businesses. LISC Jacksonville partners include the Beaver Street Enterprise Center, a small business accelerator in the neighborhood with a diverse clientele. In addition, Northwest Jacksonville CDC is an outreach partner in the communities around the Rail Yard District and provides temporary outdoor retail pop-up space for entrepreneurs in the neighborhood.

LISC Jacksonville is also looking at innovative financial products to support entrepreneurs of color. They are exploring opportunities with local philanthropies to create a first-loss fund. First-loss capital is socially- and environmentally-driven credit enhancement provided by an investor or grant-maker who agrees to bear first losses in an investment in order to catalyze the participation of co-investors who can't be exposed to higher risk in their lending. "The fund will allow us to lend to business owners who may not have as strong a balance sheet," Shealy says. "We're aiming for it to support about $1 million in lending to up to 20 businesses. To my knowledge, this would be the first fund of its kind in the region. "

The new lending capacity comes just as the business community in the Rail Yard District is also galvanizing, Shealy adds. Given the influx of new businesses, the neighborhood has the potential to become a regional destination. LISC Jacksonville has been supporting area business owners to formally organize into a business council that will capitalize on the area's assets, add new signage, paint murals on blank walls, market the neighborhood, and improve long-neglected infrastructure. "The time is ripe for the businesses here to come together and advocate for themselves and those that will come after them," he says. "And LISC and the other community funders are here to support them in doing that."

CHUCK SHEALY

LISC JACKSONVILLE

LISC has had its Jacksonville operation up and running for over two decades. One accomplishment that lending officer Chuck Shealy finds exemplary of their impact is all the new movement going on in the city's Rail Yard District.

The district is a historic brick-building industrial area that has long fallen outside local politicians' redevelopment radar. LISC assisted in organizing business leaders there so they can call political interest to the area with a unified voice, and petition for more neighborhood improvements.

That work started three years ago, just after Shealy joined LISC. "Today when you say the Rail Yard District, people know what you're talking about," he said.

But there's still a lot of work ahead. Vacant buildings dot the area. Perhaps most glaringly, only five percent of the employees there come from surrounding neighborhoods. Shealy joined UMA's *Pathways to Patient Capital* cohort because he's hoping to attract more manufacturers to the area and build up local jobs.

"Small manufacturers create more jobs than a retail store or even a microbrewery," he said. "It only takes a few people to make beer but if you've got a manufacturing concern they're going to be hiring more people as they grow."

That would align with LISC's overall strategy, which is to lift up local businesses who in turn will lift up the neighborhoods where they're located. Those strategies aren't developed in a silo—LISC neighborhood development plans are designed by the residents and businesses themselves.

Throughout Jacksonville, LISC has helped neighbors establish a farmers' market, launch an urban business development incubator, and form business associations like the one in the Rail Yard District. That's on top of their work creating more space for retail tenants, supporting affordable housing, and improving the infrastructure of vital public corridors.

Right now Shealy is helping a women-owned manufacturing business access

LISC loans and consulting. It's a first step towards building a more manufacturing-heavy portfolio that enshrines their long-standing approach of people first, revenue second.

"We look at our work a lot more as helping people as compared to just trying to find a deal and place money," said Shealy.

MOUNTAIN BIZWORKS

WHEN PATIENT CAPITAL REQUIRES—AND BENEFITS FROM—PATIENCE WITH GOVERNMENT

ASHEVILLE, NC

Mountain BizWorks (MBW) is a CDFI that provides business loans and coaching to small businesses in Western North Carolina. MBW has a particular focus on businesses that are often unable to access financing from banks and other traditional sources, especially low-income, minority, women, and immigrant entrepreneurs. MBW pairs its small business loans—ranging from $1,000 to $250,000—with highly customized, peer-to-peer business coaching by successful local business owners.

So the City of Asheville and Buncombe County stepped in to help MBW, along with two other local CDFIs, to make more loans to lower-wealth borrowers and entrepreneurs of color, who tend to suffer the most by having insufficient collateral, regardless of promising business ideas. The city and county came together to create the Mountain Community Capital Fund, a loan guarantee fund that protects lenders against default on 85 percent of higher-risk loans (up to $75,000) to business owners with less collateral. A modest fee of one

But even as a CDFI, Mountain BizWorks still must adhere to underwriting requirements in its lending. “What that means is that there are still business owners in the community that we want to be able to lend to, but who don’t quite meet our requirements. Some, for instance, might not have sufficient collateral to secure the loan they need.” says, Moriah Heaney, MBW’s community investments manager.

percent of the loan amount is charged to the borrower to cover administrative costs associated with maintaining the guarantee fund.

"As a CDFI we constantly have to balance community impact and asset quality with our portfolio, to ensure we can continue to make a meaningful impact over a sustained period of time," Heaney says. "This is why the Mountain Community Capital Fund is such a game-changer because it allows us to significantly increase the amount of impact we are able to have in low-wealth communities of color while remaining fiscally prudent." Since the fund launched in August 2019, MBW alone has closed four loans to business owners that otherwise would have gone wanting. Six months into the guarantee fund's availability, that's already 2.5 percent of MBW's loan portfolio.

What caught UMA's attention was not the credit enhancement tool, per se, but the fact that it was a collaboration among several community lenders and government. In this case, the public sector wanted to advance a policy goal of improving equity in small business lending. They are contributing the capital to the guarantee fund while partnering with the organizations—local CDFIs—best positioned to mobilize it in lower-wealth communities and among business owners of color. UMA aims to use our Communities of Practice to seed this thinking among partners across the country and begin putting capital to work in communities more equitably. It took almost three years to pull the Mountain Community Capital Fund together; working with government sometimes means things take longer as things wend their way through approval processes. But now that fund is in place, it should be a model for how CDFIs and local governments in other areas can replicate it.

KAREEN BONCALES
MORIAH HEANEY

MOUNTAIN BIZWORKS

Kareen Boncales and Moriah Heaney drive some of Mountain BizWorks' main support programs for entrepreneurs in Western North Carolina.

Both say it was their interest in entrepreneurship abroad that helped them realize how much work still had to be done back in the U.S.

Boncales was born and raised in the Philippines and moved to the United States when she was eight-years-old. After college, she joined the PeaceCorps and was sent to Cameroon, where she helped budding entrepreneurs access business skills—a no-coincidence similarity to her current role as Mountain BizWorks' learning services specialist.

As for Heaney, she comes from a family that's long been deeply steeped in microfinance. Her mom traveled throughout the world to study community investment models before landing executive jobs at USAID and the Calvert Foundation. Heaney later did internships in Kenya and Bangladesh, but realized that she could have the biggest impact back home.

"I started to think about how uncomfortable I was with the sense of importing Western values into non-Western countries," said Heaney, Mountain BizWorks' community investments manager. "It felt somewhat imperialist to me, and I was recognizing that there was still a lot of poverty in the United States."

Now the two are part of UMA's *Pathways to Patient Capital* program, where they're working to widen the impact of their manufacturing-related programs while sharing their experiences with local creatives.

With a large presence of food producers, craft workers, and outdoor gear manufacturers, Western North Carolina is bustling with fabrication activity. In 2019, manufacturing businesses made up 20 percent of Mountain BizWork's loan portfolio (up from 14 percent between 2013 and 2019).

Craft Your Commerce is the main program they have on deck targeted towards that audience. It features lectures, six-week business training courses, one-on-one mentorship, and financial training.

"Asheville and Western North Carolina as a whole have a deep history in manufacturing, whether it be specialized craft or legacy manufacturing, like textiles and furniture," said Heaney. "Our current barrier at this time is finding best practices in outreach and program development that will make our craft business trainings more interesting, valuable, and attended by the makers of color in our community."

Despite wanting to expand their audience, Boncales says they're content with the positive transformation they've brought to existing customers. "From the time they first come in and get connected with us, we get to see them coming with their dreams and ideas, and how they make their dreams into reality. As cheesy as it sounds, it's true," she said.

NASHVILLE MADE

AS MUCH ABOUT MAKING COMMUNITY AS ABOUT MAKING THINGS

NASHVILLE, TN

The co-founders of Nashville Made, Audra Ladd and James Soto, each have had their own journeys in Nashville's manufacturing and maker community. Soto, since 2003, has run a marketing firm focused on the industrial sector in and around Nashville. And Ladd is a ceramicist who also has run point on Nashville's creative economy for the metro government. Nashville Made was created to help the region's smaller makers and producers band together and give them a say in the policy decisions affecting their sector, to learn what it takes to succeed as makers in business, and to ensure the workforce needed to grow their sector tomorrow is being prepared today.

"It's been slower to come together than one might think, given how much energy there is in the sector," says Ladd. She points to two challenges: that smaller makers are preoccupied with their own businesses, which reduces their bandwidth for policy discussions and community-building; and that medium and larger manufacturers in the region, who should be natural allies in a Nashville Made program and lend it additional gravitas, have not seen themselves as part of the community. At least not yet.

Despite that, Nashville Made has managed to program a full slate of community-building and educational programs in very short order. Unfortunately, all of that ground to a halt on March 3 when seven tornadoes tore through the Nashville area, killing 24 people, destroying almost 800 structures, and damaging 1,400 more. Nashville Made mobilized immediately. “It’s been all hands on deck since then to help businesses cope and figure out what’s next for them,” Ladd says.

A local CDFI quickly worked with partners to put together an emergency lending program for loans of up to $50,000 at four percent interest—well below market. The loans have a term of five-and-a-half years, with no payments (or interest) due during the first six months. A total of $4 million is available to Middle Tennessee small businesses.

But businesses who are struggling to stay open and regain a market share may not benefit from taking on debt at such an uncertain time. Because of that, Nashville Made is exploring how it might develop a grant fund for its member businesses. “Cash assistance that enables businesses to get through this time is absolutely essential, especially for businesses owned by people of color that may not have as much of a runway or savings,” said Ladd.

UMA has found that so-called “made in” organizations (also called Local Brands), like Nashville Made, are essential to helping a burgeoning maker/manufacturing sector take root in cities. They help elevate the needs of the sector to policy- and decision-makers in a way that no individual small business owner can. And they help officials to understand the sector’s particular needs, especially around land use and capital access. But the community-building role they play within the sector is also key. So much of makers’ and small manufacturers’ success is often rooted in collaboration and shared business prospects. And as we are seeing in Nashville, in the wake of a traumatic event, that community can be an essential part of businesses’ survival.

AUDRA LADD

NASHVILLE MADE

Today, Audra Ladd is a champion for manufacturers big and small in Nashville. It's a role she's proud of, though not exactly the title she expected she'd acquire when she was a kid in rural New England.

"Manufacturing was the job you took that paid a living wage but it was sort of drudgery work," she remembered, reflecting on her home's economy.

Five years ago, Ladd herself became a maker. She currently has a workspace in a Nashville pottery cooperative called The Clay Lady, where she also teaches pottery classes on Fridays.

"Just a few years ago I realized how hard it was to scale a business like that," said Ladd. "When I looked around at the other artisans, I noticed we all had a ceiling that we were hitting, and there weren't that many resources available for us within the business support network."

Her run-in with that deficit as a maker is what led her and a colleague to officially launch Nashville Made in December 2018, with fiscal support from the Arts and Business Council of Greater Nashville.

Nashville Made, a manufacturer support organization, runs a suite of services. Member makers and manufacturers are heavily promoted through the organization's social media channels. They also matchmake producers with local allies in real estate, law, or financial services that could help their businesses grow, and partner with their local Manufacturing Extension Partnership (MEP) to assess member businesses and help them plan strategically.

One of their main objectives in signing up for the *Pathways to Patient Capital* cohort is to learn best practices around partnering with local financial services to create new, equity-based financial products for manufacturers.

"I really understand the economic importance of having local manufacturing, both for keeping the [industrial] base present and employment-related reasons," said Ladd. A dominant development trend in the Nashville area, according to Ladd, is the frequent redevelopment of industrial land into space for tech companies. “So Nashville Made is partly me attempting to shift the local development conversation [into] why preserving space for manufacturing companies is important.”

Though still young, the organization is broadening its support from local partners—suggesting Ladd and her team are having some success at making production businesses successful. “Our number one job is to bring people together and support them in whatever they’re working on,” said Ladd.

WISCONSIN WOMEN'S BUSINESS INITIATIVE CORPORATION

LOANING TO THE PERSON, NOT JUST TO THE BUSINESS

MILWAUKEE, WI

Wisconsin Women's Business Initiative Corporation (WWBIC) has been serving the business-development needs of underserved Wisconsinites for over a generation. "Because we've been around for close to 35 years, folks come in and ask us for just about anything," says Renee Lindner, an outreach specialist focused on urban areas for WWBIC. "By virtue of that reputation, we sometimes have to manage expectations."

But WWBIC comes by that reputation honestly. Baked into their organizational approach to helping small business owners—especially women and business owners of color—is a refreshing approach to meeting business needs that doesn't just focus on the financials. "We're not just giving loans," Lindner points out. "We're making sure they are in a position to run their businesses well, to help them earn the profits they need, yes, to pay back their loans. But also to leverage their loan capital to realize growth."

As a CDFI, WWBIC offers a range of business loan products covering amounts from $1,000 to $250,000. In partnership with Kiva, WWBIC also offers smaller-dollar, zero-interest loans that open up the lower rungs of the lending ladder for the newest borrowers.

But many of the 5,000 or so clients WWBIC works with each year to start, sustain, and grow their small businesses face daily challenges that extend beyond access to capital and may be intensely personal or familial. After all it's hard to focus on creating a successful business if you're worried about paying off credit cards, or getting enough nutritious food for your family on any given day. That's why every loan recipient is paired with a small business consultant that serves as a sort of case manager for the business owner. It's the consultant's role to connect the business owner with other resources. That might be enrolling in the dozen or so business-related classes that WWBIC conducts across Wisconsin (and online). But it might also include counseling to help business owners think about how to better manage household finances, or plan nutritional meals affordably, or repair their personal credit. And if an owner's needs go beyond business fundamentals or financial wellness, WWBIC's consultants make referrals to other service providers throughout the state.

At least one-fifth of WWBIC's loan recipients are producers. (Of almost 900 active loans, 18 percent are makers or manufacturers; another 22 percent are food-related, which includes a mix of restaurants and producers.) One success story is Milwaukee-area herbal tea producer, Swaye Tea. Owners Aisha and Shiree Henry came to WWBIC for a Kiva loan as they are moving from selling at farmers markets to wholesaling and a dedicated retailing space. "I walked into their new space soon after they had a very successful spot on local TV and realized they were trying to figure out the balance between production and customer service," says WWBIC's Lindner who is working to connect them with some customer service training. Lindner is also helping the Henrys to get into a new program supporting entrepreneurs who are military veterans. (They met in the military and Aisha is currently in the U.S. Navy.)

"It's the creative spirit and ability to pivot of makers and manufacturers that will help our whole economy stay resilient through tough times that urban communities, and lower-middle and working class people have always faced. Makers figure things out, it's how they think. I'm proud to be their ally," says Lindner.

RENEE LINDNER

WISCONSIN WOMEN'S BUSINESS INITIATIVE CORPORATION

The Sherman Park neighborhood in Milwaukee, Wisconsin has a rich history of industry and civil rights achievements. It's also where Renee Lindner, outreach specialist at Wisconsin Women's Business Initiative Corporation (WWBIC), spent her childhood. Her 83-year-old mom still lives in the same house where she raised her six children as a teacher and single mom.

Lindner remembers the neighborhood as a tight community in which families supported each other with their day-to-day needs. "Neighbors looked out for another," she said. "It didn't matter who you were or what you looked like—we were all in it together." And they still do. Her mother's neighbor, the former President of the Milwaukee Urban League, shovels snow in return for a batch of homemade cookies.

In her role at WWBIC, Lindner is helping neighbors in Sherman Park and surrounding neighborhoods access the capital and education they need to sustain their businesses.

The neighborhood has changed since Lindner was a kid; the A.O. Smith factory was a big employer before selling to new owners and shutting those plants down and moving to the suburbs in the 2000s.

But its spirit remains intact. "Different folks and different business owners look out for each other and if somebody needs something they'll step up to be that person to go help out—whether it's a business opening or a water flooding issue," said Lindner.

WWBIC has helped anchor economies in neighborhoods around the Milwaukee area. The largest microlender in Wisconsin, their sector-agnostic loans have funded the launch of a nail salon, an empanada kitchen, and a bouquet of other Main Street-style enterprises.

African Americans make up 22 percent of their loan profile despite comprising just 7 percent of the state's population. Six percent of Wisconsinites are Hispanic, but 13 percent of WWBIC's loan portfolio is Hispanic.

Those ratios are intentional. "In each market, we concentrate as directed by our mission on women, people of global majority, people of lower wealth and incomes, and veterans and military families," said Lindner. "All of these groups are likely to be disadvantaged and face barriers to realizing their entrepreneurial dreams—most often in accessing capital, business and professional networks, and higher education."

They also provide business education, tools to help build financial wellness, and ongoing business support after loans have been distributed. Lindner wants to help them out much like Sherman Park neighbors help her family. "We really talk about a person as a whole," said Lindner, referring to her clients. "This is one reason we were so glad to be part of UMA's *Pathways to Patient Capital* program - to collaborate with organizations taking similar whole-entrepreneur approaches.

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