

# Equitable Pathways to Small Business Recovery

AN ALL-HANDS APPROACH

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# Executive Summary

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**C** OVID-19 has had a devastating impact on small businesses, with potentially lasting effects. Small businesses need support in the months ahead, but more intentional, equitable recovery strategies are especially required. This is because, like so many other aspects of the pandemic, the burden on small businesses fell disproportionately on people of color. In its first months, the number of active Black-owned businesses fell by 41%, and the number of Latinx-owned businesses fell by 32%, or approximately 1.5 to 2 times the overall closure rate. Given these realities, many local governments are eager to promote a more equitable recovery among small businesses. And especially with federal funds now being channeled to states and localities, they have an opportunity to both promote economic recovery and close longstanding wealth gaps.

But government cannot act *alone* to support an equitable recovery, because recovery is driven by factors beyond its direct control. Entrepreneurs need access to capital, affordable real estate, and customers. They also need skilled workers, who themselves require access to training and employment networks that lead to better jobs within small businesses. Addressing this breadth of needs requires recovery strategies that engage many sectors, including banking, community development financial institutions (CDFIs), commercial real estate, business-supporting nonprofits, and workforce development agencies. Local government, therefore, may need to play a convening role in an *all-hands approach*, working with citywide, regional, and community partners to ensure efforts are aligned.

In this spirit, LISC partnered with Next City to develop a playbook for equitable small business recovery that is tailored to government audiences in different

kinds of economic and regional contexts both urban and rural. Drawing on original research and diverse cohorts of public officials and practitioners, all of the playbook's strategies are supported by a series of five mutually reinforcing principles that we call "equitable pathways to recovery." They are:

- ① **Being intentional**, defining focal small businesses and their needs
- ② **Being inclusive** in strategy development and implementation
- ③ **Ensuring program accessibility**, by addressing barriers to access
- ④ **Leveling the playing field**, by accounting for capacity needs in deployment
- ⑤ **Setting up a monitoring process with accountability mechanisms**

Using this framework, the playbook describes actions that can be taken around three topics critical to small business success: ① accessing capital, ② accessing workers and providing quality jobs, and ③ securing affordable commercial space. A concluding section presents actions relevant to the federal government, and describes innovative uses of federal resources to promote an equitable recovery.

More detailed information, including citations, case studies, and links to other publications describing these case studies in more detail, can be found in the body of the report.

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## 1 Access to Capital

Access to capital is fundamental for businesses at any stage of its growth, but women and entrepreneurs of color are more likely to be denied loans, offered less financing than requested, and charged higher interest rates than white- and men-owned firms. Local governments can play many roles in ensuring capital is available and accessible to women-owned small businesses and to entrepreneurs of color. Cohort participants focused on ways that government can act as a lender, encourage private investment by providing loan guarantees, and provide business opportunities to women and entrepreneurs of color through prioritized procurement strategies.

- **Create new investment vehicles to drive public funds to Black, Indigenous, and People of Color (BIPOC) entrepreneurs.** State and local governments combined currently hold approximately \$3.8 trillion in taxes, fees, and unspent bond proceeds, in addition to \$5.1 trillion in employee retirement plans. These resources can be leveraged in support of equitable economic development, and CDFIs can be a critical partner in creating, managing, and disbursing these funds.

For example, the pandemic prompted the City of Chicago to use its Community Catalyst Fund to direct \$50 million to seed funds that partner with local CDFIs to originate and process loans.

- **Invest in non-extractive finance to support BIPOC entrepreneurship and shared ownership.** Cohort members emphasized that standard lending practices and risk assessments of creditworthiness are rooted in racially discriminatory practices and policies, and recommended alternative means of assessing risk and loan products that meet the credit needs of BIPOC entrepreneurs and small businesses. For example, Seed Commons is a national loan fund network that pools capital and technical assistance funding for deployment through 26 locally rooted partner loan funds and cooperative developers. Like most other cooperative lenders, Seed Commons does not require personal guarantees, collateral, or credit scores for its loans, and takes the additional step of not requiring loan repayment until the business is profitable. This practice is part of the organization's strong definition of non-extractive finance, which expands on the definition above to ensure that at least 50% of profits created through accessing a loan remains with the borrower.
- **Encourage private investment through loan guarantees.** A government loan guarantee program can enable and encourage private lenders to make loans to small businesses that may not meet conventional lending criteria. Rather than making loans directly, the government guarantees to private lenders enrolled in the loan program that it will cover a portion of the debt obligation if the borrower defaults on the loan. For example, the California Infrastructure and Economic Development Bank's Small Business Finance Center (SBFC) features a loan guarantee program designed to assist entrepreneurs, sole proprietors, micro-businesses, and small business owners that experience capital access barriers. The program helps businesses create and retain jobs, and encourages investment in low-to moderate-income communities.
- **Amplify the impact of public dollars through public banking.** Public banking has gained momentum as a tool for advancing an equitable recovery and economic democracy. This strategy consists of moving some or all public deposits out of large private commercial banks and into public banks that are created and owned by local, state, national, or tribal governments, and which can invest in critical community needs like affordable housing, climate resilience, disaster recovery, and small business development. Though there are successful international examples of public banks, the continental U.S. currently has only one operational public bank, which is the state-owned Bank of North Dakota. At the same time, coalitions and networks across the country are leading the push for public banking in connection with broader efforts to transform an inequitable



financial system through developing new, accountable institutions responsive to community priorities.

- **Provide direct sales opportunities for small businesses by prioritizing them for local procurement contracts.** Public procurement can be a powerful tool for equitable recovery. State and local government agencies spend trillions every year purchasing goods and services from the private sector. By directing such local procurement contracts to BIPOC-owned small businesses, worker cooperatives, and other community-owned businesses, local government agencies can provide direct sales and business growth opportunities for these businesses and promote equitable economic development in the process. Before the pandemic, the City of Albuquerque started actively tracking which of its vendors were local and which were not, and thus was able to move contracts to local suppliers as those contracts came up for renewal. One local office supply company credited the city's business with keeping it afloat through the most challenging period of the pandemic in 2020.



## 2 Building Small Business Capacity for Growth and Quality Jobs

Small businesses vary in the wages they pay, and in the education and skills they require; unfortunately, due to economic constraints owners face, many jobs are neither accessible nor able to pay living wages. Our research and the experiences of cohort members identified strategies to simultaneously strengthen small businesses and connect them to local skills and employment systems.

- **Provide incentives for small businesses to advance accessible, living wage jobs.** Some cities are encouraging smaller local businesses to thrive while also providing quality jobs. For example, the City of Boston partnered with High Road Kitchens and One Fair Wage, a network of restaurant owners and a nonprofit, respectively. The two organizations are both dedicated to fair wages and working conditions in restaurants, and together launched the COVID-19 High Road Kitchens Restaurant Relief Fund.
- **Provide digital skills training.** The pandemic forced many brick-and-mortar stores online, requiring small businesses with no web presence or online ordering infrastructure to adapt quickly. In addition to directly supporting digital skills providers, through efforts such as Digital Detroit, municipalities should consider partnering with local business development organizations or small business membership groups. In the early days of COVID-19, many community-based, business-supporting partners quickly adapted their services to add digital training to their offerings, and their impact could be expanded with greater municipal support.
- **Reimagine cities' role as potential workforce intermediaries.** Inspired by New Deal programs to fight mass unemployment, some local governments are leveraging federal stimulus funds to expand service corps programs to address the health and economic challenges created by the pandemic. The City of Birmingham, for example, launched the Birmingham Service Corps in April 2020 to place unemployed workers into temporary positions at local community organizations providing outreach, information, and connection to critical pandemic assistance and emergency services. Because so many smaller entrepreneurs rely on wages outside their business, this kind of broader workforce policy may spill over into the small business ecosystem.
- **Leverage cities' economic power to promote hiring access.** Cities are leveraging procurement and funding processes to encourage recruitment from disinvested and excluded neighborhoods, and from populations that have traditionally been

shut out of hiring. For example, the City of New York is engaged in a project labor agreement with the Building and Construction Trades Council of Greater New York (BCTC). In it, unions agreed to prioritize workers from zip codes where at least 15% of residents live below the federal poverty level, or where at least 15% of the population are public housing residents. The agreement covers projects related to the renovation of city-owned buildings, among others, with the eventual goal that 30% of all hours are worked by residents from prioritized neighborhoods.

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## 3 Promoting Affordable Commercial Space

Many small businesses that managed to remain open through the pandemic are struggling to pay rent. The Federal Reserve found that 43% of small employer firms experienced challenges paying rent in 2020, with BIPOC-owned firms more likely to report difficulties than white-owned firms. Local governments can advance transformative policies that fight commercial displacement, preserve existing spaces, and develop new affordable spaces and community ownership opportunities for BIPOC-owned small businesses.

- **Address commercial rent burden for small businesses.** To stave off commercial evictions, some cities provided commercial rent relief as part of their emergency small business assistance during the pandemic. For example, the City of Pittsburgh provided grants of up to \$3,000 to landlords who agreed to reduce rents for 3-6 months for commercial tenants.
- **Provide access to free spaces like parks and parking lots for BIPOC-owned micro-enterprises and pop-up markets.** Temporary space can help entrepreneurs build a client base and grow their business as they transition to a longer-term lease or permanent space. To support this early-stage entrepreneurship, local governments can work with community partners to identify and access free spaces, and provide grants to coordinating organizations. For example, Duluth's American Indian Community Housing Organization hosts the Indigenous Food & Art Market in the One Roof Community Housing parking lot.
- **Support commercial real estate acquisition by community-serving, BIPOC small businesses and nonprofit partners, including small business incubators and collaboratives, and promote community ownership models such as community land trusts, cooperatives, and investment trusts.** Cohort members described opportunities to support nonprofit partners and small businesses in purchasing commercial spaces as a long-term solution to fight commercial displacement. The Mission Economic Development Agency (MEDA) in San

Francisco, for example, has used funding from the City of San Francisco Small Sites program to support both affordable housing and commercial and cultural preservation efforts in the Mission District, a historically Latinx neighborhood experiencing rapid gentrification.



## Federal Policy Challenges and Opportunities

To foster an equitable recovery, communities need inclusive policies at both the local and federal levels. The historic investments and substantial flexibility afforded to local governments by the CARES Act and the American Rescue Plan Act (ARPA) offer a potentially once-in-a-generation opportunity to transform local business and workforce ecosystems in equitable directions. As programs supported by these investments are implemented, it is important to address longstanding obstacles within federal policies and programs to ensure local governments and their community-based partners can use them inclusively, and that community-based partners are integrated within programs to offer alternative financing and technical assistance that is affordable, culturally relevant, and linguistically accessible.

- **Use CDBG to promote more equitable small business and workforce development ecosystems.** The U.S. Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) program is an effective tool for directing federal resources into low- and moderate-income (LMI) areas. Practitioners cited using CDBG funds for a wide range of programs and projects that support small and mid-sized businesses (SMBs). For example, in Atlanta, Invest Atlanta, the city's economic development authority, through its small business loan program, used \$200,000 in CDBG funding to offer SMBs loans at 2% interest for storefront improvements, as part of a larger mixed-use development project. In Los Angeles, the city uses CDBG funding to support Business Source Centers, which offer multilingual, hands-on, affordable business assistance services, direct financial assistance, and entrepreneurial training.
- **Support child care businesses as a catalytic and equitable recovery strategy.** Overwhelmingly, cohort participants highlighted that despite the unique position that child care enterprises occupy as both small business operators and essential service providers, they are often overlooked in economic development efforts. Localities can better support the integration of child care into Small Business Development Center (SBDC) and Women's Business Development Center (WBDC) programs by funding dedicated services for child care entrepreneurs, either based at the resource centers themselves or at community-based organizations.



For example, the City of San Diego utilized CDBG investments to support programmatic partnerships between the San Diego and Imperial Network SBDC and the International Rescue Committee to better meet the needs of family child care businesses, particularly within immigrant and refugee communities. In other instances, resource centers have also played a critical role during the pandemic by connecting providers to child care relief funds.

In the body of the playbook, these promising strategies that can assist local governments and partners willing to advance equitable recovery efforts are described in greater detail, and come with a set of place-based considerations to help tailor the strategies to individual communities.

# The Need for Equitable Small Business Recovery Strategies

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**S**mall, locally owned businesses are in many ways the backbone of communities across the country. They offer entrepreneurs, especially immigrants and others who face economic barriers, with opportunities to make a living and to build wealth, and in so doing generate tax revenues to support critical municipal services. Especially in the case of Main Street establishments, they provide essential products and services that bring neighbors together. And they have an outsized impact on the U.S. workforce: prior to COVID-19, small businesses were responsible for the majority of new job growth in the U.S.<sup>1</sup>

COVID-19 has had a devastating impact on small businesses, with potentially lasting effects. At some point since February of 2020, between a quarter and a third of all U.S. small businesses were closed, according to some estimates.<sup>2</sup> Lost revenues and ongoing disruptions may lead to a wave of permanent closures, or a restructuring that further favors larger firms and reduces opportunities for local economic development and wealth building.

Small businesses in general need support in the months ahead, but more intentional, equitable recovery strategies are truly essential. This is because, like so many other aspects of the pandemic, the burden on small businesses fell disproportionately on people of color. In its first months, the number of active Black-owned businesses fell by 41%, and the number of Latinx-owned businesses fell by 32%, or approximately 1.5 to 2 times the overall closure rate.<sup>3</sup>

While not every closure was permanent, centuries of exclusion from wealth and opportunity meant that entrepreneurs of color often entered the pandemic in a weaker position than white small business owners, as described below. Because businesses owned by people of color are more likely than other firms to hire employees of color, their struggles ripple throughout communities of color.<sup>4</sup>

The pandemic has laid bare not only the greater challenges small Black, Indigenous, and People of Color (BIPOC)-owned enterprises face, but also the profound differences in how they have been supported by federal policies and local action.

Inequities in the Paycheck Protection Program (PPP), the federal government's forgivable loan program, illustrate this starkly. In its early rounds, only about 1 in 10 Black-owned and Latinx-owned businesses that applied received the assistance they requested, and 41% were not awarded any funding at all.<sup>5</sup> The program favored businesses with established banking relationships, from which many Black-owned businesses have been excluded, and, in its first round, excluded sole proprietorships, which comprise the vast majority of Black-owned businesses.<sup>6</sup> Recognizing these discrepancies between small business realities and program requirements, the Biden Administration revised the program's guidelines, but the delayed support was too late for many entrepreneurs of color who had already ceased operations.

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## The Role of Local Government in an All-Hands Approach

Given these realities, many local governments are eager to promote a more equitable recovery among small businesses or mid-sized firms.<sup>7</sup> And especially with federal funds now being channeled to states and localities, they have an opportunity to both promote economic recovery and close longstanding wealth gaps. But it is also true that government cannot act *alone* to support an equitable recovery, because recovery is driven by factors beyond its direct control. Entrepreneurs need access to capital, affordable real estate, and customers. They also need skilled workers, who themselves require access to training and employment networks that lead to better jobs within small businesses. Addressing this breadth of needs requires recovery strategies that engage many sectors, including banking, community development financial institutions (CDFIs), commercial real estate, business-supporting nonprofits, and workforce development agencies.

Local government, therefore, may need to play a convening role in an *all-hands approach*, working with citywide, regional, and community partners to ensure efforts are aligned. In this spirit, LISC partnered with Next City to develop a playbook for equitable small business recovery that is tailored to government audiences in different kinds of economic and regional contexts both urban and rural contexts. In developing the playbook, Next City identified trends in post-COVID economic recovery for small-businesses through the publication series “Elements of an Equitable Recovery” while LISC conducted a literature review and held a series of interviews with national policy experts on equitable small business recovery strategies. Through this research LISC defined both promising strategies being implemented before and around the pandemic, and important *contexts* for their deployment. This contextual approach is important to the playbook. Recognizing that local governments are not all alike, we intentionally encouraged diversity in the settings from which we drew cases, including large, coastal cities; rural communities; small to mid-sized cities; and older, industrial areas. After the literature review and interviews were completed, we identified and convened cohorts of practitioners who represented different elements of this all-hands, multisectoral approach, such as public officials, organizations that provide small business development services, CDFIs, and local and ethnic chambers of commerce representing BIPOC entrepreneurs themselves. Cohorts met multiple times and were drawn from each of these contexts (rural areas, industrial cities, and larger and smaller urban markets). In addition to these regional cohorts, we also convened cohorts of *topical* experts from around the country, who focused on capital access strategies, workforce and business development efforts, and the connection between local and federal policy.

All in all, this process yielded not only promising local responses that can be tailored to diverse contexts, but also policy reform needs that speak to the emerging priorities of the Biden Administration.



# Our Framework: Equitable Pathways to Recovery

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**T**his playbook describes actions that can be taken around three core topics critical to small business success: ① accessing capital, ② building business and workforce capacity, and ③ securing affordable commercial space. Promising practices within each topic are illustrated by case studies and a guide laying out considerations for implementation in different contexts. A concluding section presents policy recommendations for local governments and partners as they advocate for federal resources and allocate federal funds to promote an equitable recovery. Because each of the cases described is rich and nuanced, we include links within the document so that practitioners can learn more about them. And because we acknowledge there are multiple recovery and action guides available covering various related topics, at the end of our playbook we also include links to other materials, including many developed by cohort participants themselves.

To frame the playbook, all of the strategies are supported by a series of five mutually reinforcing principles that we call “equitable pathways to recovery.” A thread throughout the playbook, these principles can be seen as touchstones to support more equitable program development and implementation, more broadly. They are:

- ① **Being intentional**, defining focal small businesses and their needs
- ② **Being inclusive** in strategy development and implementation
- ③ **Ensuring program accessibility**, by addressing barriers to access
- ④ **Leveling the playing field**, by accounting for capacity needs in deployment
- ⑤ **Setting up a monitoring process with accountability mechanisms**

1

**Being intentional:**

Define focal small businesses and their needs

Practitioners and public officials from around the country emphasized that initiatives designed for a “typical” small business in fact exclude a large segment of the BIPOC- or women-owned small business or entrepreneurial community. For example, even though PPP was designed to help small businesses cover payroll costs, its early rounds did not consider that the vast majority of BIPOC enterprises (81%) are non-employer businesses that hire additional help only when needed.<sup>8</sup> Being intentional means acknowledging that “generic” programs or strategies will likely not reach businesses that face the greatest challenges. It requires identifying which local businesses are struggling the most, assessing their needs, and crafting a program designed to meet those specific needs. While quantitative analyses of local industries may offer some guidance, in program design, local government can engage the local business community and the organizations closest to their work that can lay out their needs, as described in the next pathway.

2


**Being inclusive in strategy development and implementation:**

Identify and engage planning and implementation partners

Cohort members felt that government often develops small business programs without involving the communities or groups these programs are meant to serve. The best way to identify specific needs and craft responsive solutions is to engage BIPOC entrepreneurs and the organizations working most closely with them, from the early design stage. Other important stakeholders include mission-driven financial institutions and technical assistance providers such as CDFIs, small business development (SBD) organizations, ethnic chambers and local community development corporations (CDCs), as well as commercial corridor management organizations like Main Street organizations and/or Business Improvement Districts (BIDs). Another dimension of inclusive strategy development and implementation involves investing in the staff people who administer small business programs and workforce development initiatives. Cohort members emphasized how these individuals not only need industry-specific knowledge, but also must be effective trainers, coaches, and liaisons with local businesses. This was especially true for street-level workforce development staff, who have the challenging work of understanding the needs and lived experiences of workers while building relationships with employers. As a cohort member said succinctly, “You need to invest in the staff who work with the clients.”

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**3 Ensuring program accessibility:**  
Identify and address barriers to access



As part of the stakeholder engagement process, local government should identify the specific historic and contemporary barriers that prevent focal small businesses from accessing funds or services. For example, in the case of capital access, a multi-generational history of racialized disinvestment and exclusion means that many entrepreneurs of color have not had the opportunity to build credit or obtain collateral that most banks require for loans, and are more often denied loans and pay more in interest and fees when approved. The experience of discrimination, poor treatment, and a lack of products to meet their needs can lead to a mistrust of financial institutions. Therefore, governments and their partners need to pursue alternative lending requirements that allow greater access, as described below, and work to rebuild trust and relationships with BIPOC entrepreneurs.

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**4 Leveling the playing field:** Identify and account for capacity needs in deployment



Public officials and community practitioners emphasized that providing the support needed to overcome deep-seated inequities takes more time and resources than small business programs often anticipate. For example, assisting entrepreneurs without financial records in applying for small loans or grants requires a level of individualized technical assistance that is often not fully covered by many small business programs. Similarly, shifting to character-based lending or other alternative risk assessments (rather than relying on credit scores or personal loan guarantees that frequently exclude entrepreneurs of color) requires rigorous business plan evaluation and coaching throughout the life of the loan to ensure successful repayment. Cohort practitioners emphasized that when developing support programs, government should be mindful of the more extensive programmatic resources needed to provide tailored support and should fully fund these services.

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**5 Setting up a monitoring process with accountability mechanisms**



In the views of cohort participants, too many government programs and strategies intended to support BIPOC-owned small businesses fail to do so. (Procurement programs meant to promote greater access were especially singled out by participants for lacking monitoring and accountability.) Equitable recovery requires intentionality in identifying who accesses opportunities, and establishing mechanisms for program correction. This includes

discussions between government and its partners on target goals and especially on accountability measures and correction processes. At the same time, reporting burdens on governments' nonprofit or business partners must not become a barrier to program adoption, so the co-design of these measures, or selection from a menu of possible reporting metrics, may give providers flexibility while also promoting accountability and progress.

In the following pages, this framework is applied across a series of promising strategies that can assist local governments and partners willing to advance equitable recovery efforts, along with a set of place-based considerations to help tailor the strategies to individual communities.

**1 Being intentional**, defining focal small businesses and their needs

**2 Being inclusive** in strategy development and implementation

**3 Ensuring program accessibility**, by addressing barriers to access

**4 Leveling the playing field**, by accounting for capacity needs in deployment

**5 Setting up a monitoring process** with accountability mechanisms



# Access to Capital



- Create new investment vehicles to drive public funds to BIPOC entrepreneurs
- Invest in non-extractive finance to support BIPOC entrepreneurship and shared ownership
- Encourage private investment through targeted loan guarantees
- Amplify the impact of public dollars through public banking
- Provide direct sales opportunities for small businesses by prioritizing them for local procurement contracts

## The Need

**A**ccess to capital is fundamental for businesses at any stage of growth, but women and entrepreneurs of color are more likely to be denied loans, offered less financing than requested, and charged higher interest rates than white- and men-owned firms.<sup>9</sup> These inequities are particularly pronounced for Black-owned businesses.<sup>10</sup> In the process of applying for a loan, Black and Latinx loan applicants receive poorer customer service, receive less information about available products, and provide more personal information than white applicants.<sup>11</sup> Consolidations in the banking industry have exacerbated these inequities, because larger banks have historically tended to be less committed to small-business lending than smaller ones.<sup>12</sup> Larger banks consider underwriting costs to be comparable for a \$100,000 loan and one ten times that size, leading them to reduce or eliminate smaller loans or stop lending to businesses with annual revenue of less than \$2 million. Consolidation has contributed to a decrease in overall small-business lending of about 15%, while the volume of total business lending increased 33%.<sup>13</sup>

**Access to capital is fundamental for businesses at any stage of growth, but women and entrepreneurs of color are more likely to be denied loans, offered less financing than requested, and charged higher interest rates than white- and men-owned firms.**

Even in places where local banks remain, many small businesses, especially BIPOC-owned ones, do not borrow from banks. According to the Small Business Credit Survey of the Federal Reserve, only 23% of Black-owned firms and 34% of Latinx-owned businesses received a loan at any point.<sup>14</sup> High rates of rejection can drive entrepreneurs of color to online lenders offering merchant lines of credit, or to other expensive forms of debt such as credit cards.<sup>15</sup> More expensive credit furthers the extraction of wealth from BIPOC communities, and leaves BIPOC entrepreneurs more vulnerable to business failure, especially because small business owners' personal finances are deeply intertwined with the finances of their businesses.<sup>16</sup>

This intertwining leaves both entrepreneurs and their businesses vulnerable to emergencies like COVID.<sup>17</sup> At the community level, this lack of capital discourages economic growth and has a ripple effect on employment rates, the wealth gap, and the overall welfare of communities of color.<sup>18</sup>

Local governments can play many roles in ensuring capital is available and accessible to women-owned small businesses and to BIPOC entrepreneurs. Cohort participants particularly focused on ways that government can act as a lender through use of public funds, encourage private investment, and provide business opportunities to entrepreneurs through targeted procurement approaches, as shown in the strategies below.

## STRATEGY

### Create new investment vehicles to drive public funds to BIPOC entrepreneurs

State and local governments combined currently hold approximately \$3.8 trillion in taxes, fees, and unspent bond proceeds, in addition to \$5.1 trillion in employee retirement plans. All of these resources can be leveraged in support of equitable economic development,<sup>19</sup> and CDFIs can be a critical partner in creating, managing, and disbursing these funds.

For example, in 2016 the City of Chicago created the [Chicago Community Catalyst Fund](#) to receive investments from the City Treasurer, but never capitalized it. The pandemic prompted the city to direct \$50 million to seed funds that partner with local CDFIs to originate and process loans. The Catalyst Fund then created the [Chicago Small Business Resiliency Fund](#) to support emergency small business loans throughout COVID-19, which has the potential to continue supporting small business lending through the recovery.<sup>20</sup> Similarly, New York created a [statewide CDFI fund](#) in 2008 to provide flexible funding to CDFIs and community development credit unions (CDCUs) to meet the credit needs of underserved communities and small businesses, but never allocated it any funding. Advocates are currently working with elected officials to finalize the details of a proposal to allocate \$25 million to the fund, [announced](#) in 2020.

**Being intentional:** The Chicago Community Catalyst Fund is targeted to Chicago-based businesses with fewer than 50 employees that can prove at least a 25% decrease in revenue as a result of COVID-19. The fund provides zero-interest loans of up to \$50,000 that businesses can apply toward up to 50% of payroll.<sup>21</sup> In

creating new investment vehicles, local governments can create eligibility criteria focused on meeting the needs of entrepreneurs and businesses that traditional banks are not serving. Cohort members stressed that reaching borrowers who have been marginalized by the traditional banking system means replacing requirements with discriminatory effects with those that are more in tune with BIPOC-owned businesses' realities and means. As one stated plainly:

*If you're really trying to reach those underserved businesses, you need to develop the capitalization strategies based on their needs and possibilities, and not the other way around. Don't build the program based off your fiscal and budgetary constraints and then try to shove the businesses and make it fit. That's never going to work.*

**Being inclusive in strategy development and implementation:** The Chicago Community Catalyst Fund primarily engaged local CDFIs as lending partners, including [Accion](#), the [Chicago Community Loan Fund](#), and the [Community Reinvestment Fund](#). A board of advisors nominated by the mayor and approved by the city council will determine the fund's future investments. Practitioners also recommend engaging local business associations, community-based organizations, faith-based organizations, and other groups with close relationships with entrepreneurs and small businesses, as well as those with the language skills and cultural competencies that can ensure BIPOC and immigrant-owned businesses are represented in strategy development and implementation.

**Ensuring program accessibility:** During the pandemic, the City of Chicago created [Small Business Resource Navigators](#) to assist entrepreneurs and small businesses in identifying, understanding, and accessing various local and federal financial supports, including the Catalyst Fund's offerings. Navigators are based at local community centers, community development corporations, and chambers of commerce, many of which offer services in multiple languages.<sup>22</sup> Reflecting on the challenges BIPOC- and immigrant-owned small businesses experienced in accessing pandemic aid, practitioners recommended providing more time for applicants to submit documentation, doing away with first-come, first-served approaches that privilege well-resourced businesses with access to documentation and professional services, and allowing both paper-based and online applications, with materials and support available in multiple languages.

**Leveling the playing field by addressing capacity needs for deployment:** Both Chicago's Community Catalyst Fund and New York State's CDFI fund required enabling legislation. In addition to local and statewide authorizations that may be required for creating new investment vehicles, practitioners stressed that collaboration with community-based organizations and partners is critical for



ensuring funding reaches the small businesses that need it most. Also critical is providing funding to these organizations to support the time-intensive work of outreach, relationship building, and technical assistance. Along with developing and resourcing referral networks among community-based partners, participants recommended that government partners be mindful of small businesses' technical-assistance needs in accessing funds and what it takes to provide that tailored and important assistance, so as to avoid harmful effects if a business cannot repay. As a cohort member stated:

*If cities are going to have those type of funds, it's extremely important that they have the personnel that understands the small business needs when accessing those loans, as well as the hurdles that they might be facing so they can help them use those funds appropriately. Sometimes just accessing the capital is not enough. If you're not implementing those funds correctly, debt can take you out of business just as fast as not having access to capital can.*

**Setting up a monitoring process with accountability mechanisms:** While most of Chicago's loan pool was distributed first-come, first-served, the city designated a portion to ensure equitable distribution based on geography, businesses serving low- and moderate-income residents, and industry type. Practitioners stressed the importance of defining equity metrics and desired outcomes at the outset, and gathering data to track whether funds are actually reaching BIPOC- and immigrant-owned entrepreneurs and small businesses.

## STRATEGY

### Invest in non-extractive finance to support BIPOC entrepreneurship and shared ownership

Cohort members emphasized that standard lending practices and risk assessments of creditworthiness are rooted in racially discriminatory practices and policies, and recommended alternative means of assessing risk and loan products that meet the credit needs of BIPOC entrepreneurs and small businesses. Black and Latinx borrowers are more likely to be denied access to home and small-business ownership, loans, and other wealth- and credit-building opportunities, which makes it more challenging to meet minimum credit score and collateral requirements imposed by lenders. In the absence of other options, BIPOC borrowers often rely on higher-cost or predatory loan products with steep interest rates and fees that extract wealth from communities of color.

One promising strategy to remove these barriers is [non-extractive finance](#), which was pioneered by groups working to advance [worker cooperatives](#) and other forms of community and public ownership. Non-extractive finance means that the cost of capital to the borrower should not exceed the benefit to the borrower. Put another way, the returns to the lender (via interest) should not be greater than the profit the borrower is able to create as a result of using the loan.<sup>23</sup>

Worker cooperatives are companies that are owned and governed by their workers, who share in company profits and participate in key decision-making in various ways (e.g., sometimes directly, and sometimes through elected boards or committees). Although part of a larger cooperative economy that includes large and longstanding housing cooperatives, agricultural cooperatives, food cooperatives, credit unions, and rural electric cooperatives, most worker cooperatives are small, with an average of 10 employees, and the majority are made up of women and people of color.<sup>24</sup> In addition to the systemic barriers in access to capital that BIPOC entrepreneurs and small businesses face, worker cooperatives face challenges in that the model is not widely understood by lenders, and conventional lending practices like personal guarantees cannot be easily applied to businesses in which many owners own a small share of the company.

A number of lenders have developed specialized expertise and practices in lending to worker cooperatives, such as [Capital Impact Partners](#), the [Common Wealth Cooperative Loan Fund](#), the [Cooperative Fund of New England](#), the [Local Enterprise Assistance Fund](#), the [National Cooperative Bank](#), [Shared Capital Cooperative](#), and [The Working World](#). However, many emerging cooperatives were still unable to qualify for loans, particularly those located in areas of the country without a strong cooperative ecosystem. To address this challenge and facilitate greater access to equitable financing and technical assistance, The Working World partnered with the [Baltimore Roundtable for Economic Democracy](#), the [Southern Reparations Loan Fund](#) and the [L.A. Co-op Lab](#) to launch the [Seed Commons](#) non-extractive financial cooperative in 2016.<sup>25</sup>

Seed Commons is a national loan fund network that pools capital and technical assistance funding for deployment through 26 locally rooted partner loan funds and cooperative developers. Like most other cooperative lenders, Seed Commons does not require personal guarantees, collateral, or credit scores for its loans, but takes the additional step of not requiring loan repayment until the business is profitable. This practice is part of the organization's strong definition of non-extractive finance, which expands on the definition above to ensure that at least 50% of profits created through accessing a loan remains with the borrower.

To mitigate risk, Seed Commons builds close relationships with its borrowers and provides intensive evaluation of their business plan, along with technical assistance and capacity building. This has been a successful strategy: Seed Commons has a 98% repayment rate on its loans, and currently holds nearly \$30 million in assets.<sup>26</sup> Seed Commons' approach is described in more detail below.

State and local governments could help scale non-extractive finance to support community ownership by allocating public funding to technical assistance and capacity building, increasing local and state government capacity to support cooperative ownership, adopting non-extractive financing practices in their own lending, and passing policies to support different forms of worker, public, and community ownership. For example, New York City's [Worker Cooperative Business Development Initiative](#), administered through the Department of Small Business Services, dedicates nearly \$3 million annually to technical assistance providers and cooperative developers. The initiative is credited with increasing the number of worker cooperatives in the city nearly fivefold since 2014.<sup>27</sup> The city also recently launched the [Employee Ownership NYC](#) and [Owners to Owners](#) initiatives to support transitions to employee ownership as part of an equitable recovery.

Additionally, state and local governments could direct a proportion of their procurement contracts to local worker-owned businesses, particularly those with majority-BIPOC ownership, through the creation of procurement preference programs similar to existing women- and minority-owned business preferences. State governments should also consider leveraging federal funds to establish dedicated employee ownership centers to help incubate and expand worker cooperatives and other forms of community ownership, like the statewide employee ownership centers in [Colorado](#), [Ohio](#), and [Vermont](#). At the federal level, legislation to support worker cooperatives, employee ownership centers, and other forms of worker, community, and public ownership should be advanced. In one example, the House Small Business Committee recently passed a \$500 million pilot program to allow worker and consumer cooperatives to access U.S. Small Business Administration (SBA) loans.

**Being intentional:** A set of five principles, including building cooperative, democratic ownership, productive sustainability, maximizing community benefit, radical inclusion, and non-extraction, guides Seed Commons' intended investments. Within this framework, Seed Commons primarily focuses on converting existing businesses to cooperative ownership, prioritizing businesses that are already profitable. Potential borrowers complete both a financial and operational audit, and receive ongoing technical and managerial support before, during, and after the cooperative conversion process to ensure long-term success and repayment.

**Being inclusive in strategy development and implementation:** Seed Commons was developed by worker cooperatives that were experiencing challenges accessing capital, and worker cooperative lenders who were having trouble scaling their lending to reach additional markets. Loan products were therefore designed by and for potential borrowers.

**Ensuring program accessibility:** Through the network model, local Seed Commons members with community relationships source potential projects. Having peer members rooted in local communities helps facilitate connections between entrepreneurs and businesses interested in employee ownership and the Seed Commons network. Network members can provide advice and support on topics that local members may not be familiar with, and the Seed Commons sustainability committee — which is also composed of loan fund members — makes additional recommendations and decisions about loans.

**Leveling the playing field by addressing capacity needs for deployment:** Since its 2016 inception, Seed Commons has made mostly small loans, but has slowly built its capacity and now provides loans of over \$1 million fairly regularly. Its commitment to intensive technical assistance aimed at overcoming historic inequities in access to resources and ensuring successful businesses means that the network engages in ongoing fundraising to resource its technical assistance and capacity-building work, in addition to raising loan capital. The network currently shares a \$2 million budget to support local member staff and operations, in addition to an over \$30 million loan pool.<sup>28</sup>

**Setting up a monitoring process with accountability mechanisms:** In addition to tracking total assets, loans made, and cooperatives and jobs created, Seed Commons tracks the percentage of its loans to BIPOC-owned businesses, as well as how much of its portfolio is invested in BIPOC communities. As of March 2021, Seed Commons had deployed \$15.3 million in loans to cooperatives, including \$4.8 million in new loans throughout the pandemic, and held \$27.7 million in assets and a \$23.2 million loan pool shared by network members. Roughly 95% of loans went to BIPOC-owned cooperatives, and 84% of Seed Commons' portfolio is invested in communities of color. The more than 50 cooperative Seed Commons borrowers around the country employ 3,000 workers and earn \$85 million in gross revenue. Notably, 100% of Seed Commons' cooperative borrowers remained open throughout COVID-19, often pivoting to provide needed services like food delivery and mutual aid.<sup>29</sup>

## Encourage private investment through targeted loan guarantees

A government loan guarantee program can enable and encourage private lenders to make loans to small businesses that fall short of meeting conventional lending criteria. Rather than making loans directly, the government guarantees to private lenders enrolled in the loan program that the government will cover a portion of the debt obligation if the borrower defaults on the loan. A loan guarantee mitigates risk to the lender, making lenders more likely to make loans. An additional key benefit of a loan guarantee program is that with the risk of the participating lender mitigated, CDFIs are better positioned to attract additional capital from financial institutions, foundations, and donors to fund their loans. As organizations dedicated to delivering responsible and affordable lending to historically disadvantaged clients, CDFIs are important partners to more equitable access to capital strategies but their individual capitalization varies tremendously. Loan guarantee programs are significant because they open up more opportunities for small businesses to access CDFI loans and their technical assistance. For example, with a loan guarantee in place, [Mission Economic Development Agency \(MEDA\)](#), a non-bank CDFI participating in the California program, was able to raise \$5 million from banks and a local foundation.<sup>30</sup>

Loan guarantee programs at the state or local level can be particularly effective because they have the potential to offer BIPOC-owned small businesses a less onerous loan application process, as well as smaller and more adequately sized loans under more flexible terms, compared to federal loan guarantee programs or conventional financing.

For example, the [California Infrastructure and Economic Development Bank's Small Business Finance Center \(SBFC\)](#) features a [loan guarantee program](#) designed to assist entrepreneurs, sole proprietors, micro-businesses, and small business owners that experience capital access barriers. The program helps businesses create and retain jobs, and encourages investment in low- to moderate-income communities.

**Being intentional:** SBFC's loan guarantee program specifically targets small businesses that may otherwise not be able to obtain a loan under conventional underwriting, such as BIPOC-, women-, and immigrant-owned enterprises, versus making the program funds available more generally to any small business. Such targeted approaches were developed during the pandemic by working closely

with CDFIs to adjust the parameters of the program to make it accessible and responsive to those target businesses.

**Being inclusive in strategy development and implementation:** The jurisdiction sets the program's broad goals and parameters, and participating lenders have discretion to determine how they will meet those goals in their markets.<sup>31</sup> The SBFC partners with seven financial development corporations (FDCs) — separate nonprofit organizations dedicated to supporting small businesses and stimulating economic development in underserved communities — to provide loan guarantees and direct loans and aid in administering the loan program. SBFC also works with 94 lenders (as of September 2021), comprising institutional banks, community banks, credit unions, and CDFIs, which it certifies to provide direct loans under the loan guarantee program.<sup>32</sup>

**Ensuring program accessibility:** The California loan guarantee program creates a centralized resource for lenders and borrowers with shared interests in deploying capital to underbanked communities. Organizing lenders and borrowers in a defined marketplace attracts lenders and borrowers with compatible interests into the program and focuses the program's marketing and outreach efforts. This saves small businesses time and energy finding a suitable loan.

The SBFC sets broad parameters for the loans, allowing participating lenders the flexibility to offer loans that can meet the needs of the SMBs. For example, loans can be term loans or lines of credit, short-term or long-term, have fixed or variable rates, be secured or unsecured, and bear any type of amortization schedule. The loan funds may be used for a wide range of activities, including startup capital, working capital, equipment purchase, inventory, property acquisition, renovation, and construction. Guarantees may be for a maximum of seven years.<sup>33</sup>

Notably, to more effectively respond to the economic fallout from COVID-19, the SBFC tweaked its then-existing loan criteria and procedures to better respond to unmet needs. SBFC eliminated requirements that can bar minority and undocumented business owners from obtaining loans — including credit score minimums, collateral requirements, and personal guarantees (so lenders no longer needed to attempt to seize borrowers' assets before requesting the state cover a loan) for the loans it backstops. It also eliminated the need to provide social security numbers, allowing undocumented business owners to be eligible for the loans.<sup>34</sup>

**Leveling the playing field by addressing capacity needs:** The SBFC oversees the FDCs and participating lenders. FDCs are strategically located throughout the state and active in their local communities. They operate independently and provide loan guarantees through commercial banks, credit unions, and CDFIs

within their respective markets. FDCs also offer other critical assistance through loan programs and training and technical assistance. The participating lenders, a mix of commercial banks, community banks, credit unions, and CDFIs, capitalize, originate, and underwrite their loans.<sup>35</sup> The SBFC enrolls and certifies lenders in the program and monitors their performance.<sup>36</sup>

A key funding source for the California program is the U.S. Treasury Department's [State Small Business Credit Initiative \(SSBCI\)](#). SSBCI awards states, territories, and tribal governments funding for small business financing programs and technical assistance to small businesses.

**Setting up a monitoring process with accountability mechanisms:** SBFC's loan guarantee program requires that its partner FDCs provide quarterly and annual reports and that participating lenders renew their certification annually.<sup>37</sup> States have used a variety of metrics including number of loans, additional private capital received, job creation, job preservation, and serving low-income or underserved communities. Some states follow up with borrowers at a future date to confirm final job creation and retention figures.<sup>38</sup> Practitioners recommend that jurisdictions track metrics that measure the benefit of the program to their specific target small businesses, as opposed to the overall small business population. They recommend that consultations with on-the-ground organizations be ongoing, to quickly identify and support the evolving needs of potential lenders and borrowers.

## STRATEGY

### Amplify the impact of public dollars through public banking

[Public banking](#) has gained momentum as a tool for advancing an equitable recovery and economic democracy. This strategy consists of moving some or all public deposits out of large private commercial banks and into public banks that are created and owned by local, state, national, or tribal governments, and accountable to the public. Advocates see public banking as a powerful way to leverage public dollars for public benefit and invest in critical community needs like affordable housing, climate resilience, disaster recovery, and small business development, as well as divest from financial institutions that support harmful industries such as fossil fuels and speculative development that destabilizes BIPOC communities and devastates local economies.<sup>39</sup> Public banks could directly invest in community projects as well as partner with existing CDFIs, including

community development credit unions (CDCUs), and community banks to meet the credit needs of BIPOC and low-income business communities.

Coalitions and networks across the country are leading the push for public banking in connection with broader efforts to transform an inequitable financial system through developing new, accountable institutions responsive to community priorities. In response to these efforts, and propelled by the urgency of the pandemic, lawmakers in Philadelphia, New Mexico, [New York City](#) and [New York State](#), Oregon, San Francisco, and Washington State have introduced bills authorizing public banks.<sup>40</sup> In California, lawmakers built on [legislation passed](#) in 2019 that allows municipalities to apply for public bank charters by introducing a [bill](#) that would convert a statewide revolving loan fund into a statewide public bank to support economic recovery from the pandemic.<sup>41</sup> Recently, the Los Angeles City Council [voted unanimously](#) to begin developing a business plan for a public bank, and other localities in California, including Oakland and San Francisco, are undertaking similar efforts.

Though there are successful international examples of public banks, the continental U.S. currently has only one operational public bank, which is the state-owned [Bank of North Dakota](#). The Bank of North Dakota was founded in 1919, primarily to break the control railroad, grain, and other Wall Street-backed monopolies had over the state's economy and to support lending to farmers and for economic development and local infrastructure. The State of North Dakota deposits all of its revenue from taxes and fees into the public bank, which conducts nearly all of its lending through loan participations with local banks and credit unions, reducing the risk. Because the Bank of North Dakota's policy is to not compete with local banks, it does not have branches outside its Bismarck headquarters, and provides only limited consumer banking services.<sup>42</sup> The Bank of North Dakota has been credited with numerous successes through major crises, including helping the state weather the Great Recession with no local bank failures and lower foreclosure rates,<sup>43</sup> and better and more efficient delivery of federal Paycheck Protection Program funds during the pandemic.<sup>44</sup>

**Being intentional:** Public banking experts noted that defining the goals for a public bank is one of the first steps for public banking coalitions. Public banking entails designing not just new programs but also new institutions, which allows for significant flexibility in creating a public bank to deliver specific outcomes and meet gaps in the existing banking system. Along with organizing and advocacy, public banking coalitions may conduct research to measure the potential economic impact of a public bank. In addition, some cities have commissioned feasibility studies to identify the financial, administrative, and legal costs and viability of a public bank. In Philadelphia, for example, the [Philadelphia Public](#)





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[Banking Coalition](#) worked with supportive city council members and a consultant to conduct a feasibility study for a city-owned bank that prioritizes small-business lending in BIPOC communities, which found a city-owned bank feasible as long as statewide requirements on public deposit collateralization were lifted.<sup>45</sup> Public bank business plans can explicitly prioritize racial and economic equity, just transition, and community-led development models.

Clarifying the relationship between the bank and the public is also key, as many public banks are unlikely to directly offer retail branches and services, at least initially. For example, the [Public Bank NYC](#) coalition envisions a municipal public bank partnering with and building capacity of existing CDFIs to expand lending and retail banking services in historically redlined BIPOC communities, including to expand community ownership and community wealth-building models. The [Black Economic Council of Massachusetts](#) has named public banking as a priority for expanding access to credit to Black-owned businesses as part of its [racial justice policy platform](#), and the [California Public Banking Alliance](#) is developing public bank business plans that specify how public banks would work with local lenders to prioritize investments that will advance racial and economic equity.

**Being inclusive in strategy development and implementation:** Public banking efforts are largely driven by coalitions that convene community-based organizations, affordable housing developers, environmental justice groups, small businesses and cooperatives, and other stakeholders for ongoing education, organizing, planning, and advocacy. Experts noted that it is especially critical to engage CDFIs, including CDCUs, and community banks to ensure a symbiotic relationship with the public bank, and assuage concerns that a public bank would potentially compete with these lenders for customers. Following the North Dakota model, public banks could avoid competing with local private financial institutions and instead serve as a backstop for local lenders. Public banks can provide

additional liquidity or serve as a secondary market to CDFIs and CDCUs, which can help scale cooperative and community development finance to meet credit needs in low-income and BIPOC communities. In fact, North Dakota has nearly six times as many credit unions and community banks per capita than the rest of the country, and small local banks and credit unions hold 83% of deposits compared to just 23% nationally, largely because of the supporting role that the Bank of North Dakota plays.<sup>46</sup>

Engaging local government agencies and elected officials is critical to passing legislation that enables public banking and leads to the development of a public bank business plan. Public banking efforts should also include tribal nations, particularly given the success of the Denver-based [Native American Bank](#) and CDFI, which was founded and is still owned by tribal nations.

**Ensuring program accessibility:** Public banking experts stress that unlike private financial institutions — which are accountable primarily to their shareholders — public banks are mission driven and accountable to the public. The governance structure for public banks is critical to ensuring transparency, accessibility, and accountability. Public banking experts cautioned against designing public banks with top-down or bureaucratic governance structures, and emphasized the importance of diverse, community stakeholder representation and participation. For example, public banking advocates in California and New York are working to ensure public bank governance structures include representatives from the communities they are intended to serve: small businesses, local nonprofits, and the local banking community.

**Leveling the playing field by addressing capacity needs for deployment:**

While some municipalities, like New York City or Los Angeles, are large enough to support their own public bank, establishing effective public banks typically requires advocating with state legislatures and banking commissions to change state banking laws. Some coalitions have therefore opted to organize at the state level, even if the banks themselves will be established at the local level. In New York, multiple coalitions are collaborating to advance the NY Public Banking Act, which would create “special purpose” bank charters, paving the way for cities like New York, Rochester, and Buffalo to create local public banks. The bill includes safeguards to ensure banks’ safety and soundness, adherence to mission, transparency, and accountability. In smaller cities and rural areas, a regional or statewide public bank may be more feasible. If there is no interest or capacity in establishing a new depository institution, local governments could still take steps to achieve some of the same goals as a public bank, including providing loan guarantees, loan participations, and divesting from commercial banks that support harmful investments.

**Setting up a monitoring process with accountability mechanisms:** The public bank [framework](#) in California’s enabling legislation establishes four levels of oversight to ensure transparency and accountability: the bank’s independent board of directors, the city or county bank owner, the Department of Business Oversight, and the Federal Deposit Insurance Corporation. Public bank planning efforts can also establish holistic performance metrics to assess how public banks are advancing community priorities and economic, social, and environmental equity, including investments in low-income and BIPOC communities and BIPOC-owned enterprises, green energy, cooperative enterprise, deeply affordable housing, and partnerships with other mission-driven financial institutions like credit unions to expand access to capital in BIPOC communities.

## STRATEGY

### Provide direct sales opportunities for small businesses by prioritizing them for local procurement contracts

Public procurement can be a [powerful tool for equitable recovery](#). State and local government agencies spend trillions every year purchasing goods and services from the private sector. By directing such local procurement contracts to BIPOC small businesses, worker cooperatives, and other community-owned businesses, local government agencies can provide direct sales and business growth opportunities for these businesses and promote equitable economic development in the process.

Before the pandemic, [the City of Albuquerque started actively tracking](#) which of its vendors were local and which were not, and thus was able to move contracts to local suppliers as those contracts came up for renewal. One local office supply company credited the city’s business with keeping it afloat through the most difficult period of the pandemic in 2020. Every purchase request that does not go to a verified local vendor is flagged for the staff of Albuquerque’s chief financial officer to review, including around 40 such requests per day related to spending under the CARES Act for COVID-19 response efforts.

Many cities and public agencies (such as municipal electric and water utilities) already have procurement preference programs for women- and minority-owned businesses. For instance, the New York Power Authority (NYPA) voluntarily created a Supplier Diversity Program in the early 1980s and now is subject to the state of New York’s Minority and Women’s Business Development (MWBD) and

Service-Disabled Veteran Owned Business (SDVOB) standards.<sup>47</sup> In California, the Los Angeles Department of Water and Power (LADWP) procures over \$1 billion annually from suppliers, and operates a Local Business Preference Program (LBPP), a Small Local Business Program (SLBP), and a SBE/DVBE Enterprise Program that “seeks to provide opportunities for Small Business Enterprises (SBEs), Disabled Veteran Business Enterprises (DVBEs), Women-Owned Business Enterprises (WBEs), Minority-Owned Business Enterprises (MBEs), Emerging Business Enterprises (EBEs), and Disadvantaged Business Enterprises (DBEs) opportunities to access LADWP procurement contracts.”<sup>48</sup>

However, by and large, these procurement programs could be significantly strengthened by establishing or raising benchmarks for the percentage of total contracts that must comply with these preference programs, including those targeting worker- and community-owned businesses, and by establishing or scaling technical assistance and training programs (as well as streamlining regulations) for businesses seeking to access such contracts. Local government can, and should, also use its hard and soft power to encourage other local institutions (such as nonprofit hospitals and universities) to also direct portions of their procurement spend to local BIPOC businesses, employee-owned enterprises, and other community-owned entities. One example of this is in Preston (United Kingdom), where the city government brought together a diverse array of local anchor institutions in a coordinated effort to reinvest in local businesses and worker cooperatives. The effort (dubbed the Preston Model) was successful in redirecting hundreds of millions of pounds into the local economy, rejuvenating the once severely disinvested and deindustrialized city.<sup>49</sup>

**Being intentional:** In order to identify local businesses that could potentially fulfill local procurement orders, [Albuquerque’s Small Business Office](#) compiled a list of existing contracts and identified possible local businesses to bid on those contracts when they come up for renewal by tagging those vendors in the city’s centralized digital system for making purchases (what municipal finance departments and businesses call enterprise resource planning software). The city’s code of ordinances sets preference for local and small businesses, which it defines as having a headquarters and principal office in Albuquerque or the surrounding Bernalillo County, and as having fewer than 50 employees. The city initially focused on vendors through which it spent \$100,000 or more, but it is currently expanding the program to include smaller contracts as these will provide opportunities to a greater pool of local SMBs.

**Being inclusive in strategy development and implementation:** [Local procurement in Albuquerque](#) is led by the city’s Small Business Office, which was established after a six-month listening tour by city officials to understand

the barriers and needs facing small businesses in the city. Through these conversations, representatives from the small business community, including ethnic chambers of commerce, indicated the need for a dedicated office to support them and to serve as a one-stop shop to help small businesses navigate the city's bureaucracy, from handling permitting to responding to the city's procurement opportunities.

**Ensuring program accessibility:** Albuquerque's Small Business Office is strategically located downtown, outside city hall and co-located with organizations providing small business support services, so when an entrepreneur comes in looking for assistance they can be connected to various resources, including potential contract opportunities with the city. At the same time, business owners who come in looking to become a city supplier can receive various forms of technical assistance and capital in order to fulfill procurement contracts.

**Leveling the playing field by accounting for capacity needs for deployment:** As meaningful as it is, establishing Albuquerque's new Small Business Office did not require any legislative or budgetary changes to create room for its three staff positions in the new office.

**Setting up a monitoring process with accountability mechanisms:** Practitioners highlighted the importance of having accurate data systems in place to develop a transparent baseline of current vendors, set desired milestones, and track progress. In Albuquerque, this included [fixing internal data systems and having a transparent and accurate database of current as well as potential vendors](#), so diverse departments could see their baseline of vendors and monitor progress. Thanks to this approach, in the first year of its procurement initiative the city was able to double the amount spent with minority-owned businesses from 4% to 8%, and increase the proportion of overall contract spending that went to local companies from 20% to 40%.

# Building Small Business Capacity for Growth and Quality Jobs



- Provide incentives for small businesses to advance accessible, living-wage jobs
- Provide digital skills training
- Reimagine cities' role as potential workforce intermediaries
- Leverage cities' economic power to promote hiring access

## The Need

**T**echnical assistance is a fundamental component of equitable economic development, as it creates partnerships with entrepreneurs who historically have been excluded from ownership experiences and who have been denied the capital needed to establish or grow their operations. Technical assistance programs have been shown to improve the abilities and problem-solving approaches of individuals pursuing entrepreneurship,<sup>50</sup> and can help small businesses improve managerial functions.<sup>51</sup>

It is important to recognize that the overwhelming majority of small businesses in the United States (81%) are non-employer businesses (sole proprietorships), and that the majority of new job growth takes place through small business creation or expansion. Between 2000 and 2019, small businesses created 10.5 million jobs compared to 5.6 million for large employers.<sup>52</sup> Helping emerging entrepreneurs and growing small businesses to achieve stability is, by itself, a powerful job-generating strategy.

In fact, technical assistance to entrepreneurs can have a positive impact on small business creation, survival, and growth<sup>53</sup> in the form of increased sales, improved cash flow, and profit margin.<sup>54</sup> Examples include the SBA's Small Business Development Centers (SBDCs), as well as programs in countries such as Ireland, the Netherlands,<sup>55</sup> and South Africa.<sup>56</sup> Further research suggests that the SBDC program effectively meets the needs of existing small businesses and emerging entrepreneurs in terms of startups, job creation, and sales growth.<sup>57</sup>

Overwhelmingly, cohort participants emphasized the need for greater investment in coaching small and emerging entrepreneurs, and the coupling of technical assistance with access to adequate, flexible capital. Combining low-cost financing with business coaching and technical assistance is a promising wealth-building model that can help entrepreneurs with lower incomes build credit and achieve business stability across urban and rural areas.<sup>58</sup>

An additional important consideration for local government involves the quality and accessibility of jobs created by small business. Small businesses vary in the wages they pay, and in the education and skills they require — many of the jobs they offer are neither accessible nor pay living wages. At the same time, research suggests that places with a high density of locally owned small businesses have higher incomes, higher rates of employment growth, and less poverty.<sup>59</sup> In this way, even though not all small business jobs may be high-paying, as a component of a community's economic makeup they contribute to better work opportunities, in particular for workers who have been most denied employment opportunities, such as individuals with disabilities, the formerly incarcerated, immigrants, seniors, and parents returning to the workforce.<sup>60</sup>

**Technical assistance is a fundamental component of equitable economic development, as it creates partnerships with entrepreneurs who historically have been excluded from ownership experiences and who have been denied the capital needed to establish or grow their operations.**

Local governments can play multiple important roles in helping small businesses grow, and in the process generate quality jobs for historically excluded residents. Workforce development systems — the main strategy governments use to train workers and connect them with employers — include public programs implemented by local agencies and community colleges, and privately run programs managed by nonprofit organizations and for-profit companies. Workforce systems, however, have largely focused on larger employers, in part because it is easier to establish relationships with firms with many positions to fill rather than smaller establishments that may add one or two employees at a time. At the same time, municipal leaders can promote both an equitable recovery agenda and stronger connections between workforce development systems and the small business community in their selection of workforce development boards. These leaders help determine training and placement strategies and goals supported by the Workforce Innovation and Opportunity Act (WIOA).

Our research and the experiences of cohort members identified strategies to further connections between business-focused capacity-building and workforce efforts, to simultaneously strengthen small businesses and connect them to local skills and employment systems. They involved local governments serving directly as workforce intermediaries (which can allow them to leverage their economic power to promote targeted resident hiring), crafting small business incentives

to support quality jobs, and addressing digital inclusion through digital skills training for businesses and workers, as described below.

**STRATEGY**

## Provide incentives for small businesses to advance accessible, living-wage jobs

Some cities are exploring what they can do to encourage smaller local businesses to thrive while also providing quality jobs. For example, the City of Boston partnered with [High Road Kitchens](#) and [One Fair Wage](#), a network of restaurant owners and a nonprofit, respectively. The two organizations are both dedicated to fair wages and working conditions in restaurants, and together launched the COVID-19 High Road Kitchens Restaurant Relief Fund. In this short-term pilot, 38 restaurants received grants of \$20,000 and one-on-one technical/operational support for retaining or rehiring employees at a minimum of \$12.75 per hour, completing a training on equitable employment practices, and committing to providing a \$20 per hour minimum wage by 2026.<sup>61</sup> The Fund prioritized family-owned, immigrant-owned, and BIPOC-owned small and local restaurants with fewer than 25 employees. The City of Boston launched a second iteration of the program, the [Restaurant Revitalization Fund](#), in September 2021.<sup>62</sup>

**Being intentional:** The High Road Kitchens Relief Fund recognized that restaurant owners and workers needed immediate relief, and that restaurants needed support to integrate equitable employment practices into their business models over time, and designed the program accordingly.

Practitioners noted that many current incentive programs are geared toward larger, institutional employers, which have both large workforce needs and an ability to navigate city programs. Small businesses, in contrast, need incentives that correspond to factors driving small business owners' decisions, including the challenges of hiring, training, and retaining employees and administering payroll, taxes, insurance, and benefits while simultaneously growing their business. This is especially challenging for those transitioning from sole proprietorship. As one practitioner notes: "It's not the economics of paying an employee, but the complexities that come with having that formal employee." While incentives are often necessary to offset higher wages, a more fundamental need is for business models in which quality jobs are beneficial and sustainable for the business.



Because not every business model may be aligned with a “high-road” incentive strategy, cohort members recommended developing incentives likely to appeal to specific industries, as did the High Road Kitchens Relief Fund. They also suggested focusing on small businesses that already have a staffing process and structure in place (versus sole proprietors or micro-businesses) or that are growing and seeking to hire. Finally, they suggested looking to a region’s growth sectors, such as health care, construction, and renewable energy, to understand how small businesses act as suppliers of goods and services to the region’s stable or growing industries. This analysis should also include industries that are vital to supporting the workforce, such as child care.

**Being inclusive in strategy development and implementation:** In order to deliver a program that would address the needs of restaurants and their workforce, the City of Boston partnered with One Fair Wage and High Road Kitchens, which had industry-specific expertise and could provide value-added training and technical assistance to restaurants.

**Combining low-cost financing with business coaching and technical assistance is a promising wealth-building model that can help entrepreneurs with lower incomes build credit and achieve business stability across urban and rural areas.**

Similarly, targeted, strategic partnerships can help small businesses overcome challenges posed by limited hiring networks that are often informal or familial by providing access to skilled labor and facilitate hiring for better jobs. A workforce agency with industry-specific knowledge can identify good employees for the business, a CDFI specializing in loans to that industry could provide capital, a business development organization could provide valuable technical assistance, and a back-office intermediary could make hiring and benefits more seamless. The combination of these services could help small businesses in a particular sector feel more confident that hiring would be both financially sustainable and manageable.

Cohort participants also recommended that incentive programs be paired with training opportunities and wraparound services, where possible, to ensure that employees are better able to stay and succeed in their jobs. These supports may include counseling to access benefits such as housing, transportation, health care, child care, or ongoing educational opportunities. For example, Boston’s Restaurant Revitalization Fund is collaborating with local community colleges and the Mayor’s Office of Workforce Development to offer participating employees free tuition for an associate’s degree or an occupational skills training program.<sup>63</sup>

**Ensuring program accessibility:** To increase access to the program, the High Road Kitchens Relief Fund prioritized seven neighborhoods and provided marketing material in nine non-English languages commonly spoken there. The Fund also allowed restaurants to use grants to cover rent and wages, and its successor, the Restaurant Revitalization Fund, provides even greater flexibility, allowing participating businesses to apply the funds toward any business expense.

Cohort members noted that very small businesses likely see the administrative burden associated with applying for a hiring incentive to outweigh the benefit. As one said,

*For the small and micros, the more strings you attach, the more reporting that's required. If something is going to be complicated, nobody's going to apply because they don't have either the time or the staff that would be dedicated to filling out the pages-long reports.*

Instead, they recommended that jurisdictions engage community-based organizations, ethnic chambers of commerce, and other groups working closely with small businesses to market the program and assist with the application, while minimizing undue reporting requirements in a way that still allows verification of equitable hiring goals.

**Leveling the playing field by addressing capacity needs:** The City of Boston's Small Business Unit worked with city councilperson Lydia Edwards to fund the program (using CARES Act dollars), designed and administered the program, and provided technical and operational assistance to the restaurants. The partners One Fair Wage and High Road Kitchens provided additional funding, developed and conducted the trainings, and provided technical support to program participants. To build in sustainability beyond the life of the pilot program, the program offered incentives for small businesses to complete a training on fair wages and increase racial and gender equity through hiring, training, and promotional practices. It also incentivized the creation of a written plan for achieving equity goals over the next 5 years, created a community of practice among grantees to provide mutual support, and engaged the state's workforce development board to work with the restaurants to support operations and staffing costs.

To fund an incentive program, practitioners recommended drawing from federal sources dedicated to supporting small business development or job creation, such as the American Rescue Plan's [State Small Business Credit Initiative](#) (SSBCI) and more traditional sources such as the [Community Development Block Grant](#) (CDBG) program of the U.S. Department of Housing and Urban Development (HUD) and the [Community Economic Development](#) grant program of the Office of Community Services (OCS). They also suggested partnering with city agencies that operate business lending programs and procurement programs to build hiring incentives, including capacity building, into their programs.

**Setting up a monitoring process with accountability mechanisms:** High Road Kitchens Relief Fund disbursed funds as grants and worked with employers to help them provide proper documentation that they fulfilled their hiring



requirements. In general, practitioners cautioned against failing to plan for scenarios in which small business owners might terminate employees after the financial incentive expires or fail to meet hiring expectations altogether. Aside from enforcing the terms of the program, practitioners recommend prioritizing employers who are committed to meeting the goals attached to the incentive. One way to grow the pool of such employers is to support the prevalence and growth of shared equity, B Corps, employee ownership, and other models with long-term social, economic, or environmental benefits baked into their business model — in the same way that some jurisdictions prioritize minority- and women-owned businesses (MWBs), over only subsidizing short-term hiring.

## STRATEGY

## Provide Digital Skills Training

The coronavirus pandemic forced many brick-and-mortar stores online, requiring small businesses with no web presence — let alone an online ordering infrastructure — to adapt quickly. For businesses that were already on the losing side of the digital divide, this only exacerbated their challenges.

In Detroit, a public-private partnership between the city and the local BIPOC-led design firm [Rebrand Cities](#) has been offering free digital skills training, including web design basics, to local small and micro-businesses. The partnership, called [Digital Detroit](#), seeks to get small businesses online by offering web design instruction, three months of free hosting, branding, and content creation workshops. Digital Detroit is part of a larger citywide effort to close the digital divide that started before COVID-19 with the creation of a position, the municipal director of digital inclusion. That office implements digital equity strategies in a city where more than 100,000 residents, almost one sixth the population, lack fixed broadband access in their homes.

In addition to directly supporting digital skills providers, some municipalities might consider partnering with local business development organizations or small business membership groups. In the early days of COVID-19, many community-based partners quickly adapted their services to add digital training for their clients or members, and their impact could be expanded with greater municipal support. For example, the [Beaver Street Enterprise Center \(BSEC\)](#), a Jacksonville-based business incubator, added digital skills training as part of its Center for Entrepreneurial Opportunity. It quickly became one of the center's most popular services and helped 40 businesses pivot and remain open in an extremely challenging environment.

Similarly, in Boston the [Black Economic Council of Massachusetts \(BECMA\)](#) partnered with a Black-developed app, Squire, to assist its member businesses in establishing online platforms. In the process, it also helped them build digital skills. Segun Idowu, BECMA's executive director, explained that one of the main challenges that COVID-19 brought to the forefront is that a large number of businesses did not have an email account or internet access, with many still operating exclusively via cash. Setting up businesses online also meant creating easily accessible financial records, which in turn helped entrepreneurs qualify for PPP loans and other financial products.

**Being intentional:** While Digital Detroit is part of citywide efforts to close the digital divide, Beaver Street Enterprise Center serves a targeted set of small businesses located in a Jacksonville neighborhood that has been historically disinvested. Launched in 2001 as an initiative of FreshMinistries, Inc., a nonprofit dedicated to enabling local communities' financial empowerment, with support from the Jacksonville Economic Development Corporation, BSEC was intentionally located in an area that encompasses both state Enterprise Zones and federal Empowerment Zones to serve businesses operating in that community. The center is home to 48 local small companies and organizations (five or fewer employees), 75% of which are owned and/or managed by Black entrepreneurs.

**Being inclusive in strategy development and implementation:** Detroit is one of an increasing number of cities that have recently created agencies or positions dedicated to digital literacy and broadband access for underserved communities.<sup>64</sup> Among the primary roles of these [digital inclusion officials](#) is facilitating relationships and coordinating partnerships between public agencies, private-sector companies, and local community groups.

Practitioners emphasized the many advantages of working with on-the-ground and community-trusted partners such as BSEC or BECMA: organizations like these have the established relationships with BIPOC entrepreneurs, a closer understanding of their needs, and the knowledge and direct experience around the services that would be most effective in helping these entrepreneurs succeed. For example, in the case of digital skills, many warned against offering digital skills trainings without understanding small businesses' constraints, capacity to engage, and operational needs. As one practitioner stated:

*The small businesses we serve are so stretched. Is it fair to expect them to know how to or have the time to build their own website? I mean, shouldn't they just be able to pay someone else to do it for them, like larger businesses do?*

**Ensuring program accessibility:** Citing capacity issues and time constraints, practitioners emphasized that unless digital skills trainings are tailored to businesses' needs and directly connected to their bottom line, many entrepreneurs will opt out, even though a training may be beneficial to them. As one technical assistance provider shared:

*If you have a sort of classroom or workshop set up where businesses come to learn about computer or online skills, they're not going to be interested. It's important to be tailored, and for them [small businesses] to understand from the get-go what can technology provide for me*

*that's going to make me more profitable and more efficient. And I think that's the approach that works.*

This need to tailor digital services emphasizes the importance of having on-the-ground partners with established relationships with small businesses. As one cohort member stated:

*We found that having any community stakeholder reinforcing the messaging or the value proposition of a government program is always helpful. Trust is a key ingredient in any programmatic success. And to the extent that there's an external stakeholder reinforcing the trust and the conversation on any programmatic governmental intervention, that is always super helpful.*

#### **Leveling the playing field by addressing capacity needs for deployment:**

Practitioners emphasized that addressing the digital needs of small and BIPOC entrepreneurs is often more time and resource consuming than typically acknowledged. For example, Digital Detroit added an additional digital literacy program after many entrepreneurs required support just to be able to access online communication platforms. As Rebrand Cities founder and CEO Hajj



Flemings shared, “The reality is that we had people from at least three different generations, and so we realized [the importance of] digital literacy.” That meant not just learning how to use Zoom but becoming very adept at it. Rebrand Cities offered office hours during lunch time and at the end of the day to those who needed additional technology support.

Similarly, in order to identify small businesses’ digital needs and be able to provide adequate services, entrepreneurs joining BSEC’s entrepreneurship program fill out a technology survey to assess their baseline needs. A technology coach then works with them individually, providing guidance around resource availability and use. One practitioner highlights that this type of individualized approach, although time consuming, is necessary:

*We found that client needs are really individual. Some people are at the basic level, others are far more advanced and aware of potential opportunities that come with digital skills, wanting to learn more about all kinds of platforms for marketing, bookkeeping, online sales. It is important for entrepreneurs to know not only what’s available, but also to receive guidance around what makes sense for their business. For example, do you need a website that you can build and update yourself or do you want to pay somebody else to do that? What is the range I should pay for a website? You can go to a website designer and decide, ‘Oh, my gosh, they want thousands of dollars.’ But for your small company, there is probably a platform that’s much more economical and makes just as much sense. We’re finding that digital coaching is as important as financial coaching for our businesses.*

**Setting up a monitoring process with accountability mechanisms:** Practitioners emphasized that having partners with a track record of actually serving BIPOC entrepreneurs and small businesses is a first step toward ensuring that target beneficiaries will be well served by digital literacy programs, as these partners already have contacts and systems in place to track relevant clients. For example, while BSEC’s Center for Entrepreneurial Opportunity was expanded in 2020 (with support from partners Ally Bank and LISC Jacksonville), the organization has a long track record of successfully meeting the needs of BIPOC entrepreneurs. Since 2003, it has helped launch more than 100 new businesses, created more than 2,000 new jobs, generated more than \$300 million in economic impact, earned acclaim as Business Incubator of the Year by the National Business Incubator Association in 2010, and produced companies that are included on *Inc.* magazine’s list of the 500 fastest-growing businesses in America.

## STRATEGY

## Reimagine cities' role as potential workforce intermediaries

While the playbook's major focus is small business recovery, the boundaries between supporting workers and supporting small businesses are not entirely clear cut, especially as the vast majority of small businesses involve sole proprietors for whom the business is not a main source of income: a third have other jobs.

Inspired by New Deal programs to fight mass unemployment, some local governments are leveraging federal stimulus funds to expand service corps programs to address the health and economic challenges created by the pandemic. The City of Birmingham, for example, launched the [Birmingham Service Corps](#) in April 2020 to place unemployed workers into temporary positions at local community organizations providing outreach, information, and connection to critical pandemic assistance and emergency services. Funded with a combination of \$1 million from the City of Birmingham, which is reimbursable through the federal CARES Act, and \$500,000 from local corporate philanthropy, the Birmingham Service Corps is managed by an independent nonprofit created to manage the program, Bham Strong, since rebranded as the [Birmingham Corps](#). Similarly, New York City launched the [City Cleanup Corps](#) as part of its [Recovery for All plan](#) in April 2021. The City Cleanup Corps is using federal stimulus funding to hire 10,000 workers into temporary roles with 10 city agencies, including the Department of Parks and Recreation, the Department of Environmental Protection, and the NYC Housing Authority.

**Being intentional:** In its initial assessment of the local landscape, Bham Strong noted longstanding racial inequities in employment, urgent community needs created by the pandemic, and the need to support workers in preparing for economic shifts in the wake of COVID-19. This framework informed the development of the Birmingham Service Corps, which initially focused on placing unemployed workers in temporary, eight-week placements in positions such as phone-banking residents to screen for COVID-19 symptoms and let them know about available resources, setting up and staffing testing centers, distributing food, staffing emergency COVID-19 relief programs at local nonprofits, and surveying community members.<sup>65</sup> After completing a placement, corps members can reapply for additional positions. The program is open to all Birmingham adults, but the majority of participants have lost work and income due to COVID-



19.<sup>66</sup> NYC's City Cleanup Corps (CCC) program focuses on community cleanup, parks, and open space beautification, with the goal of reactivating public spaces and helping to promote tourism as a critical part of the city's economic recovery. The NYC CCC targets the 33 ZIP codes with the highest COVID-19 case rates, hospitalizations, and deaths throughout the pandemic, as identified by the City's Taskforce on Racial Equity and Inclusion, and also works with community organizations, local officials, and business districts to identify priority areas for cleanup.<sup>67</sup>

**Being inclusive in strategy development and implementation:** Birmingham Corps engages public, private, and nonprofit partners, including the City of Birmingham, the Jefferson County Department of Health, the Community Foundation of Greater Birmingham, the Alabama Power Foundation, the University of Alabama at Birmingham, and employers such as Shipt, Altec, Regions, and Pack Health. To identify corps placements, Bham Strong conducted outreach to local nonprofits, including groups that work with formerly incarcerated people, people experiencing homelessness, and workforce development organizations.<sup>68</sup> Placements developed with community partners are then approved by Birmingham Corps' board and the City of Birmingham.<sup>69</sup>

**Ensuring program accessibility:** Participants stressed that workforce development and capacity building initiatives are strongest when they provide wraparound support to meet participant needs, and allow for progress toward high school diplomas and other credentials so workers can advance into permanent, higher-paying jobs after they complete their placement. As paid volunteers, Birmingham Corps members are employed as independent contractors earning \$15-\$25 an hour. The first phase of the program focused mostly on emergency, short-term placement, but Birmingham Corps also alerts Corps members to long-term job opportunities, and has helped supplement wages for workers who want to stay on longer at their nonprofit placement.<sup>70</sup> The Corps is now developing plans to bridge service corps experience to permanent employment, and the initiative's next phase will include an "earn and learn" model to train workers as community health and wellness advisors, contact tracers, and social service providers.<sup>71</sup> The Birmingham Corps plans to use federal CARES Act funds to support the second phase of this work.

**Leveling the playing field by addressing capacity needs for deployment:** Given the complexities and many stakeholders involved in workforce development, practitioners recommended local governments start small to learn what works and make adjustments along the way before scaling up programs. One expert observed:

*If a city has never done anything like this before and nobody in that city has ever done anything like this before, it's easy to misfire. In the broadest sense, starting small is generally better than starting big, because you just learn a lot with a cohort of 20 people and you learn what works in the program and what doesn't, and what needs to be adjusted in ways that are pretty important.*

The Birmingham Corps model can scale and adapt as needs shift in the wake of the pandemic.

**Setting up a monitoring process with accountability mechanisms:** The Birmingham Service Corps tracks three key indicators: the number of residents placed in paid volunteer positions, the number of people served through programs with Corps members, and the percentage of donations that have directly reached Corps members. In its first six months, the Corps program placed 350 people in temporary jobs; 69% of participants were women, and 69% were BIPOC workers. Corps members prepared over 12,000 school lunches, and helped screen over 10,000 public housing residents for COVID-19 symptoms.<sup>72</sup>

In addition to these metrics, practitioners noted that equitable workforce development requires expanding key performance indicators beyond the number of jobs created. Developing good jobs through small businesses and entrepreneurship — a specialized program type that provides customized assistance — and providing holistic support to workers facing multiple barriers to employment are more time- and resource-intensive than focusing on a few large employers, but may generate more community benefit, economic diversity, and resilience in the long term. Additionally, practitioners noted that expected outcomes and timelines must account for the realities low-wage and BIPOC workers and entrepreneurs face. As one practitioner illustrates: “There’s significant misalignment between expected outcomes of success and what’s actually possible for low- to moderate-income entrepreneurs to achieve, given the layers of constraints they typically face.”



**“There’s significant misalignment between expected outcomes of success and what’s actually possible for low- to moderate-income entrepreneurs to achieve, given the layers of constraints they typically face.”**

## Leverage cities' economic power to promote hiring access

Cities are leveraging procurement and funding processes to encourage hiring from disinvested and excluded neighborhoods, and from populations that have traditionally been shut out of hiring. For example, the City of New York is engaged in [a project labor agreement with the Building and Construction Trades Council of Greater New York \(BCTC\)](#). In it, unions agreed to prioritize hiring workers from zip codes where at least 15% of residents live below the federal poverty level, or where at least 15% of the population are public housing residents. The agreement covers projects related to the renovation of city-owned buildings, among others, with the eventual goal that 30% of all hours are worked by residents from prioritized neighborhoods.

A parallel effort involves [community hiring legislation](#) under consideration by the New York State Legislature, to require contractors working with the city to prioritize more equitable hiring. The bill would overcome legal obstacles common to many states, where local governments are prohibited from requiring that entities benefiting from municipal procurement prioritize economically excluded communities. The legislation would allow New York City to establish a requirement that entities that do business with the city on non-construction contracts meet employment goals for people who previously have worked for low wages and use a minimum ratio of apprentices, and would enable the city to connect these contractors with workforce development programs that produce qualified talent from prioritized communities.

**Being intentional:** New York City relied on a series of [studies](#) confirming that the neighborhoods and workers hardest hit by COVID-19 are, unsurprisingly, communities of color: almost three-quarters of the workers losing jobs in New York City over the past year are Latinx, Black, Asian or mixed-race, with immigrants and younger workers especially impacted.<sup>73</sup> They also confirmed the growing need for workforce development services to help meet increased demand from displaced workers in these communities. The city also worked with the [Center for New York City Affairs](#) at The New School to examine its capital budget and service contract programs, and [found](#) that community hiring would benefit approximately 16,000 construction workers and 24,000 service contract workers in a range of industries on an annual basis. Over the next five years, the program could reach as many as 200,000 individuals.

**Being inclusive in strategy development and implementation:** Community hiring will be implemented in conjunction with local workforce development organizations that can identify workers from the prioritized communities and help connect them to appropriate training, education, and support programs. One of the proposal's major proponents is the [New York City Employment and Training Coalition](#), a 180-member coalition of community-based workforce development groups. NYCETC members actively helped shape the proposal and will play a key role in its implementation, if approved by state lawmakers.

**Ensuring program accessibility:** To increase access to living-wage positions in city construction projects, the new project labor agreement with BTC establishes a minimum number of paid apprentices and pre-apprentices who must be residents of prioritized communities and/or public housing. In the agreement, unions provide these apprenticeship positions directly, thus helping ensure these are living-wage jobs, with health benefits and retirement security.

As part of the proposed community hiring program, a new Office of Community Hiring and Workforce Development would be established to coordinate between community-based workforce agencies and city contractors. In this way, it will help businesses contracting with the city, many of which are minority- and women-owned, to meet their hiring goals by referring qualified talent from community workforce development partners that typically serve public housing residents, veterans, people with disabilities, justice-involved individuals, cash assistance recipients, immigrants, and graduates of the city's public schools and City University of New York system. The legislation authorizes multiple city agencies and city-affiliated entities to exercise these hiring policies.

**Leveling the playing field by addressing capacity needs:** Community hiring legislation is accompanied by dedicated funding for pre-apprenticeship and apprentice programs, and the program would be carried out through existing workforce development agencies that are part of New York City's Work Force One, many of which are community-based organizations located in the priority communities, thus allowing individuals from these areas to have access to hiring opportunities.

**Setting up a monitoring process with accountability mechanisms:** Community hiring will include oversight and monitoring to ensure historically excluded residents have the opportunity to be included in the training and hiring process. Part of the contracting process with the city includes selection criteria that under new legislation will include measures that analyze bidders' records of compliance with labor standards and the city's hiring requirements, thus encouraging compliance.



# Promoting Affordable Commercial Space

- Address commercial rent burden for small businesses
- Provide access to free spaces like parks and parking lots for BIPOC-owned micro-enterprises and pop-up markets
- Support commercial building acquisition by community-serving, BIPOC small businesses and nonprofit partners, including small business incubators and collaboratives
- Invest in community ownership models such as cooperatives and commercial community land trusts
- Encourage small-scale manufacturing as an equitable local economic development strategy

## The Need

**E**ven prior to the pandemic, finding affordable commercial space posed significant challenges to small businesses. The Institute for Local Self-Reliance found that average commercial rent increases can range from 7% to 26% annually, with higher increases in dense, walkable neighborhoods.<sup>74</sup> Among the reasons for skyrocketing commercial rents is the preference among many real estate developers and lenders for a single large tenant — often national chains.<sup>75</sup> In this environment, small business revenues frequently cannot keep pace with rising rents, and purchasing commercial buildings — which can help protect tenants from sudden rent increases — is also often prohibitively expensive for small businesses.

Many small businesses that managed to remain open through the pandemic are struggling to pay rent. The Federal Reserve found that 43% of small employer firms experienced challenges paying rent in 2020, with BIPOC-owned firms more likely to report difficulties than white-owned firms.<sup>76</sup> Though no national estimate of commercial rent arrears exists, recent research suggests that 46% of businesses with annual revenues under \$100,000 are one or more months behind on rent, compared to 36% of larger firms.<sup>77</sup> Commercial rent arrears have the potential to set off a wave of evictions of BIPOC tenants, with devastating effects on the finances of individual entrepreneurs and the communities that depend on their services.<sup>78</sup>

The pandemic has also rapidly accelerated a [decade-long rise](#) in commercial vacancies propelled by online retail and shifts to online and home-based work in some industries.<sup>79</sup> In addition to these challenges, hot-market cities such as New

York and San Francisco already struggled with high storefront vacancies resulting from property warehousing, where building owners hold properties empty in the hope of eventually securing high-paying tenants.<sup>80</sup> In the wake of COVID-19 closures, retail vacancies nationwide are projected to rise, with significant implications for commercial corridors and business districts.<sup>81</sup> Pervasive vacancies are linked with decreased property values, trash accumulation, pests, and fire risks. Particularly along commercial corridors, high rates of vacancies can reduce foot traffic and sales for remaining businesses, contributing to more closures.<sup>82</sup>

**Pervasive vacancies are linked with decreased property values, trash accumulation, pests, and fire risks. Particularly along commercial corridors, high rates of vacancies can reduce foot traffic and sales for remaining businesses, contributing to more closures.**

In contrast, practitioners noted that in many rural areas, commercial space is often scarce, and the few available buildings often require substantial rehabilitation and environmental remediation — costs that are out of reach for entrepreneurs with limited capital. These challenges are further compounded for tribal nations, where centuries of federal policy depriving Native communities of their lands have both limited development and created

complexities in land tenure and permitting requirements that make it difficult for entrepreneurs to secure commercial leases or use land as collateral for loans.<sup>83</sup>

With federal CARES Act and American Rescue Plan Act funds, as well as potential new investments in physical and human infrastructure outlined in the \$1 trillion [Infrastructure Investment and Jobs Act](#) and \$3.5 trillion Congressional budget proposal, local governments have an opportunity to advance transformative policies that fight commercial displacement, preserve existing spaces, and develop new affordable spaces and community ownership opportunities for BIPOC-owned small businesses.

## STRATEGY

### Address commercial rent burden for small businesses

To stave off commercial evictions, some cities provided commercial rent relief as part of their emergency small business assistance during the pandemic. For example, the City of Pittsburgh [provided grants](#) of up to \$3,000 to landlords who agreed to reduce rents for 3-6 months for commercial tenants.<sup>84</sup> The State of Oregon used a portion of its federal CARES Act allocation and state general funds to [commit \\$100 million](#) for small business support statewide, including commercial rent relief. Property owners were eligible to receive up to \$100,000 per commercial tenant, conditioned on forgiving all back rent and fees and not

evicting commercial tenants after receiving funds.<sup>85</sup> In northwestern Ohio, the [Greater Toledo Small Business Stabilization Fund](#) leveraged public, private, and philanthropic dollars to provide emergency grants of up to \$10,000 for small businesses to pay operating costs incurred during the pandemic, including rent.<sup>86</sup>

Some cities are considering longer-term solutions to curb high commercial rents and vacant property warehousing. The New York City Council passed [legislation](#) in 2019 to create a vacant storefront registry,<sup>87</sup> and recently held a [hearing](#) on commercial rent regulation, a longtime priority for advocates fighting small business displacement.<sup>88</sup> Just before the pandemic, San Francisco voters [approved a ballot measure](#) to impose a tax on commercial properties kept vacant for more than six months, while Washington, D.C., has had a [similar law](#) in place for nearly a decade that applies to both commercial and residential properties.<sup>89</sup>

Along with commercial rent relief and anti-vacancy measures, cohort members noted many opportunities for local governments to support the wide spectrum of space needs small businesses have throughout their life cycles, from providing free temporary access to public space to facilitating permanent ownership of commercial buildings, as described below.

## STRATEGY

### Provide access to free spaces and pop-up markets for BIPOC-owned micro-enterprises

Temporary space can help entrepreneurs build an initial client base and grow their business as they transition to a longer-term lease or permanent space. To support this early-stage entrepreneurship, local governments can work with community partners to identify and access free spaces, and provide grants to coordinating organizations. For example, Duluth's [American Indian Community Housing Organization](#) hosts the [Indigenous Food & Art Market](#) in the [One Roof Community Housing](#) parking lot. As one cohort member described, "Our Indigenous entrepreneurs started with a winter market, and from there, we have seen those businesses really start to grow and to develop." A similar initiative in Portland, Oregon, the [Portland Indigenous Marketplace](#), has supported Indigenous artists and entrepreneurs with a collaborative, culturally respectful environment and free vendor space at local nonprofit parking lots. After a year of successful events, the organization received a grant from the county government and incorporated as a nonprofit, and transitioned to hosting virtual marketplaces during the pandemic.<sup>90</sup>



## Support commercial building acquisition by community-serving, BIPOC small businesses and nonprofit partners, including small business incubators and collaboratives

Cohort members described opportunities to support nonprofit partners and small businesses in purchasing commercial spaces as a long-term solution to commercial displacement. The [Mission Economic Development Agency](#) (MEDA) in San Francisco, for example, has used funding from the City of San Francisco Small Sites program to support both affordable housing and commercial and cultural preservation efforts in the Mission District, a historically Latinx neighborhood experiencing rapid gentrification. So far, MEDA has preserved 100,000 square feet of commercial space in the District, which it rents out at below-market rates to neighborhood businesses and organizations. The organization is now exploring ways to help small businesses directly acquire their own spaces, as part of a community ownership and wealth-building strategy.<sup>91</sup>

Even prior to the pandemic, finding affordable commercial space posed significant challenges to small businesses.

Local governments can also support the development of small business incubators that provide below-market rents, shared common spaces, and access to support services. The [Beaver Street Enterprise Center](#) in Jacksonville provides offices to 48 small businesses at below-market rents, including access to free event and meeting spaces. As a nonprofit, Beaver Street offers flexibility to small businesses experiencing cash-flow problems and did not evict any tenants during the pandemic. The organization also provides free coaching, trainings, and networking events to its tenants as well as a broader network of entrepreneurs. [Change Labs](#), a Native-led nonprofit based in the Navajo and Hopi nations, leads a small business incubator that supports Native entrepreneurs on tribal lands. The program creates annual cohorts of 20 entrepreneurs that receive intensive coaching, mentoring, and peer support, along with coworking and meeting spaces. Entrepreneurs who complete the program are also eligible for a \$10,000 loan to seed their business.



## STRATEGY

## Invest in community ownership models such as cooperatives and commercial community land trusts

Community ownership models balance anti-displacement goals with wealth-building strategies, and foster meaningful community decision making over development. Often used for permanently affordable housing, [community land trusts](#) (CLTs) can also steward commercial properties and lease spaces at below-market rents to small businesses.<sup>92</sup> The [Rondo Commercial Land Trust Project](#) in St. Paul, Minnesota, offers over 9,000 square feet of affordable commercial space, and seeks to retain, stabilize, and promote small, BIPOC-owned businesses along a major commercial corridor in the historically Black Rondo neighborhood. The CLT currently has six commercial tenants, includes affordable housing in its portfolio, and shoulders a larger share of costs than typical commercial property owners.<sup>93</sup>

Commercial real estate or investment cooperatives can also offer affordable space to small businesses while providing wealth-building and leadership opportunities to BIPOC community members. The [East Bay Permanent Real Estate Cooperative](#) (EBPREC) is piloting a mixed-use development with 6,000 square feet of commercial space at below-market rents for BIPOC-owned startups, with a focus on arts and cultural spaces, as part of a community-led effort to revitalize a historically Black cultural and economic corridor in West Oakland, California. As the EBPREC's first commercial acquisition, the project will be cooperatively owned and financially supported by community shareholders.<sup>94</sup> The [Community Investment Trust](#) (CIT) in Portland, Oregon, is pursuing a similar model by providing opportunities for low- to moderate-income residents to own commercial real estate collectively in their neighborhoods. The CIT's first project was an underutilized commercial retail mall in southeast Portland that was only 66% occupied. Since the CIT's acquisition, the mall is now 95% leased and houses over 25 mostly BIPOC-owned small businesses and nonprofits.<sup>95</sup>

The principles below apply to all of the strategies listed above for “Promoting Affordable Commercial Space”

**Being intentional:** Practitioners emphasized that commercial rent relief should be targeted to small, locally owned businesses in sectors hardest hit by the pandemic. Pittsburgh limited its commercial rental assistance grants to locally owned commercial tenants with 15 or fewer employees, while Oregon's program focused on businesses with fewer than 100 employees. The [Greater Toledo Small Business Stabilization Fund](#) focused its grantmaking on hard-hit industries like retail, food and drink, and child care, as well as BIPOC-, women-, and veteran-

owned businesses and those located in low- and moderate-income Census Tracts.

Local governments can also work with community partners to map available commercial spaces that suit a variety of small business needs, including underutilized city-owned sites, and develop criteria for development and disposition that prioritize BIPOC-owned small businesses and commercial corridors in BIPOC neighborhoods. For example, the [Mission Economic Development Agency \(MEDA\)](#) rents its commercial space in San Francisco's Mission District to small businesses based on four criteria: social impact, commitment to local hiring, offering affordable products/services, and local ownership. MEDA's business development team and CDFI work with each prospective commercial tenant to develop business models and occupancy agreements that suit their needs.<sup>96</sup>

**Being inclusive in strategy development and implementation:** Local governments can collaborate with BIPOC entrepreneurs and community-based organizations that know their neighborhoods to identify potential spaces, assess the range of small business tenancy needs, and work with partners to support commercial development models that are responsive to the community's needs. [MEDA](#) convenes a 20-organization [collaborative](#) that partners with the City of San Francisco to develop comprehensive community development initiatives in the Mission District that prioritize anti-displacement and cultural placekeeping of longtime Latinx residents, small businesses, and community-serving organizations.

Practitioners also emphasized that these collective efforts are most impactful when they provide meaningful leadership and community ownership opportunities for BIPOC entrepreneurs and community stakeholders. For example, the [Community Investment Trust](#) in Portland, Oregon, began by surveying low and moderate-income residents in East Portland about their financial preferences, which identified real estate investment as a priority. The coordinating organization, [Mercy Corps](#), then convened a larger team of volunteers and pro bono technical assistance providers to work with residents on building out the investment trust model and to identify a suitable site for the trust's first acquisition. Shareholders build equity through investing \$10-\$100 per month in the CIT, and must reside in the project's neighboring zip codes, which helps keep wealth and decision-making power in the community.<sup>97</sup>

**Ensuring program accessibility:** Noting the challenges that BIPOC-owned small businesses experienced in accessing PPP funds, practitioners emphasized that local governments should prioritize getting commercial rental assistance and other emergency small business funding out the door quickly. Developing application questions and requirements that are not overly burdensome, having

enough staff who are trained in analyzing applications efficiently and can support applicants throughout the process, and using accessible technology are all critical components of infrastructure for disbursing funds. Partnerships can help provide this infrastructure. The [Greater Toledo Small Business Stabilization Fund](#) pooled resources from KeyBank and Jumpstart, CARES Act Emergency Block Grant funds via the City of Toledo, the Toledo-Lucas County Port Authority, and ProMedica, while LISC Toledo managed the application and grant distribution process. LISC Toledo [offered](#) the short grant application in 14 languages, and did not require any documentation from applicants unless they were selected for awards.

Even when local governments commit resources to small businesses for commercial acquisition and space improvements, practitioners noted that BIPOC-owned small businesses rarely have the capital to front the costs for this work and wait for local governments to reimburse them. Providing up-front financing and having dedicated, knowledgeable staff who can accompany small businesses through the acquisition or rehabilitation process are critical for ensuring access.

#### **Leveling the playing field by addressing capacity needs for deployment:**

Practitioners identified a need for more public funding to support acquisition and rehabilitation, and to subsidize below-market rents for commercial spaces. Said one cohort member:

*So many banks and funders are interested in funding programs, which is good — programs are important. But space is important too. We have space that we need to build out; we could make more space. It's a matter of getting the funding for that.*

Acquisition and rehabilitation financing is just as important in rural areas and smaller towns as it is in hot-market cities. Practitioners shared that many rural areas do not have much available commercial space, and existing structures may require significant rehabilitation and environmental remediation in order to be usable. Practitioners recommended that local governments combine federal SBA funding, New Markets and other tax credits, and American Rescue Plan funds, as well as create their own acquisition funds for nonprofit partners. In smaller towns, practitioners suggested a pooled fund at the county or multi-county level. In addition to providing financing and technical assistance, local governments could consider [opportunity-to-purchase policies](#) for commercial properties, similar to residential opportunity-to-purchase policies in place in Washington, D.C. and San Francisco, which give tenants a first shot at buying their building when landlords sell.

Practitioners also emphasized the importance of resources for staff and support

services alongside funding for space. The value that community partners can offer goes beyond affordable rents to providing a supportive environment for entrepreneurs to stabilize and grow their businesses. As one practitioner illustrates:

*The incubator setting is one where you have access to space, support, and safety under the same roof. And it's really important as it allows entrepreneurs to automatically access the ongoing resources that are provided in the space and learn continuously while also allowing the TA [technical assistance] provider to remain on top of what the small businesses' needs are so it can respond appropriately.*

**Setting up a monitoring process with accountability mechanisms:** In addition to tracking indicators that capture the extent to which commercial rent relief and affordable commercial space are actually reaching hardest-hit BIPOC-owned small businesses, practitioners recommended including criteria that evaluate broader community benefit, community ownership, and wealth-building opportunities.

## Support small businesses in navigating permitting, licensing, and other requirements

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**B**esides expanding access to affordable commercial spaces for BIPOC-owned small businesses, municipalities can support small business recovery by streamlining licensing and permit processes, which can prevent many entrepreneurs from opening and/or expanding their businesses. For example, during the pandemic, the City of Oakland [announced legislation](#) to hire more city staff to speed up building and small business permitting. The City of Los Angeles [streamlined](#) its liquor licensing process and lowered the cost of liquor licenses from \$13,000 to \$4,000 for small businesses, at the same time as the state of California also allowed restaurants to sell to-go alcohol. Though initially passed as temporary measures to support the restaurant industry during the pandemic, along with removing parking and closing streets to cars to

expand outdoor dining, these types of regulatory changes could be made permanent to promote an inclusive and equitable recovery. Adjusting zoning and land use regulations to allow businesses to offer multiple services, as [San Francisco](#) did in 2019, can also make collaborative spaces with multiple businesses more viable.

In addition to permits and licenses, commercial tenants are typically responsible for any improvements to their space, including bringing spaces up to code. The costs of this work can present a significant challenge for small businesses. Said one practitioner:

*A lot of our clients...do not get the grace of the code items that were grandfathered in for the businesses that were there prior to them, and the expense of having to update these buildings just to get started is stopping a lot of businesses from even being able to move forward.*

Local governments could provide financing to small businesses to make infrastructure improvements, particularly in areas where available spaces need substantial rehabilitation and retrofitting, or environmental remediation.

## Encouraging small-scale manufacturing as an equitable local economic development strategy

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**M**anufacturing remains an important component of local economies, and COVID-19 revealed the resilience of the sector as many firms pivoted to address new, urgent need for products like personal protective equipment, and as international supply-chain challenges forced local producers to adjust and scale up. But even before COVID-19, cities realized the benefits of supporting manufacturing and industrial district revitalization. With average hourly earnings of \$27.10 nationwide, the sector provides a substantially higher wage than fields with similarly low barriers to entry, such as retail (\$18.90) and leisure and hospitality (\$16.07). But like any other economic development strategy, investment in manufacturing and industrial districts does not automatically translate into economic opportunities for BIPOC entrepreneurs or jobs for residents of economically excluded communities. Recognizing this gap, municipalities and their partners are engaging in intentional efforts to support local manufacturers in ways that allow communities of color to access new manufacturing jobs and succeed in them.

### Supporting the production of affordable industrial space for local small businesses.

In Newark, the city is supporting its first “**Makerhood**,” an affordable mixed-use development with light manufacturing space and apartments in the Springfield/Belmont neighborhood, a historically Black community. The city partnered with Avi Telyas, an immigrant entrepreneur and real estate developer, to develop the Krueger-Scott Mansion, a historic, city-owned property, into a project that could give Newark entrepreneurs with limited resources access to affordable housing, office space, and business support. [The project required adjusting local zoning regulations](#) to allow the combination of residential and light manufacturing uses in a single building as well as provisions requiring that building tenants must also live there — a way to prioritize local manufacturers in Newark, many of whom are people of color. Furthermore, to ensure affordability while making the project economically viable, the partners adopted a funding model that combined various public and private funds including from LISC, the United States Department of Housing and Urban Development, New Jersey Community Capital, Wells Fargo Bank, Prudential Life Insurance Company, the City of Newark, the developer, and the use of New Markets Tax Credits.

**Local branding as an opportunity to promote manufacturing growth and jobs for residents.** Some cities have recognized the potential to connect businesses with the identity of their place, not only as a marketing strategy, but also as a means to bring local businesses together and advance local manufacturing sectors. Such strategies include the establishment of an umbrella organization that becomes a gatekeeper for the manufacturing sector and that connects businesses to a broad range of services, including workforce assistance. [SFMade](#), for example, is an example of an umbrella organization that provides marketing support to small local manufacturing companies while sponsoring [Youth Made](#), a summer internship program that places low-income high school students in the Bay Area in internships with these businesses. The success of the Youth Made program led SFMade to create a [toolkit](#) for organizations interested in developing and implementing manufacturing youth internship programs so the model can be replicated in other cities across the country.

**Convening small manufacturers to identify employment needs and develop the right kinds of training curricula.** In many regions, the manufacturing landscape is composed of small firms of increasing variety, making it challenging to aggregate training needs at scale. Community colleges or local community-based workforce training programs are the most common venues for specialized manufacturing training. But these programs — either because they are small and under-resourced, or because they operate at the broader county level — are often challenged to meet manufacturers’ varied needs and requirements, especially because any one firm might require just a handful of new workers a year. Recognizing this challenge, [Chicago’s Business and Career Services \(BCS\)](#), North Suburban Cook County’s “One-Stop” operator, convened manufacturers that collectively identified the need for a pipeline of young people in their factories and developed the training curriculum for a youth internship program to be delivered by local community-based organizations citywide. The group partnered with [Opportunity Advancement and Innovation in Workforce Development \(OAI\)](#), a community-based organization on the South Side of Chicago that works with out-of-school youth. Employers worked with BCS to develop a 12-week curriculum for OAI’s youth that combines four weeks of classroom training at community-based organizations followed by an eight-week full-time paid internship. This [Opportunity Works](#) program has since expanded to include some dozen locations citywide, where it provides participants with certifications, such as OSHA-10 and additional forklift credentials, that are recognized and valued by local employers and thus offer broader employment opportunities.

# Federal Policy Challenges and Opportunities

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- Use CDBG to promote more equitable small business and workforce development ecosystem
- Support child care businesses as a catalytic and equitable recovery strategy

To foster an equitable recovery, communities need inclusive policies at both the local and federal levels, and the historic investments and substantial flexibility afforded to local governments by the CARES Act and the American Rescue Plan Act (ARPA) offer a potentially once-in-a-generation opportunity to transform local business and workforce ecosystems in equitable directions.<sup>98</sup> As programs supported by these investments are implemented, it is important to address longstanding obstacles within federal policies and programs to ensure local governments and their community-based partners can use them inclusively and effectively, and that community-based partners are integrated within programs to offer alternative financing and technical assistance that is affordable, culturally relevant, and linguistically accessible. The recent enactment of the [SBA Community Navigator Pilot Program](#) is an ideal example of how the federal government can do just this, by supporting local organizations that can bridge gaps and better connect underserved communities and entrepreneurs to capital, business counseling, and technical assistance.

The provision of flexible federal funding is critical, especially for smaller localities, which are often challenged to apply for funds even from programs that are meant to be flexible, such as the Community Development Block Grant (CDBG) program. Streamlining federal policies, like those that guide CDBG and Economic Development Administration (EDA) investments, would provide localities with the necessary flexibility to foster broader access to resources and build on the strengths of smaller, community-based organizations. Finally, federal interventions in the wake of COVID-19 have focused on short-term funding to help businesses retain a baseline level of employees and operational activity. To better position Main Streets and business districts for long-term recovery and growth, and to accelerate the deployment of funds to local



businesses, future federal investments should leverage the expertise of national nonprofit partners with deep connections and experience in expanding the capacity of local business development organizations (BDOs).

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## Use CDBG to promote more equitable small business and workforce development ecosystems

The CDBG program is an effective tool for directing federal resources into low- and moderate-income (LMI) areas. Local agencies can use CDBG funds at their discretion, provided they meet broad regulatory requirements to benefit LMI persons, address blight, and meet other urgent needs. CDBG provides grantees with the ability to use funds to meet the needs of small businesses owned by LMI individuals and in LMI communities and populations seeking employment. That is one of the reasons why Congress allocated an additional \$5 billion in CDBG funds as a response to COVID-19. These additional resources provide localities with an opportunity to innovate and adopt equitable practices as they determine the best use of their traditional and coronavirus-related allocations.

Practitioners cited using CDBG funds for a wide range of programs and projects that support small and mid-sized businesses (SMBs):

- In Atlanta, Invest Atlanta, the city's economic development authority, through its [small business loan program](#), used \$200,000 in CDBG funding to offer SMBs loans at 2% interest for storefront improvements, as part of a larger mixed-use development project. To leverage CDBG funding, Invest Atlanta stacks CDBG funding with other federal funds (such as SBA and EDA) and private financing to cover acquisition, renovation, and assistance to SMBs; it combines these activities with workforce programming to assist people looking for employment and provide financial assistance to companies that might employ them.
- In Los Angeles, the city uses CDBG funding to support [Business Source Centers](#), which offer multilingual, hands-on, affordable business assistance services, direct financial assistance, and entrepreneurial training.
- In Boston, the city used CDBG funds to establish the [Small Business Relief Fund](#), which provided grants of up to \$10,000 to small businesses impacted by the COVID-19 pandemic. Grants could be used to address a wide range of needs, such as rent, fixed debts, payroll, accounts payable, lost sales, lost

opportunities, and other working capital expenses.

- In San Diego, the city has historically used CBDG funds to support the training, licensure, and business development of home-based child care providers through partnerships with community-based organizations.

While practitioners laud the flexibility of CBDG funds, they raise three challenges:

① the parameters and requirements are challenging and time consuming to navigate; ② they require significant reporting and documentation; and ③ the funds may not cover the full costs of the program. Practitioners noted that jurisdictions do not take advantage of CBDG's flexibility to the extent possible and are often hesitant to innovate due to uncertainty and an overreliance on continued investment in past programs, even those that have not delivered results. They emphasized the importance of considering the following:

- What kinds of small business or workforce development programs, e.g. job training, financing, technical assistance, could CBDG fund, bearing in mind the target audience's needs and the will and support of local government officials?
- Who will implement the program? This may be the local jurisdiction staff, subrecipient nonprofit or for-profit organizations/agencies, community-based development organizations (nonprofits that meet specific criteria set forth by HUD), contractors, and CDFIs.
- What reporting and records must be kept for the program?
- Is the required staffing experience and administrative infrastructure/support (e.g., legal, financial) in place? Can subrecipients or contractors fill any gaps in administrative capacity?
- What other funding sources could be used to cover any funding gaps?

Practitioners recommended being aware of relevant regulatory requirements and restrictions, tailoring the use of CBDG funds to work within them, and stacking CBDG funds with other, less restrictive funds, such as general funds, to resource the remainder of the desired program. To alleviate the reporting burden, they recommended jurisdictions be selective in defining their federal program objectives so that they capture the activities and outcomes that matter to them, and when possible, avoid metrics that are overly burdensome to track and report.

## Support child care businesses as a catalytic and equitable recovery strategy

Child care plays a vital role in local economic development and equitable recovery. Working parents with young children need access to quality, affordable child care to obtain and retain jobs. At the same time, child care providers provide a safe, nurturing, educational environment to help prepare tomorrow's workforce. They provide essential services to local communities.

Child care is also an important industry. In the U.S., the child care services sector encompasses about 54,000 commercial facilities with combined annual revenue of \$27 billion, plus about 21,000 facilities run by nonprofit organizations with combined annual revenue of about \$14 billion.<sup>99</sup> As of 2019, the sector employed over 2 million workers, nearly all women (92%), with a disproportionate percentage being women of color and immigrants.<sup>100</sup> Despite low earnings (\$25,460 is the median annual wage),<sup>101</sup> child care facilities provide accessible job opportunities for workers without a bachelor's degree. The typical entry-level educational requirement in the child care industry is a high school diploma or equivalent and most workers receive short-term on-the-job training.<sup>102</sup>

Overwhelmingly, cohort participants highlighted that despite the unique position that child care enterprises occupy as both small business operators and essential social service providers, they are often overlooked in economic development efforts. Historically, child care has not been prioritized as an essential industry that allows workers, in particular women, to join and remain in the labor force.

Cohort participants emphasized that access to adequate targeted funding, coupled with technical assistance, could be catalytic to these small businesses and their workforce. In the words of one practitioner:

*As we came out of COVID, one industry folks realized the importance of was daycare service providers. They are often overlooked, especially those that are providing daycare opportunities from home and not in a brick-and-mortar. They're such an essential service. And there's a lot more of them in the community than we [lenders and technical assistance providers] ever see and realize, and they don't get access to a lot of the resources, or they don't know that those resources are for them. But they're also a great example of a business category that with some technical assistance, and with some hand holding from a business modeling standpoint, can easily grow into a brick-and-mortar*

*and with that provide more job opportunities. Because there's always a need for child care.*

This moment presents an opportunity for local governments to better support the child care industry and reap both economic and social dividends from their investments. In many communities, the Small Business Administration's resource partners, which include Small Business Development Centers (SBDCs) and Women's Business Development Centers (WBDCs), already provide technical assistance to a wide range of enterprises. Yet too often, child care expertise and business counseling are lacking at these institutions due to budget and capacity constraints, or they lack the cultural and linguistic competencies necessary to connect with diverse populations. Localities can better support the integration of child care into SBDC and WBDC programs by funding dedicated services for child care entrepreneurs either based at the resource centers themselves or at community-based organizations. The City of San Diego utilized Community Development Block Grant (CDBG) investments to support programmatic partnerships between the [San Diego and Imperial Network SBDC](#) and the International Rescue Committee to better meet the needs of family child care businesses, particularly within immigrant and refugee communities. In other instances, resource centers have also played a critical role during the pandemic by connecting providers to child care relief funds.

Another relevant effort includes the [Philadelphia Emergency Fund for Stabilization of Early Education \(PEFSEE\)](#), administered by The Reinvestment Fund, a CDFI. Created to support Philadelphia's early learning sector during the COVID-19 crisis, PEFSEE provided \$6.7 million in grant funds to minimize the loss of revenue due to the pandemic while providing technical assistance through its [Coaching to Success Program](#). PEFSEE was capitalized with support from individuals and private philanthropy, namely the William Penn Foundation and Vanguard's Strong Start for Kids program.

Child care relief dollars and stabilization grants were crucial and will continue to make a difference, but an intentional, equitable recovery will require a shift in how governments view and value care work. Now, with approximately \$50 billion in child care relief currently available to states, territories, and tribal agencies,<sup>103</sup> they and their local partners have unprecedented resources and opportunities available to invest in the supply and quality of local child care not only as a way to support vital infrastructure for workers and families, but also as an equitable economic development strategy. For example, by partnering with community-based organizations and local technical assistance providers, lead agencies could maximize the chances that a considerable portion of these funds would reach BIPOC-owned child care businesses and contribute to the startup of new child



care enterprises. In fact, approximately [\\$2.3 billion \(\\$11.9 million for tribes\)](#) may be used to fund organizations like CDFIs or business development organizations and ensure efforts such as The Reinvestment Fund's PEFSEE are multiplied. As importantly, [\\$15 billion](#) of that funding is available to states, territories, and tribes for activities allowed under the Child Care and Development Fund (CCDF), including to increase provider payment rates and workforce compensation so that child care providers can retain a skilled workforce and deliver higher-quality care to children receiving subsidies, as well as to implement policies that make child care safer from COVID-19 and more affordable, and that build the supply of child care in low-income communities, especially for historically underserved populations.<sup>104</sup>

# Resources

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## Equitable Pathways to Recovery Tool

This worksheet is designed to help you think through how the Equitable Pathways to Recovery Framework could be applied to your specific context as you develop a new small business program or modify an existing program. It can be used to plan within your agency or department, or by multiple stakeholders in a collaborative, or as a roadmap for engaging with a broader set of stakeholders.

The questions are intended to help you give deliberate attention to equity and the practicalities of implementation. The process of working through the questions with colleagues, partners, and stakeholders can foster stronger, more inclusive communication and coordination.

Start with a preliminary program scope in mind, and then consider the questions in the subsequent sections to refine your program.

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### **Your Preliminary Program Scope:**

Describe your proposed program, including:

- What is the need or gap you are targeting?
- What segment of BIPOC small businesses are you targeting (by location, population, industry, business size, business stage of development, or some combination of these)?
- What is the timeline of the major components or activities of the program?
- Who could execute each of the program components? Are there additional agencies, departments, or private stakeholders who could be tapped to share resources for developing and/or implementing the program?
- What will be different for your target beneficiaries because of this program? How does the program advance equitable recovery in your town, city, or region?

1

### **Being intentional:**

Define focal small businesses and their needs

- In what ways have the targeted small businesses been affected by the identified need or gap as compared to businesses generally?
- What are the key characteristics of those business owners? In what ways are their needs, gaps, or opportunities distinctive?
- How will they be better off because of the proposed program? How might they be burdened by it? What measures can you take to mitigate or remove burdens or unintended negative consequences?
- How do the voices and perspectives of those most impacted inform your analysis? Where are opportunities to strengthen their leadership and ownership over your proposed intervention?

2

**Being inclusive in strategy development and implementation:**

Identify and engage planning and implementation partners

- How do the perspectives and experiences of those most impacted by the program inform your planning? What are the specific ways in which this is visible?
- What organizations or groups have experience working with this population on similar or related programs? How do their perspectives and experiences inform the proposed program? What are the specific ways in which this is visible?
- What potentially relevant individuals or groups are not included? What opportunities are there to involve them?
- How will you ensure ongoing communication and coordination with beneficiaries and partners throughout planning, implementation, and evaluation?
- Where are opportunities to strengthen their leadership and ownership over your proposed intervention?

3

**Ensuring program accessibility:**

Identify and address barriers to access

- What were the obstacles that prevented BIPOC small businesses from accessing similar or related programs in the past?
- What measures can you take to prevent your proposed program from reproducing or perpetuating those barriers?
- What current factors (conditions, practices, policies) might prevent a BIPOC small business from accessing the proposed program's funding or services?
- How are you helping those less able or trusting to navigate the requirements and process for accessing the program? (If you have an application process, how have you designed it so the application process itself is not a barrier?)
- Do the current partners have the skills and relationships to assist participating small businesses? If not, whom else should you involve?



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4

### **Leveling the playing field**

Identify and account for capacity needs for deployment:

- What resources (e.g., funding, staffing, infrastructure) do you and partners need to successfully execute the program?
- Who will execute each of the activities of your proposed program? What will be their roles/responsibilities? Do they have the capacity (the skills, knowledge, staff, relationships, and budget) to execute them? If not, what partner or resource can you enlist to ensure that each role/responsibility is filled?
- What administrative capabilities do you need to support these activities and coordinate activities among partners?
- How will you ensure ongoing communication and coordination with beneficiaries and partners?

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5

### **Setting up a monitoring process with accountability mechanisms**

- What criteria and metrics are you using to measure progress toward your intended results?<sup>105</sup>
- How feasible is it to collect and understand the right data? What can you do to impose the least burden possible on those who will be providing and collecting the data?
- How will you use the data to make adjustments to program activities and objectives along the way? What protocols or other mechanisms are you using to hold you accountable to your intended results?
- How will you communicate this progress with program beneficiaries, partners, funders, and other stakeholders?

# Additional Resources

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## Equitable Recovery Framework Resources

Chicago Inclusive Growth Coalition, [Inclusive Growth Toolkit for Business Service Organizations: Standard Outcomes and Recommended Metrics](#)

Facilitating Power, [The Spectrum of Community Engagement to Ownership](#)

Government Alliance on Race and Equity, [Racial Equity Toolkit: An Opportunity to Operationalize Equity](#)

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## Access to Capital

California Reinvestment Coalition, [CRC Resilience Fund for BIPOC-led CDFIs](#)

Greenlining Institute, [A Fair Financial System: Regulating Fintech And Nonbank Lenders](#)

CNote, list of [Black-led CDFIs](#)

Native CDFI Network, list of [Native CDFIs](#)

State Small Business Credit Initiative, [Best Practices from Participating States: Loan Guarantee Programs](#)

U.S. Department of the Treasury, State Small Business Credit Initiative, [SSBCI Program Profile: Loan Guarantee Program](#)

## Business and Workforce Capacity

Democracy Collaborative, [Leveraging Anchor Institutions](#)

Greenlining Institute, [The People of Color Small Business Network: Supporting Entrepreneurs in East Oakland](#)

International Rescue Committee, [California Nonprofits and the Public Workforce System: How CBOs Can Make Their Voices Heard in the WIOA Planning Process](#)

Race Forward, [Racial Equity Readiness Assessment for Workforce Development](#)

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## Local Policy

Democracy Collaborative, [Resources for Local Government on Community Wealth Building and Local Economy Preservation Funds](#)

Greenlining Institute, [The Greenlined Economy Guidebook](#)

New Economy Coalition, [Pathways to a People's Economy](#)

NYC Network of Worker Cooperatives, [NYC's Future Is Cooperative: A Policy Platform for and by Worker Coops](#)

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## Federal Policy

Brookings Institution, [From Relief to Recovery: Using Federal Funds to Spur a Small Business Rebound](#)

HUD Exchange, [CDBG Economic Development Toolkit](#), which includes:

- [The Economic Development Toolkit: A Practical Guide to Constructing Your Economic Development Program](#) and
- [Microenterprise Assistance Toolkit](#)

Internal Revenue Service, [COVID-19-Related Employee Retention Credits: How to Claim the Employee Retention Credit FAQs](#)

U.S. Department of Health and Human Services, [Community Economic Development program](#)

U.S. Small Business Administration, [Community Navigators Program](#)

U.S. Small Business Administration, Office of Advocacy, [Small Business Facts: The Importance of Business Ownership to Wealth](#)





# **Equitable Pathways to Small Business Recovery**

AN ALL-HANDS APPROACH

Implementation Guides

# Create new investment vehicles to drive public funds to BIPOC entrepreneurs and small businesses

## Functions/Roles

## Key Tasks/Roles

**Being intentional:** In creating new investment vehicles, local governments can work with partners to design loan products that meet the needs of entrepreneurs that are not served by existing programs.

- 1 Identify entrepreneurs not served by traditional banks by engaging partners below.
- 2 Identify credit needs (gaps in existing available financial products) as well as technical assistance and capacity needs.

**Identifying and engaging planning and implementation partners:** Practitioners stressed the need for collaboration in designing and rolling out new investment vehicles, to support small businesses in navigating and accessing programs and avoid duplication of services. CDFIs can be especially critical partners in managing and delivering funds.

- 1 Convene CDFI partners to identify opportunities for coordination in funding delivery.
- 2 Convene small business membership associations, community-based organizations, and economic development partners.
- 3 Educate, guide and support organizations in 2 (above) around building and strengthening creditworthiness (even as investment vehicles are being designed and developed).

**Identifying and addressing barriers to access**

- 1 Identify and fund community-based navigators that can provide multilingual technical assistance and other support to borrowers throughout the application process.
- 2 Look for ways to eliminate unnecessary paperwork and other requirements.
- 3 Make applications available in multiple languages and formats.
- 4 Lengthen notice and application timelines to allow for outreach and gathering paperwork.
- 5 Develop equity-based application evaluation criteria rather than first come, first served approach.
- 6 Proactively guide and support potential borrowers in strengthening creditworthiness.

**Identifying and addressing capacity needs for deployment**

- 1 Identify financial, technical, and/or staff-related resources needed for technical assistance and mentorship throughout the life of the loan.
- 2 Allocate funds and/or secure partnerships to meet these needs. Participants suggested encouraging partnerships between larger and small organizations as a way to promote peer-to-peer capacity building, where smaller community-based partners can leverage the experience and credibility of larger organizations while larger organizations can develop better reach and connection to local communities.

**Setting up a monitoring process with accountability mechanisms**

- 1 Establish clear equity-based goals and metrics to track investment fund performance and whether it is actually reaching BIPOC, women, and low-income borrowers.
- 2 Report out on metrics and outcomes.
- 3 Discuss with partners appropriate measures needed to ensure accountability.
- 4 Consider creating mechanisms that allow for borrowers to evaluate lenders and their lending experience. To help ensure accountability participants suggest using such lender scores to inform funding allocation for these efforts.

## Potential Partners

Community-based organizations, business development organizations, small businesses and member associations, local government agencies, local higher education institutions, specialized consultants

## Variation Among Places

In smaller communities, where local government agencies may not have dedicated economic development staff, partners such as local higher education institutions, community colleges, or regional rural development organizations could help identify local entrepreneurs and small business needs.

Community-based organizations, small business associations, CDFIs, local and ethnic chambers of commerce, local government agencies, elected officials

Creating a new investment vehicle for public funds may require city council or statewide authorization, even if a CDFI will be delivering the actual program. Chicago's Community Catalyst Fund required city council authorization and then an additional appropriation to capitalize it, while the NYS CDFI fund required these steps at the state level. For smaller jurisdictions, a regional or statewide approach may make more sense.

Community-based organizations, community development corporations, technical assistance providers, small businesses and membership associations, CDFIs

In smaller towns and rural areas that do not have a high concentration of local nonprofits, intermediaries and regional or national CDFIs could play some of these roles. For example, the national CDFI TruFund Financial Services used federal recovery funds to expand to Houston in the wake of Hurricane Harvey and finance disaster recovery, including supporting BIPOC-owned small and mid-sized businesses. A three-year timeline for the start-up funding gave TruFund enough time to build relationships and trust with city officials, community partners, local funders, and borrowers, and establish itself in the new market.

Community-based organizations, community development corporations, CDFIs, technical assistance providers, local and ethnic chambers, small business membership and support organizations, local government agencies

Representatives of small businesses, membership associations, community-based organizations, technical assistance providers, CDFIs, local and ethnic chambers, and local government agencies

# Invest in non-extractive finance to support BIPOC entrepreneurship and employee ownership

## Functions/Roles

## Key Tasks/Roles

**Being intentional:** Non-extractive finance means that the cost of capital to the borrower should not exceed the benefit to the borrower. Put another way, the returns to the lender (via interest) should not be greater than the profit the borrower is able to create as a result of using the loan. Using a non-extractive framework for loans requires using alternative means of assessing risk specifically designed to meet the needs of small and cooperative businesses and ensure their long-term success.

- 1 Identify small businesses whose needs are not being met by traditional loan products.
- 2 Identify opportunities for cooperative business formation and conversions and their capital, capacity-building, and technical assistance needs.

### Identifying and engaging planning and implementation partners

- 1 Identify and convene established coop lenders and developers, along with CDFIs and small business technical assistance providers.
- 2 Work with small businesses and coops to develop principles to guide investments and lending practices that will meet their credit needs.

### Identifying and addressing barriers to access

- 1 Identify community partners with the relationships and linguistic and cultural competencies to lead outreach to potential borrowers and provide additional technical assistance and capacity building.
- 2 Promote collaboration and peer support between partners and small businesses.
- 3 Create opportunities for community partners and small businesses to be involved in lending decisions.

**Identifying and addressing capacity needs for deployment:** Technical assistance and capacity building are risk mitigants and help ensure long-term small business success. This type of lending therefore requires directing substantial resources and time to ensure there are organizations and city staff well equipped to provide these services.

- 1 Channel public funding to support nonprofit partners providing legal services, technical assistance (TA), and capacity building.
- 2 Build internal local government capacity to provide loans and TA to cooperatives.
- 3 Identify policy opportunities to expand markets for coop and small business services, including through procurement.
- 4 In addition to loan capital, direct private grant funding to non-extractive lenders to sustain operations.
- 5 Work with higher learning institutions on developing course(s) focusing on non-extractive financing concepts to help expand these models.



## Potential Partners

BIPOC-owned small businesses (including established cooperatives), cooperative and small business associations, cooperative lenders and cooperative developers, community-based organizations

## Variation Among Places

Cooperative developers and lenders, small businesses (including established cooperatives), small business associations, small business centers, technical assistance providers, government agencies

Areas without established cooperative lenders or infrastructure can benefit from connecting to national or regional lenders to assess potential partnerships. The [Seed Commons](#) non-extractive loan fund network pools capital and grant resources for local deployment through its local member organizations. Some Seed Commons borrowers have gone on to launch their own cooperative CDFIs. For example, after receiving financing from Seed Commons to convert from conventional to worker ownership and purchase new equipment to expand operations, founders of the [Rock Steady](#) farm in Hudson Valley, NY, went on to found [Co-op Hudson Valley](#), a non-extractive loan fund and CDFI that is now a lending member of Seed Commons.

Community-based organizations, small businesses and coops, small business associations, small business centers, local government agencies

Seed Commons loans do not require personal guarantees, credit scores, or collateral. Borrowers do not have to start repaying the loans until their business is profitable, and Seed Commons structures its loan terms to ensure that at least 50% of the borrowers' profits remain with the business, in order to promote community wealth building. Risk is mitigated through rigorous business plan evaluation, technical assistance, and capacity building for Seed Commons' borrowers.

Community-based organizations, technical assistance providers, local government agencies, small business centers

Cities can also provide support for cooperative capacity building by providing funding to partners and strengthening their small business services and their loans/grants to coops. Cities like [New York](#) and [Boston](#) have taken steps to support worker coops by providing city funding to expand technical assistance, legal services, and other support.

Historically, cooperatives have also been strong in rural areas, particularly credit unions and agricultural and purchaser cooperatives, which allow farmers to pool their resources for supplies as well as marketing and transport of the goods they produce, to reach economies of scale. The [USDA Rural Development Cooperative Services](#) program offers information, assistance, and financing to rural cooperatives.

## Invest in non-extractive finance to support BIPOC entrepreneurship and employee ownership

### Functions/Roles

### Key Tasks/Roles

**Setting up a monitoring process with accountability mechanisms**

Work with community partners to identify metrics to track that loans are aligned with established principles and reaching borrowers most in need.

## Potential Partners

Non-extractive lenders, community-based organizations, technical assistance providers, local government agencies

## Variation Among Places

In addition to tracking total assets, loans made, and cooperatives and jobs created, Seed Commons tracks the percentage of its loans to BIPOC-owned businesses, as well as how much of its portfolio is invested in BIPOC communities.

# Encourage private investment through targeted loan guarantees

## Functions/Roles

**Being intentional:** Local governments can clearly define the program purpose, its target beneficiaries, and their unmet capital needs.

It can design loan guarantee programs to fill the unmet banking needs of business owners who would otherwise not be able to obtain financing, in contrast to making the loan program more widely available to any small business.

## Key Tasks/Roles

Start with the real and specific needs of BIPOC entrepreneurs in mind. This entails conducting research that assesses

- 1 the environment in which they are operating — identifying the industries, demographics, or geographies in which the BIPOC entrepreneurs and small businesses are substantially represented, as well as understanding the range of needs depending on the businesses' industry, size, stage of development, and market trends and regulations;
- 2 the actual historical and day-to-day realities of BIPOC entrepreneurs; and
- 3 the barriers that bar them from accessing conventional capital, being deliberate about not replicating them in the loan guarantee program. Consult with intended beneficiaries and entities that work with BIPOC small businesses, such as technical assistance providers, business and trade associations, and lenders. Continually seek input to be responsive to changes in needs and markets.

## Identifying and engaging planning and implementation partners

- 1 Engage those who will be affected by the program and can speak to the program's practical context and effects. This includes the lending institutions, the BIPOC small businesses and the organizations that actively support them. Examples of such organizations include African-American, Latinx, and Asian-American chambers of commerce and trade associations, community-based economic development organizations, small business technical assistance providers, and community groups such as churches. These entities can provide critical insights about the on-the-ground needs of small businesses and their barriers to accessing capital, and are critical conduits to marketing the loan programs to them.
- 2 Seek lending partners who are community-based. They are likely more willing to offer "patient capital" and small loans, with the understanding that as the business grows, it will be a likely customer for larger loans in the future.

## Identifying and addressing barriers to access

- 1 Co-design the loan guarantee program, being mindful not to replicate the criteria and requirements that bar access to conventional financing. Practitioners emphasized the importance of offering flexibility in requirements, to meet the real conditions of the BIPOC small businesses. This includes:
  - a) Flexibility in loan qualification standards. Practitioners noted that jurisdictions should encourage lenders to eliminate requirements that are biased toward generational wealth, such as credit histories, collateral, and personal guarantees. While lenders need to consider certain threshold requirements to mitigate lenders' risk, they should also look beyond traditional underwriting requirements, to consider small businesses' character, assets, growth opportunities, and their connection and benefits to local communities.
  - b) Flexibility in the uses of capital. Businesses have a wide variety of capital needs, ranging from startup costs, supplies/inventory, equipment, lease improvements, vehicles, purchasing a business, and working capital. Flexible capital supports businesses at whatever stage they are in, whether startup, stabilization, or expansion, and meets the varying capital needs of different industries.

*(continued on next page)*

## Potential Partners

Banks (conventional, community credit unions) and other financial institutions, financial industry associations, CDFIs and CDFI associations, small business technical assistance providers, small business associations and ethnic chambers of commerce, community-based organizations and community development corporations

## Variation Among Places

Most government guaranteed loan programs are administered at the state or federal government level. In rural areas, multi-state or regional government agencies or nonprofits could lead the effort.

Same as above

Most non-federal government guaranteed loan programs are created and administered at the state level, but local jurisdictions can create their own loan guarantee programs, provided they have the funds to guarantee the loans and the capacity to administer the program. For example, New York City, through its economic development agency, created and administers the NYC Capital Access Loan Guaranty Program for micro and small businesses having trouble accessing loans.

In rural areas, multi-state or regional government agencies or nonprofits could lead the effort.

Same as above

## Functions/Roles

## Key Tasks/Roles

**Identifying and addressing barriers to access** (continued)

- 2 Conduct targeted and systematic marketing/outreach to potential businesses. Enlist organizations actively supporting or advocating for small businesses to bridge the gaps in knowledge and trust between lenders and BIPOC small businesses. Create marketing and outreach campaigns that target BIPOC small businesses vs. a “typical” small business. This includes offering information and application materials and services in languages other than English and using success stories and images from businesses of color.
- 3 Enlist technical assistance providers to help with the loan application process.
- 4 Develop simple and streamlined application processes. Examples include
  - a) having a common application,
  - b) reducing the amount of documentation required, and
  - c) providing technical assistance to entrepreneurs applying for loans to translate technical jargon into more familiar terms and in the process help business owners plan for capital use.

**Identifying and addressing capacity needs for deployment**

The government agency sets the goals and parameters, administers the program, and monitors performance.

- 1 The U.S. Treasury Department’s State Small Business Credit Initiative (SSBCI) recommends that the government, or an agent it authorizes to administer the program, should have knowledge and experience with credit analysis and underwriting, portfolio monitoring and reporting, loan guarantee purchase process management, and management of small business and state government programs.
- 2 Participating lenders capitalize, originate, and underwrite the loan guarantees and assist in the loan application process.
- 3 Community-based partners conduct outreach and assist in the loan application process.
- 4 Small business technical assistance providers conduct outreach and assist in the loan application process.

A key funding source for non-federal loan guarantee programs is the SSBCI, which awards states, territories, and tribal governments funding for small business financing programs and technical assistance to small businesses.

Jurisdictions eligible for CDBG programs may use CDBG dollars to fund loan guarantees.

**Setting up a monitoring process with accountability mechanisms**

- 1 Require lenders to provide quarterly and annual reports and to renew their certification annually. Track metrics that measure the benefit to their target audience, vs. a generic small business.
- 2 Regularly consult with organizations working on the ground, to quickly identify and support the evolving needs of potential lenders and borrowers.

**Potential Partners**

**Variation Among Places**

Same as above

Same as above

Same as above

# Amplify the impact of public dollars through public banking

## Functions/Roles

**Being intentional:** This strategy is focused on building new municipal, regional, or state-owned banks, to fill gaps in the existing banking system. A public bank's mission, governance structure, and lending products can be designed to meet equitable development goals, including expanding access to credit for small and worker-owned businesses.

## Key Tasks/Roles

- 1 Identify existing public banking coalitions; if no local initiatives exist, reach out to local and community partners to assess interest and build a coalition.
- 2 Begin mapping goals and desired outcomes for a public bank. What needs is it trying to meet? What gaps is it trying to fill?
- 3 Connect with public bank campaigns and coalitions in other parts of the country, to learn from their efforts and build a peer learning community.

**Identifying and engaging planning and implementation partners:** Public banking efforts are largely driven by coalitions that convene diverse stakeholders for ongoing education, organizing, planning, and advocacy. Experts noted that it is especially critical to engage local credit unions and other CDFIs that would benefit from public banks, including through participation lending and other partnerships.

- 1 Expand the coalition and explore possible public bank frameworks and pathways, such as enabling legislation and an eventual business plan.
- 2 Define the relationship between a proposed public bank and existing financial institutions and public agencies.
- 3 Develop an organizing campaign and advocacy efforts to build support, including outreach and education efforts.

## Identifying and addressing barriers to access

- 1 Determine how a public bank will strengthen responsible lending and investment — and avoid replicating exclusionary requirements of other lenders (for example, developing lending criteria that consider alternatives to credit scores and personal guarantees).
- 2 Define the relationship between the bank and the public as well as intermediary lenders, and corresponding outreach needs (e.g. multiple languages and formats for information, building relationships and trust, community-based organization partners, resources to support the work).

## Identifying and addressing capacity needs for deployment

- 1 Conduct ongoing education with community and government stakeholders.
- 2 Identify technical assistance, staffing, and leadership development needs for bank leaders and implementation partners as well as borrowers.

## Setting up a monitoring process with accountability mechanisms

- 1 Design a governance structure and processes for reporting and assessment to ensure public transparency, engagement, and accountability.
- 2 Define metrics for assessing bank performance at meeting community priorities (e.g., racial equity, climate goals, affordability goals).



## Potential Partners

Small and worker-owned businesses (including coalitions and trade associations), CDFI credit unions and loan funds, community-based organizations, advocates, base-building groups, resident associations

## Variation Among Places

Public Bank NYC has engaged base-building, labor, and cooperative organizations, CDFIs, and community land trusts to prioritize cooperative and community wealth-building models in BIPOC communities among a future public bank's investments. The Black Economic Council of Massachusetts has named public banking as a priority strategy for expanding access to credit to Black-owned businesses as part of a racial justice platform, and California coalitions are developing public bank business plans that specify how public banks would work with local lenders to prioritize investments that will advance racial and economic equity goals.

Small businesses (including cooperatives), credit unions, CDFIs, community-based organizations, affordable housing developers, advocates, legal partners, researchers, city and state agencies, city and state elected officials, tribal governments, state banking commissions

Even if the proposed bank is local or regional, state-level enabling legislation or banking commission approval may be required or helpful. Engaging local and state elected officials is critical for passing needed legislation and developing a public bank business plan. Public banking efforts should also include tribal nations, particularly given the success of the Denver-based Native American Bank CDFI, which was founded and remains owned by tribal nations.

Same as above

Public banking advocates in New York and California are working to ensure public bank governance structures include representatives from the communities the banks are intended to serve, including small businesses, local nonprofits, and the local banking community.

Same as above

Large cities like New York and Los Angeles with substantial public revenues could support a municipal public bank. Smaller cities and rural areas would likely require adopting a regional or state-level approach.

Local and state legislators, government agencies, community partners, advocates

## Provide direct sales opportunities for small businesses by prioritizing them for local procurement contracts

### Functions/Roles

**Being intentional:** Typically in procurement strategies local governments issue a public notice for small businesses to apply. Being intentional *reverses* that model. It requires local government to first map the local small business landscape to identify local and BIPOC-owned enterprises producing goods and services that local agencies need to procure, and intentionally reach out to those businesses to develop connection and understand their potential capacity in fulfilling government orders.

### Identifying and engaging planning and implementation partners

**Identifying and addressing barriers to access:** Applying to become a government supplier can be costly and time consuming for small businesses. Their smaller scale puts them at a disadvantage in meeting minimum-order and lower cost requirements. Language barriers and difficulty in navigating complex legal and technical aspects of dealing with government contracts can make the opportunity inaccessible to many.

### Identifying and addressing capacity needs for deployment

### Setting up a monitoring process with accountability mechanisms

### Key Tasks/Roles

- 1 Map the local small business landscape to identify local BIPOC businesses producing goods and services that local agencies often need.
- 2 Conduct intentional outreach to those businesses before procurement opportunities arise to build relationship and understand local small businesses' potential capacity in fulfilling local procurements.
- 3 Help educate these small businesses about requirements of public procurement and assist them in making the changes that address these requirements. Practitioners highlight this work needs to be done 1-2 years in advance of any public procurement so that these small businesses can build the capacity needed for public procurement.

- 1 Identify and convene potential public agencies to participate in effort.
- 2 Conduct outreach to local small business development organizations, CDFIs, ethnic chambers of commerce, and/or other small business membership organizations,

- 1 Look for opportunities to pull together small businesses, such as collective supplier agreements or cooperatives, to leverage their numbers and lower their costs while meeting order requirements.
- 2 Consider advertising procurement opportunities in regular news sections of community-based newspapers, during short still-screen segments of local TV news broadcasting, and on local/minority-geared radio.
- 3 Look for ways to make applications accessible by providing technical assistance/staff support throughout the entire application process, deferring requirements that can be applied at time of ordering rather than during application, and providing pre-order cash-flow support so small businesses can maintain cash flow without needing to get into additional costly debt until disbursement.

- 1 Identify financial, technical, and/or staff-related resources implementing partners need to provide adequate technical assistance hours/service during small businesses' application process and throughout procurement contracts.
- 2 Look for ways to match resources either through fund allocations or partnerships to help fill identified needs.

- 1 Develop a baseline of current and potential vendors, and work across departments to set desired milestones and track progress. For example, by fixing internal data systems and having a transparent and accurate baseline of vendors the City of Albuquerque can now track the amount the city spends on minority and/or locally owned businesses.

## Potential Partners

Local higher education institutions, consultants, economic development agencies, small business departments, chambers of commerce (including ethnic chambers), small business development organizations, community development corporations, Main Street organizations, and business improvement districts (BIDs).

Local government agencies, chambers of commerce (including ethnic chambers) or other small business membership organizations

Local chambers of commerce; Small Business Development Centers (SBDCs); community development corporations; technical assistance providers (including small business development organizations); government small business, finance, and economic development departments; CDFIs

Local higher education institutions, consultants, economic development agencies, small business departments, chambers of commerce (including ethnic chambers), small business development organizations, Main Street organizations, business improvement districts

Task force composed of the small business community, chambers of commerce, small business development organizations/technical assistance providers, representatives from governmental agencies

## Variation Among Places

In smaller municipalities, including rural communities, with fewer locally owned small businesses, adopting a regional approach may expand opportunities for local procurement. Regional entities including county agencies and school districts could lead such strategies and partner with local governments, economic development districts (EDDs), local or regional small business development organizations, and Main Street organizations to map and connect with the local small business community.

In places where the pool of small businesses is not big enough to fulfill public contracts, consider developing criteria that push for other ways the municipality (or regional agency) could be supporting local small businesses. For example, support partnerships joining local small businesses with larger businesses, where the small business could be a subcontractor helping fill a portion of the order, or consider alternatively a small business benefit agreement in which the municipality or regional agency commits to supporting the local small business community in other ways.

Functions/Roles	Key Tasks/Roles
<b>Being intentional</b>	<ol style="list-style-type: none"> <li>1 Identify businesses that are likely to hire, i.e., are seeking to expand or would hire employees if they had appropriate incentives.</li> <li>2 Identify specific industries in which small and mid-sized businesses participate — growth industries and stable industries — and the specific labor needs within those industries.</li> </ol>
<b>Identifying and engaging planning and implementation partners</b>	<ol style="list-style-type: none"> <li>1 Consider the capacities the small businesses need to hire and retain employees, including a) whether the small businesses are transitioning from sole proprietorship or already have systems in place to take on new employees; b) the particular capacities of the small businesses industries; c) the real-life factors that inform small businesses' hiring decisions, such as recruiting, training, administering payroll, taxes, insurance and benefits, and managing and retaining employees.</li> <li>2 Consider the capacities the employees need to obtain and retain a job.</li> <li>3 Engage partners who can support the capacities of employers and employees. These may include: <ul style="list-style-type: none"> <li>• Providing training, technical assistance, coaching and mentoring to small businesses on equitable employment practices</li> <li>• Training and certifying workers</li> <li>• Matching employers and employees</li> <li>• Providing back-office, operational support</li> <li>• Connecting employers with professional services providers, such as accountants, lawyers, human resource/benefits specialists</li> <li>• Creating communities of practice so employers can learn from and support each other.</li> </ul> </li> </ol>
<b>Identifying and addressing barriers to access</b>	<ol style="list-style-type: none"> <li>1 Target outreach to specific neighborhoods or industries, including providing materials in languages commonly spoken therein.</li> <li>2 Engage those working closely with small businesses to market the program and assist with the application.</li> <li>3 Make the financial incentives as flexible as possible, so that employers can use the funds as they see fit in order for their business to meet the hiring goals.</li> <li>4 Make the application and reporting as least burdensome as possible.</li> </ol>
<b>Identifying and addressing capacity needs for deployment</b>	<ol style="list-style-type: none"> <li>1 Collaborate with entities to support the small business and employee capacities needed. Dedicate financial and staffing resources needed to facilitate coordination and collaboration.</li> <li>2 For additional funding, look at programs with objectives to support small business development, job creation, or job placement.</li> </ol>
<b>Setting up a monitoring process with accountability mechanisms</b>	<ol style="list-style-type: none"> <li>1 During the grant period, require small businesses to report on hiring and wages paid.</li> <li>2 Provide training and technical assistance to integrate equitable hiring and pay into small businesses' business model and operations.</li> </ol>

## Potential Partners

Economic development agencies, ethnic chambers of commerce and business associations, community-based organizations

City agencies, small business technical assistance providers, workforce development agencies, education and training providers, community-based organizations, business associations and ethnic chambers of commerce, Temporary Assistance for Needy Families (TANF) agencies and social service agencies, Small Business Development Centers, mentors and coaches such as from Service Corps of Retired Executives (SCORE)

Same as above

Same as above

Small business technical assistance providers

## Variation Among Places

In rural jurisdictions, adopt a regional approach and engage partners that work across counties.

When working with Indigenous communities, engage the local Tribal Employment Rights Office (TERO), which, among other things, matches employers and employees.

## Functions/Roles

## Key Tasks/Roles

**Being intentional**

- 1 Identify entry points, or partners with access to the local BIPOC small business community who could speak to gaps in their skills as well as in their access to broadband and other key infrastructure needs.
- 2 Use this engagement to help inform which small businesses to target. Besides skill levels, important issues such as adequate and affordable digital access should be considered.

**Identifying and engaging planning and implementation partners**

- 1 Engage partners from the above-noted discussions to help identify existing and/or potential new digital training opportunities from local or regional providers, such as available courses and/or services that could be tailored or developed to meet the needs of the small businesses of focus, and discuss partners' potential roles in the effort.

**Identifying and addressing barriers to access**

Barriers to digital access may vary widely across small businesses. They range from lack of adequate access to devices and broadband, to lack of basic digital literacy skills. Practitioners highlighted, for example, that many small businesses are unaware of the potential impact that having or improving their digital skills could have on their business. In order to reach the small business community and increase business proprietors' participation in the programs, practitioners highlighted the importance of crafting a message that connects the value of these skills to businesses' bottom line and being attentive to choosing an appropriate messenger.

**Identifying and addressing capacity needs for deployment**

Identify financial, technical, and/or staff-related resources implementing partners need and look for ways, through fund allocations and/or partnerships, to help fill in those needs.

**Setting up a monitoring process with accountability mechanisms**

Be mindful of the wide range of skills, abilities, and digital access barriers that exist across BIPOC-owned small businesses and plan for outcome metrics to be reflective of this wide range of needs. Be flexible enough to capture the type and level of work performed and related progress achieved.

## Potential Partners

Business service providers, business associations, local and ethnic chambers, community-based organizations, Main Street organizations, business improvement districts, local higher education institutions

## Variation Among Places

Broadband infrastructure is uneven across places, and more challenging in rural and remote communities. Some municipalities like Chattanooga, TN, and Kutztown, PA [opted to build their own networks and are benefitting from these investments](#). Other local governments are adopting public-private partnerships to help build and distribute high-speed internet to their communities. Practitioners highlighted potential pitfalls of these partnerships if not structured appropriately to balance their long- and short-term risks and rewards. [This guide](#) is a helpful resource for municipalities considering that route; it offers a roadmap and outlines the important questions that need to be asked and answered in order to find the right partner with the right priorities for each community.

### Functions/Roles

**Being intentional:** Workforce development initiatives have to balance meeting current worker and employer needs while also trying to prepare workers for future opportunities that arise with economic shifts. Practitioners recommended starting by mapping out existing employment opportunities, key industries, and how needs have changed through the pandemic and will continue to change with long-term economic restructuring. In defining target beneficiaries, stakeholders should also account for a wide range of abilities. Practitioners noted that many corps programs involve manual labor and other physically demanding work, which can exclude older workers and workers with disabilities.

### Key Tasks/Roles

- 1 Map out employment needs and shifts related to the pandemic, key industries, and employment opportunities.
- 2 Identify hardest-hit workers and industries, including BIPOC and immigrant workers, service workers, and farmworkers, and understand their talents, abilities and skills.

**Identifying and engaging planning and implementation partners:** Practitioners emphasized the multiple points of intervention and need for stronger collaboration among the many stakeholders involved in workforce development. Whether local government plans to act as a direct temporary employer or as a workforce intermediary, engaging workforce boards, educational institutions, chambers of commerce, economic development agencies, employers, community-based partners, and workers throughout strategy development and implementation is key.

- 1 Identify stakeholders and multiple points of intervention for workforce development, including directly engaging BIPOC workers and entrepreneurs.
- 2 Proactively plan for and resource collaboration on program delivery and outreach.
- 3 Especially identify stakeholders from the BIPOC communities who have successfully progressed to leadership positions in government, nonprofits, and businesses.



## Potential Partners

Workforce development boards, Temporary Assistance for Needy Families (TANF) administrators, community-based organizations including workforce development organizations, local higher education institutions

## Variation Among Places

Community-based organizations; small businesses, entrepreneurs, and impacted workers; city economic development and small business agencies; workforce development boards; educational institutions; chambers of commerce; employers

In smaller communities, educational institutions, including school boards and local community colleges, can be key partners in connecting residents with job opportunities. In [Fremont, Ohio, the city partnered with Terra State Community College and Fremont City Schools](#), the local school board, to hire a [director of equity and inclusion](#). The partners saw the need for more intentional outreach and connection to the growing diverse population in the city and agreed to share the cost of funding the newly created position, which works across these institutions to build bridges between historically disadvantaged communities and economic opportunities, including direct targeted outreach to connect residents to local jobs, many within local small businesses.

In medium to large cities, some municipalities are consolidating formerly separate agencies such as workforce development and economic development to unify services and facilitate coordination. For example, the City of Atlanta's economic development agency, [Invest Atlanta](#), [merged](#) with the local workforce development agency to combine resources, collaborate on outreach to potential employers and workers, and explore opportunities for city financing for technical assistance and training.

Along with promoting strong collaborations between city agencies and local organizations that focus on both workforce and small business development, practitioners recommended community-led design that directly engages the deep expertise of BIPOC community members and leaders in order to ensure workforce development and capacity-building programs will actually meet workers' needs and set them up for long-term success. The City of Duluth, for example, recently issued a [Request for Proposals \(RFPs\) for community liaisons](#) to assist its Workforce Development Department with outreach and recruitment of women and BIPOC residents for the construction industry. The RFP allows individuals to apply as vendors, rather than only established businesses, in an effort to reduce bureaucratic and financial barriers typically associated with municipal contracts.

## Reimagine cities' role as potential workforce intermediaries (continued)

### Functions/Roles

### Key Tasks/Roles

#### Identifying and addressing barriers to access

- 1 Survey financial support, wraparound services, educational support, and scheduling needs for program participants.
- 2 Secure resources to provide needed support.
- 3 Identify and train program staff to ensure program safety and accessibility for participants.
- 4 Provide part-time work opportunities, and opportunities for (earn & learn) work-based learning for participants.

#### Identifying and addressing capacity needs for deployment

- 1 Develop specialized workforce and small business assistance tailored to specific sector needs, which can be more impactful than one-stop shops.
- 2 Facilitate meaningful referrals across organizations and ensure program participants receive the support they need to overcome barriers, from transportation challenges to mental and emotional traumas and discrimination, among others.
- 3 Secure resources for staff to facilitate coordination and collaboration across programs.

#### Setting up a monitoring process with accountability mechanisms

Develop metrics that go beyond number of jobs created (which can put entrepreneurship and small business creation at a disadvantage relative to connecting with larger employers) and ensure timelines for meeting outcomes align with realities that BIPOC workers and entrepreneurs face.

## Potential Partners

Program participants; community-based organizations, including business development and workforce organizations; educational institutions; employers

## Variation Among Places

The [Edna Martin Christian Center](#) in Indianapolis provides participants in workforce development, education, and entrepreneurial training with stipends to help pay bills or other expenses.

City small business and economic development agencies, community-based organizations including business development and workforce organizations, technical assistance providers, educational institutions, funders, employers

The City of Boston's [Small Business Technical Assistance Program](#) uses a combination of tailored assessments and a flexible [Request for Proposals \(RFP\)](#) process to provide customized technical assistance to entrepreneurs. City small business staff meet individually with each prospective small business participant to assess their needs and pair them with a technical assistance provider. If there is no technical assistance provider with relevant experience, the monthly rolling RFP process allows the city to identify providers to meet specific needs. After matching the participant with a provider, city staff completes a follow-up assessment to make sure the small business owner feels equipped to use the tools they gained through working with the provider.

In Chicago, major funders pooled resources to launch the [Chicago Fund for Equitable Business Growth](#), which supports partnerships among nonprofit small business service providers and funds a project manager to staff the collaborative.

Similarly, the [Cleveland Business Growth Collaborative](#) has a consultant who facilitates the collaborative's work and holds members accountable to shared goals. Collaborative members also share data via Salesforce, which allows them to track one another's performance metrics and better serve participants.

Community-based organizations including business development and workforce organizations, BIPOC entrepreneurs and small businesses, city agencies, workforce development boards, employers

## Leverage cities' economic power to promote hiring access

### Functions/Roles

### Key Tasks/Roles

#### Being intentional

- 1 Map the local small business landscape to identify growing industries and human resource needs/gaps.
- 2 Identify existing and/or potential new training opportunities in those industries.

#### Identifying and engaging planning and implementation partners

- 1 Identify entry points, or key partners with access to the target small businesses in those industries.
- 2 Identify/map community-based workforce development providers to potentially partner on those opportunities.
- 3 Reach out to both entry point small business organizations and workforce development providers.

#### Identifying and addressing barriers to access

- 1 Take inventory of key agencies' procurement practices and policies.
- 2 Engage partners to identify barriers and opportunities for leverage.

#### Identifying and addressing capacity needs for deployment

- 1 Identify financial, technical, and/or staff-related resources implementing partners need.
- 2 Look for ways to meet those needs through fund allocations and/or partnerships with other partner organizations that can help fill in gaps.

#### Setting up a monitoring process with accountability mechanisms

Set up a process and criteria for compliance. Practitioners suggested tracking firms that fail to comply and using that tracking to determine whether these businesses could qualify for future contract opportunities.

## Potential Partners

Local higher education institutions, consultants, economic development agencies, state and local workforce development boards, workforce development intermediaries/coalitions

## Variation Among Places

In smaller cities, including rural communities, with a smaller pool of small businesses that potentially can hire, consider adopting a regional approach to mapping small business growth and opportunities for resident hiring. Regional entities including county agencies could lead such strategies and partner with local governments, local or regional small business development organizations, and Main Street organizations to map and connect with the small business community. Local higher education institutions could be partners in helping identify and map small business growth and opportunities as well as in identifying and/or helping in workforce training provision.

Small business membership organizations (business associations, chambers of commerce including ethnic chambers, etc.), workforce development organizations.

Participants emphasized that regardless of size, municipalities should consider developing criteria or principles that encourage the hiring of workers who have historically experienced barriers to opportunities by local institutions both public and private. For example, through the adoption of an inclusion and equity framework, “the seven pillars of inclusion,” the City of Fremont, OH, is engaging local institutions to advance more inclusive hiring practices and services for historically disadvantaged residents.

Local higher education institutions, consultants, economic development agencies, government small business departments, chambers of commerce (including ethnic chambers), small business development organizations, community development corporations, Main Street organizations, business improvement districts (BIDs)

Task force composed of representatives from selected local government agencies, local chambers of commerce, small business development organizations

# Promoting affordable commercial space

## Functions/Roles

### Being intentional:

Address commercial rent burden for small businesses.

Provide access to free spaces like parks, parking lots, or other publicly owned spaces.

Support commercial building acquisition by community-serving, BIPOC small businesses and nonprofit partners, including small business incubators and collaboratives.

Invest in community ownership models like cooperatives and commercial community land trusts.

## Key Tasks/Roles

- 1 Identify hardest-hit sectors and small businesses in need of relief.
- 2 Work with community partners to perform a comprehensive analysis of vacant commercial buildings and lots within target neighborhoods.
- 3 Develop a plan and criteria for development and disposition that prioritize BIPOC-owned small businesses and organizations, and commercial corridors in BIPOC neighborhoods.

### Identifying and engaging planning and implementation partners:

Local governments can collaborate with BIPOC entrepreneurs and community-based organizations who know their neighborhoods to pursue commercial development models that are responsive to the community's needs. These collective efforts are most impactful when they provide meaningful leadership and community ownership opportunities for BIPOC entrepreneurs and community stakeholders.

- 1 Convene partners to plan commercial developments responsive to community needs, including through collaboratives or collective impact models.
- 2 Support research, organizing, and education efforts on different forms of community ownership that meet community preferences and priorities.

### Identifying and addressing barriers to access

- 1 Develop application questions and requirements that are not overly burdensome.
- 2 Hire enough staff to evaluate applications quickly and ensure they are trained in analyzing applications efficiently and can support applicants throughout the process.
- 3 Develop accessible technology for relief funds and requests for proposals (RFPs), including paper applications.
- 4 Disburse funds on time and through up-front payments, rather than through reimbursement.

*(continued on next page)*

## Potential Partners

BIPOC-owned small businesses and entrepreneurs; community-based organizations and base-building groups; community development corporations; cooperatives and community land trusts; city planning, small business, and economic development agencies; elected officials; researchers and local higher education institutions

Same as above

BIPOC entrepreneurs and small businesses, community-based organizations, business development organizations, city agencies, intermediaries, CDFIs, funders

## Variation Among Places

Practitioners emphasized that commercial rent relief should be targeted to small, locally owned businesses in sectors hardest hit by the pandemic. Pittsburgh limited its commercial rental assistance grants to locally owned, commercial tenants with 15 or fewer employees and that experienced a reduction in revenues during the pandemic, while Oregon's program focused on businesses with fewer than 100 employees. The [Greater Toledo Small Business Stabilization Fund](#) focused its grantmaking on hard-hit industries like retail, food and drink, and child care, and BIPOC-, women-, and veteran-owned businesses, as well as those located in low- and moderate-income Census Tracts.

In identifying potential commercial tenants, the [Mission Economic Development Agency \(MEDA\)](#) rents its commercial space in San Francisco's Mission District to small businesses based on four criteria: social impact, commitment to local hiring, affordable products/services, and local ownership. MEDA's business development team and CDFI work with each prospective commercial tenant to develop their business model and an occupancy agreement that suits their needs.<sup>106</sup>

[MEDA](#) convenes a 20-organization [collaborative](#) that partners with the City of San Francisco to develop comprehensive community development initiatives in the Mission District that prioritize anti-displacement and cultural placekeeping of longtime Latinx residents, small businesses, and community-serving organizations.

The [Community Investment Trust](#) (CIT) began by surveying low- and moderate-income residents in East Portland about their financial preferences, which identified real estate investment as a priority. The coordinating organization, [Mercy Corps](#), then convened a larger team of volunteers and pro bono technical assistance providers to work with residents on building out the investment trust model and identifying a suitable site for the trust's first acquisition. Shareholders build equity through investing \$10-\$100 per month in the CIT, and must reside in the project's neighboring zip codes, which helps keep wealth and decision-making power in the community.<sup>107</sup>

Partnerships can help provide infrastructure for accessing funding and other opportunities. The Greater Toledo Small Business Stabilization Fund, for example, pooled resources from KeyBank and Jumpstart, CARES Act Emergency Block Grant funds via the City of Toledo, the Toledo-Lucas County Port Authority, and ProMedica, while LISC Toledo managed the application and grant distribution processes. LISC Toledo offered the short grant application in 14 languages, and did not require any documentation from applicants unless they were selected for awards.

## Promoting affordable commercial space (continued)

### Functions/Roles

### Key Tasks/Roles

#### Identifying and addressing capacity needs for deployment

- 1 Direct public and private investments to support acquisition and rehabilitation, and subsidize below-market rents, for commercial spaces.
- 2 Fund staffing and support services of nonprofit community partners that work with BIPOC-owned small businesses to ensure these businesses can access and remain in newly developed affordable spaces.

#### Setting up a monitoring process with accountability mechanisms

- 1 Develop indicators that capture the extent to which commercial rent relief and affordable commercial space are actually reaching hardest-hit BIPOC-owned small businesses.
- 2 Include criteria that evaluate broader community benefit, community ownership, and wealth-building opportunities.



## Potential Partners

BIPOC-owned small businesses and entrepreneurs, community-based organizations, business development organizations, base-building groups, community development corporations, intermediaries, CDFIs, funders, cooperatives and community land trusts, city agencies, elected officials

## Variation Among Places

Practitioners recommended that local governments combine federal SBA funding, New Markets and other tax credits, and American Rescue Plan funds, as well as create their own acquisition funds for nonprofit partners. [MEDA](#) in San Francisco has leveraged city Small Sites funding in support of both its affordable housing and commercial preservation efforts. In smaller towns, practitioners suggested a pooled fund at the county or multi-county level.

BIPOC-owned small businesses and entrepreneurs, community-based organizations, business development organizations, base-building groups, community development corporations, cooperatives and community land trusts, city agencies, elected officials, researchers

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