

# Access to Capital Workshop

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The following ideas were generated by City staff, entrepreneurs, and small business support and lending organizations, asking the question **“How might the City of Minneapolis increase access to capital for minority and immigrant entrepreneurs?”**

## CREATE NEW FINANCING PRODUCTS

- Create layered investment fund that entrepreneurs can access at various points in their life cycle – includes a fellowship (“friends and family” money), skill building, streamlined application to alternative and traditional lenders, and any other financial products (equity crowdfunding, credit building loans, etc.)
- Working capital loans provided by the City.
- Develop dedicated loan fund for entrepreneurs of color seeded using CD’s from Credit Unions.
- Provide contractor lines of credit.
- Provide cash flow lending, not asset or credit based.
- Develop more small credit builder loans.
- Grants for equipment.
- Create low credit score loans to unlock access to traditional loans.
- Support cooperative lending and industry based cooperative businesses.
- City purchase of loan portfolios targeting specific businesses and communities.
- Use vacant CPED-owned buildings to host pop-up shops to test business ideas. If successful, business can receive grants and loans to grow their business. .
- City programs to support businesses trying offer living wages, benefits to low-income, low-skilled employees.

## ENHANCE TECHNICAL ASSISTANCE

- Standardize technical assistance so entrepreneurs receive equal assistance across all providers.
- Get entrepreneurs to really understand the process and big picture of starting a business.
- Create support to help small business owners understand how to manage their business.
- More targeted technical assistance to help entrepreneurs become loan ready.
- Build out more support for idea assessment to ensure feasibility, viability, and scalability.
- Expand financial literacy toolbox for small entrepreneurs.

- Comprehensive toolbox for entrepreneurs.
- Start the process of helping entrepreneurs gain financial literacy before they need to go to the bank/need capital.
- Low cost accounting services operated and staffed by youth who are employed and trained to provide the services - access to the services are at a reduced rate and the owner is required to participate in learning activities for capacity building for better financial management.
- Create tools to better prepare and educate entrepreneurs about business concept analysis and feasibility as they are starting.
- For every loan disbursed to an entrepreneur, they receive technical assistance for the life of their business, including access to on staff accountants that assist with managing their finances.
- Help ensure people of color understand they are being prepared for participating in the traditional lending process. It tears one down to know they need special treatment.
- Align skills development and lending needs.

### STRENGTHEN NETWORKS

- Connect small business owners with each to consolidate and share funds
- Plug entrepreneurs of color into existing entrepreneur networks
- Develop a mentorship program for business owners to get connected with peers in their industry who are at a different growth stage.
- Create opportunities for small business owners to network with each other and use each other's services ("matchmaking").
- Connect existing business owners to their peers and to mentors who can help them understand the lending process and what it takes to get financing.
- Host entrepreneur party pipeline via their networks.

### BUILD INCUBATORS AND ACCELERATORS

- Industry specific business incubator.
- Launch a business accelerator paired with equity investments.
- Develop an entrepreneurial fellowship where entrepreneurs receive financing, build skills, develop business plan, and prepare for launching a businesses. Invest in the small business owner first before investing in the business.

## LEVERAGE CROWDFUNDING

- Tap corporations for crowdfunding campaigns.
- Create a Minneapolis and/or minority-focused MNVEST portal for equity crowdfunding.
- Grant program for small businesses to develop pitch materials for crowdfunding campaigns.
- Create City program where the City matches KIVA loans dollar-for-dollar
- Crowdfunding with social networks to link people from different walks of life.
- Develop a Kickstarter toolkit – support for crowdfunding campaigns.
- Certification for ideas and business plan to be rated, evaluated, and used for access to capital and crowdfunding.

## MITIGATE RISK

- Segregate pool of high risk funds within loan portfolio.
- Loan guaranty for high risk loans.
- Work with foundations to create a high risk lending fund.
- City-funded loan loss reserve fund that CDFI's can access.
- Could lenders be willing to accept a higher level of loss if it came with increased overall efficiency and improved outcomes? How could we measure the ups and downs?
- Create a fund to cover financing defaults and allow higher risk.

## EQUITY CAPITAL

- Create patient capital products that can act like “friends and family” money.
- Create an angel investor fund.
- Tap donor advised funds for building new equity products for entrepreneurs of color.
- Create investment clubs to provide equity capital to entrepreneurs.

## STREAMLINE LENDING PROCESS

- Create a single uniform financing application that is then distributed to all potential lenders in the area.
- Build out a Connect 2 Capital online marketplace for Twin Cities, connecting entrepreneurs to the capital and technical assistance they need to be successful.
- Improve the process for apply for loans, reduce the paperwork and simplify the process.
- Business concierge service – a one stop shop to get help navigating City process.

- Quick turnaround, low dollar amount loans to replace use of credit cards and Pay Day loans.
- Develop online lending platform where businesses can be connected to lenders, investors and programs. Ability to submit one application to multiple lenders.
- Bundle all elements of fund sourcing into one website with the necessary resources.

#### **AWARENESS OF EXISTING PROGRAMS**

- Find ways to communicate what tools or capital programs already exist.
- Create better awareness of existing programs and better understanding of what it means to get into business.

#### **OTHER**

- Quantify the economic impact of businesses that don't open.
- Have Accion Chicago train our local alternative lenders to use different underwriting criteria.
- How do we change the lens that lenders view entrepreneurs of color through?
- Greater use of HUD Section 108 financing for business and commercial real estate.
- Create a small business roadmap that includes best practices for each sector and knowledge of capital needs with in each sector.