

Case Study

## Mini Venture Capital Fund

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### WHAT IS IT?

A mini venture capital fund is a seed fund used to finance early-stage ventures with smaller amounts of equity capital that typically range from \$25K - \$500K. Accessing financing from a mini venture capital fund is no different from the traditional venture capital process where entrepreneurs get vetted and financed by pitching their business to potential investors agreeing to terms.

### HOW IT CAN BE LEVERAGED TO SUPPORT ENTREPRENEURS OF COLOR

Equity capital is especially valuable at very early stages of business formation - generally pre-revenue generation - when it can be difficult for entrepreneurs to obtain a loan from a traditional lender. Because entrepreneurs of color often don't have access to networks of wealth ("friends and family"), several seed funds have been developed specifically targeted for entrepreneurs of color by offering patient forms of investment, mentorship, and support services.

# Inclusive Startup Fund

Portland, OR

With an explicit mission to support wealth creation in communities of color, the [Inclusive Startup Fund](#) is designed to increase access to flexible capital for underrepresented entrepreneurs, expand the local pool of angel investors, and encourage the existing venture capital community to invest in diverse founders. The \$3 million fund was launched by the Portland Development Commission, in partnership with Multnomah County, and the State of Washington.

## PROGRAM OVERVIEW

- The fund is managed by Elevate Capital – an existing venture capital firm in Portland that was chosen by the City through an RFP process.
- Seed capital investments of \$25 – 75K are given to early-stage founders who are vetted through an online application and business pitch to investors.
- Building social capital is a key component of the fund with founders receiving mentoring, coaching, and consulting services before and after they are funded. Each of the founders selects their own mentor and advisor from Elevate Capital’s pool of “mentors in residence.”
- Within 8 months of launching, the Inclusive Startup Fund fully financed its first cohort of startups – all founders being entrepreneurs of color and 50 percent being women.

“We’re very proud of our role in seeding the Inclusive Startup Fund as one of the first investment funds in the nation to support inclusion and diversity. Our number one question at Portland Development Commission is “who benefits?” And in this case it is small, entrepreneurial endeavors, led by diverse founders, with the potential to become much larger players in our regional economy.”

– Kimberly Branam, PDC Executive Director

<https://nextcity.org/daily/entry/portland-inclusive-startup-fund-fuels-minority-women-entrepreneurs>  
<http://www.pdc.us/inclusive-startup-fund.aspx>  
<http://elevate.vc/blog/>

# Inner City Advisors

Oakland, CA

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## PROGRAM OVERVIEW

- ICA offers entrepreneurial education and training to small business owners. Once they’ve honed their growth strategy, they can access capital through Fund Good Jobs. Investments range from \$100K to \$2 million using a blend of debt and equity capital.
- Fund Good Jobs provides initial capital, and in turn, entrepreneurs are required to pay more than the local living wage; provide medical, dental and retirement benefits; and create professional opportunities for their employees.
- In 2016, ICA launched a business accelerator where companies receive advice on business strategy, finance, organizational development, human resources, marketing and branding. Each entrepreneur is assigned a lead advisor who guides them through tailored work plans and tracks progress toward their goals.

“Scale is critical. While there are many successful programs that help people become entrepreneurs, the challenge is to achieve greater scale — helping existing small businesses grow so that they can generate more jobs for the people who need them most.”

– Jose Corona, Former CEO of Inner City Advisors

<https://www.icafundgoodjobs.org/>  
<https://www.livingcities.org/blog/586-the-bets-we-need-to-make-to-fund-good-jobs-in-our-cities>  
<http://www.pnewswire.com/news-releases/ica-fund-good-jobs-launches-first-of-its-kind-good-jobs-accelerator-300338595.html>

Case Study

## Cooperative Capital

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### WHAT IS IT?

Co-op Capital is a financing model that creates a dedicated pool of capital by leveraging small investments from membership organizations and/or through targeted certificate of deposits (CDs) sold by credit unions. For example, credit unions sell CDs to members to raise capital and then partner with an external organization to create a collateral fund, identify borrowers, make lending decisions, and disburse the capital as low-interest loans to entrepreneurs.

### HOW IT CAN BE LEVERAGED TO SUPPORT ENTREPRENEURS OF COLOR

The co-op capital model has been developed to fill the “friends and family” capital gap for entrepreneurs of color by creating a flexible pool of capital, where lending decisions are made by partner organizations who have relationships with entrepreneurs who lack the credit and/or collateral to obtain a loan from a traditional bank or alternative lender.

# La Montañita Fund

Albuquerque, NM

The [La Montañita Fund](#) was launched through a partnership between La Montañita, a consumer food cooperative, and New Mexico's largest not-for-profit credit union, Nusenda Credit Union. La Montañita saw a need for local food producers to access small, low interest loans to grow their businesses, but credit and collateral barriers prohibited them from obtaining capital through traditional banks and existing micro-lenders.

## PROGRAM OVERVIEW

- La Montañita raises a pool of capital from its members and puts it into a credit union deposit account to be used as collateral for loans disbursed by Nusenda to local food businesses. Co-op members contribute to the pool of deposits up to \$10,000 with a minimum investment of \$250, earning ROI every year on their investment (last year, members earned a 2.1 percent return).
- The credit union provides the origination, servicing, and positive credit reporting and the co-op comes up with its own application process and makes the final lending decision.
- Borrowers with lack of collateral, negative credit history, or fuzzy citizenship status have accessed \$160,000 in loans ranging from \$400 to \$27,000, with a delinquency rate of less than 1 percent.
- The credit union earns a small annual percentage of outstanding loans, borrowers are able to grow their business and gain good credit without having to put up collateral.

“The product—and the approach to its implementation—challenges the traditional models of lending. We believe that if this model is adapted and brought to scale, it can serve as a model to broaden access points for entrepreneurs facing high barriers to capital.”

— Robin Brule, Nusenda Credit Union

<https://nextcity.org/daily/entry/social-good-investing-small-business-albuquerque-coop>  
<https://www.livingcities.org/blog/878-access-to-capital-one-of-the-keys-to-prosperity>

# The Runway Project

Oakland, CA

[The Runway Project](#) is a five-year pilot program designed to pair low interest loans to early stage ventures led entrepreneurs of color with the knowledge and social capital needed to be successful. It was launched through a partnership between Impact Hub Oakland, Uptima Business Bootcamp (a small business accelerator), and Self-Help Federal Credit Union.

## PROGRAM OVERVIEW

- The credit union raised \$350,000 in capital by selling five-year “Runway Project Targeted CDs” to create a dedicated pool of capital to be used for loans to entrepreneurs of color who are identified and vetted by the project.
- There are two loan levels: \$2,500-\$9,999 loans with a three-year maturity at 4 percent interest and 18 months of interest-only payments, and \$10,000-\$20,000 loans with a five-year maturity at 4 percent interest and 24 months of interest-only payments.
- Impact Hub Oakland raised additional capital to deposit into a non-interest deposit account at the credit union to serve as a 1-to-1 loan-loss reserve fund.
- Uptima Business Bootcamp is a member-owned business accelerator that provides training and technical assistance to entrepreneurs that receive loans through the project.

“We needed to create a product that is actually going to be used by our entrepreneurs, that's friendly enough to really be that friends- and family-type of capital. And we're talking good friends and good family.”

— Konda Mason, Impact Hub Oakland

<http://www.therunwayproject.org/>  
<https://nextcity.org/daily/entry/runway-project-friends-family-capital-gap-entrepreneurs>

Case Study

## Business Accelerators & Incubators

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### WHAT IS IT?

Business accelerators and incubators are programs designed to provide startup companies with the resources, experience, and networks they need to get through the initial hurdles of starting a business. Often focused on a particular industry, they offer a wide-variety of services ranging from space, financing, legal, accounting, human resources, and mentorship. Accelerators and incubators differ mainly in how they are structured. Accelerator programs tend to target high-growth industries and usually have set timeframe in which companies receive services (anywhere from a few weeks to a few months), while incubators generally don't limit their services to a specific timeframe and focus on earlier-stage businesses.

### HOW IT CAN BE LEVERAGED TO SUPPORT ENTREPRENEURS OF COLOR

Accelerators and incubators are promising strategies for supporting entrepreneurs of color, yet of the 35 of firms, on average, that are supported in an incubator program, [less than 1% are minority-owned](#). To close this gap, accelerators and incubators targeted at entrepreneurs of color are becoming increasingly popular across the country. For an incubator program to be effective, the [Kauffman Foundation](#) urges cities to support accelerators and incubators that are cohort-based and provide entrepreneurs with connections to mentors and networks for learning.

# Startup PDX Challenge

Portland, OR

[The Startup PDX Challenge](#) is a cohort-based business accelerator launched in 2013 by the Portland Development Commission – the City of Portland’s economic development agency. It is designed to connect startups with diverse founders to Portland’s growing entrepreneurial ecosystem and assist the businesses for one year through their early stage growth.

## PROGRAM OVERVIEW

- Startups for each year’s cohort are selected through an application process and interview from a selection committee consisting of representatives from accelerator, incubator, investment and business organizations in Portland’s entrepreneurial community.
- Startups are selected based on compelling company story, founder experience, growth potential, market potential, ability to fully utilize Challenge prize package, and diversity of founding team.
- Winners of the challenge receive \$25K equity investment, mentors, free rent for one year, free memberships and access to organizations that focus on entrepreneurs, and a free package of professional services including legal, accounting, HR, and marketing.
- In order to be inclusive and meet the needs of a diverse pipeline of entrepreneurs, the PDX Challenge offers entrepreneurs support over the course of a whole year rather than most fast-paced, short-term accelerators.

“Wealth building is distinctly different than poverty alleviation. The Startup PDX Challenge isn’t just about providing entrepreneurs of color with the financial, knowledge, and social capital they need to be successful. It’s about building an inclusive entrepreneurial ecosystem that has generational impacts – an ecosystem where children of color can see entrepreneurs and leaders who look like them.

– Katherine Krajnak, Portland Development Commission

<http://www.pdc.us/startuppxchallenge/about-the-challenge.aspx>  
<https://nextcity.org/daily/entry/portland-inclusive-startup-fund-fuels-minority-women-entrepreneurs>

# Mortar Accelerator

Cincinnati, OH

[Mortar](#) is a business accelerator in the Over-the-Rhine neighborhood of Cincinnati - a community facing rapid gentrification. The accelerator focuses on entrepreneurs who live in the neighborhood and face the most challenges in finding support to start and grow businesses, with a majority being low income women and people of color.

## PROGRAM OVERVIEW

- Mortar starts with a nine-week program that provides entrepreneurs with a set business course curriculum, access to technical assistance, one-on-one business coaching, free legal counseling, and the opportunity to pitch their ideas in front of friends, family and investors.
- Throughout the year, Mortar also hosts pop-up shops at its permanent storefront – Brick OTR – where entrepreneurs can rent out space and test their products.
- In the two years since Mortar launched, 76 people have gone through the program and 25 have gone on to launch businesses.
- By targeting underserved communities that are experiencing redevelopment, Mortar offers residents the opportunity to be a part of the economic growth by providing the capital, skills, and networks they need to build businesses in their community.

“A lot of the entrepreneurs that we work with operate out of the underground cash economy. They’re running businesses out of their living room or they’re doing business out of their trunk or they’re hustling in some way, shape, or form. There’s talent all around, what’s lacking is the know-how.

– Derrick Braziel, Founder of Mortar

<http://wearemortar.com/>  
<http://www.yesmagazine.org/new-economy/the-startup-turning-locals-into-entrepreneurs-in-cincinnati-gentrifying-economy-20160606>  
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<http://elevate.vc/blog/>

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<https://www.livingcities.org/blog/586-the-bets-we-need-to-make-to-fund-good-jobs-in-our-cities>  
<http://www.pnewswire.com/news-releases/ica-fund-good-jobs-launches-first-of-its-kind-good-jobs-accelerator-300338595.html>

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## Targeted Revolving Loan Fund

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### WHAT IS IT?

A revolving loan fund (RLF) is a self-replenishing pool of money that utilizes interest and principal payments on old loans to issue new loans to borrowers. Traditionally, cities have used RLF's as a gap financing tool to provide capital to entrepreneurs who aren't able to obtain the full amount of capital needs in the private market.

### HOW IT CAN BE LEVERAGED TO SUPPORT ENTREPRENEURS OF COLOR

In recent years, public/private partnerships in cities across the country have launched RLF's to better meet the capital needs of entrepreneurs and small business owners of color by 1) using a flexible, relationship-based lending criteria, 2) targeting specific borrowers by demographic, and 3) offering smaller loan amounts.

# Capital Access Fund

Cleveland, Ohio

The [Capital Access Fund](#) - an \$8 million fund designed to meet the needs of entrepreneurs of color that don't have the net worth, collateral, and credit scores to access loans from traditional and alternative lenders - was created through a partnership between the National Urban League, Morgan Stanley, the National Development Council (a national CDFI), Cuyahoga County, and the City of Cleveland.

## PROGRAM OVERVIEW

- Loans range from \$10,000 - \$150,000 with up to seven year terms, charging 4.5 percent interest using interest-only payments for up to the first three years of the loan.
- Borrowers are required to participate in pre- and post-loan counseling through the Urban League of Greater Cleveland's Entrepreneurship Center, receiving expert support and coaching throughout the process.
- There's no credit minimum or collateral requirement for a loan from the fund – but standard documentation is still required by the borrower (i.e. business tax returns, documented positive cash flow, business plan).
- The fund was seeded by the Urban League and the National Development Council, and an additional loan loss reserve was created by Cuyahoga County and the City of Cleveland to support the fund.

“There are more creative ways to make loans that have the same level of risk but don't use the traditional underwriting criteria. We're on the loan committee, and help craft the loan policy. It doesn't mean that we make reckless loans. It means that we structure loans to fit the needs of the clients and it also means we provide technical assistance to clients. We don't just make a loan and walk away.”

– Michael Obi, Urban League Greater Cleveland

<http://www.rethinkcleveland.org/Media-Center/News/Capital-Access-Fund-%E2%80%94-Building-Inclusion-into-Comm.aspx>  
<https://nextcity.org/daily/entry/new-cleveland-small-business-loan-fund-already-making-a-difference>

# Entrepreneurs of Color Fund

Detroit, MI

The [Entrepreneurs of Color Fund](#) - a \$6.5 million fund launched through a partnership between JPMorgan Chase, W.K. Kellogg Foundation, and the Detroit Development Fund (a local CDFI) – is designed to provide minority-owned businesses in Detroit with greater access to capital and businesses assistance when starting and growing businesses.

## PROGRAM OVERVIEW

- Loans range from \$50,000 - \$150,000 and can be used by borrowers to expand, finance equipment, address short-term cash flow needs and provide contractor lines of credit.
- The fund serves entrepreneurs that traditionally do not qualify for a loan due to credit and collateral constraints. Borrowers receive technical assistance such as networking opportunities, marketing, business plan development, and cash flow management.
- JPMorgan Chase and the W.K. Kellogg foundation provided seed money for the fund and established a loan loss reserve. The Detroit Development Fund manages the Entrepreneur of Color fund and disburses the loans.
- The loan loss reserve also allows DDF to expand its lending criteria and make more flexible lending decisions with its entire \$23 million loan portfolio.

“Due to its flexible underwriting, the EOC Fund is able to provide capital to a larger number of minority-owned small businesses. In addition to the capital, the EOC Fund also ensures that these budding businesses receive the technical assistance necessary to run and manage a successful business.”

– Daryl Shore, J.P. Morgan Chase

<https://www.detroitdevelopmentfund.com/products/entrepreneurs-of-color/>  
<https://www.wkcf.org/news-and-media/article/2016/12/detroits-entrepreneurs-of-color-fund-provides-2-75-million-to-minority-owned-small-businesses>  
<https://www.jpmorganchase.com/corporate/news/pr/ddf.htm>