THE BROOKINGS INSTITUTION

WEBINAR

ECONOMIC RECOVERY IN AMERICAN CITIES: BUILDING BLACK BUSINESSES AND WEALTH

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Remarks:

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P R O C E E D I N G S

MR. PARILLA: Good morning, everyone. My name is Joe Parilla. I'm a fellow at the Brookings Metropolitan Policy program. Thank you so much for joining us this morning for the third event in our COVID Metro Recovery Watch. This series, which has been generously supported by the Kresge Foundation, the Ralph C. Wilson Foundation, and the Robert Wood Johnson Foundation, has focused on recovery strategies that will enhance prosperity and racial equity in the nation's cities and regions.

We began the series in October with a conversation between Chicago Mayor Lori Lightfoot and Chicago Community Trust President Helene Gayle on Chicago's recovery plan and continued it in November with an event focused on publicly funded jobs programs, which featured Senator Amy Klobuchar and a panel of labor experts. I'd really encourage you to check out those events as well.

Today's event is focused on how supporting Black businesses can enhance economic recovery and address racial injustice. And we chose this topic because it sits at the intersection of two crises in America. The first is obviously the COVID-19 pandemic itself, which has brought an acute and sudden shock to the nation's small businesses with 75% of small business owners reporting being negatively impacted by the pandemic. And these liquidity challenges that COVID has brought have been most pronounced for Black owned businesses.

And COVID-19 is intersecting with a second crisis, one that is longer running but equally damaging, and that is the long-standing structural racial disparities in business ownership, which continue to undercut the nation's dynamism and Black Americans' prosperity and wealth. And importantly these existing disparities do not reflect the intrinsic desire or talents of Black entrepreneurs themselves, but rather the unequal structure of the business ecosystems they navigate.

And so the premise of this session, therefore, is that without addressing the long-standing injustices that constrain Black business ownership and growth, economic recovery from COVID-19 will be less dynamic and less equitable. Less dynamic because a subset of small businesses, young businesses especially, those with the potential for growth, are the nation's source of net new job creation. And when

Black entrepreneurs face barriers to founding and growing these growth businesses, the entire nation is deprives of those jobs. And less racially equitable for obvious reasons. These barriers hinder Black wealth creation and diminish the creation of jobs and businesses in Black majority communities.

And yet for all these challenges we think there is reason for optimism. And today our panel will offer examples of solutions and strategies that have been tested in local communities and can offer lessons for broader shifts in corporate norms, in investment, as well as federal policy.

And that panel will be moderated by CapEQ President and CEO Tynesia Boyea-Robinson and feature Pam Lewis, who leads the Detroit based New Economy Initiative, Darrin Redus, who leads the Cincinnati Minority Business Accelerator, and Rodney Sampson, who leads that Atlanta-based OHUB. All three of those panelists have actually written recovery briefs for Brookings based on their experiences and you can find those on our website.

During this event viewers can submit questions to the panelists via email to events@Brookings.edu or via Twitter at Brookings Metro using #MetroRecovery.

But before we get to the panel, it wouldn't be a Brookings events without a bit of data and for that I want to introduce my colleague Andre Perry, who will preview a new Brookings analysis on Black business ownership.

So over to you, Andre.

MR. PERRY: Thanks, Joe. It's my pleasure to present this new report that's going to come out next week on the Brookings platform entitled "Black Business Equity: Getting to Equity in Black Business Ownership in America."

For the descents of enslaved Africans, entrepreneurship represents more than freedom and control of owing a business, and even greater that the proverbial American dream. The ability of Black people to own their own assets, hire and participate in local, regional, and global markets represent a dream deferred by systemic racism and discrimination. Consequently, an analysis of Black business ownership can offer insight into the degree to which America is the land of opportunity.

Inspired by the work of the Path to 15/55, led by Tynesia Boyea-Robinson, this research explores the state of employer businesses in the United States, focusing on Black owned employer businesses. Using the 2017 annual business survey, we analyzed data at the national and metropolitan levels, comparing Black and non-Black businesses. The purpose of this research is to provide the empirical context that will make way towards a set of business development goals. Future goals will provide a shared vision among key players that can drive capital to Black entrepreneurs to start, maintain, and grow their businesses.

So let's get it. Black businesses comprise 14% of the U.S. population, but Black businesses are only 2.2% of the nation's 5.7 million employer businesses — 2.2%. This shortage of Black businesses throttles employment and the development of Black communities. Furthermore, the under representation of Black businesses is costing the U.S. economy millions of jobs and billions in unrealized revenues.

We can't predict what would happen if the dreg of racism was removed from various markets, but if Black businesses posted similar numbers to non-Black businesses the country would realize significant economic growth. We assume an expansion in the size of the economy such that no gains in Black businesses, revenue, or size come at the expense of non-Black businesses.

So if Black businesses were the equivalent of the Black population, there would be more than 800,000 more Black businesses. Currently Black businesses bring in an average revenue of about $1 million compared to non-Black firms $6.5 million. And if Black businesses increased their average revenue to the level of non-Black businesses we would see an increase in total revenue by $676 billion.

Black businesses create an average of 10 jobs per firm, compared to 23 for non-Black businesses. If the average employees per Black businesses increased to 23, approximately 1.6 million jobs would be created. Black businesses pay their employees an average of $30,000 compared to non-Black businesses at $51,000. If Black businesses paid as much as non-Black businesses, then those employees collectively would see an increase in pay by approximately $25 billion. If the number of Black businesses matches population size and the revenue of each of those firms matched non Black businesses' income, then the total revenue of Black businesses would increase by almost $6 billion. If the number of Black businesses matched the population size and the employees per firm match non Black businesses, then more than 19 million jobs would be created — 19 million jobs.

Now, again, this is the gains American would have. Certainly it would uplift Black communities, but we're throttling the U.S. economy. So let's look at where our firms are and what sectors they're in. Nearly a third of all Black firms in the U.S. are in healthcare and social assistance fields. More than half of these businesses are owned by Black women. In contrast, only 11% of non-Black firms are in the healthcare and social assistance fields. We certainly need investments in industries that have a higher share of Black businesses. The proliferation of Black businesses suggests there is a supportive ecosystem relative to the kind of businesses they operate.

For instance, there are about 137,000 barber shops in 2012, according to the most recent data available from the Census Bureau. Nearly half, 48%, were Black owned. That's more than the number of white owned barber shops, as well as every other racial group. However, white owned barber shops employ more people and generate more revenue, about $1 billion more. Receipts for white owned barber shops in 2012 yielded $1.8 billion while Black owned barber shops yielded $800 million.

However, we need investments in the highest revenue generating industries — utilities, wholesale trade, and manufacturing. To note, there are only 18 Black businesses in the utility sector. Let me repeat that, there are only 18 Black businesses in the utility sector. Clearly we need investments in that area.

But let's look where Black businesses are concentrated in the United States. See that small yellow dot on the map? That's St. Louis. St. Louis has the largest representation of Black businesses among the 112 metropolitan areas with data for Black businesses. St. Louis is followed by Fayetteville, North Carolina and Albany, Georgia. St. Louis also has the highest representation of the Black population reflected in the share of Black businesses. The aforementioned analysis forecast potential economic gains if Black businesses posted similar numbers to non-Black businesses. Parity pays.

In conclusion, the proliferation of the Coronavirus forces us to see our inherent connections in ways that our public policy has not always recognized. Individual recovery is contingent upon how much we collectively live by the principle of being all in this together.

If undocumented residents are sick, the country's citizens will be as well. If Black and Latino or Hispanic people suffer from COVID-19's effects, so will Asian and white Americans. As real as our interconnectedness is in health, so too are we linked economically. Black businesses are stifled by structural racism and we all suffer from and underperforming economy. However, we can invest our way towards economic inclusive communities using moments like we're currently in to do so. We must remove the dregs of racism while investing with the explicit goal of increasing the number of Black businesses as a return.

Inevitable crises will occur. Consequently we need investment strategies that address the underlying conditions that create racial disparities and undue suffering.

At this time I would like to hand the screen to Ty Boyea-Robinson to moderate our panel discussion.

Thank you.

MS. BOYEA-ROBINSON: And thank you, Andre, for such a rousing intro.

So I'm Ty Boyea-Robinson. I'm super excited to be able to share with everybody our work from Path to 15/55 and then open it up for our panel to join us.

So Andre Perry had mentioned that our work has actually inspired this research. And so let me give you a little bit of backdrop on what Path to 15/55 is and why it matters for this conversation.

So Path to 15/55 is a collaborative effort designed to grow existing Black businesses and it was based on the stunning research in 2018 actually that if 15% of existing Black businesses could hire at least one more employee it would result in $55 billion to the economy and 600,000 jobs. Based on Brookings' most recent research that Andre just shared, we can actually double, triple, quadruple that number. And so we want to continue to keep our eyes on that ball because as Andre shared, parity pays.

So if you think about what the Path to 15/55 does in service of those goals, it's a network of networks that works together to remove systemic barriers, to aggregate and distribute capital and actually accelerate change. And really, when you think about what that looks like in practice, it's about amplifying what's already out there. You'll hear from our panelists that there's already work happening across the country with dynamic and committed leaders and we want to make sure people know what works. But we also want to work together to fill in those gaps that are happening nationally and systemically that every community is facing and no one is really affecting change on a national level that can actually drive the needle more quickly.

And so we do this by holding everybody accountable and having a shared set of outcomes or key performance indicators of what we've seen, based on our root cause analysis and research over the last two years since we launched. What is it that's actually creating the enabling environment for Black businesses to thrive. One, it's really about growing existing businesses. And that's something that's different for this effort. What you see, not just with Black businesses but often times with businesses overall is that there's a lot of focus on startup, but as Andre shared, Black businesses are such a huge part of the economy for Black communities but there's an under investment in many different ways. So we want to really build on those strengths and those assets.

We also want to really invest in the interconnected systems. So so often, as Andre always say, you know, there's nothing wrong with Black people or Black businesses that racism can't solve. So often we're focused on the capacity building of the businesses owner themselves as opposed to structurally addressing the policies and systems that are keeping capital from landing in communities of color and keeping resources from landing in Black businesses.

And the last thing is about really reimagining the possibilities. There is such a set of biases on Black business ownership that, as you can see, we're actually over indexed in low revenue, low growth fields due to systemic bias and racism. What would it look like for us to actually draw from and leverage the strength of our communities? I often say that a Black businesses owner could have started Uber or Lyft because we've had gypsy cabs for a really long time. And it's really about having the resources at play to be able to put technology platform over that.

So what are those other hidden gems and opportunities that we can look for if we really invest and double down in our businesses and our assets?

So I want to ask my panelists to join me because I really want to get their input on how they're driving Black business growth, particularly with existing businesses. So come on and join the screen, Pamela, Rodney, and Darrin.

So you've heard the research from our lovely, lovely Andre Perry, who always gives us all the data and the details. And I've also shared a little bit of framing on Path to 15/55 and how that's what we're working on nationally. So I'd love to just hear from each of you, starting with Pamela, then Darrin, then Rodney, on how you're actually helping support Black business growth and what have been some of the successes and challenges that you've seen from your perch.

MS. LEWIS: Thank you, Tynesia. It's good to be here. And just really appreciated the comments from Andre.

New Economy Initiative, just to set a definition of what that is, because it's not always clear, right. We were created and funded by philanthropy here in metro Detroit with this whole effort focused on how do we make grants to catalyze and support nonprofits that are supporting businesses. And from the very beginning — we've been at this for 12 years — from the very beginning we were focusing on tech and innovation led, but over the last six years we really have really been honing in on small business growth. And so my comments today are really focused on the small business side of our work. But if you think about community development finance institutions, for short CDFIs, or micro finance organizations, practical assistance providers, and even community development organizations, these are the groups of nonprofits that we've been supporting that have been providing affordable capital, practical assistance, and actual access to resources to businesses of color. And because Detroit is a city that is primarily people of color, I have to admit it's hard for me just to focus on Black businesses, because there's Black businesses, there's Latinx businesses, there's immigrant businesses, that all are having the exact same challenges and barriers to these resources. So when I talk about it, I'm talking about all those groups.

MS. BOYEA-ROBINSON: Thanks, Pamela. And what have been some of the challenges that you've faced?

MS. LEWIS: Well, one of the challenges has been this whole definition around small business in the first place, right. And we talk about small businesses, but we're really talking about businesses that are these unincorporated self-proprietors of one all the way to 500 person business. And a lot of the solutions that are designed for small business I don't think take into consideration that segmentation, right. And so when you're talking about a micro business in Detroit that's led by a person of color that's traditionally under banked or unbanked, it doesn't have a relationship with a commercial bank to get capital, you can't apply the same rules you're applying to a large manufacturing business that could still be owned by a Black person. We have a lot of those in Detroit.

So that's why the role of grants and their role in providing stabilization capital or sourcing CDFIs to provide those types of affordable loans. But the other thing too is there's a tendency for CDFIs and micro finance organization to get pools of capital to lend out, but then you have to have capital, grant capital, to create those loan loss reserves, right. You have to have grant capital to help these organizations operate.

And so those are some of the things that we're learning that has to be at play. And capital is not always the only story either. A lot of people say if we just had money we could do X, Y, and Z. But we've also found with a lot of micro businesses is there's this whole activity of getting ready to receive that capital, that pre and post loan support that typically nonprofits in our community are providing to help someone make sure that they're in a position to receive that capital. And that even after they receive it, that they manage it well so it doesn't ruin their business, but it can actually put them on a path to grow it.

So I'll stop there, but there's tons more I could say, but I'll stop with that point.

MS. BOYEA-ROBINSON: But you know I'm going to follow up and ask more questions. But I'll turn it over now to Darrin to do the same. Share a little bit about your organization and some of the successes and challenges your experiencing while servicing Black businesses.

MR. REDUS: Yes, thank you, Ty. I really appreciate it. Such an honor to be here this morning and be with my distinguished panelists and the Brookings Institution on such an important conversation.

So, for context setting, so I lead the Minority Business Accelerator, which is housed within the Cincinnati USA Regional Chamber. It is now in its 17th year, actually born out of Cincinnati's own civil unrest back in 2001. And in a response to that, the Minority Business Accelerator was created specifically to address Black owned businesses of size. And so when we say of size in this particular case, we are talking about businesses with a minimum of avenue revenues of $1 million, B2B or B2G platform, as well as a desire on the part of the entrepreneur to grow and scale further, meaning that some entrepreneurs get to $1 million or so it creates a decent lifestyle for themselves, which is fine. We were looking for entrepreneurs who really wanted to become multimillion dollar companies.

This initiative was then and now rooted in a supply chain strategy. So very much driving this effort out of the gate and again today was a collaboration with our region's corporate community. So, again, working very closely within the supply chain so that we can create more viable vendors and suppliers to larger corporations. The portfolio consists of — in fact, since inception we've assisted about 70 companies of size. The average revenues today are about $30 million per company. So you're talking well over $1 billion in aggregate. We've set some pretty ambitious goals to actually double that volume in the next couple of years.

And how we're going to do that we'll quickly, again for context setting, a four pillar strategy that we refer to as grow, build, attract, and create. The grow pillar is fundamentally let's just grow what we already have, up size to their next level. So if they're already doing say $20 million revenue, how do they go up from $20 million to 40 or 50. If they're already at 50, how do they get it from 50 to 100, etc. And there's a bunch of tactics up under there, but fundamentally grow is about taking our current companies of size and growing them to their next level.

Build is building a pipeline of emerging minority businesses. So these are businesses under a million that we believe to have high growth potential. And we do this work in collaboration with a number of other nonprofits in the region we refer to as the Cincinnati Minority Business Collaborative, or the CMBC. We try to provide in that context the same sort of wrap around assistance that you will often see in mainstream tech ecosystems that prepares minority entrepreneurs to pitch to angel investors and VCs. Well, often if you don't have a (inaudible) tech company, you may not benefit from that type of assistance. We bring that same in depth wrap around assistance to high growth, not necessary high tech minority firms. So that's our pipeline building work.

Attract is looking to attract more minority firms to the reason. Really more about expansion. So we identify minority firms of size outside of the region and try to do business — have business with those firms within the Cincinnati market in hopes that that business leads to them putting an office in Cincinnati or expanding to our region. So that's about 200 companies we're targeting in that attract pillar.

And, finally, creating minority firms through the acquisition of mainstream or non-minority firms with no succession plans, no kids in the company interested in taking it over. How can we identify credible minority buyers to acquire existing companies of size and create minority firms as opposed to everything having to be done organically. Depending on the report that one reads, there are literally trillions of dollars in play with existing small and mid-cap companies across the country without succession plans. And so that create pillar is one that we really have a ton of interest in when I'm creating firms of size through acquisition.

So those four pillars really fueling a set of activities to double our billion plus base to its next level.

MS. BOYEA-ROBINSON: That's wonderful.

And, Rodney, we've heard from Cincinnati and Detroit, what are you seeing from a national level for successes and challenges to grow existing businesses and Black businesses.

MR. SAMPSON: First and foremost, good morning to all of you. It's definitely a pleasure to be here with each and every one of you this morning. I don't count our health and our presence and our ability to show up, particularly during these unprecedented times.

To set the stage, first I want to say I'm drive by just the knowledge of wisdom that's aggregated in our collective history when you talk about Black land ownership and entrepreneurship, even since the emancipation of the Southern slaves. I mean that's where I drive my strength. I think a lot of Black Americans who won businesses pull from that history as well. I mean whether it was — you know, my wife's grandfather's land in Bluffton that was stolen or my great-grandfather's land where they owned a quarry outside the University of Georgia and couldn't get the equipment. White people wouldn't sell them the equipment and so they had to do a hundred year lease. So I think one of the things we don't want to forget is that the unfair advantage that Black Americans who have started businesses have developed. You know, our unfair advantage is our grit, is to keep going despite the racism, the elephant in the room that I'm thankful that this year we're able to not have to skirt around it anymore, that we can just call it what it is. So I wanted to set that context.

I've been in the tech startup and venture ecosystem for over 20 years and thankfully with some of the luck and success and company building I've been able to have, it's been that access that's afforded us the opportunity to start Opportunity HUB, now our foundation, and also our venture fund. So Opportunity HUB is an aggregate of several different businesses. So we're a parent company, an ecosystem building company. I know you hear a lot about that respective word. And ultimately we have four different businesses today. We've been building this company for seven years as a social enterprise. And what we're addressing is how can racial equity be created in what we now call the future of work or the fourth industrial revolution, particularly because 60% of net new jobs are coming from (inaudible) technology startups there.

So we have a school, for lack of better words, we've helped over 350 people adult learners re-skill as software developers, now cybersecurity, now technical sales, now block chain. We have a talent agency. My mentor is Janice Bryant Howroyd, founder of ActOne Group. The first Black woman to build a billion dollar company. I call her my mentor, she calls me her mentor. We have a business that runs startup programs, similar to like the Rise of the Rest, the $2 million pitch competition that we just saw as well. And our newest company is called Equity District. It's the wholly owned subsidiary of OHUB here we form public-private partnerships with cities, their economic development arms, you know, their city councils, their chambers to build inclusive innovation economies from the ground up.

I'll pause there. What I would say some of the challenges that I see, you know, from my lens and vantage point, Ty, are when you look at Black in tech, or in the startup world or in the venture world, one of the challenges is that we're still existing in what I call an outlier state. We haven't created enough density in U.S. cities at the hyper local level, but also at the national level that would normalize Black people building tech startups and raising capital or getting contracts. Because ultimately capital is a means to an end. I know we focus a lot about capital, but ultimately I'm sure all of our founders that we accelerate and others around the country would rather trade contracts over capital because it's non diluted. And I'll talk a little bit more about really when we talk about wealth creation in Black businesses, while however customer acquisition is important, understand that wealth is created on the cap tables.

And I'll pause there. And thanks for listening.

MS. BOYEA-ROBINSON: So many juicy nuggets. I'm so excited to dig a little deeper. And I love what you shared, Rodney, especially around if you think about one of the key performance indicators of 15/55 it's how are you converting more Black businesses into these high growth areas.

And I see a similar thread with that with you, Darrin, when you mentioned your grow, build, attract, and create. You know, creating Black businesses, thinking about the data that Andre shared on the under representation in these high revenue areas. So I think that's an amazing strategy. I'd love to actually dig a little deeper with you. You mentioned corporate has been a huge partner of yours. I would love to hear how corporate and procurement is helping really fuel some of this group.

MR. REDUS: Yes, thank you, Ty. Yeah, it's super important. For some additional context, when this initiative was created, again launching back in 2003, it was really the business community that really came together, led by our corporate CEOs. And it was not accidental that this initiative was housed in the Cincinnati Chamber as the mainstream of the Chamber where all the corporations and such reside, if you will. So that access to that board meeting every month, month after month, to have the access to and strategy around making this work successful, that intentionality matters.

And so very much a commitment to working with the CPOs of our corporate partners. There is regular and ongoing sort of supply chain analysis, spend analysis, really understanding where the money is being spent throughout the corporations, looking throughout the supply chain, where are there opportunities for growth. Certain sectors, of course, where we see little if any minority business participation. And, in fact, that same spend analysis will then inform gaps. And so those gaps further than inform things like our create strategy. So if we do not have minority firms in various sectors that are specific to certain supply chains, how might we look to acquire some of those types of companies because of the reality of so many existing. Two of the $50 million companies in this country without succession plans. And so that spend analysis very much informs sort of the broader base of the strategy.

So that intentionality, ongoing work with our corporate partners, he commitment from the top of the house of our corporate leaders to drive it is super important. And it has to be ongoing. Of course there's a lot of natural turnover in corporations, and so this has to be something that is sustained year after year. So, again, being able to house this work in the Chamber of Commerce — so, again, I can't stress enough, most minority serving organizations, theoretically speaking, if you are on the outside trying to knock their way in to mainstream business. So when you are a part of the Chamber in this case and literally every month you have access to the corporate CEOs as part of the board meeting and the Chamber itself has committed itself to the success of the work. I think that speaks to the now 17-year run that this has been on. So that's a huge part of that corporate commitment.

MS. BOYEA-ROBINSON: Thank you, Darrin. And it also underscores one of the other key performance indicators, which is investing in interconnected systems, which is really about having Black business owner — friendly folks. So it doesn't have to necessarily be Black in positions of power and influence, and so that Chamber embedding actually makes sure that the folks at the highest levels, they're responsible for the opportunities as opposed to putting that on the backs of the business owners themselves. So that's powerful.

MR. REDUS: Absolutely.

MS. BOYEA-ROBINSON: Powerful, Darrin.

So let's take one of Darrin's businesses, and assume it's in Detroit, Pamela. And so they have this great contract, they're ready to go. And there are all sorts of barriers for them to actually be able to really even fulfill those contracts.

So you had mentioned earlier that there's a role for philanthropy to play and has paid in Detroit to kind of provide catalytic capital. Could you share a little bit more about what that looks like in your work?

MS. LEWIS: I was on mute. How many times do you say that (inaudible)?

Yeah, I can talk a little bit about that. I also think it's important to understand how networks create access, right. And so the role that philanthropy has played in Detroit is activating and supporting these nonprofits that are functioning as this network. So whether it's Accounting Aid Society or Tech Town or Detroit Development Fund, they're available. And these businesses have a point of entry into that network so that they can grow.

The interesting thing about what Darrin was describing is he's talking about a business. If you think about the rungs on a ladder, he's talking about a business that already is probably four or five levels up on that ladder, right. And it is fascinating and wonderful that the corporate community in Cincinnati are investing in that. And what we've been finding in our community is trying to build those lower rungs on the ladder. And that really has been philanthropy's work. You know, the corporate community has done a lot to provide a lot of access to contracts through the MMS (inaudible). We have tons of — probably some of the more successful automotive driven Black owned businesses in the country, but when you're talking about that micro business, this is where philanthropy has been building.

But there is this virtual cycle between all these and if you allow me to make that connection, I think of someone like Carla Walker-Miller. Carla Walker-Miller is probably one of the 18 utility sector Black owned businesses that Andre referred to, right. But 10 years ago Carla had a micro business. She was a small business innovating and growing and it wasn't easy for her to find the capital and to get the contracts and have the relationships to grow that business.

Now, part of it happened — she's a 100 man business now because — or woman business now because she had the grit and tenacity to see her way through. But what we're trying to do is make sure that the next Carla Walker-Miller, right, is able to have an easier time and not have to fight so hard to find access to capital and relationships, strategic relationships to grow, so that, you know, the Melissa Butlers can come behind her, The Lip Bar, etc.

But the point is that this virtual cycle, you can't — you'd have to also focus on that smaller small because that smaller small could potentially turn into that employer. And what we found is these are the businesses that are primarily employing the local residents and also people of color.

MS. BOYEA-ROBINSON: That's powerful. And just to get tactical for folks who are writing notes furiously from all your great work, does philanthropy — I know you mentioned they do networks but does philanthropy provide grant assistance, capacity building? How do they plug in?

MS. LEWIS: Oh, absolutely. Yeah, sorry for not being clear. I live this every day so I don't always stop and get into the details. At the end of the day we're making grants, right. So you take Detroit Development Fund, which is a CDFI that's providing small business loan capital to businesses. Philanthropy activated Detroit Development Fund. Philanthropy made a grant to activate the venture program at Invest Detroit. Philanthropy made a grant that allowed Tech Town to build its capacity to provide practical assistance to these businesses. It didn't come from government and it didn't come from private industry, it came from Kresge and Ford and Knight and Hudson Webber and Wilson and all those others. But what they did, they didn't do it as one offs, they did it as a collective themselves. So these foundations came together as a collaborative, funded NEI, that became the intermediary to make these grants. And not only making grants, but also building a community so that these organizations don't operate in silos, but they see themselves as part of a broader network. So they know each other, they understand what each other are doing, and they can refer and help a business navigate. Because if I at Accounting Aid Society or Build Institute and a company has come to me for help and now they need capital, you know, April Boyle and Regina Campbell at that organization can refer them to Michigan Women's Board that has the micro finance capital for that business to get money from. So it works like that.

Sorry I didn't take the time to explain those details earlier.

MS. BOYEA-ROBINSON: Well, that's what I'm here for, to pull out all those nuggets.

MS. LEWIS: Pull it out.

MS. BOYEA-ROBINSON: Pull it out, yes. And also I kind of want to fine point a couple of things that you mentioned. You know, part of the reason why investing in Black businesses are so powerful, if you think about closing racial wealth gaps, you can't say that you're committed to that if you're not invested in Black businesses because Black businesses owners are actually 12 times wealthier than their non-businesses owner peers. And not just in Detroit with the hiring local folks, but actually one in five Black people are hired by Black businesses. So if you really care about this work, this is actually an under invested tool in philanthropy. And I was proud to be part of investing in New Economy Initiative in one of my former roles at Living Cities, so it's great work there.

So they've laid a really lot of great groundwork for you, Rodney. And I know you have a big brain, you have all sorts of investments yourself. But you kind of step back and you say, hmm, what will be the policy implications of that. So if president-elect Biden tapped you on the shoulder today and said, Rodney, tell me, what are the policy changes I need to have more Cincinnatis and Detroits, what would you say?

MR. SAMPSON: That's a big question. You know, what's interesting, when president-elect Biden and Vice President-elect Harris where then candidates, I worked with the presidents of the Divine Nine, the national Pan-Hellenic Council —specifically with the Grand Basileus of Omega Psi Phi Fraternity — incorporated, which I am a 27+ year member of. And we worked on a letter to the campaign outlining three specific areas related to racial equity based policy formation in a Biden-Harris administration. And it captured some of the work we did with Brookings over the summer on spurring equity — or through equity in tech ecosystems hyper locally how to spur economic recovery, which brings us here today.

And if think about over presidential administrations, I remember — some of you remember empowerment zones, right. Some of you remember points of light. You know, it seems like every president had a hashtag. They didn't have hashtags then, but we'd hashtag them now. This last administration took credit for opportunity zones, but we know that was initially ideated in the Obama administration. I don't think it was executed with the intent — when I talked to like to a Steve Glickman and those who helped — Sean Parker — who helped to bring that to fruition.

So I would like to see this administration adapt our model for equity districts. And equity districts would be ecosystem building initiatives that will be launched hyper locally that would not just focus on traditional economic development of attraction and retention, but of innovative workforce development with skills of the future, and new venture creation up and down what we call the stack. And that stack is from micro business to, you know, new forms of energy. You know, the gamut. Because when Black people are allowed or given the opportunity to build without bias and racism and the resources are there, we change the world, we change the planet.

So, number one, equity districts. Number two, I would very quickly do work with congress — that's why the Georgia election is incredibly important, y'all — work with congress to amend the opportunity zone legislation that's in the last tax bill to ensure that more Black owned — incentivize investors to invest in more Black owned operating companies that are actually operating in opportunity zones. Because right now we hear a lot about how opportunity zones help Black people, but they only help the people with capital gains. And because most of that money is going into real estate projects, it's really accelerating regentrification.

Finally, I believe that it's time for our nation to have a national tuition financing vehicle for accelerated re-skilling. I think it's incredibly important to get folks into cybersecurity skills, into software boot camps, technical sale skills. And then finally this nation should have its own equity fund. I hear a lot about debt. Debt is important, but a lot of people from poor communities can't borrow debt because they can service the loan. And so I think we need an equity vehicle that can be forgivable, because we do understand there's risk there. But we definitely — we counted the cost. It was $26 billion in the Brookings report — $15 billion to re-skill 1 million Black Americans for the future of work and $11 billion to fuel Black owned incubators, accelerators, ecosystem building organizations, entrepreneurship support programs, and the companies that come out of that.

A little long winded, but you said he tapped me on the shoulder, so I —

MS. BOYEA-ROBINSON: Yup. You know what, if you got that mic, you gotta hold the mic, you gotta give it to them. (Laughter)

Pamela, I think you had a couple of suggestions.

MS. LEWIS: Yeah. If I could jump in. I want to deal with what I believe is — what I call low hanging fruit. So just bear with me while I set this up. So the average small business in the country –– the majority of them are under 10 employees. If we talk about businesses owned by people of color, Black businesses in particular, they're usually under 3 employees. And the revenue of those businesses on average is not that large.

Now, let's go to the SBA 7a lending program and let's talk about pre-COVID, not CARES Act, this is 2019 data. Of the $20.8 billion that were loaned, the average loan size was $350,000. That means those loans are going to very large small businesses. And then although did fare pretty well with a third of that money going to women owned businesses, Latinx businesses only saw 6% and Black businesses only saw three. And the Community Advantage Program that is designed for the most underserved communities in the country, whether it's an inner city or rural community in northern Michigan, only saw 1% of those dollars go through.

So I'm starting to wonder if there's a design problem and if some of the SBA lending programs are designed for that larger small business, because we define it from 1 to 1,000 — or 500 and we're missing out on some innovation that could happen with that micro business that can begin that journey to build, because that's where, like we talked about, the employers for residents, wealth building for individuals, and the civic leadership that comes out of those business owners as they grow and how they engage in civic community.

So that's my low hanging fruit.

MS. BOYEA-ROBINSON: Awesome. And, Pamela, that design flaw was on display in crazy proportions during PPP.

MS. LEWIS: That's right.

MS. BOYEA-ROBINSON: But it's this same mindset and infrastructure that sets that up. Darrin, you don't want to be left out.

MS. LEWIS: Go ahead.

MS. BOYEA-ROBINSON: Darrin wants to jump in.

MR. REDUS: Please don't leave me out of the policy conversation. Absolutely. So —

MS. BOYEA-ROBINSON: Oh, no, Darrin. You muted yourself. Unmute yourself. You got so excited.

MR. REDUS: Uh oh, I got entirely too excited. Let me calm down.

I definitely want to build on the comments on the policy piece. In a couple of particular areas, real quickly, you know, I've seen a lot of tax credits over the years to incentivize investment and be that angel funds and things of that nature. And so as we learn some lessons there, how might we look at tax credits for investors either directly in minority businesses or in minority focused funds. So building on that tax credit approach to provide additional incentive for capital.

And picking up on the piece that Rodney mentioned about re-skilling. If you think about –– we talk a lot about high growth and venture backed and industries of tomorrow, etc., but you start unpacking that, advanced materials, advanced energy, power and propulsion, robotics, AI, you know, healthcare, all these emerging industries. And you look at in so many cases just the workforce alone of so many of these tech and high growth industries, the workforces are in and of themselves inclusive. And so we know that so often entrepreneurs are first workers in industry before they spin out as entrepreneurs. So if our venture backed industry, all the ones that I mentioned and many others, don't even have diverse workforces, how can you then have a future of minority workers spinning out in those sectors as entrepreneurs. So how do we think about building on the re-skilling piece, credentialing folks. In so many cases it's not about necessarily the advanced degrees, but the skills to work in some of these sectors. And so this credentialing pathways to some of these high growth sectors I think is a very important piece of looking at high growth entrepreneurship long-term.

MS. BOYEA-ROBINSON: That is awesome. There's so much meat there, but I am going to open it up now to questions. So we have a few questions from the audience that we received ahead of time. And if folks have other questions you want to put in the chat, we'll go from there.

So I am going to move to a question we have about what state government programs have been successful at spurring additional capital availability for CDFIs or banks or credit unions to start businesses.

I'm going to actually start with you, Pamela, because you mentioned CDFIs in some of your earlier conversation.

MS. LEWIS: Yeah. State and municipal capital have supported CDFIs. I mean whether it's through — just for example, a very recent example, if you look at what happened with the COVID pandemic and how the state moved tons of grant capital actually through our local EDO to support thousands of small businesses across the state. The DEGC received quite a bit of that. And they also added to that, community block development grant dollars — CBDG dollars, to that. So those are all public source dollars that are being used as grant capital.

Then you have state capital also being considered in a lot of our venture funding through the CDFIs. Invest Detroit that has the venture lending and investments. The MEDC, Michigan Economic Development Corporation has capital in there and they also have been tapped to support loan loss reserves.

So the state is at play. I think when you start to peel back the amount of that compared to where those dollars are typically focused, they're typically focused on that tech venture innovation growth side, not so much on the smaller small business side, but it's not like they're not in motion. But the mayor has done a good job of being really creative with a lot of his programming. The Motor City Match Program, where they're using public funds to — and philanthropic funds — to help businesses pull down dollars to renovate spaces and update their retail spaces. We do see it at play there too.

MS. BOYEA-ROBINSON: Thanks, Pamela.

Darrin, Rodney, anything you'd add before I ask the next question?

MR. SAMPSON: I would like to add, I've been encouraged by some of the — to Pam's point, the state led venture funds. There's one in Georgia, definitely Maryland has done work there, Hawaii has done work. But the same incredulous statistics of Black founders accessing that capital are the same or worse, you know. Here in Georgia our general assembly appropriated $100 million to invest in venture funds. One of the funds I helped to start here got a million bucks, but when you look at the rest of that money and resource, it hasn't gone to Black funds or Black founders.

So it's one thing for the structure to be there, but if the people who are getting the jobs to help deploy that capital still haven't embraced racial equity and parity as a precedent of what we call DEIS, diversity, equity, and inclusion solutions, then the capital is not going to reach the people who need it the most.

MS. LEWIS: Yeah. I agree with that. And that's why it's been — I think in Detroit what's been unique is we've seen that state capitol coming up with philanthropic capital and this whole push around inclusion that's coming from the philanthropic funding. And so that's why you have an Invest Detroit that's not only having higher %age of who they're investing in through that capital, but also they're hiring people of color. Because that has been a conversation for the last 10 years. Darrin was a part of this when he worked with us in Detroit years ago where this whole notion around it's not just about who you help, but who are you hiring. And we've seen a lot of our nonprofits start to diversify their own staff, particularly those that are handling dollars. It's been very important. Good point, Rodney.

MR. SAMPSON: Just to add a quick fine point to that, in the interest of time, I would also just mention that in Ohio, you know, the state of Ohio has an Ohio Third Frontier program that has really been instrumental for a decade plus at this point and really catalyzing the ecosystems across the State of Ohio. And so it is a program that has really been instrumental in so much of this entrepreneurship work.

MS. BOYEA-ROBINSON: I want to tie a couple of these things together. So when you think about 15/55 as the outcome, because there's so many different outcomes that you could think of for business growth, the points that are raising now about job growth is actually a powerful one for the indicator for business growth. And so it kind of ties in all of these disparate pieces. You've got economic development, you've got employees and their wellness and the future of work. And then you also have the kind of capital and ecosystem.

And, Rodney, I want to kind of underscore the point that you mentioned too. One of the other pieces about making sure that capital is landing in a way that's racially equitable is key performance indicator 15/55, is assets under management controlled by Black institutions and Black individuals. And, Pamela, one of the things that philanthropy can do to do that is actually leverage their impact investing capital, their corpus, their endowment, to actually make more investments in these types of institutions. And you're seeing that nationally now.

But it's just starting. So it's awesome to see how all of these are pulling together.

Oh, my gosh, we have so many questions and not much more time. Let me see. I think I'll end it with actually, Darrin, you answering this question. Any COVID recovery tips for Black executives that you're seeing right now? We've talked a lot in the macro level, but we haven't spent tons of time on COVID. So let's close out with some wisdom there.

MR. REDUS: Yeah. I tell you, one of the things that has been really evident is that because our primary focus at the Accelerator, as mentioned, is on larger scale African American — in this particular conversation, African American firms, we saw tremendous success on things like, you know, the PPP and all of that because our folks have the necessary infrastructure, resources, you know, CFO's, et cetera, to make sure that work got done.

You saw an absolute drop off when you start looking at some of the micros. And so the disparity of the resources for the smaller firms really showed itself in terms of access to — not just the access, but of course out of the gate the banks only in many cases working with existing banking customers. Many of these smaller micros are under banked. And so a lot of those disparities really reared their heads. So making sure that the necessary technical assistance and resources, particularly for the smaller firms, is critical.

So I would say that if nothing else, just — it really may manifest the importance of minimally technical assistance to make sure that people have their financials in order, their records in order, so that when these opportunities come along, they can take advantage of them.

MS. BOYEA-ROBINSON: Thank you. If folks have other questions, you'll have to send them in chat.

I want to close this out. And we will end the way we started. But I'd love for each one of you, Pamela, then Darrin, then Rodney, to just share one sentence you have about how you feel about the future of Black businesses.

MS. LEWIS: I'm inspired by what I see. This is going to be longer than one sentence. But when I think of Gwen Jimmere and her products or Nailah Ellis Brown with her Ellis Island Tea, I see so many Black women doing so much, particularly in the health and beauty sector and in the food sector. I'm just inspired. And it's not just Black women. It's also our Latinx sisters, our immigrant sisters.

MR. REDUS: Yeah, and building on that I would just say encouraged in a big way. I think we see it now, even frankly this panel discussion today and the audience that Brookings attracts to this conversation. This is a different type of response that we're in this time around, if you will, in addressing this. And so I think that we will make a difference this time. I'm very encouraged. I think that the focus on this balance between, as Pamela mentioned, the micros, but also making sure that we have a greater complementary effort on a larger scale on high potential — to the point about the employer firms or the lack of employer firms that Andre mentioned, we've got to do a better job of scaling up more larger scale minority firms. So that intentionality is huge.

MR. SAMPSON: I'll end with a statement that's driven me for over 20 years. A mind without barriers creates ideas without limitations. And I want to speak to us, per se, our community. I believe we have to have a twofold approach. Salute to my friend Daymond John, FUBU — we've got to focus on for us by us, because we all we got. And at the same time we have to push for racial equity inside of an incredibly resourced government, education system, philanthropic system, capital system, etc.

So I'm tired, but I'm inspired. Let's make history.

MS. BOYEA-ROBINSON: Amen. So much thanks in the virtual shout out world to Pamela, to Darrin, to Rodney. As a Black woman business owner myself I am so inspired by your insights and so inspired to work in partner with you.

Thank you, Brookings, thank you everyone who attended and enjoy the rest of your day.

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