



GroundBreak Coalition

Designing Together | Synthesis of Workgroup Design Sprints

Delivered to GroundBreak Coalition on December 6, 2022

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Overview of GroundBreak Coalition October Workgroup Design Sprints

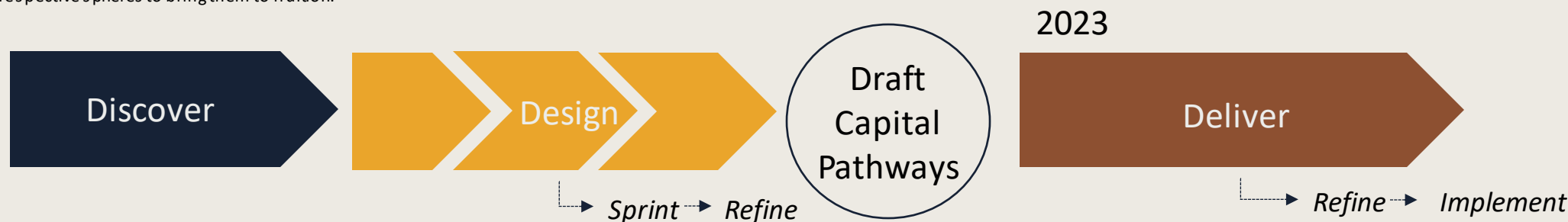
In the fall of 2022, GroundBreak Coalition entered the *Design* phase of the six-month *Discover, Design and Deliver* process. GroundBreak Coalition is a group of corporate, civic and philanthropic leaders committed to regional advancements in racial equity and carbon neutrality. These corporate, civic and philanthropic leaders organized themselves into four workgroups that aligned with their interest and expertise. The four workgroups are focused on advancing racial equity through creating capital pathways in the areas of 1) Rental Housing, 2) Homeownership, 3) Entrepreneurship, and 4) Commercial Development.

GroundBreak Coalition is using a targeted universalism approach, focusing on the communities that are the most marginalized to build better systems for everyone. In particular, at this stage of the coalition, workgroup members are focusing on Black renters, homebuyers, entrepreneurs and commercial developers.

Imagine Deliver, which joined GroundBreak Coalition in August as a facilitation, strategy and project management partner, led the design sprints in partnership with workgroup subject matter experts. The design sprints, which followed a human-centered design methodology, were fast-paced 4-hour, in-person sessions intentionally crafted to focus workgroup members' creativity and knowledge to produce transformative solutions. Each sprint followed this structure:

- Workgroup members learned the purpose of the day: to design capital solutions that will advance racial equity.
- Workgroup members divided into teams and guided them through problem-solving activities that focus on the experiences of the end users, Black wealth-builders, to design better solutions. Subject matter experts hand selected each team to ensure diverse representation of expertise and experience.
- Imagine Deliver gave each team an avatar, whose description served as design requirements. GroundBreak Coalition's end users were represented by avatars with real-world stories and pain points faced by Black renters, homebuyers, developers and entrepreneurs.
- Teams engaged in a series of activities to refine and deepen their capital solution, ultimately building a physical representation of a new or improved solution.

The following report is a synthesis of each workgroup's October in-person design sprint, which aimed to utilize learnings from the *Discover* phase and the September design meeting to draft capital solutions that would inform the final capital pathways. Following the design sprint, subject matters experts from each workgroup will draft capital pathways to deliver to the Steering Committee. The Steering Committee is a group of over 40 leaders whose organizations have agreed to work collectively to close racial gaps in income and wealth through the four major areas. Steering committee members will be champions of the capital pathways in their respective spheres to bring them to fruition.



October Design Sprint Highlights

Rental Housing

October 17th



29 Participants
6 Design Teams | 6 Capital Solutions

Homeownership

October 19th



36 Participants
6 Design Teams | 6 Capital Solutions

BIPOC Entrepreneurship

October 27th



27 Participants
5 Design Teams | 5 Capital Solutions

Commercial Development

October 29th



20 Participants
5 Design Teams | 5 Capital Solutions



Our North Star

Focus areas defined by workgroups to guide their solution designs

Rental Housing

Problem Statement: Black renters, especially those living with incomes at or below 60% AMI, face the greatest rental housing instability in the region. The current housing system does not:

- Produce or preserve affordable rental homes sufficient to meet this need
- Limit extreme rent volatility
- Prohibit long-standing exclusionary tenant practices
- Enable choices in racially concentrated areas of affluence
- Serve as the foundation for a household to thrive

Goal: Close the racial gap in housing stability. Create/preserve ~41,000 units of affordable housing

Homeownership

Problem Statement: Black residents should be able to attain and maintain affordable, sustainable homeownership and build wealth, yet the housing system fails to serve their needs. Current policies, programs and capital processes serve a limited number of households.

Goal: 20,000 new Black homeowners

Commercial Development

Stage

To renovate/update a building

To construct a new building:

- 75-80% cost coverage for construction
- Really good interest <5%
- Long amortization period — 15-20 years

Capital Barriers

- The developer does not have enough cash on hand to maximize funds needed from the bank.
- In our current system, developers typically have a significant capital stack gap to close.
- Current solutions to the capital stack gap require multiple applications and sources over years, with no guarantee to close (e.g. grants, tax credits, PRI, bonding, capital campaign).
- Investors are more attracted to high-risk projects/businesses and not necessarily monetizing community projects or ESG scores.
- The developer cannot guarantee personal property.

Goal: 30 community-led transformative developments

BIPOC Entrepreneurship

Early Stage: <\$250K needed

- Starting up capital (traditionally personal wealth, friends and family)
- Small expansion opportunities and working capital <\$250k (new equipment, additional location, technology, employees)
- Building/land ownership

Growth Stage: \$250K-\$1M needed

- Growth stage capital (traditionally personal wealth, friends and family, bank lending)
- Equity assets that allow for leverage with loans
- Growth investment of patient capital to sustainably grow their business
- Relationships with power brokers, partners and capital holders

Goal: 13,500 additional BIPOC businesses; 20% employing 5+



Summarized Insights by Workgroups

Workgroup	Highlights
Rental Housing	<ul style="list-style-type: none"> • Streamlined funding with new funding streams: Working groups proposed solutions that would facilitate transformational alignment between lenders and public/private funders to reduce costs, time to completion and uncertainty. They also proposed an array of evergreen funding streams to maximize production from existing resources. • Focus on Black renter wealth and other, less restrictive supports: Workgroup members dreamed of solutions that would allow Black renters to build wealth while renting and having access to a range of needs beyond housing, such as healthcare, childcare, eldercare, and job training. • Innovatively addressing deep affordability: Working Groups ideated on innovative ways to raise and target capital to address deep affordability, from Pay for Success-like, Guaranteed Rental Income bonds and tax credit programs.
Homeownership	<ul style="list-style-type: none"> • Programs that support affordable homeownership: Workgroup members across teams wanted to make purchasing a home attainable for Black homebuyers through a robust catalog of programs such as down payment assistance, home repair funds and short-term forgivable loans. • Collaboration between lenders and funders to fill funding gaps: Workgroup members leveraged different types of funders such as philanthropies, government and financial institutions to fill gaps in existing services and programs or create new program.. • Leverage existing resources for program sustainability: Workgroup members envision a network of systems, both new and existing, that systematize home purchasing across the board for prospective homeowners in a transformative way.
BIPOC Entrepreneurship	<ul style="list-style-type: none"> • Collaboration between lenders and funders to fill funding gaps: Workgroup members imagined designs that polled or layered funding sources from CDFIs, government, philanthropists, private individuals and large corporations to bridge funding gaps on entrepreneurial expenses. • Flexible terms to prioritize choice and autonomy for entrepreneurs: Workgroup members designed capital solutions with flexible terms and less restrictive eligibility requirements. This would allow entrepreneurs to choose which financial package is right for the type of business they own. • Streamlined processes to accelerate resource deployment: To help with the decision-making process, teams designed solutions with mechanisms that allowed for a single, central application that granted access to many resources across sectors. This application would make the deployment of resources quick and easy for entrepreneurs.
Commercial Development	<ul style="list-style-type: none"> • Collaboration between lenders and funders to unlock more funding: Workgroup members imagined gathering different types of funders such as CDFIs, banks, government entities and foundations to work together to pool their capital. • Financial solutions that fuel long-term impact: Workgroup members envision ways capital gains could be reinvested into a developers' fund to help sustain and grow the fund. To keep funders interested in contributing to the fund long term, workgroup members offer a guarantee backed by the government. If a developer defaults on the loan, that money isn't lost; it's filled in by the government. Providing a guarantee for investors was a key component of this theme. • Reinvest locally through community ownership: Workgroup members designed solutions where equity gained from capital would be partially redirected to fund non-development related resources for the local community such as healthcare. As a part of this solution, developers who commit to building infrastructure that supports the local community would be prioritized for funding.





Considerations for infusing equity into every solution for Black wealth-builders

In the process of developing the solutions and prototypes outlined in this report, workgroup members discussed the ways in which systems and system leaders would have to change to infuse equity into every product and service. The following equity considerations should be integrated or explored while advancing these solutions or prototypes through testing and implementation.

- **Creating solutions for those with the lowest income range:** When exploring solutions for increasing wealth, oftentimes those at the lowest end of the income range are left out of beneficial programs. For Black Minnesotans with brilliant potential, but are unhoused, have a disability, have a criminal record, or living at or below 30% AMI, access to capital for entrepreneurial endeavors may be their best option for creating a stable and wealth-building future. These groups have likely been pushed out of traditional job markets and require more creative resourcing avenues.
- **Ensuring loan qualifications are Sharia-compliant:** Getting any kind of loan can be a challenge for Black Muslim residents of Minnesota. Efforts to get an accurate count of Black Muslim Minnesota residents is difficult, community members cite fear of surveillance as a primary concern. Using a combination of state and federal data sources, we've estimated that about 17% of Black residents of Minnesota are also Muslim, which is likely an underestimate. Traditional money lending such as mortgage loans, student loans, business loans, and commercial development loans utilize interest as a profit generator for the lender. Because of Islamic rule, paying interest on money borrowed or receiving interest payments from money lent (referred to as ribaa) is prohibited. Sharia-compliant loans can be complex but working with experts such as members of The Assembly of Muslim Jurists of America will help ensure loan access and access to special programs like down payment assistance are informed by religious rules.
- **Fundamentally changing how lenders perceive risk:** Offering financial guarantees to mitigate perceived risk for lenders helps with lender buy-in for these assistance programs but does little to change the way financial institutions perceive Black borrowers without a plan to address the root causes of this false perception. Historically, financial institutions have perceived Black borrowers as inherently risky when it comes to loan approval and establishing interest rates. It is apparent through the language and subsequent actions of financial institutions that work with Black borrowers that the perception persists.
- **Establishing a community informed feedback loop:** These solutions have the potential to transform the ways in which Black residents of Minnesota build wealth, and they should have a viable line to decision makers to receive updates and provide feedback when practical.
- **Reconciling centuries of harm:** There have been major events and developments in the state that have benefited from the wealth generated by chattel slavery, barred Black Minnesotans from building wealth with practices such as redlining, or disrupted wealth-building opportunities through the construction of I-94 and 35-W interstate highway systems. Products and services that come out of this effort may be seen as disingenuous without some effort to acknowledge and meaningfully rectify historical damage done to Black residents of Minnesota.





Rental Housing

How might we build wealth for Black renters through rental housing in a way that will endure?

Meeting Overview and Insights

Overview of our time together

On October 17th, the rental housing workgroup convened for a half-day, in-person design sprint to build transformative capital solutions in partnership with their ecosystem peers.

Ethrophic Burnett, City of Minneapolis; Dr. Eric Anthony Johnson, Aeon; Aarica Coleman, City of Bloomington; and Shannon Smith Jones, Hope Community kicked off the sprint by sharing their personal stories navigating rental housing and their perspective on potential solutions. They also challenged their white colleagues to join them in dismantling the inequities baked into the rental housing system.

As a creative thinking warm-up, workgroup members ideated on ways the State might invest its \$12 billion surplus to support Black renters. Ideas ranged from investing in Black developers so they can build and preserve energy-efficient, dignified units in desirable neighborhoods to infusing large sums of money into rental subsidies. See Appendix A for more ideas.

For the remainder of the day, workgroup members spent time with their design team, preselected with diverse sector representation, to design a solution that builds wealth for Black renters in a way that will endure.

Each team selected a solution category that was informed by the last 6 months of workgroup ideation and refined by the workgroup's subject matter expert staff team. Teams chose and designed solutions in the following categories:

- Unit supply: solutions to increase the supply of available housing options for renters through new construction or preservation
- General income support: solutions that honor renters' knowledge of how best to use their income
- Funding for supportive services: capital provided for existing services that support renter success
- Comprehensive housing income services: a solution to provide direct and flexible support to renters under 30% of the average median income (AMI)

Teams designed solutions specifically for their end users, represented by avatars. All solution designs had to meet the following criteria:

- Be accessible to their avatar
- Not require a shift of federal policy or dollars
- Include private, local/state government and/or philanthropic dollars

By the end of the day, workgroup members designed 6 unique capital solutions that create a robust system of support, put fewer restrictions on financial support, are sustainable for long-term impact, and more that will be highlighted in the following pages.



Designing for our end user

To design solutions that are grounded in the realities of the rental housing system's end user, Black Minnesota renters, Imagine Deliver partnered with each workgroup's subject matter experts to create avatars, or personas. Imagine Deliver assigned each team an avatar with different characteristics and design constraints representing real-world challenges that their solution needed to overcome.



Team 1: The Believers

Name: Brian | **Gender Pronouns:** He/Him
Cultural Background: Black / African American
Age: 26 | **Marital Status:** Married |
Dependents: 2 | **Income:** \$30,000 | **AMI Range:**
 Under 30% | **Education:** Some High
 School **Occupation:** Retail Worker



Team 2: The Justice League

Name: Sahra | **Gender Pronouns:** She/Her
Cultural Background: Black / African American
Age: 24 | **Marital Status:** Single
Dependents: 1 | **Income:** \$45,000 | **AMI Range:**
 40% - 50% | **Education:** High School |
Occupation: Teacher
Other Info: Living with a Disability



Team 3: The Ruminators

Name: Ibrahim | **Gender Pronouns:** He/Him
Cultural Background: Black / East African and
 Muslim | **Age:** 45 | **Marital Status:** Single
Dependents: 0 | **Income:** None - Applying for
 Benefits | **AMI Range:** Under 30% | **Education:**
 High School | **Occupation:** None Currently
Other Info: Living with Substance Abuse



Team 4: Mold Breakers

Name: Alex | **Gender Pronouns:** They/Them
Cultural Background: Black / African American
Age: 52 | **Marital Status:** Single
Dependents: 5 | **Income:** \$37,000 |
AMI Range: 30-40% | **Education:** Some College
Occupation: Restaurant Worker



Team 5: The Wakanda Black Panthers

Name: Shanique | **Gender Pronouns:** She/Her
Cultural Background: Black / Afro-Caribbean
Age: 42 | **Marital Status:** Married
Dependents: 3 | **Income:** \$65,000
AMI Range: 50-60%
Education: College | **Occupation:** Marketing



Team 6: The Eagles

Name: Fatuma | **Gender Pronouns:** She/Her
Cultural Background: Black / East African and
 Muslim | **Age:** 35 | **Marital Status:** Single
Dependents: 7 | **Income:** \$72,000
AMI Range: 40-50% | **Education:** Some High
 School | **Occupation:** Entrepreneur



Cross-pollination

Cross-cutting themes shared across rental housing workgroup teams

Workgroup members were divided into teams with the task of designing solutions ranging from offering general income support to developing or preserving unit supply for Black renters. Each group crafted unique ideas, but many shared similar elements across their solutions. Overall, rental housing teams coalesced around the need and opportunities to focus on Black renter wealth and other, less restrictive supports, streamline funding with new funding streams and innovatively address deep affordability. Common themes included:

- **Focus on Black renter wealth and other, less restrictive supports:** Financial assistance that had too many guidelines for eligibility or too many restrictions on what the capital could be used for were major pain points that all teams wanted to solve. Teams designed solutions that would allow Black renters to access capital quickly and leverage it for a range of needs beyond housing such as healthcare, childcare, eldercare, and job training. Financial support with no strings attached sends a message that systems trust Black renters to know how to best utilize money to support themselves. Teams suggested that this financial support be distributed through universal basic income and/or a tax credit similar in form to the federal child tax credit program.
- **Streamlined funding with new funding streams:** Teams across the workgroup envisioned a highly connected and collaborative network of funders that spans corporations, philanthropies, angel investors, state/federal governments and financial institutions to fund solutions that allow Black renters to thrive. These funders would work together to get capital to Black renters in a way that best fits their needs, whether that be in the form of direct financial support through universal basic income or pooling funds for grantmaking. They also proposed an array of evergreen funding streams to maximize production from existing resources.
- **Innovatively addressing deep affordability:** Creating self-sustaining solutions was a top priority for all teams. Teams designed programming that would generate equity for distribution to the local community or reinvesting into a collective community fund. Some teams offered policy solutions to generate more capital for these programs such as the taxation of legalized adult-use marijuana. They also brought forth innovative ways to raise and target capital to address deep affordability, from Pay for Success-like, Guaranteed Rental Income bonds and tax credit programs.

In addition to the core elements above, multiple workgroup members emphasized the importance of housing options in Black renters' desired neighborhoods, dignified housing and funding initiatives that firmly don't allow renters to abruptly lose financial support, also known as benefits cliffs.



Prominent Solution Elements Across Teams

Core Solution	Solution Elements
Team 1: The Believers Solution Category: General Income Supports Solution Name: Universal Basic Income	<ul style="list-style-type: none"> • Flexible Financial Support: Capital support that has generous terms that favor Black renters, particularly those under 30% AMI and that gives Black renters the power to make their own financial decisions • Public/Private Partnership Funding: Cross-sector collaboration to generate capital from funders such as corporations and philanthropies • Funding in Phases: Funding that is deployed in stages across the life of a program. This will help corporations, philanthropies and other entities identify funding gaps. • Financial Sustainability: Options for long-term funding (re)generation such as tax revenue from legalized marijuana for adult use
Team 2: The Justice League Solution Category: Unit Supply (New Construction or Rehab) Solution Name: A Large Pool of Money	<ul style="list-style-type: none"> • Public/Private Partnership Funding: Cross-sector collaboration to generate capital from funders such as corporations and private investors • Resourcing Stakeholders from Collective Fund: A collective fund with loans with agreeable terms for developers that is funded by corporations and private entities • Rigorous Developer Screening – An established criteria for evaluating developers' proposals that prioritizes developers with rigorous plans to create wealth-building opportunities for the Black community. Additionally, developers would make a good-faith effort to find tenants through working with social services in the medium term and designing projects that attract tenants in the long term
Team 3: The Ruminators Solution Category: Comprehensive Housing Services Solution Name: Direct Flexible Support	<ul style="list-style-type: none"> • Direct Support to the Individual: Funds that are deployed to individuals for non-housing related needs • Flexible Financial Support: Less restrictive capital for Black renters with generous terms to favor renters, particularly those in the AMI range under 30 %. • Grant-funded: Programs and initiatives that are supported by grants versus low-interest loans or forgivable loans • Strengthening Existing Resources: Pathway to scaling, financing and filling service gaps of existing programs
Team 4: Mold Breakers General Income Supports: State Tax Credit	<ul style="list-style-type: none"> • Flexible Financial Support: Less restrictive capital with generous terms to favor Black renters, particularly those in the 30% to 40% AMI range • Public/Private Partnership Funding: Cross-sector collaboration to generate capital from funders such as corporations and philanthropies • Slow Phase-Out – Graduated benefits offloading as program eligibility changes to avoid a "benefits cliff"
Team 5: The Wakanda Black Panthers Solution Category: Unit Supply (New Construction or Rehab) Solution Name: Holistic Savings Program	<ul style="list-style-type: none"> • Long-Term Financial Stability: Programs designed to build Black renters' overall financial resiliency such as a savings match program, particularly for those in the AMI range of 50-60% • Public/Private Partnership Funding: Cross-sector collaboration to generate capital from funders such as corporations and philanthropies • Financial Sustainability: Options for long-term funding (re)generation such as reinvesting equity gained from mixed housing developments
Team 6: The Eagles Solution Category: Funding for Supportive Services Solution Name: wraparound Support for Renting Without Cliffs	<ul style="list-style-type: none"> • Direct Support to the Individual: Funds that are deployed to individuals for non-housing related support • Public/Private Partnership Funding: Cross-sector collaboration to generate capital from funders such as corporations and philanthropies • Housing Subsidy: Programs designed to give Black renters dignified housing and the ability to stay in their preferred community • Financial Sustainability: Options for long-term funding (re)generation through private investments



Designing Transformative Solutions

Workgroup members created a physical model of a universal basic income program allowing Black renters to make their own financial decisions



Physical model of 'universal basic income'

Team 1: The Believers

Solution Category: General income supports | **Solution Name:** Universal basic income

The Believers designed a capital solution focused on general income support through universal basic income for Black renters. The team's approach considered diverse funding streams for programs that will provide direct support to Minnesota residents, particularly those like Brian who are below 30% of AMI and have family to provide for. The core premise of the Believers' solution was to put cash in the hands of the people who need it the most and then release power by trusting renters will invest the money in their homes, their families and themselves. The universal basic income model offers flexible funding for Black renters, like Brian, to address their non-housing related needs. The ability to use this income for expenses such as healthcare, transportation, childcare and other necessities directly affects their ability to not only remain housed but also address their basic needs so wealth creation is possible.

To fund their solution, the Believers built a capital stack with interdependent phases. Phase one activated public and private partnerships through a combination of philanthropic dollars and corporate donations. In phase two, financial institutions would contribute to the initial fund spearheaded by philanthropies and corporations. Ultimately, the Believers wanted to ensure that funding for the programs they envisioned were sustainable. Generating income from the taxation of legalized marijuana is a potential solution for creating long-term financial viability for these programs.

Workgroup members offered feedback on the Believers' universal basic income model for consideration, such as:

- Wishing the solution included a philanthropy spend down approach
- Wondering how the funding model will be transitioned and deployed by the government



Brian | see slide 9 for details



Designing Transformative Solutions

Workgroup members created a physical model of a unit supply solution so Black renters can have sustainable rental housing options



Physical model of "a large pool of money"

Team 2: The Justice League

Solution Category: Unit supply (new construction or rehab) | **Solution Name:** A large pool of money

The Justice League's solution focused on unit supply for Black renters like Sahra, who is between 40% and 50% AMI. To increase rental unit supply, the team underscored the importance of having access to a large pool of money through a collective fund. This collective fund would be initiated by public and private partnerships, with investment from philanthropies, corporations and private investors. The fund creates opportunities for borrowers to access additional avenues for below-market loans and grants. Most of this funding would go to developers to increase unit supply. Developers interested in accessing this fund would need to meet certain criteria and pass a rigorous screening and verification process. The screening would need to include a proof of concept that ensures the developers' goals ultimately align with creating wealth-building opportunities for the Black community. For example, the developer's goals might be to reduce rental prices as a means for renters to invest more of their disposable income. Additionally, developers would make a good faith effort to find tenants by working with social services in the medium term and designing projects that attract tenants in the long term.

The Justice League's solution creates more choices for tenants by ensuring long-term affordability of rental units as well as creating ownership opportunities for Black renters. For end users like Sahra, who is under 25 years old with a dependent, having more affordable choices for housing allows her to build capital reserves that may not have been possible had more of her income been directed toward housing.

Workgroup members offered feedback on The Justice League's large pool of money model for consideration, such as:

- Wishing to hear more about the developer criteria and the return on investment for investors.
- Wondering how to incentivize low-cost capital and private sector participation; wondering about the flexibility of state and local government to participate in a fund; wondering how to make the source of money perpetual; wondering about previous and current barriers to preventing this solution from coming to fruition; wondering what the potential burden of proof on developers might look like; and wondering how the current terms differ from what currently exists.
- A consideration for the associated due diligence process to be as simple as possible.



Sahra | see slide 9 for details



Designing Transformative Solutions

Workgroup members created a physical model of direct flexible supports so Black renters can have sustainable rental housing options



Physical model of 'Direct Flexible Support'

Team 3: The Ruminators

Solution Category: Comprehensive housing income services | **Solution Name:** Direct flexible support

The Ruminators' solution focused on comprehensive housing income services for Black renters like Ibrahim, who is below 30% AMI. The team saw housing as an essential component of their solution, but focused first on a multipronged approach to address barriers to stable housing such as chemical dependency and lack of access to upskilling. They built a 3D representation of what wraparound support services might look like for future renters like Ibrahim. The Ruminators imagined access to these support services would be coordinated with the help of a service navigator. The key components of this solution were independence, choice and autonomy. Returning the power of choice to the Black wealth-builders is an important step in cultivating an environment of trust between systems and those who navigate them.

The Ruminators' solution leveraged existing resources by programmatically knitting together an ecosystem of support for their end user. Funding would go toward making existing programming more efficient and new programming to fill service gaps. Funding for this ecosystem of programs, as well as the navigators, would come from a combination of philanthropic and government dollars.

Workgroup members offered feedback on the the Ruminators' direct flexible support model for consideration, such as:

- Wishing for the solution to include ideas about service payment models outside of grants; for more philanthropic support; and more information on the avatar's current living situation.
- Wondering about how GroundBreak Coalition might show up for end users like Ibrahim; how private capital could factor into the equation; if some of the solution could be capitalized as operating reserves.
- Consideration for the solution to increase supportive housing to center services differently.



Ibrahim | see slide 9 for details



Designing Transformative Solutions

Workgroup members created a physical model of a state tax credit so Black renters can have a consistent safety net



Physical model of 'state tax credit'

Team 4: Mold Breakers

Solution Category: General income supports | **Solution Name:** State tax credit

The Mold Breakers' solution focused on general income support through state tax credits. This team's model highlighted, and in part solved for, the financial volatility that can come with working a low-wage job. The Mold Breakers imagined Black renters like Alex, who are living at between 40% and 50% AMI with multiple dependents, would have guaranteed income issued through a model like the way that government bonds currently operate. In addition to this guaranteed income, end users would be able to access an annual tax credit that is like the current annual child tax credit. This would be immensely impactful for renters like Alex, who have multiple dependents on a \$37,000 annual income. A key component of this solution is that the funding would remain flexible, with very few restrictions on how the funds could be used.

The Mold Breakers were particularly concerned about the "benefits cliff" that can happen to families when their program eligibility changes abruptly. To circumvent this concern, their solution would implement a "slow phase-out" of the tax credit as dependents turn 18 and/or leave the household. This means that the tax credit amount gradually decreases over a predetermined period, allowing the end user to make the appropriate financial adjustments. In terms of financing, the bonds that fund the guaranteed income would be financed through a combination of public and private dollars.

Workgroup members offered feedback on the Ruminators' direct flexible support model for consideration, such as:

- Wishing that the solution had less debt involved and more grants from philanthropy
- Wondering if there were ways to improve the solution like making it universal by reducing means testing; using a bond instead of a tax credit; how to incentivize tax credits or access government funding



Alex | see slide 9 for details



Designing Transformative Solutions

Workgroup members created a physical model of a unit supply solution so Black renters can have sustainable rental housing options



Physical model of 'holistic savings program'

Team 5: The Wakanda Black Panthers

Solution Category: Unit supply (new construction or rehab) | **Solution Name:** Holistic savings program

The Wakanda Black Panthers' solution focused on increasing unit supply and a holistic savings program with the goal of creating long-term wealth-building for Black renters like Shanique. The Wakanda Black Panthers envisioned a scenario where renters who aspire to own their own homes would attain money through the savings program that could help move them become mortgage-ready, thus increasing the unit supply for those who prefer to rent. The first component of their solution consisted of making rental housing more affordable by subsidizing rent to match the end user's current income. They also included an opportunity for tenants to eventually purchase the property.

The second major component of their design was a matching saving program for the renters. Funds saved through this program would be flexible, so they could be used toward expenses such as preparation for homeownership, entrepreneurial endeavors and college tuition for their dependents, like Shanique's three dependents. These two programs were designed to be funded by a combination of public and private entities such as corporate, philanthropic and individual investors.

The third component of their solution is the reinvestment of the equity to fund additional housing developments, public transportation, community gardens and other community resources. To incentivize corporate, philanthropic and private investors, government would fund the low-income housing portions of the solution as well as providing return guarantee.

Workgroup members offered feedback on The Wakanda Black Panthers' holistic savings program model for consideration, such as:

- Wishing for philanthropy to send grants and for the capital stack to include a tenant match.
- Wondering how many people would benefit from each scenario and the cost; wondering how this solution could compete with outside institutional investors; wondering who would provide the funding to match savings; wondering what policy needs to change to protect naturally occurring affordable housing (NOAH); wondering if the savings plan could be done at scale and if philanthropy could be the entity to fund guarantees; wondering how wage fluctuation would affect the solution; and wondering if this model could also be used to subsidize new constructions.



Shanique | see slide 9 for details



Designing Transformative Solutions

Workgroup members created a physical model for supportive services funding so Black renters can have a consistent safety net



Physical model of "wraparound services without cliffs"

Team 6: The Eagles

Solution Category: Funding for supportive services | **Solution Name:** wraparound support for funding without cliffs

The Eagles' solution focused on wraparound services without benefit cliffs for Black renters like Fatuma, who is between 40% and 50% AMI with seven dependents. The Eagles' approach to creating wealth-building opportunities for Black renters like Fatuma was to first address their immediate needs. Their solution provided support services outside of the realm of housing such as elder care, childcare, and business certifications with no benefit cliff. The goal of this solution was to deeply invest in supportive services to free up cash for renters that they could use towards housing. Furthermore, their solution offered housing subsidies for end users to retain choice and autonomy over the communities they live.

The Eagles designed their solution to be funded through both public and private contributions. Understanding that government funds can be slow and more restrictive, the Eagles suggested that governmental entities provide the services such as elder care, housing vouchers, and healthcare. After government begins addressing basic needs for the renter and their dependents, philanthropies would step in and provide the capital for additional services that extend past caregiving and healthcare needs. The last funding partner in their capital stack was private investors like financial institutions that would provide business support to renters seeking careers in entrepreneurship. Renters and entrepreneurs like Fatuma particularly benefit from this solution because entrepreneurs often don't have the same safety nets offered by employers.

Workgroup members offered feedback on The Eagles' wraparound support for funding without cliffs model for consideration, such as:

- Wondering how a person with a large family, such as Fatuma, could find a home that fits their household size; wondering if there is Muslim-friendly business capital; wondering how the coordination of services would work; wondering if philanthropy could provide the services that government does not; wondering if private capital could play a bigger role; wondering if the services would perpetuate inequities



Fatuma | see slide 9 for details



In Their Own Words

"The structure we live in was not done by mistake. The concept of residential segregation is heartbreaking when you see it and read it."
- Panelist | highlight from the panel

"I like income supports because of renter agency and choice."
-Workgroup member | feedback on income supports

"Proximity to whiteness means you can get more for your housing, more funding for school, but proximity to Blackness means losing that."
- Panelist | highlight from the panel

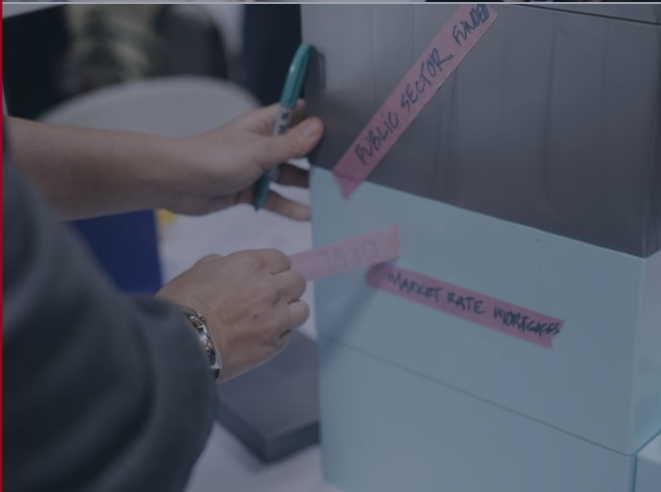
"We have to explicitly call out racism and anti-Blackness. I never got assistance as a child or adult. I've experienced homelessness and eviction as a child and in my adulthood. I'm a homeowner now."
- Panelist | highlight from the panel

"Everyone has nice words after the murder of George Floyd. We're here to put the action and investment behind it."
- Panelist | highlight from the panel



"People think homeownership is the goal, but it's not for everyone. We all need opportunities."
- Panelist | highlight from the panel

"The blessing about me moving to Minneapolis is I had the chance to meet people like Shannon. I got the chance to see Black men take their children to the bus stop. I saw Black men engaging with their children and their teachers at the school."
- Panelist | highlight from the panel





Homeownership

How might we increase homeownership for Black homebuyers to close the equity gap?

Meeting Overview and Insights

Overview of Our Time Together

On October 19th, the homeownership workgroup convened for a half-day, in-person design sprint to build transformative capital solutions in partnership with their ecosystem peers.

As a creative thinking warmup activity, workgroup members ideated on ways a \$12 billion windfall might be used to support Black homebuyers. Ideas ranged from offering a forgivable grant for first-generation homebuyers to buying all available homes under \$400,000 in the city, putting them in an asset hold with all proceeds on resales going toward closing the equity gap. See Appendix A for more ideas.

For the remainder of the day, workgroup members spent time with their design team, prearranged with diverse representation, to create solutions that increase homeownership for aspiring Black homebuyers.

Each team ideated on solutions that would close the equity gap for Black homebuyers. Teams designed a variety of solutions such as:

- Special purpose credit program: Programs that allow the extension of credit to an economically disadvantaged group (including a specific race)
- Down payment assistance: Solutions for homebuyers to overcome the early financial burden of buying a home

Teams designed solutions specifically for their end user, which were avatars assigned to them that represent the personas of local Black homebuyers. All solution designs needed to meet the following criteria:

- Be accessible to their avatar
- Be race-specific (only for Black households)
- Not be a pilot
- Be available long-term
- Includes underwriting to meet the population we are serving (manual underwriting)

By the end of the day, workgroup members designed 6 unique capital solutions that give more options to homebuyers, create pathways toward ownership and more, as highlighted in the following pages.



Designing for our end user

To design solutions that are grounded in the realities of the homeownership system's end user, Minnesota Black homebuyers, Imagine Deliver partnered with each workgroup's subject matter experts to create avatars, or personas. Each team was given an avatar with different characteristics and design constraints that represent real-world challenges that their solution must help overcome.



Team 1: The Disruptors

Name: Brian | **Gender Pronouns:** He/Him
Cultural Background: Black / African American |
Age: 28 | **Marital Status:** Single | **Household Size:** 2 | **Household Income:** \$35,000 | **Credit Score:** 620 | **Education:** High School |
Occupation: Retail Worker | **AMI:** \cong 40% |
Mortgage Ready: Near



Team 2: Taking Care of Business

Name: Shanique | **Gender Pronouns:** She/Her
Cultural Background: Black / African American |
Age: 45 | **Marital Status:** Married | **Household Size:** 3 | **Household Income:** \$85,000 | **Credit Score:** 700
Education: College | **Occupation:** Marketing
AMI: \cong 80% | **Mortgage Ready:** Yes



Team 3: Closers

Name: Ibrahim | **Gender Pronouns:** He/Him
Cultural Background: Black / East African and Muslim | **Age:** 40 | **Marital Status:** Married
Household Size: 2 | **Income:** \$55,000
Credit Score: 620 | **Education:** High School
Occupation: Amazon Warehouse Worker + Uber/Lyft Driver | **AMI:** \cong 50% **Mortgage Ready:** Near



Team 4: Awesome

Name: Fatuma | **Gender Pronouns:** She/Her
Cultural Background: Black / East African and Muslim | **Age:** 35 | **Marital Status:** Married
Household Size: 7 | **Household Income:** \$50,000
Credit Score: 660 | **Education:** Some High School | **Occupation:** Entrepreneur | **AMI:** \cong 30% | **Mortgage Ready:** Yes



Team 5: Homeowner Haute Dish

Name: Alex | **Gender Pronouns:** They/Them
Cultural Background: Black / African American |
Age: 52 | **Marital Status:** Single
Household Size: 4 | **Household Income:** \$100,000 | **Credit Score:** 600 | **Education:** Graduate School | **Occupation:** Entrepreneur |
AMI: \cong 80% | **Mortgage Ready:** Near



Team 6: Beyond Borders

Name: Sahra | **Gender Pronouns:** She/Her
Cultural Background: Black / African American |
Age: 24 | **Marital Status:** Single
Household Size: 1 | **Income:** \$62,000
Credit Score: 720 | **Education:** College
Occupation: Teacher
Other Info: Living with a Disability
AMI Range: \cong 80% | **Mortgage Ready:** Yes



Cross-pollination

Cross-cutting themes shared across homeownership workgroup teams

Workgroup members divided into teams and had to work together to produce a solution that addressed the overarching design question: *How might we increase homeownership for Black homebuyers to close the equity gap?*

Each group crafted unique ideas, but many shared similar elements regardless of their core solution. Overall, homeownership teams coalesced around the following themes:

- **Programming that supports affordable homeownership:** Teams across this workshop wanted to make purchasing a home more affordable for Black homebuyers through a robust set of programs. These programs included initiatives such as down payment assistance, home repair funds, below-market interest rates, and short-term forgivable loans.
- **Leverage existing resources for program sustainability:** Teams designed solutions that leveraged different types of funders and layered capital to fill gaps and accommodate for various processing speeds and funding restrictions across different financing mechanisms. Teams envision reviewing existing systems and system responses for accessibility, efficiency and effectiveness
- **Collaboration between lenders and funders to streamline processes:** Teams recognized that there are trusted local and state programs meant to support prospective homeowners, but the rollout of these programs tends to be a disjointed experience for borrowers. Teams envision a network of lenders that support each other to fill the gaps in services experienced by some prospective homeowner to systematize home purchasing across the board for prospective homeowners.

In addition to the three core elements above, workgroup members also underscored the importance of spreading risk more evenly across those involved in the home buying process by creating safety measures such as a shared risk fund for lenders. Additionally, teams explored leveraging community-based organizations to improve homebuyers' access to entry.

Prominent Solution Elements Across Teams

Core Solution	Solution Elements
Team 1: The Disruptors Solution Category: Special Purpose Credit Program Solution Name: Race-Targeted Special Purpose Credit Program	<ul style="list-style-type: none"> • Mortgage Affordability: race-targeted incentives, such as below-market interest rates, to make home buying more affordable to Black prospective homebuyers • Reduce Purchase Price: products and programs, such as portable down payment assistance, to reduce the overall purchase price of homes • Public/Private Funding Partnership: a combination of investments from financial institutions and individual donors in service to programs like down payment assistance
Team 2: Taking Care of Business Solution Category: Special Purpose Credit Program Solution Name: Special Purpose Credit Program	<ul style="list-style-type: none"> • Mortgage Affordability: incentives, such as a discretionary income cap, to make home buying more affordable • Reduce Purchase Price: products and programs, such as portable down payment assistance, to reduce the overall purchase price of homes • Lender and Community Development Financial Institution (CDFI) Collaboration: manual underwriting for prospective homebuyers by lenders and CDFIs partnership
Team 3: Closers Solution Category: First Mortgage/Down Payment Assistance Solution Name: Portfolio 1st Mortgage Product	<ul style="list-style-type: none"> • Shared Risk: safety measures, such as a shared risk fund for lenders, to distribute risk more evenly between lenders and prospective homebuyers • Reducing Purchase Price: products and programs, such as portable down payment assistance, to reduce the overall purchase price of homes • Leverage Community Based Organizations (CBOs): strategy to increase homebuyer program entry points through a network of trusted CBS and religious institution partner messengers
Team 4: Awesome Solution Category: No Specific Category Solution Name: Layered Capital Solutions	<ul style="list-style-type: none"> • Reduce Purchase Price: products and programs, such as portable down payment assistance, to reduce the overall purchase price of homes • Lender and Investor Accountability: lender and investor actions like establishing a minimum required time for how long an asset spends in a portfolio before going to the secondary market; provide foundational resources to prospective borrowers • Community Benefit Mortgage Products: mortgage products that build value outside of the home by providing opportunities to increase land value and profit share with CBOs • Long Term Sustainability: innovative initiatives, such as a transfer of equity from wealthy white households through philanthropic funding to Black prospective homebuyers to increase homeownership affordability
Team 5: Homeowner Haute Dish Solution Category: Special Purpose Credit Program Solution Name: Special Purpose Credit Program	<ul style="list-style-type: none"> • Non-Traditional Practices: consider non-traditional underwriting that is based on rent and utility payment history instead of the borrowers' credit score • Flexible Financing: create programs that make capital available for non-housing related needs such as a 401k modeled saving with a flexible match that can be used to address non-mortgage debt after certain terms are met • Phased Partnership Financing: create a financing system where banks, philanthropies and the government inject capital into programs at different stages • Pro-equity Policy compliment: legalize marijuana and use the taxes from proceeds to build, repair and buy homes for the Black community
Team 6: Beyond Borders Solution Category: General Income Supports Solution Name: N/A	<ul style="list-style-type: none"> • Strengthening Existing Resources: ensure existing systems and system responses are accessible, efficient and effective for prospective homebuyers • Public/Private Funding Partnership: leverage corporate and nonprofit capital to fill in the gaps in existing funding systems • Direct Support to the Individual: deploy funds to prospective homebuyers for non-housing related support

Designing Transformative Solutions

Designers created a physical model of a special purpose credit program so Black homebuyers can increase homeownership



Physical model of 'special purpose credit program'

Team 1: The Disruptors

Solution Category: Special purpose credit program | **Solution Name:** Race-targeted special purpose credit program

The Disruptors focused on a race-targeted special purpose credit program for Black homebuyers, especially those near mortgage ready with credit scores under 650. They prioritized mortgage affordability and developed two approaches for Black homebuyers like Brian, who is near mortgage ready. The first approach was to create a first mortgage product specifically for Black households. This special purpose credit program would accept a 600 credit score, require no mortgage insurance and be eligible for a below-market interest rate of about 3%.

Their second approach reduces the home purchase price with down payment assistance (DPA) for 20% of the purchase price, a five-year forgivable loan accessible to Black homebuyers and a \$15,000 reserve fund to cover mortgage payments or home repair in case of emergency. A special highlight of their solution is that unused portions of the reserve fund are portable, which means Brian will have the opportunity to build equity over time as he moves from his first home purchase to the next.

To fund these two approaches, the Disruptors leaned in heavily on the instrumental role of financial institutions to propel Black homebuyers into ownership and designed a capital stack where financial institutions cover 100% of the first mortgage product. For the remainder of their solution, they imagined financial institutions would fund 80% of down payment assistance and the reserve fund, private investors and foundations would fund about 15% of DPA and reserves, and public investors would fund the remaining 5%.

Workgroup members offered feedback on The Disruptors' race-targeted special purpose credit program for consideration, such as:

- Wishing that financial institutions covered 100% of the cost of the solution
- Wondering if the down payment assistance could be portable, in addition to the reserve fund
- Hoping for incentivize banks to participate, and to "add a shared risk pool (post purchase) to bring down the down payment assistance."



Brian | see slide 22 for details



Designing Transformative Solutions

Designers created a physical model of a special purpose credit program so Black homebuyers can invest in their long-term goals



Physical model of 'special purpose credit program'

Team 2: Taking Care of Business

Solution Category: Special purpose credit program | **Solution Name:** Special purpose credit program

The Taking Care of Business team focused on a special purpose credit program for Black prospective homeowners. This team prioritized mortgage affordability and opportunities for Black homebuyers, like Shanique, who is mortgage ready, to invest in their long-term financial goals. The team defined mortgage affordability as having a housing expense ratio of 20% to 35%.

One of the key components of this solution was to help mortgage ready borrowers access programs to make home purchasing more affordable and predictable. The intention was to ensure homebuyers weren't spending an unsustainable amount of their income on their mortgage loan. This would free up some of the borrower's income to be used for other expenses such as paying down debt or investing in their retirement fund. The second program would be a combination of reducing the purchase price with down payment assistance and a lower interest rate. The solution also included a more informed underwriting process by having lenders and the CDFIs working closely with the borrowers to assess their overall financial health.

Additionally, Taking Care of Business' solution would be usable as a supplement to federal programs like Fannie Mae HomeReady or Freddie Mac Home Possible mortgages and/or stand-alone products when existing programs aren't the right fit for the homebuyer.

Workgroup members offered feedback on Taking Care of Business' special purpose credit program for consideration, such as:

- Wishing for more insight into the funding sources of the DPA and adding secondary market potential, a comment that could apply to all the homeownership design team solutions
- Wondering how this solution might be retooled to maximize existing loan products

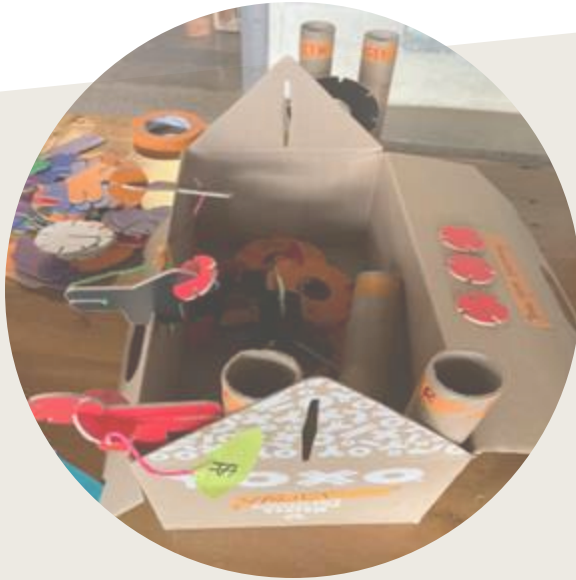


Shanique | see slide 22 for details



Designing Transformative Solutions

Designers created a physical model of a portfolio-first mortgage so Black homebuyers can afford to purchase a home



Physical model of "portfolio-first mortgage"

Team 3: Closers

Solution Category: First mortgage/Down payment assistance | **Solution Name:** Portfolio 1st mortgage

The Closers focused on a portfolio-based first mortgage product for Black homebuyers. This team prioritized reducing the home purchase price and community connection for their solution. The Closers designed a solution where prospective Black homebuyers like Ibrahim, who is near mortgage ready, could access a portfolio loan product with less stringent approval requirements and an adjusted (lower than market) interest rate. The Closers envision lenders would take on more risk to offer this lower interest rate to the borrower. In addition to the portfolio loan benefits, borrowers would have access to a credit box that "the community" designed. The solution also requires portfolio lenders to hold the loan for a minimum of three years before it enters the secondary market.

One key element of this solution was the universe of home affordability programs that the borrower would have access to, such as a 20% purchase price down payment assistance grant and a home repair fund financed by corporations, banks and the state government.

The other key component of their solution was creating various access points to the down payment assistance grant and home repair fund. These access points would be embedded in trusted community-based organizations for ease of entry. This would be particularly important for prospective homebuyers, like Ibrahim, who are Muslim and would benefit from an access point aware of necessary culturally specific considerations.

Workgroup members offered feedback on the Closers' portfolio-first mortgage solution for consideration, such as:

- Wishing that interest was addressed as it's a fundamental religious barrier for many Muslim homebuyers
- Wondering how the perception of risk would shift



Ibrahim | see slide 22 for details



Designing Transformative Solutions

Designers created a physical model of a layered capital solutions so Black homebuyers can build long-term wealth



Physical model of "layered capital solutions"

Team 4: Awesome

Solution Category: No specific category | **Solution Name:** Layered capital solutions

The Awesome team's solution focused on layered capital for Black homebuyers, down payment assistance (DPA), financing with flexible terms, long-term sustainability, and overall community benefit in their solution.

The team's design solved the siloed or lack of coordination between entities involved in the home buying process. The Awesome team's solution included a portable down payment assistance program that stays with the borrower instead of the property. This would allow Black homebuyers, like Fatuma, to build long-term equity beyond their first home purchase. Team Awesome imagined the DPA program would be funded by both public and philanthropic investments.

In addition to the DPA, the team designed community benefit mortgage products that would originate from various banks and mortgage lenders such as an initiative that shares bank fees with local Black communities. Lenders would practice flexible underwriting and would be required to hold on to assets in their portfolio for a certain period. Gains from fees and mortgage interest on those assets would go back into the Black community to be used toward community benefit initiatives and Black nonprofits.

Lastly, the Awesome team designed an acquisition tool to manage housing supply across the Twin Cities. This tool would use tax policy to identify potential home sales to nonprofits and provide them with long-term, low-cost capital and grants to buy properties. The goal of the solution is to create a pathway for nonprofits to purchase properties \$400,000 and below with negotiated terms that would allow the nonprofit to sell the homes to community members at an affordable rate. The team imagined the funding for this initiative would come from wealthy white homeowners dedicated to racial justice. The team also imagined creating a pathway that would allow these white investors to transfer some of their home equity to Black households.

Workgroup members offered feedback on the Awesome team's layered capital solutions for consideration, such as:

- Consideration for repurposed mortgage deductions, equity sharing, sharia compliance, a profit-sharing model and a property tax deferred program for current owners in exchange for their commitment



Fatuma | see slide 22 for details



Designing Transformative Solutions

Designers created a physical model of a special purpose credit program so Black homebuyers can have flexible terms for mortgage financing



Physical model of "special purpose credit program"

Team 5 Homeowner Haute Dish

Solution Category: Special purpose credit program | **Solution Name:** Special purpose credit program

Team Homeowner Haute Dish's solution focused on a race-targeted special purpose credit. The team put forth a series of solutions designed to share more risk with the lender and provide borrowers with flexible-term mortgage financing options. The first major component of their solution was a first mortgage product with non-traditional underwriting that focuses on payment history, such as rent and utility payments, instead of credit score.

The second element was a down payment assistance program with flexible terms to meet the immediate and future needs of near mortgage ready borrowers, like Alex. The loan that would fund this DPA would be forgivable after a certain term, allowing Black renters to use the money for things like student loan debt, childcare, home expenses and other living expenses. The team designed the solution so that at the time of closing, those funds from the loan could be used for the mortgage's down payment.

The last major element of the flexible-term mortgage financing options was a savings account that Black homebuyers could borrow against, like a 401k with 0% interest. These funds would earn interest thanks to leveraging against the secondary market, and financial institutions would match them.

Philanthropies as well as local and state governments would need to be key funders of the savings account. One income stream the team imagined government could use would be taxes gained from the legalization of marijuana. If marijuana legalization is on the table, this team also envisions a complimentary program that funnels these taxes into releasing and expunging the records of those incarcerated for marijuana charges and paying them reparations for time served. Ideally, those reparations would go back to their communities through building their households, buying homes and creating jobs.

Workgroup members offered feedback on the Homeowner Haute Dish special purpose credit program for consideration, such as:

- Wondering how the options would be communicated, if there would be mortgage purchases, which banks would be willing to expand their underwriting criteria, where sources for the forgivable loans might come from and who the loan purchaser would be.
- Considerations for how the legalization of marijuana could lead to even more opportunities for the Black community; a portfolio first, then secondary market approach; a solidified forgiveness term; and forced savings for 2-3 years post purchase.

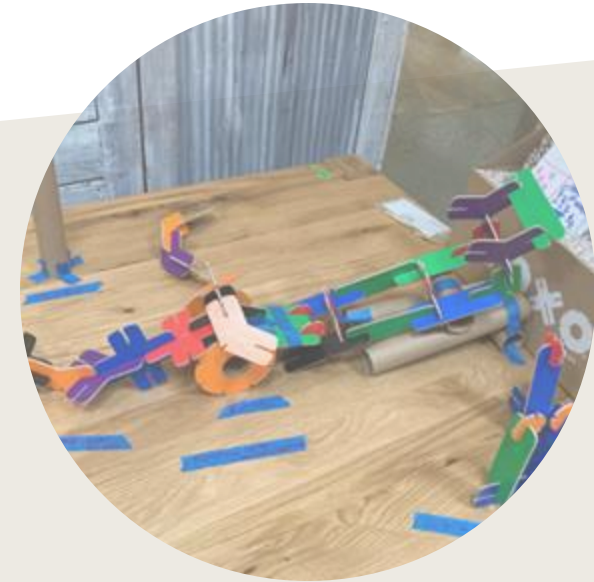


Alex | see slide 22 for details



Designing Transformative Solutions

Designers created a physical model of a universal basic income so Black homebuyers can have an unobstructed path to homeownership



Physical model of 'universal basic income'

Team 6: Beyond Borders

Solution Category: General income supports **Solution Name:** N/A

Beyond Borders' solution builds off the premise that, in part, the system response already exists that might help Black homebuyers like Sahra buy a home. The team acknowledged that based on Sahra's income, credit score, occupation, etc., on paper, she appears to be eligible for a mortgage loan. So, the solution is not about how to get someone like Sahra mortgage ready, because they already are. Rather, the solution is about solving for deficiencies in the system's response.

Beyond Borders' solution was twofold. One major component was coordinating and layering capital from private, public, nonprofit and homebuyers so funds would be accessible to the homebuyer. An example of coordinating this capital would be getting private and philanthropic sectors to go to the state legislature with a commitment to contribute \$2.25 billion in no-interest loans and down payment assistance grants over 10 years if the State matches.

The second component was a bridge between direct capital and non-capital needs so Black homebuyers' journey to homeownership is unimpeded. For example, solving for things like the impact medical bills might have on their ability to own a home; finding wheelchair-accessible homes or financing accessibility for home modification. Additionally, Beyond Borders' solution included building capacity for public policy to support the needs of Black homebuyers and nonprofits supporting homebuyers like Sahra.

Workgroup members offered feedback on Beyond Borders' general income approach for consideration, such as:

- Wishing for a capital source for accessibility improvements in the home, financial education as early as high school to show that homeownership is possible, training for realtors in Americans with Disabilities Act (ADA) compliance, and more monetary incentives outside of existing mechanisms.
- Wondering about a cooperative model in the case that the homeowner is single and doesn't want to own a home on their own and what would happen if there are closing savings costs.



Sahra | see slide 22 for details



In Their Own Words

“

“I was able to qualify for a program that gave me down payment assistance + no PMI. They did not care about my credit score. Just that I paid my rent and bills on time for the last year.”
– Workgroup member | aspirational messaging

“I like that any bank can offer this mortgage”
– Workgroup member | feedback on portfolio first mortgage solution

“Build beautiful safe housing in communities that need revitalization.”
– Workgroup member | \$12 billion surplus spend ideation

“Buy all available homes under \$400k in the city. Put them into an asset hold with all proceeds on resales going to close the gap”
– Workgroup member | \$12 billion surplus spend ideation



“They identified solutions that meet me where I am, and didn't saddle me with debt, gave me choice” – Workgroup member | aspirational messaging

“There is a program to help me get and stay in my own house that I own”
– Workgroup member | aspirational messaging

“Why do we restrict the forgivable loans? It makes it harder to move and profit from equity.” – Workgroup member | ideation activity

”





BIPOC Entrepreneurship

How might we unlock capital for Black entrepreneurs at scale?

Meeting Overview and Insights

Overview of Our Time Together

On October 26th, the BIPOC Entrepreneurship workgroup convened for a half-day, in-person design sprint to build transformative capital solutions in partnership with their ecosystem peers.

To warm up their creative thinking, workgroup members ideated on ways the State might invest its \$12 billion surplus to support Black entrepreneurs. Ideas ranged from creating an investment committee of BIPOC investors who are the decision makers to creating a leveraged matching program. See Appendix A for more ideas.

For the remainder of the day, workgroup members spent time with their design team, prearranged with diverse sectors and lived experiences, to design a solution that unlocks capital for Black entrepreneurs at scale.

Each team selected a solution category that was informed by workgroup ideation done over the last 6 months and refined by the workgroup's subject matter expert staff team. Teams chose and designed solutions in the following categories:

- Equity Product for BIPOC Growth Companies: solutions for entrepreneurs looking to achieve scale for businesses between \$250K and \$1 million
- Grant or Forgivable Loan: solutions for entrepreneurs who don't want to give up ownership in their business
- Debt Product for Start-up and Early-Stage Companies: solutions for early-stage entrepreneurs trying to find capital to start businesses that fills the "friends and family" gap

Teams worked to design solutions specifically for their end user, which were avatars assigned to them that represent the personas of actual local Black entrepreneurs. Each team also had specific constraints based on the solution they chose. The constraints for each solution were as follows:

- Equity Product for BIPOC Growth Companies: needs to be available for working capital, accessible to the avatar, minimize hurdles for approval and based on believable profitability and not historical operating performance or wealth of the owner
- Grant or Forgivable Loan: needs to be accessible to your avatar, speedy in decision making (approval in 7 days or less), minimize requirements to apply and not require collateral
- Debt Product for Start-up and Early-Stage Companies: needs to be patient, be affordable debt, not require personal collateral, minimize hurdles to apply, minimize underwriting hurdles for approval, accessible to a avatar

By the end of the day, workgroup members designed 5 unique capital solutions that bridge the financing gap for entrepreneurs, provide choice and autonomy, accelerate resource development, and more, as highlighted in the following pages.



Designing for Our End User

To design solutions that are grounded in the realities of the entrepreneurship system's end user, Minnesota Black entrepreneurs, Imagine Deliver partnered with each workgroup's subject matter experts to create avatars, or personas, that represents an end user. Each team got an avatar with different characteristics and design constraints that represent real-world challenges that their solution must help overcome.



Team 1: Money

Name: Fatuma | **Gender Pronouns:** She/Her
Cultural Background: Black/ East African and Muslim | **Age:** 40 | **Marital Status:** Single
Dependents: 5 | **Income:** \$70,000 | **Credit Score:** 600

Education: Some High School

Occupation: Entrepreneur

Experience in Entrepreneurship: 8 years

Goal: She has run a restaurant for 8 years but experienced hard times due to COVID-19. She spent her savings keeping the restaurant open for the past few years. A couple stores and restaurants in her community closed due to lack of capital, and she sees an opportunity to expand her operations. Now, with people eating out again, she has seen more people coming back to eat. She is seeking \$85,000 to hire restaurant staff and implement a digital marketing strategy (social media and Google ads, Yelp reviews, etc.).



Team 2: The Changemakers

Name: Ibrahim | **Gender Pronouns:** He/Him
Cultural Background: Black/ East African and Muslim | **Age:** 40 | **Marital Status:** Married
Dependents: 2

Income: \$30,000 | **Credit Score:** 620

Education: High School | **Occupation:** Chef

Experience in Entrepreneurship: 0 years

Other info: Living with Substance Abuse Issues
Goal: Ibrahim has been working as a chef all his life. He has a few recipes that have caused the restaurant he works at to become well renowned in his city. But, the owner and restaurant have gotten the credit for his ability. He has decided it is time to branch out, so he did some research and found a food truck for sale for \$80k. He met with a friend from high school who is a business manager, and they have calculated that \$220k will be enough to buy the truck and get the operations running for the next year. He is looking for some funding to get the food truck business started.



Team 3: Unstoppable Kickass Women

Name: Shanique | **Gender Pronouns:** She/Her
Cultural Background: Black/ Afro-Caribbean
Age: 45 | **Marital Status:** Married
Dependents: 3

Income: \$120,000 | **Credit Score:** 700

Education: College Graduate (Business Major)

Occupation: Entrepreneur

Experience in Entrepreneurship: 1 year

Goal: She has worked successfully in corporate and has an idea for a fintech start-up. She completed a business capacity building program at a local university and created a business plan showing the need for \$100k to get the company off the ground. She does not have friends or family willing to invest. She recently purchased a home and has insufficient equity to use it as collateral for a bank loan.



Designing for Our End User

To design solutions that are grounded in the realities of the entrepreneurship system's end user, Minnesota Black entrepreneurs, Imagine Deliver partnered with each workgroup's subject matter experts to create avatars, or personas, that represent an end user. Each team got an avatar with different characteristics and design constraints that represent real-world challenges that their solution must help overcome.



Team 4: Energizers

Name: Bryn | **Gender Pronouns:** They/Them
Cultural Background: Black / African American
Age: 52 | **Marital Status:** Divorced
Dependents: 3 | **Income:** \$110,000
Credit Score: 680 | **Education:** Graduate School
Occupation: Dentist
Experience in Entrepreneurship: 0
Goal: Bryn has been a dentist for the past 20 years. A good friend and mentor of theirs is retiring and selling their dental practice. The friend has offered Bryn the opportunity to buy it. It is a good opportunity with solid cash flow. Bryn is interested, but they don't have the \$950K to buy it. Bryn has some savings available (about \$85K) and believes they can borrow \$650K from a bank but requires \$200K from other sources to complete the purchase. Bryn calculates that they can pay off the investment in 6-8 years.



Team 5: Walleye Tank

Name: Brian | **Gender Pronouns:** He/Him
Cultural Background: Black / African American
Age: 28 | **Marital Status:** Single
Dependents: 0 | **Income:** \$40,000
Credit Score: 620 | **Education:** Some High School
Occupation: Entrepreneur
Experience in Entrepreneurship: 1 year
Goal: He started a lawn care company on the side when he saw that senior citizens in his community needed landscaping services. He has had really good traction and wants to expand. He wants to get \$50K in funding to leave his job, hire 2-3 part-time employees and serve more customers. He also needs to buy \$20K of commercial mowing equipment to scale up his operation.



Cross-pollination

Cross-cutting themes shared across BIPOC entrepreneurship workgroup teams

Workgroup members divided into teams to design a debt product for start-up and early-stage companies, a grant or forgivable loan, and an equity product for BIPOC growth companies. Each group crafted unique ideas, but many shared similar elements across their solutions. Overall, BIPOC entrepreneurship teams coalesced around opportunities to bridge funding gaps across sectors, access funding with flexible terms that prioritize autonomy and streamline processes to accelerate resource deployment. Common themes included:

- **Collaborative funding across sectors to bridge the financing gap for entrepreneurs:** Teams created solutions where funders across sectors could unlock different types of capital. Teams pooled or layered funding sources from CDFIs, government, philanthropies, private individuals and large corporations in service of entrepreneurial expenses. These funds would be especially impactful for start-ups and early-stage businesses. The capital raised across sectors could be used for new initiatives such as grants to replace a more traditional friends and family investment round.
- **Funding with flexible terms prioritizes choice and autonomy for entrepreneurs:** Teams designed solutions with flexible funding and less restrictive eligibility requirements, which would allow entrepreneurs to choose which financial package is right for the type of business they own. Teams identified key components of the funding terms such as making the loans forgivable after a certain term, no personal collateral requirement and revenue-based financing. These flexible terms could also allow entrepreneurs to cover living expenses while they're in the start-up or early stages of business development.
- **Streamline processes to accelerate resource deployment:** Many teams designed solutions with an expedited, seven-day approval process for their end users. To help with the decision-making process, teams designed solutions with mechanisms that allowed for a common application across resources and sectors. This application would make the deployment of resources quick and easy for entrepreneurs to access. For some teams, the administrative responsibilities should sit with the local community. For others it was a third-party servicer.

In addition to the core elements above, multiple teams emphasized the importance of creating and preserving sustainable funding sources for entrepreneurs.



Prominent Solution Elements Across Teams

Core Solution	Solution Elements
<p>Team 1: Money</p> <p>Solution Category: Grant or Forgivable Loan</p> <p>Solution Name: Layered Capital</p>	<ul style="list-style-type: none"> • Layered Capital Sources: capital that is layered by cross-sector investors like banks, foundations and corporations to cover any gaps each funder may have and provide more options to underfunded entrepreneurs who do not have access to a wealthy network • Cross-Sector Involvement: coordination of sectors such as corporations, foundations and CDFIs to fund grants and renewable loans for entrepreneurs • Mitigate Risk for Funders: funding for Black owned businesses will be led by corporations, foundations and CDFIs and have their contributions matched with the creation of a \$3 billion matching program in partnership with the State of Minnesota to lower the risk of funding new businesses
<p>Team 2: The Changemakers</p> <p>Solution Category: Debt Product for Start-up and Early-Stage Companies</p> <p>Solution Name: Credit Enhanced Religiously Competent Lending Program</p>	<ul style="list-style-type: none"> • Religious and Cultural Competency: programs such as a lease program or a fee and equity-based lending program that are sharia compliant and informed by borrowers' cultural practices • Phased Approach to Lending: lending approach where banks, philanthropies and CDFI partner to lend capital at different business development stages • Personal Wealth Factors: consideration of entrepreneurs' monetary and non-monetary assets in funding eligibility
<p>Team 3: Unstoppable Kickass Women</p> <p>Solution Category: Grant or Forgivable Loan</p> <p>Solution Name: Convertible Debt With A Living Stipend</p>	<ul style="list-style-type: none"> • Support for Holistic Financial Needs: financial support for non-business expenses such as a three-year, \$75,000 annual living stipend • Flexible Funding Options: funding options for entrepreneurs without robust familial wealth such as convertible financing with a three-year lockup and 5% interest accrual that would convert to equity at the end of that term • Evergreen/Sustainable Funding Sources: funding sources such as corporate grants, high-net worth individuals and crowdsourcing to create an investment pool with the interest coming back into the fund for future investments • BIPOC Investment Committee: decision-making committee of BIPOC individuals tasked with selecting entrepreneurs to invest funds insourced from corporations, foundations and crowdsourcing
<p>Team 4: Energizers</p> <p>Solution Category: Debt Product for Start-up and Early-Stage Companies</p> <p>Solution Name: Revenue-Based Loan</p>	<ul style="list-style-type: none"> • Relaxed Terms: borrower-friendly financing terms such as revenue-based financing and no personal collateral • Flexible Funding Options: non-traditional funding such as an alternative fund entrepreneurs can access in lieu of a friends and family investment round • Evergreen/Sustainable Funding Sources: funding sources such as philanthropic and government dollars to help fund BIPOC entrepreneurs and create an investment pool that invests in businesses with the proceeds coming back into the fund for future investments
<p>Team 5: Walleye Tank</p> <p>Solution Category: Grant or Forgivable Loan</p> <p>Solution Name: Collaborative Grant Fund</p>	<ul style="list-style-type: none"> • Collaborative Funding Effort: a central fund in which various groups such as foundations and corporations invest capital to be distributed to entrepreneurs • Streamlined Distribution of Funding: a funding distribution approach where an administrator deploys the funds as a straightforward grant rather than low-interest loans or forgivable loans • Layered Capital Sources: layered capital from cross-sector investors like crowdfunding, foundations and corporations to cover any gaps each funder may have and provide more options to underfunded entrepreneurs who do not have access to a wealthy network • Discriminatory Review: a government entity that investigates and addresses instances of discrimination in the loan process to combat inequitable practices



Designing Transformative Solutions

Workgroup members created a physical model of layered capital so Black entrepreneurs can have access to compounding sources of funding



Physical model of "layered capital"

Team 1: Money

Solution Category: Grant or forgivable loan | **Solution Name:** Layered capital

The Money team's solution focused on grants or forgivable loans for BIPOC entrepreneurs like Fatuma, who is seeking less than \$100,000. A key component of their solution was a match program with an initial \$3 billion investment funded by a combination of corporate grants, guarantees from foundations and forgivable loans from CDFIs. To scale this funding, the Money team designed two approaches. The first would include financing from banks to champion the effort; the second would include the State to match the initial \$3 billion investment to mitigate risk for the seed funders. Money's solution team would also activate a portfolio of "miscellaneous white investors" to provide funding to bridge any gaps in financing that may occur.

Their solution is based on the idea that all the capital sources are layered and interdependent. Corporate grants unlock every additional level of funding, and every additional level of funding leads to more capital. For example, a \$100,000 corporate grant unlocks a \$200,000 grant from a foundation, which unlocks \$1 million of CDFI lending and so on.

Ultimately, the Money team's goal is to provide entrepreneurs like Fatuma, who has five dependents, with a "ladder" to individual and generational wealth through financial benefits such as less risky and minimally restrictive capital sources.

Workgroup members offered feedback on Money's layered capital approach for consideration, such as:

- Wondering if there could be scalable access to marketing; wondering if there is a current appetite for matching; and wondering if it would be possible to meet a large-scale match.
- Considerations for an inclusion of individual donors; corporate incentives; and a more significant role for banking institutions.



Fatuma | see slide 35 for details



Designing Transformative Solutions

Workgroup members created a physical model of a credit-enhanced religiously competent lending program so Black entrepreneurs from Muslim backgrounds can access capital



Physical model of "credit-enhanced, religiously competent lending program"

Team 2: The Changemakers

Solution Category: Debt product for start-up and early-stage companies | **Solution Name:** Credit-enhanced religiously competent lending program

The Changemakers' solution focuses on a debt product for start-up and early-stage companies. The team understands that entrepreneurs like Ibrahim are likely to have various pain points that are less related to their specific financing needs and more closely tied to cultural factors that dictate how he navigates the business landscape. In this case, Ibrahim is Muslim and has some religious limitations that prohibit him from taking a loan with interest payments. The Changemakers envisioned implementing a program that includes a religious competency component with a lease program or a fee and equity-based lending program versus a more typical interest rate-based funding program.

This credit-enhanced, religiously literate lending program would encourage CDFIs to build relationships with local Black entrepreneurs to mitigate concerns over risk and cut down administrative barriers that could lead to application fatigue. The program would also leverage a phased approach to lending by dispensing capital to administrators in a staged fashion to cover any gaps one single funder may not be able to finance. This approach utilizes philanthropic credit enhancements that allow the CDFIs to develop those relationships and partner with banks that can serve as a significant funding mechanism once the initial loans are distributed.

Workgroup members offered feedback on The Changemakers' credit-enhanced, religiously competent lending program for consideration, such as:

- Wondering if it would be possible to require a simple business plan that shows the pathway to profitability for potential businesses
- Considerations like building upon existing sharia-compliant lending infrastructure (from the African Development Center, Neighborhood Development Center and Metropolitan Consortium of Community Developers); factoring in guarantees; creating a pool of food trucks available on 3-year lease and a facility that included all BIPOC food entrepreneurs.



Ibrahim | see slide 35 for details



Designing Transformative Solutions

Workgroup members created a physical model of convertible debt with a living stipend so Black entrepreneurs can grow their business without harming their personal finances



Physical model of "convertible debt with a living stipend"

Team 3: Unstoppable Kickass Women

Solution Category: Equity product for BIPOC growth companies | **Solution Name:** Convertible debt with a living stipend

The Unstoppable Kickass Women's solution focuses on convertible debt with a living stipend administered to BIPOC entrepreneurs by an investment company. The lack of cash flow in the beginning stages of a business was a prominent barrier for entrepreneurs like Shanique, who recently purchased a home and is low on readily available capital. Entrepreneurs who find themselves in a similar situation often do not have access to networks that allow for a successful "friends and family" equity investment round. This initial capital investment would be paired with wraparound consulting services for the business owner's needs and overall professional development. The main elements of their solution would be both holistic and flexible and include a \$75,000 annual stipend for three years, similar to a Bush fellowship, a convertible note investment with a three-year lockup and 5% interest accrual that would convert to equity at the end of that term.

Another major element of their solution would be the responsibility of distributing the funds, which would go to a BIPOC third-party committee modeled like a traditional investment committee. The capital pooled by this investment committee would be sustained by many types of investors, with a smaller proportion coming from government funds and a larger portion coming from corporate funds and foundations. Individual donors can also contribute to this pool through capital-raising campaigns, crowdfunding and direct donation as a high-net worth individual.

Workgroup members offered feedback on Unstoppable Kickass Women's convertible debt with a living stipend for consideration, such as:

- Considerations like the inclusion of legal and financial advising, a funding match feature, renewal of the living stipend, partnerships with a local bank and potential for an investment product
- Wishes for more details around safe notes, the salary requirement for the stipend and the need for crowdfunding as a tool for building capital

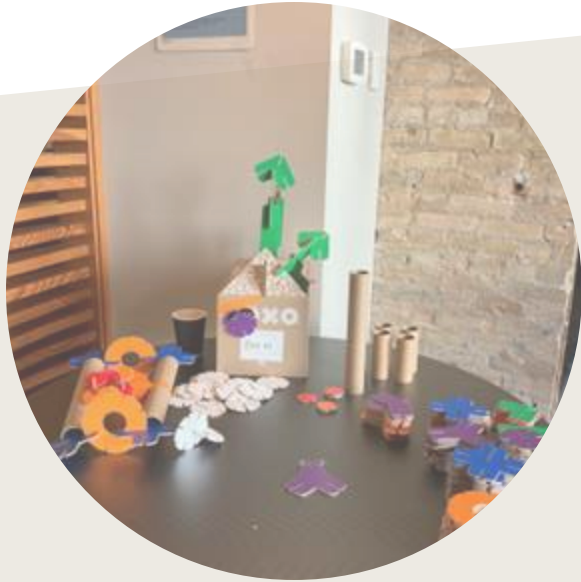


Shanique | see slide 35 for details



Designing Transformative Solutions

Workgroup members created a physical model of a revenue-based loan so Black entrepreneurs can access debt at relaxed terms



Physical model of 'revenue-based loan'

Team 4: Energizers

Solution Category: Debt product for start-up and early-stage companies | **Solution Name:** Revenue-based loan

The Energizers' solution focused on a debt product for start-ups and early-stage companies. This team designed two approaches to address the needs of BIPOC entrepreneurs. The first approach would be an affordable, revenue-based new debt product. Relaxed financing terms were a key component of this approach. Entrepreneurs like Bryn would benefit greatly from this fund because they have about \$85,000 in savings and a clear plan to pay off the initial investment in eight years or less. In the Energizers' solution, the borrower would not have to put up any personal collateral. The second approach would grant entrepreneurs access to an equity investor, which would either be a private individual or funding from a community impact fund with relaxed terms like the first approach.

The Energizers' design incentivizes potential investors with an opportunity to magnify their social impact as well as the potential for higher growth returns on their investments. In terms of capital, the designed solution funds the community impact fund with government dollars and could be used as an alternative to a more traditional "family and friends" investment round. Capital for the entrepreneur would be distributed in the form of loans from banks and credit unions. To make entrepreneur funding more sustainable, the solution leveraged capital from philanthropies, CDFIs and private investors.

Workgroup members offered feedback on the Energizers' revenue-based loan for consideration, such as:

- Wondering if high growth would come from investment; wondering how it would connect with the Black LGBTQ community; wondering what the impact might be on Bryn's dental practice with a three-year term; and wondering how tax breaks could impact this type of acquisition.
- Considerations for a generational investment pool for retiring practitioners; a partnership with banks that work with high net-worth individuals; and the potential case for revenue-based financing



Bryn | see slide 36 for details



Designing Transformative Solutions

Workgroup members created a physical model of a collaborative grant fund so Black entrepreneurs can have streamlined access to capital



Physical model of "collaborative grant fund"

Team 5: Walleye Tank

Solution Category: Grant or forgivable loan | **Solution Name:** Collaborative grant fund

The Walleye Tank's solution focused on grants and forgivable loans for BIPOC entrepreneurs. They leaned more on the grant side of the solution rather than pulling on forgivable loans. The Walleye Tank team designed a collaborative grant fund to give entrepreneurs access to capital with no need for personal collateral. This funding source would rely on various groups such as crowd funders, foundations and corporations to pool capital to be distributed by a central body.

The biggest contributions to this collaborative grant would be foundations such as the MacKenzie Scott Foundation, followed by individual donors. Because their solution uses a grant structure as opposed to a forgivable loan, the fund would feature a very streamlined application process with minimal requirements to apply. A grant would be the ideal funding option for entrepreneurs like Brian, who is only seeking \$20,000 to help scale his lawn service business. In addition to capital for entrepreneurs, the grant would increase access to additional resources like a cohort-based support system for grantees and opportunities for cross-marketing of services.

The Walleye Tank also considered some of the more systemic barriers that make business financing inaccessible for BIPOC entrepreneurs such as discrimination in the loan process. Governmental entities would be tasked with investigating business violations or points of discrimination in the loan process. As a part of this solution, government entities would use any fines or fees collected through their investigation as another source of capital that funnels directly into the collaborative grant fund.

Workgroup members offered feedback on Walleye Tank's collaborative grant fund for consideration, such as:

- Wishing for inclusions like Small Business Association (SBA) or bank loans, attachment to CDFIs, guarantees in addition to grants and a pool of unsecured grants at 50% with another loan at 50%
- Wondering if this would scale with a forgivable loan and the inclusion of a special purpose credit



Brian | see slide 36 for details

In Their Own Words

“

“Create and capitalize a Black financial business district that targets and advances black entrepreneurs.”

– Workgroup member | \$12 billion surplus spend ideation

“How can we convince corporations to give more?”

–Workgroup member | feedback on grant or forgivable loan solution

“They will use the money to make business stronger and more profitable.”

–Workgroup member | solution worksheet

“Create an investment committee of BIPOC board members that select[s] entrepreneurs to invest in, keeping the investment benefit and returns.”

- Workgroup member | \$12 billion surplus spend ideation



“I like the layer of religious relevance for Muslim customers.”

– Workgroup member | feedback on debt product

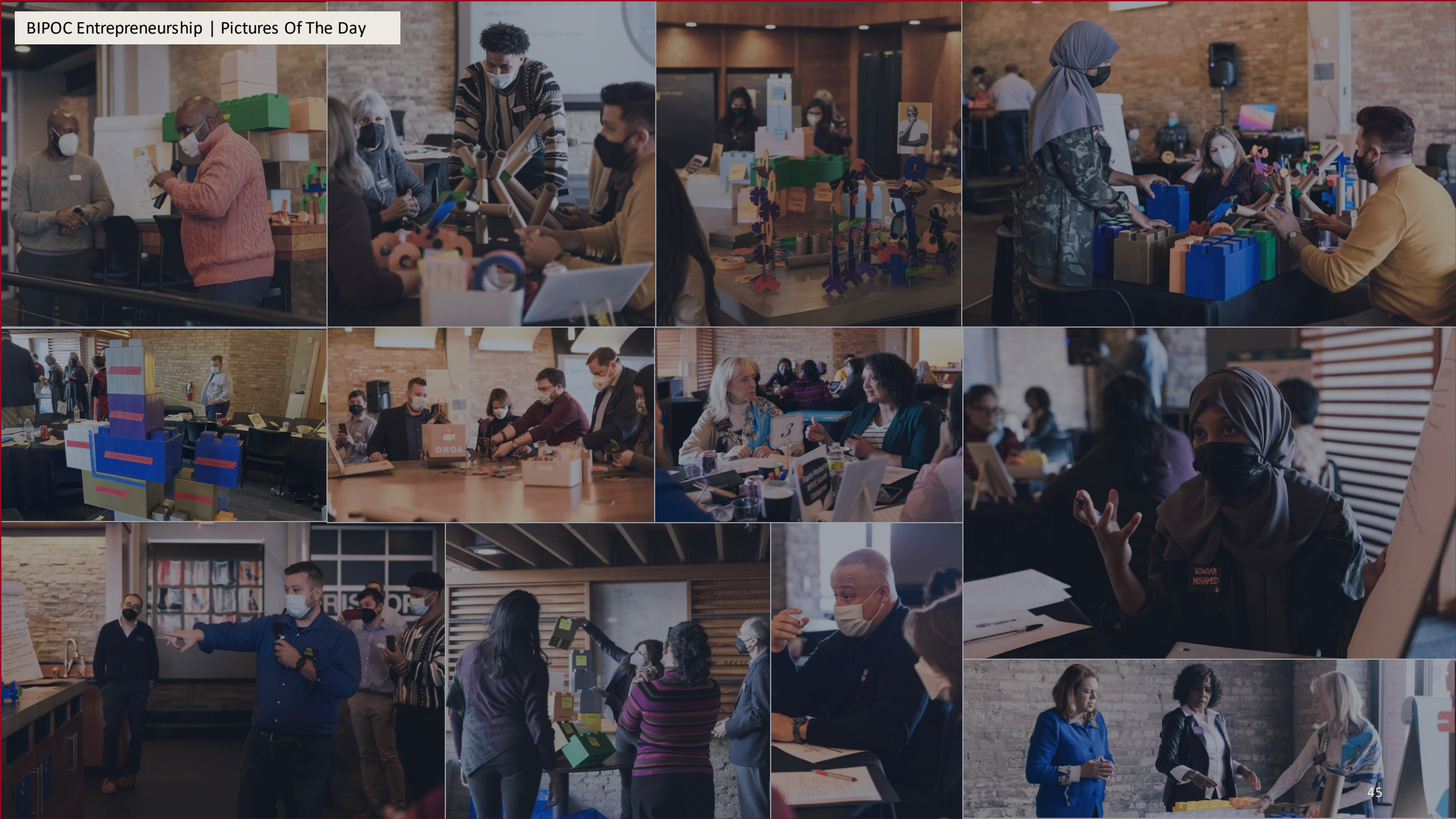
“Create a business resource campus for black entrepreneurs to acquire all of the necessary knowledge required to start a business.”

– Workgroup member | \$12 billion surplus spend ideation

“This exists, but not for 1,000+ people like Brian who need(s) money now.”

– Workgroup member | solution worksheet

”





Commercial Development

How might we increase the flow of capital to Black developers at scale?

Meeting Overview and Insights

Overview of Time Together

On October 27th, the commercial development workgroup convened for a half-day, in-person design sprint to build transformative capital solutions in partnership with their ecosystem peers. To warm up their creative thinking, workgroup members ideated on ways the State might invest its \$12 billion surplus to support Black renters. Ideas ranged from paying reparations to Black people to opening a minority-owned real estate investment academic institution. See Appendix A for more ideas.

Workgroup members spent the remainder of the day with their design team, prearranged with diverse sector representation, to design a solution to increase the flow of capital to Black developers at scale. Each team selected a solution category: third-party equity or junior debt program. The narrowing to these two categories was informed by workgroup ideation done over the last six months and refined by the workgroup's subject matter expert staff team.

Each solution had specific constraints that teams needed to consider when designing their chosen solution. These were the solution constraints:

Solution	Design Constraints
Junior Debt (Bank, CDFI) 10% - 25% LTC	Design solution contains the following attributes: <ul style="list-style-type: none"> • Below-market interest (5% - 8%) • Ability to integrate existing resources: TIF, PACE, etc. e.g. Twin Cities LISC 6% Junior Loan
Third-Party Equity (Foundation, CDFI, Bank) 5% - 35% LTC	Design solution contains the following attributes: <ul style="list-style-type: none"> • Below-market interest (1% - 6%) • Patient terms (10 - 40 year) • Forgivable/Repayable • Subordinated position • Ability to integrate existing resources: PRIs, land bank, land trust, angel investors, tax credits, etc. e.g. City of Minneapolis Commercial Property Development Fund e.g. Social Impact Fund

Additionally, teams each had a unique avatar that represents the experiences of local Black developers (see slides 50 and 51 for more details). All teams were then asked to make the following assumptions about their avatar:

- They have gone through a technical assistance (TA) program
- They have site control
- They have finished pre-design, schematics, floor plans, financials, pro forms, S&U's and all the necessary project pre-work
- They have a TA provider and development team assembled with annual investment allowances tendered and letters of intent for full leasing
- The combination of third-party equity and junior debt make up 45% of their project funding
- They have full pre-development (covered by TA program), senior debt (50% pre-approved), additional grant funding (of 5% - 15% LTC) and personal funds (of 5%) that would round out the remaining 55% of project funding

By the end of the day, workgroup members designed 5 unique capital solutions that unlocked more funding for developers, created theoretical pathways to self-sustaining funding, reinvested in the local community and more, as highlighted in the following pages.



Cross-pollination

Cross-cutting themes shared across commercial development workgroup teams

Workgroup members divided into teams, and Imagine Deliver assigned each team one of two solution categories, either Junior Debt or Third-Party Equity. Each group crafted unique ideas, but many shared similar elements across their solutions. Overall, commercial development teams coalesced around the following themes:

- **Collaboration across sectors unlocks more funding:** Teams imagine leveraging different types of funders to unlock a range of funding types in varying amounts. CDFIs, banks, governmental entities, philanthropies, corporations and individual angel investors can work together to pool or layer their capital for developers.
- **Create pathways to self-sustaining funding:** Teams designed solutions where once funders pooled their resources for developers, teams looked for ways to leverage the capital against the secondary market to build equity. They would then reinvest this equity into the developers' fund to help sustain and grow the fund. Providing a guarantee for investors was a key component of this theme to incentivize funders to participate long-term.
- **Reinvest locally through community ownership:** Teams emphasized the importance to not only create wealth-building opportunities for Black developers, but also enrich the local BIPOC community. Teams designed solutions that gave priority to projects headed by BIPOC developers or that fulfill a BIPOC community need because those were opportunities to give directly to BIPOC communities. A third-party administrator would determine priority. These solutions would split equity gained from capital between sustaining the original fund and financing additional non-development related resources for the local community.

In addition to the core elements above, teams emphasized the importance of building generational wealth for BIPOC developers and members of the communities they're building in as well as incentivizing developers to meet specific commitments to the community with generous and flexible financing terms.



Prominent Solution Elements Across Teams

Core Solution	Solution Elements
Team 1: Capital Stacks Solution Category: Third-Party Equity Solution Name: Foundation Guaranteed Equity Loans	<ul style="list-style-type: none"> • Flexible Terms: terms that are more agreeable to developers, such as funding at a lower interest rate while still allowing ownership of the project for the developer • Cross-Sector Collaboration: collaboration where foundations would provide a guarantee to local community banks to support the developers' project • Sustainable/Evergreen Funding: funding that includes a variety of sources, which are financed by foundations and banks, to fund commercial developments • Risk Mitigation: a foundation guarantee for developers to minimize the level of risk for funders
Team 2: Regulators Solution Category: Junior Debt Solution Name: Patient Capital	<ul style="list-style-type: none"> • Workload Optionality: short-, medium-, and long-term investment vehicles that allow developers at different stages to have options of how much work they take on, like a commercial development trust fund to that can finance future affordable developments • Multi-Stage Capital: capital that has multiple stages of deployment to allow developers to handle any level of debt-servicing needs • Commercial Development Trust Fund: a fund that generates a loan loss reserve where a portion of the fees from commercial development go into future trust funds • Community Ownership: a model that allows local assets to be owned by community members through share purchasing. Community members will be allowed to purchase at smaller share levels to increase affordability. There would be a guarantee to back the community share level.
Team 3: We Can Do It Solution Category: Junior Debt Solution Name: Evergreen Fund	<ul style="list-style-type: none"> • Cross-Sector Collaboration: collaborative initiatives funded by entities such as high-net worth individuals, endowments and foundations that buy 10-year bonds and help banks underwrite quickly • Community Ownership: a fund governance structure where local BIPOC developers from the community oversee the fund • Risk Mitigation: a cash loan loss reserve or guarantee that is funded by entities such as philanthropies • Sustainable/Evergreen Funding: funding with gains in equity generated from cross-sector investments that would be reinvested back into the fund
Team 4: Southern Charm Solution Category: Third-Party Equity Solution Name: Equity Tool	<ul style="list-style-type: none"> • Sustainable/Evergreen Funding: funding from philanthropies and angel investors held in a collective fund for developers in the form of 10-year bonds • Flexible Terms: more agreeable financing terms to developers such as deferred interest and an opportunity for interest to be forgiven if certain community-centered criteria are met for their development • Generational Wealth Building: equity-building benefits such as the opportunity to have interest forgiven if development ownership is transferred within the family • Community Development Focus: special consideration given to projects that enrich underdeveloped communities
Team 5: The Dream Team Solution Name: Junior Debt Solution Category: Bridge Fund	<ul style="list-style-type: none"> • Cross-Sector Collaboration: collaborative development initiatives funded by entities such as banks, corporations, individuals and green banks • Ease of Application: an application that grants developers access to the funding from their city, CDFIs, and the State of Minnesota • Sustainable/Evergreen Funding: renewable funding for developers that is allocated specifically for climate-resilient infrastructure



Designing for Our End User

To design solutions that are grounded in the realities of the commercial development system's end user, Black Minnesota developers, Imagine Deliver partnered with each workgroup's subject matter experts to create avatars, or personas, that represent an end user. Each team had an avatar with different characteristics and design constraints that represent real-world challenges that their solution must help overcome.

Team 1: Capital Stacks

Personal Context: Oluwadami (he/him) is a West African man in his mid 50s. He owns a building where he runs a successful warehouse and event space. He aspires to become a full-time commercial developer. He wants to develop small, resilient, sustainable, affordable, neighborhood-scale, commercial buildings for small business owners ready to transition from their living room and cafes to commercial leases.

Business Vision: To develop a new construction, 3,000 SF, \$0.9M, 2-story building with 4 commercial spaces. The building will be passively designed, renewably powered and transit-oriented.



Team 2: Regulators

Personal Context: Brian (he/him) is a Black man in his mid 30s. He is an active realtor in his day job who aspires to become a full-time commercial developer. He wants to support strong commercial nodes and corridors with highly efficient, affordable and attractive community-scale developments for East Siders to sustainably live, work and play on the East Side.

Business Vision: To redevelop an existing 20,000 SF, 3-story building with a small restaurant, bakery, office incubator spaces and a mix of efficiency, 1BR and 2BR workforce-affordable housing for ~\$8M. The building will be Passive House certified, renewably powered, transit-oriented and use greywater reuse.



Team 3: We Can Do it

Personal Context: Alem (she/her) is an East African woman in her early 50s. She runs a successful small commercial building as her day job and has worked in the food and service industry for 25+ years. She aspires to become a full-time commercial developer. She wants to develop small, resilient, sustainable and affordable neighborhood food and retail buildings for other immigrant groups to own and operate.

Business Vision: To develop a new construction, 8,000 SF, \$2M, 1-story building with a restaurant, a bakery, 5 small retail spaces and a lounge area. The building would be Passive House certified, renewably powered, transit-oriented and use greywater reuse.



Commercial Development Avatars

To design solutions that are grounded in the realities of the commercial development system's end user, Black Minnesota developers, Imagine Deliver partnered with each workgroup's subject matter experts to create avatars, or personas, that represent an end user. Each team had an avatar with different characteristics and design constraints that represent real-world challenges that their solution must help overcome.



Team 4: Southern Charm

Personal Context: Miah (she/they) is a Black woman in their early 40s. They run a successful home daycare center as a day job and previously worked as a nurse practitioner for 12 years. They aspire to become a full-time commercial developer. They want to develop strong, sustainable, and affordable community health and wellness hubs as anchor institutions within Black and Brown communities as a better alternative to the healthcare system.

Business Vision: To develop a newly constructed 75,000 SF, \$25M, 5-story building with an early childcare center, a community health center, pharmacy, neighborhood grocery, small tea shop and small offices for various healthcare modality providers (body work, physical therapy, chiropractic care, etc.). The building will be Passive House certified, renewably powered, transit-oriented and use greywater reuse.



Team 5: The Dream Team

Personal Context: Malik (he/him) is a Black man in his mid 30s. He manages multiple apartment and condominium buildings as his day job and has worked in the property management industry for 10+ years. He aspires to become a full-time developer. He wants to develop mixed-use, resilient, sustainable and affordable condominium buildings for families.

Business Vision: To develop a new construction, 50,000 SF, \$15M, 2-story residential building with 40 condominium units made of 2BR and 3BR units. The building will be Passive House certified, renewably powered, transit-oriented and use greywater reuse.



Designing Transformative Solutions

Workgroup members created a physical model of foundation guaranteed equity loans so Black developers can mitigate risk for funders



Physical model of "foundation guaranteed equity loans"

Team 1: Capital Stacks

Solution Category: Third-party equity | **Solution Name:** Foundation guaranteed equity loans

Capital Stacks's solution focused on third-party equity for commercial developers, providing a guarantee for banks and other funders. The team's solution provided a guarantee to local, community and regional banks like Bremer and Sunrise Bank to help them buy down some of the potential risks associated with this third-party loan. The money from these loans would stay in the foundation's investment fund. Foundation investors would include entities such as Gerald and Henrietta Rauenhorst (GHR) foundation, McKnight Foundation, Bush Foundation and the Target Foundation. Because this investment would appear in their portfolios, they would have the potential to grow and leverage it to finance a third-party equity loan at a lower interest rate. The Capital Stacks imagined the leverage could potentially be one and a half to two times more than the guarantee, depending on the transaction. That developer would get more money for their project because of this guarantee from the foundation, which lowers risk for funders and incentivizes them to put more money in, leading to more equity creation.

A key component of this solution is that foundations hold the guarantees without deploying them to banks until they need it. This would allow the guarantee to be self-sustaining over time and would allow developers to access lower-cost and longer-term equity to fund their projects. Capital Stacks assumes a \$50 million to \$100 million fund will generate a 6-8% return, which will be reinvested into the fund. The team imagined this component would be especially beneficial for developers like Oluwadami, who is looking to develop multiple sustainable, neighborhood-level warehouses for small businesses because he could spread his financial closing costs or gain access to reduced legal fees and fixed-cost financial closing fees. Oluwadami would have access to funding options such as a foundation passive investment fund used to guarantee low-interest, 10-15 year third-party equity loans, all housed as a CDC package.

Workgroup members offered feedback on Capital Stacks' foundation guaranteed equity loans for consideration, such as:

- Wondering if CDFIs would be included; wondering how the portfolio element would work; wondering about the effects of bank involvement on investment capital; and wondering about the percentage guarantee needed by the bank
- A consideration around existing examples that could make the solution more "real" to possible guarantors



Oluwadami | see slide 50 for details



Designing Transformative Solutions

Workgroup members created a physical model of patient capital so Black developers can be successful on their first project regardless of the scope



Physical model of "patient capital"

Team 2: Regulators

Solution Category: Junior debt | **Solution Name:** Patient capital

The Regulators' solution focuses on junior debt. They imagined an ecosystem of funding opportunities and support systems to help a first-time developer like Brian be successful. Their solution would create workload optionality for developers depending on what stage of their project they are in. For example, developers like Brian could choose capital based on the speed at which they want to see returns on investment. Rather than a one-size fits all model, the Regulators' solution represents "a perfect blend" that considers the size of the development project and the length of investment.

The second component of the Regulators' solution was capital that aligns with a developer's appetite for debt. The team designed a capital deployment method that distributes funds in multiple stages to allow developers to handle any level of debt servicing. A part of the fund is a loan loss reserve for a census tract where development needs to happen. A commercial development trust fund would partially fund the loan loss reserve. The commercial development trust fund was a special element of their solution. It would take a fee from every new commercial development, which would then be used toward future commercial development.

Additionally, the Regulators embedded community ownership in their solution. They envisioned a process during the construction development phase where community members could purchase shares of the asset being built at small share levels. Community shares would enable community members to co-own the local asset. This community share level would also be backed by a guarantee.

Workgroup members offered feedback on the Regulators' patient capital approach for consideration, such as:

- Wondering how money would be built from the sales of community shares
- Considering alternatives in case the community was against some aspects of the solution, like zoning

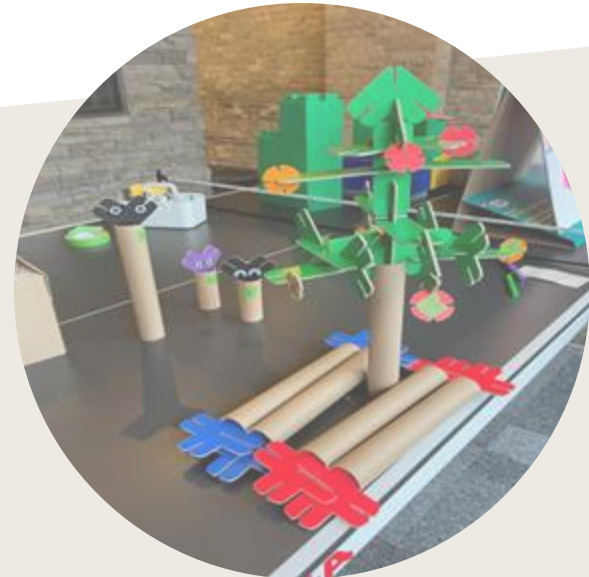


Brian | see slide 50 for details



Designing Transformative Solutions

Workgroup members created a physical model of an evergreen fund so Black developers can get funds quickly and directly



Physical model of "evergreen fund"

Team 3: We Can Do It

Solution Category: Junior debt | **Solution Name:** Evergreen fund

Team We Can Do It's solution focused on the creation of an evergreen fund for Black commercial developers. They imagined this fund would be financed through a combination of public and private entities that purchase 10-year bonds to pool their capital. These entities would include investments from high net-worth individuals, corporations, endowments and foundations. Additionally, credit enhancement opportunities would allow for a cash loan loss reserve or guarantee that could be funded by philanthropy.

One of the main goals of this evergreen fund would be to get capital directly to developers as well as help banks underwrite quickly. In this funding model, risk is limited because a philanthropy-funded guarantee accompanies the 10-year bonds. To aid in the sustainability of the fund, gains from the initial investments would be split evenly between non-development related community investment and a reinvestment back into the fund. This regenerative model for financing aligns with many Black developers like Alem who want to support their local community by having their developments in it.

The team prioritized agile and systematic deployment of funds to developers by having clear eligibility guidelines and quick underwriting. 100% of the capital would be available for deployment right away through the government of a BIPOC development committee composed of local community members. They imagine the governance and administration of the evergreen funds being in the hands of community members as opposed to politicians or large institutions to foster trust, cut down on processing time and be less structured than more traditional avenues of deployment.

Workgroup members offered feedback on We Can Do It's evergreen fund for consideration, such as:

- Wondering what role CDFIs might play; wondering how many developers could access the fund; wondering about the length and management of the underwriting process; and wondering about incentives for large investors.
- A consideration for the importance of incentives for large investors



Alem | see slide 50 for details



Designing Transformative Solutions

Workgroup members created a physical model of equity tool so Black developers can access funding at flexible terms



Physical model of "equity tool"

Team 4: Southern Charm

Solution Category: Third-party equity | **Solution Name:** Equity tool

Southern Charm's solution focused on an equity tool or investment fund for Black developers like Miah. Southern Charm's avatar, Miah, wants to develop strong, sustainable and affordable community health and wellness hubs within Black and Brown communities as a better alternative to the healthcare system. The first step of their solution was to create a fund with capital from philanthropies and angel investors. A self-sustaining system would reinvest earnings from the initial investment into the fund. People like Miah who are serving the needs of BIPOC communities would get priority funding.

A key component of this solution was the flexible lending terms. Southern Charm's solution design allowed developers to have their choice of 30- or 40-year terms with below-market interest rates and the option to defer interest over time. They imagined these terms would be most beneficial for developers who are looking to produce large-scale projects like Miah's 5-story, 75,000 SF, \$25 million building. An interesting benefit the team outlined for developers was the ability to have the interest forgiven if they saw their project through to the end of the initial term. This would create an opportunity to build generational wealth if the original developer transfers ownership of that project to the next generation. That transfer would also count toward the forgiveness of that interest, and it would not trigger repayment for the recipient of the development.

Workgroup members offered feedback on Southern Charm's equity tool for consideration, such as:

- Wondering how this solution could be capitalized at scale
- A consideration to include investors outside of angels like institutional investors



Miah | see slide 51 for details



Designing Transformative Solutions

Workgroup members created a physical model of a bridge fund so Black developers can easily access the capital they need, when they need it



Physical model of "bridge fund"

Team 5: The Dream Team

Solution Category: Junior debt | **Solution Name:** Bridge fund

The Dream Team's solution focused on creating a bridge fund for Black commercial developers. A key component of their solution was the ease with which the developer can apply to access funding. This means developers would complete one common application across CDFI, local and state funding sources. Aspiring developers, like Malik, would be able to save time and money seeking funding, which would allow them to focus on other dimensions of their development like Passive House certification. The Dream Team's solution also encouraged cross-sector collaboration through public and private funding partnerships. CDFIs, banks, philanthropies, corporations and individuals would pool their funds for aspiring full-time developers. The Dream Team's avatar, Malik, was able to tap into additional funding through a green bank infrastructure. This infrastructure makes additional funds available for developments that meet criteria for domestic low-carbon, climate resiliency (LCR).

Overall, the Dream Team imagined the following funding breakdown to fully finance Malik in this scenario: bridge fund loan with 3.5% interest, green bank infrastructure and funding from local programs through the single application to bring in \$6.75 million. Malik can utilize the Livable Communities Demonstration Account (LCDA) and Transit Oriented Development (TOD) accounts for \$1.5 million. Tax increment financing (TIF) and American Rescue Plan Act (ARPA) funding would cover \$1 million. Property Assessed Clean Energy Programs (PACE) and Passive House certification would provide another \$1.2 million in funding. Finally, Local Initiatives Support Corporation (LISC) funds would cover the last \$2.75 million of funding for the development at 6% interest. This solution is designed to enable the quickest, hassle-free deployment of funds for developers who need a comprehensive financing structure and prioritize climate resilience.

Workgroup members offered feedback on The Dream Team's bridge fund for consideration, such as:

- Wondering how tax credits and TIF (tax increment financing) would interact with the bridge loan; wondering how the green bank initiative would be integrated; wondering what the capital terms would need to be; wondering about the sustainability of the funding sources; and wondering about the infrastructure needed to hold the service.



Malik | see slide 51 for details



In Their Own Words

“

“This will systematize the power of personal relationships at big institutions, without needing those relationships.”

– Workgroup member | solution worksheet

“I like that you prop up the developer with different options and support.”

–Workgroup member | feedback on junior debt solution

“I like the focus on the need for bridge funding and funding elasticity.”

–Workgroup member | feedback on junior debt solution

“Give reparations to communities for economic prosperity.”

- Workgroup member | \$12 billion surplus spend ideation



“We thought about generational wealth. If a developer transfers ownership within that project, the next generation can also get forgiveness.”

–Workgroup member | solution share out

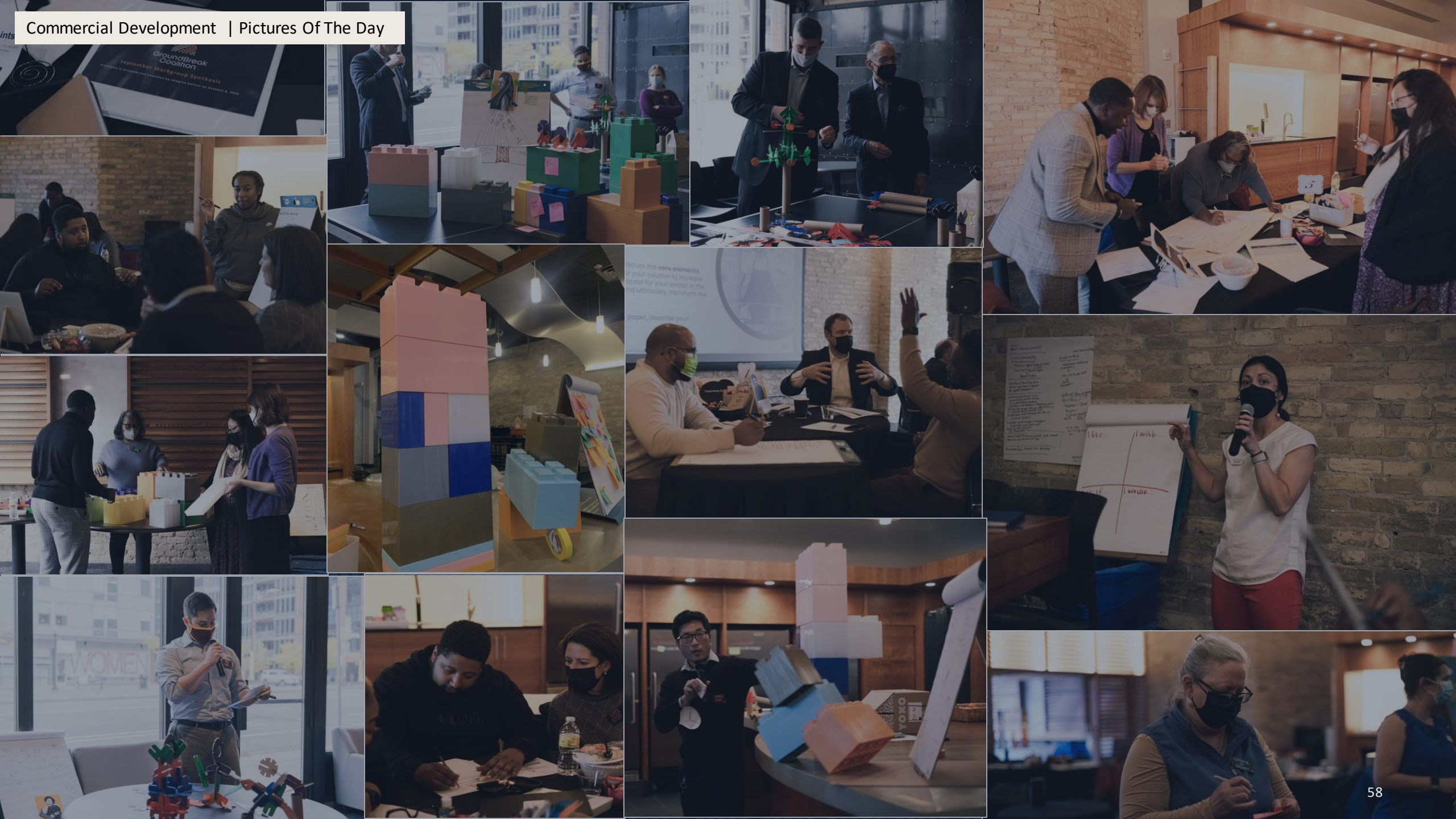
“This developer will actually get more money for their project because of this guarantee from the foundation or entity we created.”

– Workgroup member | solution share out

“We know that pre-development funds are really needed for these entrepreneurs and developers.”

–Workgroup member | solution share out

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Next Steps



December Workgroup Meeting

Objective: To refine the draft capital prototypes to deliver to the Steering Committee in January

Commercial Development	<ul style="list-style-type: none"> December 12 9:30 a.m. – 12:30 p.m. Virtual Workgroup Meeting
BIPOC Entrepreneurship	<ul style="list-style-type: none"> December 12 1:30 p.m. – 4:30 p.m. Virtual Workgroup Meeting
Rental Housing	<ul style="list-style-type: none"> December 13 12:30 p.m. – 3:30 p.m. Virtual Workgroup Meeting
Homeownership	<ul style="list-style-type: none"> December 14 12:00 p.m. – 3:00 p.m. Virtual Workgroup Meeting



Appendix A

Workgroup warm-up synthesis responses

Rental Housing

Design Prompt	Shared Responses
<p>If you had a \$12 billion surplus, how would you spend the money to build wealth for Black renters through rental housing in a way that will endure?</p>	<ul style="list-style-type: none">• Develop or allocate high-quality living space for families at 30-50% AMI• Fund nonprofits dedicated to this mission• Buy up single-family homes and lots in denser neighborhoods in order to maximize number of units on those sites.• Make strong investments in transit and public safety and other neighborhood amenities (beyond just housing).• Make a major infusion into rent subsidies (Beacon's Bring It Home campaign idea)• Fund public housing repair and creation as well as PHA rental subsidies• Fund operating subsidies for deeply affordable and/or supportive housing• Fund guaranteed basic income for Black renters• Build units in high renter neighborhoods and pair it with broader community development efforts. Units would be energy-efficient (solar, weatherization, etc.) to reduce costs and built by Black developers. The solution would also include anti-gentrification language and other neighborhood investments.• Use State bonding dollars for affordable housing development (adding units).• Create a rental assistance fund to help renters buy down the price of rent so they were able to a) afford a place to live and b) have additional income for general wealth building or food, school, etc.• Fund minimum income/or housing subsidies• Create fund to provide money to Black renters who want to purchase a home• Match renter's savings that can be used in case of housing emergency or to save for home ownership• Reparations to Black folk



Homeownership

Design Prompt	Shared Responses
If you had a \$12 billion windfall, how would you spend the money to increase homeownership for Black homebuyers to close the equity gap?	<ul style="list-style-type: none">• Create a race-based special purpose credit, down payment assistance program that's forgivable for \$50,000-\$150,000• Buy down the interest rate• On the supply side, build a lot more homes. On the demand side, focus on stabilization.• Do an equitable down payment assistance program that considers income level with more money going toward those with lower incomes.• Offer a forgivable grant for first-generation home buyers• Buy all available homes under \$400,000 in the city. Put them into an asset hold with all proceeds on resales going to close the gap• Buy down interest rate to 2% for first-generation Black homebuyers and offer down payment assistance for up to 20% of their mortgage• Create affordable financing with flexible funding options• Take it to legislature for a \$500 million per year match for 12 years.



BIPOC Entrepreneurship

Design Prompt	Shared Responses
How would you spend the State’s \$12 billion surplus to increase access to capital for Black entrepreneurs?	<ul style="list-style-type: none">• Create an investment committee of BIPOC investors who are the decision makers and distributors of funds.• Invest in employee sponsorship programs.• Create a matching program that can be leveraged.• Create a \$500 million fund that is a permanent community asset.• Invest in small business-owned real estate.• Create State SBA-type entity that matches capitalization and guarantees from banks, lines of credit, equity ventures, etc.• Invest in some existing CFIs. Invest in Black-owned banks. Leverage existing entities, MIAS, neighborhood developments as starting points• Consolidate unique talents in CDFIs to leverage impact and ensure cross-connection. This will allow them to reap the benefits of working with other groups. Connections and impact can be amplified through existing coworking spaces and incubators.• Put the money toward capital needs like start-up grants and forgivable loans.



Commercial Development

Design Prompt	Shared Responses
How would you spend the State’s \$12 billion surplus to unlock capital for Black developers?	<ul style="list-style-type: none">• Reparations to Black folk: \$1 million in grant money for Black developers• 10-year enterprise-based lending to diverse businesses based on those most impacted by the pandemic. Lending will be forgivable after 10 years.• Loan equity fund matched by a third party that is accessible to developers. Interest would go back to the community and be administered by those closest to community (i.e., BIPOC developers)• Funds to start or create a community-owned financial institution. Community owns bank or senior lender; community board makes rules and dividends go back to the community• Fund the Commercial Property Development Fund (CPDF) of Minneapolis at \$500 million. Replicate and fund this program in top 10 cities or suburbs in the metro area at the level of \$100 million each.• Open a minority-owned real estate investment academic institution.





Appendix B

Capital Prototypes

Forthcoming