



**GroundBreak
Coalition** **FAQs**
Revised 8.21.23

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Overview

What is GroundBreak?

GroundBreak Coalition is a group of 40+ corporate, civic, and philanthropic leaders committed to building a more inclusive, racially equitable, and climate-ready region. Formed after the murder of George Floyd, GroundBreak's goal is to permanently close racial wealth gaps by changing how we deploy capital in the region. That is, the financing or funding needed for a person to participate in activities that build wealth, such as buying a home or starting a business.

Our strategy to build wealth across all racial backgrounds uses a targeted universalist approach focused on building Black wealth. GroundBreak launched its work in 2022 with a broad coalition tasked with researching how flexible, non-market rate capital¹ could be leveraged to unlock market-rate capital at scale toward building Black wealth.

What does GroundBreak seek to accomplish?

By fundamentally changing how capital is deployed, our goal is to permanently close racial wealth gaps so every person, no matter their race or background, can share in the region's prosperity. In the next decade, GroundBreak aims to contribute to the following outcomes:

- ❖ 11,000 new Black homeowners
- ❖ 60 Black-led neighborhood commercial developments
- ❖ 5,000 additional Black entrepreneurs creating 8,000 jobs and
- ❖ 23,500 affordable rental units

These measurements emerged from existing analyses of regional wealth building opportunities.

Why this approach?

Our national crises of racial, economic, and climate injustices were simmering long before the pandemic and George Floyd's murder brought them to a boil. Nowhere is this more evident than in the Minneapolis-St. Paul metropolitan area (MSP) where the economic gulf between Black, Indigenous, and people of color (BIPOC) and white families is higher than nearly anywhere else in America². MSP has come together since the uprisings in extraordinary ways to rebuild and reimagine a more equitable, climate-ready future. Together, we have the unique opportunity to transform MSP from the epicenter of America's racial reckoning to the epicenter of racial opportunity. In doing so, we can create a roadmap for cities nationwide.

In recent years, many organizations have made bold, visible commitments to address racial inequities and preserve a safe climate by leveraging their institutional power and dedicating resources to create a shared strategy for racial, economic, and climate justice. We are galvanizing these commitments and holding ourselves accountable for meeting them.

¹ "Non-market rate" capital refers to funding or financing from sources like governments, philanthropy, or other investors who can provide capital at a lower cost than the private market. In addition to lower costs, non-market rate capital can also be provided with more flexible terms and conditions.

² [Racial inequality is among the worst in the nation](#), Washington Post, May 20, 2020.

How is GroundBreak working to achieve these goals?

In 2022, GroundBreak work groups, which included over 170 partners from across the non-profit, private, public, and philanthropic sectors, engaged in a human-centered design process to understand what capital solutions, if fully enacted at scale, could make a difference for Black homebuyers, commercial developers, entrepreneurs, and renters. Nine capital solutions (dubbed prototypes) were identified, including many tried-and-true products such as downpayment assistance, grants for start-up businesses, and low-cost loans. Informed by community need and ideas, work groups focused on traditional paths to wealth building, as well as rental housing given the critical importance of housing stability.

Importantly, GroundBreak pushes those with resources (financial institutions, corporations, government, philanthropy, etc.) to change their systems and processes to serve Black wealth builders. With this in mind, coalition leaders realized that they could mobilize capital at scale for the work group prototypes if they build a [shared financial platform](#). In 2023, GroundBreak's steering committee is working to build and invest in a shared financial platform that can unlock these solutions at scale.

How much capital does GroundBreak seek to mobilize?

To achieve GroundBreak's goals for the region, we seek to mobilize \$5.3 billion in capital. Through a shared financial platform, about 77% of this would be private, market-rate capital. The remaining \$1.2 billion would be flexible, non-market rate capital.

Where does GroundBreak work?

Right now, GroundBreak's efforts are focused on Minneapolis-St. Paul Metro area, though we believe the results of the work can be and will be relevant in ways that could be applied to communities across the state and the entire country.

How is this different from past community and economic development efforts?

GroundBreak aims to amplify the impact of past efforts by drawing more capital to the region, and by bringing more people to the table. There are three main ways GroundBreak's approach is different than past efforts.

First, GroundBreak is a large-scale, regional response to racial wealth disparities. It aims to close the racial wealth gap by delivering long-term, dependable capital (funding) that can repeatedly fund the hopes and aspirations of people in the region who traditionally have not been able to access this capital. In short, it's not about temporary fixes or funding, but instead, it's seeking to transform the system to work in ways it never has before so it can intentionally close racial wealth gaps over a 10-year period.

Second, GroundBreak brings private capital to the table in a coordinated, transformational way. A critical mass of financial institutions has agreed to provide plentiful, private capital through specific products with terms and underwriting that address historic barriers to make them accessible to Black households, as defined by the community.

Finally, GroundBreak's approach means the onus to transform systems is placed on the institutions that control capital. This includes financial institutions providing the required market rate loans, philanthropy, governments, corporations, and investors pledging assets for grants, guarantees, and low-cost capital.

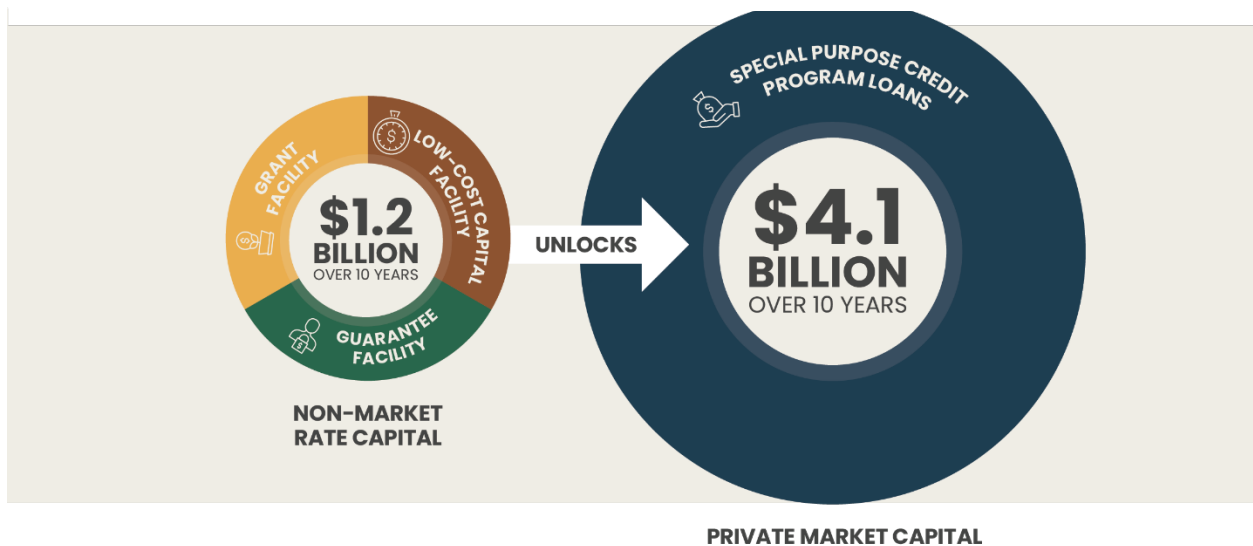
Building and Investing in a Shared Financial Platform

What is GroundBreak's shared financial platform?

The [shared financial platform](#) is a way to organize capital in MSP toward building Black wealth in way that is systematic and achieves scale. It considers the reality that our financial systems were not designed for underinvested communities and that given our state's history and existing racial wealth disparities, we need transformative change to level the playing field.

The platform works by blending flexible, non-market rate capital (from places like philanthropy, government, corporations, and other investors) with market-rate capital provided by financial institutions. The four interdependent parts of the platform work together so transactions can be easily repeated, and results can compound over time.

GroundBreak's Shared Financial Platform



What is the difference between GroundBreak's shared financial platform and a fund?

Generally, a fund is a time-limited pool of money raised for a certain purpose. Once a fund is raised, the institution will seek out projects to finance, until the pool is drained. GroundBreak's financial platform will organize capital in a systematic and permanent way. The platform will facilitate seamless access to sufficient capital that partners working in GroundBreak's focus areas can deploy to Black wealth-builders at scale. These partners could include community development financial institutions or other nonprofits.

By establishing a shared financial platform, the onus is on institutions with capital—instead of nonprofits—to aggregate resources and make them accessible. Working together across sectors, we can make more capital available in a way that is plentiful, predictable, and permanent. This creates a new capital system, unlike a fund, that is reliable, consistent, and can deliver results over a long-term period.

When will the financial platform launch?

Steering committee members are in the process of researching what it will take to establish facilities (that will aggregate and mobilize capital) and identifying what their institution's initial investments will be. We expect to launch elements of the platform in 2024.

What is GroundBreak's non-market rate capital investment goal?

To achieve impact goals, GroundBreak seeks to mobilize \$1.2 billion in flexible, non-market rate capital over the next decade. To stay on track, we are working to secure \$250 million in non-market rate capital investments by December 31, 2024.

Who will provide this capital?

Initially, each institutional member of GroundBreak is expected to contribute toward the platform over the next three years. Longer term, we expect to raise capital from local, state, national and even global investors.

Who will decide where funding from GroundBreak's platform goes?

GroundBreak is committed to developing a transparent, accountable decision-making process related to the initiative's overall governance and approved partners who will be responsible for accessing and deploying capital. This work launched in the summer 2023 and is in progress.

Who will manage each part of the platform?

GroundBreak steering committee members are in the process of establishing the coalition's long-term governance structures in addition to standing up each component of the shared financial platform and determining their management. This work will likely continue into early 2024.

Will there be any project-based or general funds available for nonprofits working in aligned areas?

With more capital available, nonprofit partners will need more capacity to provide grants and loans for homebuyers, entrepreneurs, and commercial developers. GroundBreak is encouraging its members to complement their investments in the financial platform with grantmaking for capacity.

- ❖ GroundBreak is mobilizing capital through a shared financial platform to build Black wealth through nine capital solutions or prototypes (such as \$50,000 for downpayment assistance or a low-cost loan of up to \$250,000 or an early-stage business).
- ❖ Formally aligned and approved partners such as nonprofits organizations, banks, and CDFIs will be able to draw down and deploy capital from GroundBreak's financial platform to provide grants and loans to Black wealth builders at scale.
- ❖ GroundBreak is asking its partners to provide complementary grantmaking to support nonprofit capacity-building to ensure organizations are able to deploy capital at scale.

Is GroundBreak competing with local organizations for funding?

GroundBreak seeks to augment existing regional efforts—it should not stall or compete with initiatives working toward common goals, we encourage complementary grantmaking to bolster the capacity of local partners. Once the platform is established, it will operate behind the scenes to serve the region and enable greater scale and impact, shifting the burden of aggregating resources from nonprofits to capital providers. Additionally, institutions are exploring creative ways to leverage their assets outside of traditional grantmaking to power the platform.

What is GroundBreak's governance structure?

In its initial phase, GroundBreak partners established a steering committee comprised of local philanthropic, corporate, financial, and government sector leaders supported by work groups that included nonprofit and community leaders. The steering committee is currently updating its governance structure to support the coalition's next phase. Additional updates will be shared at GroundBreak's next public event in October 2023.

Recent Accomplishments and Next Steps

What are GroundBreak's recent accomplishments?

Since its launch in May 2022, the GroundBreak Coalition has made significant progress with growing momentum.

- ❖ In 2022, over 170 individuals and 120 organizations came together to identify and develop 9 capital prototypes that could close racial wealth gaps in homeownership, entrepreneurship, and commercial development.
- ❖ In 2023, GroundBreak's steering committee began the work of building a shared financial platform—the first of its kind in the nation—that can deploy capital prototypes at scale in a systematic, efficient way. By doing so, GroundBreak's prototypes will become financial 'commodities' in the region, so transactions can be made repeatedly, thousands of times.
 - In the summer of 2023, leaders began to identify what it will take to establish guarantee and low-cost patient capital facilities.
 - Working groups began early activation of capital prototypes in homeownership, entrepreneurship, and commercial development to test terms and assumptions.
- ❖ In 2023, the state Legislature invested \$100 million in downpayment assistance for first-time homebuyers. This influx of flexible capital allowed GroundBreak's steering committee to jump-start the development of special purpose credit program loans and tools for homeownership.
- ❖ GroundBreak is preparing to announce its first public commitments toward the shared financial platform in October 2023.

What is the status of rental housing work?

Where we live impacts everything and stable housing is critical to realizing many of the aspirations we share. Earlier this year, capital prototypes were released for homeownership, entrepreneurship, and commercial development, and additional work is still needed on rental housing. GroundBreak approached its work on rental housing with the understanding that Black families deserve the opportunity to build wealth *as renters*, and that housing stability is often critical to other wealth building endeavors like buying a home or starting a business. GroundBreak is continuing to explore how private market capital through a shared financial platform can support affordable housing development and what opportunities might be available for the region with the State's historic investment in housing in 2023, including a new metro sales tax that will provide ongoing funding for affordable housing.

What are GroundBreak's next steps?

- ❖ Continue building the platform for grants, low-cost capital, and guarantee facilities.
- ❖ Develop special purpose credit program loans adopted by a set of financial institutions.
- ❖ Continued work to update the governance structure to support programmatic work.
- ❖ Announce first round of public commitments and governance updates on October 31, 2023.
- ❖ Secure non-market rate capital investments (\$250 million by December 31, 2024).
- ❖ Complete significant progress toward the shared financial platform and begin deploying capital in at least one wealth-building area in 2024.

How can I support GroundBreak as an institution or investor?

Please contact Ben Hecht, senior advisor at McKnight Foundation to learn more: bhecht@mcknight.org.

Who can I contact or where can I learn more?

We always welcome questions and feedback. Please contact us at info@groundbreakcoalition.org and find updates on our website: <https://groundbreakcoalition.org>.