

Mayor's Minority Business Task Force

Final Report

Including Recommendations

Presented by:

Office of Multicultural Affairs
&

Department of Economic and
Community Development

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History of the Group:

Convened by Mayor Andy Berke in the Spring of 2016, the Minority Business Task Force met for one year, surveyed almost 200 local minority business owners, and held a public minority business forum, all to better understand and document the needs of the local minority business community. The group made a particular effort to reach all types of minority business owners, and hosted events for African American, Asian and Latino business owners. The Task Force members also created a version of the survey in Spanish.

**The proposal contained in this document addresses
businesses across the continuum.**

Start Up, Stay Up, Scale Up.

1.) The Startup - Access to Capital & Social Capital should be addressed by implementing the Bootstrapping model, meaning the ONLY resource provided at this stage is KNOWLEDGE. Providing access to knowledge not only vets a current concept to form a business but pronounces the feasibility of said aspiring entrepreneur's capability to handle such resources i.e. Capital - requested. Knowledge concludes to 1. Definition of a Business, 2. Business Types - per the IRS.gov, 3. Business Structures, 4. Business Models, 5. Your Market, 6. Personal Assessment, 7. Business Planning, 8. Business Action Plan, 9. How to start a business in any Industry - business licenses, permits, insurance etc.

2.) Stay Up a.k.a Early Stage - Access to Capital & Social Capital should be proven by the Networking Effect i.e. The Ecosystem. At this stage, Business are ready to address the topic of how to tie into and create an ecosystem that supports not only their business endeavors but also the community surrounding them. At this stage Entrepreneurs understand how to maneuver the market considering knowledge consumed and access provided to such. The recommended suggestions for Coaching, the C-Suite offering, as well as recommended Technologies to outsource crucial parts of business work well in this phase if therefore applied.

3.) Scale up a.k.a The Growth Phase - At this point the Entrepreneur and the Business has been proven viable and are now ready to further prove and vet their business model. During this phase monetary funds are needed for trial and error - here is where the Kiva micro lending would be suggested. People who invest for a living would also be recommended as Mentors to these business owners who are operating at such phase.

EXECUTIVE ORDER OF THE MAYOR
No. 2016-01

WHEREAS, the City wants to ensure all citizens regardless of their race, gender, or religion have access to resources that can improve their businesses and create economic opportunity; and

WHEREAS, the City understands and recognizes that African-American, Hispanic/Latino, and other minority-owned businesses have been systematically denied the privileges that allow for business and wealth creation; and

WHEREAS, research shows that African-American, Hispanic/Latino, and other minority-owned businesses have less access to capital and rely more heavily on personal wealth, despite having significantly less personal wealth per family than white business owners. In addition, while women have recently seen an increase in access to credit, they have traditionally suffered from similar deficits in accessing capital; and

WHEREAS, African-American, Hispanic/Latino, and other minority business owners are more likely to be turned down for a loan even if they have a credit history and score equal to their white counterparts; and

WHEREAS, research shows that businesses owned and operated by minorities are more likely to employ people from diverse backgrounds and subcontract with other diverse firms, creating a leadership pipeline and increasing the economic potential for the entire minority community; and

WHEREAS, the City has worked to increase the percentage of government contracts that are awarded to minority businesses, but it will require local government, private sector, public sector, and stakeholder organizations working in concert to promote and support the minority business community; and

WHEREAS, the City acknowledges that many of our minority-owned businesses lack the necessary tools and support from the City and community to build a new business and/or strengthen an existing business that can compete in the 21st century economy; and

WHEREAS, the City is committed to raising awareness about the importance of having a diverse and thriving business community and harnessing the power of our existing businesses to grow others.

NOW, THEREFORE,

IT IS ORDERED, That a Task Force to Strengthen Minority-Owned Businesses (“Task Force”) be established to provide a more direct focus on and attention to identifying the local issues and challenges for local minority-owned businesses in doing business throughout our city;

IT IS FURTHER ORDERED, That the members of the Task Force shall search out new ideas as well as best practices from other cities and communities, and propose viable solutions to address any identified barriers to strengthening Chattanooga’s minority-owned businesses;

IT IS FURTHER ORDERED That the Task Force shall be appointed by the Mayor and shall meet as often as necessary to complete its work and deliver its findings and recommendations no later than one year from its first meeting;

IT IS FURTHER ORDERED, That the Task Force shall have meetings, appoint committees, and guide constructive debate in a civil manner towards consensus as well as find concrete ways to engage the public at large throughout the process;

IT IS FURTHER ORDERED That the Task Force shall make a recommendation to the Mayor regarding how the Task Force should be organized following its first year of work.

IN WITNESS WHEREOF, I have executed this Executive Order No. 2016-01 this the 7th day of March, 2016.

ANDY BERKE, *Mayor*

MAYOR ANDY BERKE SIGNS EXECUTIVE ORDER ESTABLISHING MAYOR'S TASK FORCE TO STRENGTHEN MINORITY-OWNED BUSINESSES

Chattanooga, TENN. (March 07, 2016): Today, Mayor Andy Berke signed an executive order establishing a community coalition to identify the challenges faced and propose solutions to strengthen minority-owned businesses in Chattanooga. This task force will pull together a group of businesses owners, community leaders, and economic development experts to develop an action plan and provide recommendations.

On Wednesday, February 24, March Mayor Berke met with over forty business owners during an African-American Business Owners Breakfast hosted by the Mayor's Office of Multicultural Affairs (OMA). During the breakfast, business owners heard about the resources provided by the City of Chattanooga, discussed ways to grow their businesses, and described issues they face.

"There is no doubt that the City and the community can do more to help strengthen and grow our minority-owned businesses," said Mayor Andy Berke. "Through this order, we will put the structure in place, get the right people to the table, and find the solutions that will help Chattanooga's minority businesses compete in the 21st century economy."

The Berke Administration has made the success of diverse businesses a priority especially as it pertains to increasing the number of contracts awarded to minority-owned businesses. Prior to April of 2013, the City of Chattanooga's purchase and contract rate for minority-owned businesses fluctuated between 1 and 2 percent. Through OMA's Supplier Diversity program, the City of Chattanooga now sustains an annual rate of 13.5 percent.

"While the City will continue to sustain and improve our engagement with minority-owned businesses, we want all businesses -- whether they are doing business with the City or not -- to have access to opportunity," said Mayor Berke. "The City and the community has a role to play in strengthening our minority-owned businesses, as their success is directly linked to the success of Chattanooga as a whole."

Through his Executive Order, Mayor Berke will appoint members to the Task Force and charge the Task Force with providing recommendations no later than one year from its first meeting.

"This is a welcome announcement," said Linda Murray Bullard, owner of LSMB Business Solutions, a local business and personal development consulting firm. "We know there are missed opportunities for African-American and other diverse business owners throughout the city. By starting a candid conversation about the topic, followed up with an action plan, we can start to see some movement on this important issue."

Mayor Berke indicated he would name task force members in the next week, with an initial meeting taking place before the end of March.

Recommendation 1: Increase Access to Capital

Minority Businesses struggle with gaining access to capital. The Mayor's Minority Business Task Force recommends that the City of Chattanooga Government support efforts which strengthen minority business owners ability to connect to funding opportunities and information about the array of funding opportunities in our city.

Background:

The Mayor's Minority Business Task Force met for one year, surveyed almost 200 local minority business owners, and held a public minority business forum to gauge the needs of the local minority business community. Forty-four (44%) percent of our survey respondents identified Access to Capital as a significant challenge for local minority business owners.

Capital Access remains the most important factor limiting the establishment, expansion and growth of minority-owned businesses. Given this well established constraint, the current financial environment has placed a greater burden on minority entrepreneurs who are trying to keep their businesses thriving in today's economy.

For new businesses, especially those that are minority-owned, having access to working capital—which is used to keep operations going and to pay bills—could mean the difference between the success and failure of that business.

Other minority-owned firms need capital to fund their growth and, consequently, their ability to perform contracts. This financing could mean hundreds or even thousands of new jobs. For other companies, primarily construction firms, capital is needed for bonding in order to fulfill contractual requirements. Access to capital is one of the most important challenges business owners face.

<https://www.mbda.gov/news/blog/2010/07/access-capital-still-challenge-minority-business-enterprises>

Tactics:

- 1. Work to establish a local Angel Fund, which will step in after the start up phase, and invest \$10,000 - \$100,000 in selected businesses. Applicants to the fund should be referred from one of the established Small Business Development organizations in Chattanooga, or be part of the City's recommended coaching and mentoring efforts. Selection criteria should be reviewed regularly so as not to be unintentionally discriminatory.**
- 2. Connect minority entrepreneurs to micro-lending resources. Establish Chattanooga as a Kiva City, or at the very least, work to make sure that as many minority business owners as possible are educated about how to apply for a Kiva loan, with local technical support. Kiva loans are 0% interest and up to \$10,000. The Task Force suggests concentrating outreach about local micro-lending efforts in areas with high concentrations of minority owned businesses.**
- 3. Explore the possibilities of offering tax credits or tax discounts to commercial landlords who support and incubate minority businesses in their properties throughout the city.**
- 4. Canvass existing and previous Minority Loan Funds in the city and determine what were the commonalities of Problem portfolios vs. successful portfolios. Complete a series of interviews to document what worked and what did not work with previous and existing loan funds.**
- 5. Support local efforts that improve the Financial Literacy of Minority Business Owners, such as the Urban League's *Next Level* and Launch's *CoStarters* efforts.**

Recommendation 2: Support a Web Portal

For many years, members of Chattanooga's business community have lamented the lack of a web portal to connect business owners of all types to Chattanooga's incredible array of small business services. From CoLab, to LAUNCH, to Brightbridge, the Urban League, and all of the organizations in between, our city is bursting with resources -- for those in the know.

Minority Businesses struggle with connecting to the business services -- free and paid -- throughout Chattanooga. The Mayor's Minority Business Task Force recommends that City of Chattanooga Government support two existing local efforts to create a web portal for Chattanooga entrepreneurs. These two efforts are being headed up by the Chattanooga Chamber of Commerce and CoLab.

Background:

The Mayor's Minority Business Task force met for one year, surveyed almost 200 local minority business owners, and held a public minority business forum to gauge the needs of the local minority business community. A great deal of our feedback identified the need for local minority business owners to have an online portal/map of the wide array of small business services available to Chattanooga entrepreneurs. The feedback also indicated a need for more local minority businesses to embrace technology and engage social media.

A national study by the Urban Institute, a Washington-based think tank, suggests that if minority- and women-owned firms embraced technology, the U.S. economy could capture as much as \$200 billion in additional revenues.

Minority- and women-owned enterprises are the nation's fastest-growing business segment but are behind the learning curve when it comes to integrating technology into their day-to-day business practices.

Each month, in our city, organizations offer classes, workshops and one-on-one assistance for business owners to build websites, engage social media, learn software to facilitate accounting/bookkeeping -- but many minority business owners are not privy to the information about these resources. A web portal will assist, not only minority business owners, but all business owners -- and even those moving to

Chattanooga-- with identifying the available resources.

Tactics:

1. Offer financial and/or human resource support to the Chamber and/or CoLab in the development of their respective, existing web-portal projects.
2. Include testimonials by minority business owners and skill building short webinars as part of the web portal's content.
3. Include a list of local Minority Owned Businesses on the portal. This list can be populated by the business owners. Include a question on the City and County Business License applications to ask if a business owner is a woman or minority -- this will enable to City, and other organizations, to document the number of minority businesses created each year, and assist in creating a baseline list of minority owned businesses.
4. Place links to the completed web portals on the City's website.
5. Request that both web portals be searchable by zip code, products and services, business owner needs and available in both English and Spanish.
6. Request that portions of the portal be formatted and printable so that they may be shared in a variety of settings and with business owners all along the technology use spectrum.
7. Portals should include testimonials (with diverse business owners) and access to webinars for business owner professional development.

Recommendation 3:

Complete the Disparity Study or Not

For the past four years, the City has worked diligently to educate the public about the process for doing business with City of Chattanooga Government. The education and outreach efforts have significantly increased the number of purchase orders open to women and minority business owners; however, there is always room for improvement. Unfortunately, without the completion of a disparity study, City Government -- and other public and private entities -- committed to equity cannot take more aggressive steps to ensure diversity and inclusion in procurement.

Some members of the task force have expressed that they are not in favor of the City completing a Disparity Study. They feel as if the expense is too great to justify a report that will only tell the group what they already know -- that the inventory of minority businesses is low, that minority businesses do not have access to capital, and that there has been ongoing discrimination against minority businesses in Chattanooga. Many members feel that the funds spent on a Disparity Study should go into supporting the recommended loan fund, which will strengthen and grow minority businesses in Chattanooga.

Background:

The Mayor's Minority Business Task force met for one year, surveyed almost 200 local minority business owners, and held a public minority business forum to gauge the needs of the local minority business community. The group identified the lack of a Disparity Study as a barrier to taking bold steps in engaging DBEs.

A Disparity Study determines whether a government entity, either in the past or currently, engages in exclusionary practices in the solicitation and award of contracts to minority, and women-owned, and disadvantaged business enterprises (MWDBEs). Many cities commission periodic disparity studies to determine if there is disparity between the availability of firms and the utilization of those firms in its market area.

A Disparity Study involves compilation of evidence to determine whether the City has a strong basis for

implementing race- and gender-conscious contracting measures and narrowly tailoring any race- and gender-conscious remedies.

- This includes statistical evidence of disparities, if any, between the availability of DBEs and their utilization on City contracts and related subcontracts, and throughout the Greater Chattanooga area economy as a whole.
- The Study will also gather anecdotal evidence of any continuing effects of past or present race and gender discrimination in the Chattanooga marketplace.
- The study will review the City's current efforts as well as the efforts of other large public and private entities.
- The Study will further examine factors necessary for entrepreneurial success on City projects, such as access to business capital, bonding, networks, suppliers, etc. Based on this evidence, the Study will make recommendations for future initiatives and program enhancements.

Tactics:

1. Complete a Disparity Study. This can then be used as the basis for more aggressive improvements to the DBE engagement/contracting process; or, do not complete a Disparity Study and use the allocated funds to establish the loan fund detailed in *Recommendation One: Access to Capital*.

Recommendation 4: Grow Social Capital

Minority Businesses struggle with gaining social capital. The Mayor's Minority Business Task Force recommends that the City of Chattanooga Government support efforts which strengthen minority business owners ability to connect to formal and informal social networks which offer businesses access to information and partnership/collaboration information. Often, minority business owners do not have the broad social networks of mainstream business owners and, as a result, often lack connections to grow ,expand, and sustain their businesses.

Background:

The Mayor's Minority Business Task Force met for one year, surveyed almost 200 local minority business owners, and held a public minority business forum to gauge the needs of the local minority business community. The overwhelming majority of feedback identified Access to Social Capital/Social Networks as a significant challenge for local minority business owners.

Social Capital is defined as the networks of relationships among people who live and work in a particular society, enabling that society to function effectively.

Business owners of color face familiar challenges common to all entrepreneurs, such as a lack of financial capital. They also contend with occasional outright racism or sexism. They face more subtle obstacles as well: lack of mentors and role models, difficulty finding good professional partners, and indifference—or even hostility—from mainstream business networks. This lack of social capital means entrepreneurs may never get the crucial introduction, the benefit of the doubt from a financier, or the valuable guidance of a mentor that propels their businesses forward.

For new businesses, especially those that are minority-owned, having access to social capital and robust networks could mean the difference between the success and failure of that business.

<http://www.kauffman.org/microsites/state-of-the-field/topics/background-of-entrepreneurs/demographics/race>

Tactics:

- 1. Support the City's Department of Economic and Community Development in partnership with BrightBridge in the creation of the Minority Business Coaching Model. Task Force members should be part of establishing the participation criteria and assist in selecting the coaches and consultants.**
- 2. Support a local small business development organization in the creation of a CEO and Minority Entrepreneur Mentoring (C-suite Mentoring) Program. Elements of this program should include shadowing and periodic one-on-one meetings. The program should last at least six weeks and offer opportunities to learn from established, mainstream business owners. Incent participating mentors with a celebratory annual luncheon.**
- 3. Host a monthly CEO Roundtable; address different topics each month and focus on the different stages of business -- Start up, Stay up, Scale up. Feature the various entrepreneur services in our city and present different types of small business skills/knowledge/software. Host the Roundtable as a breakfast so as not to interfere with the business owner's workday. Make sure that roundtables are open to the public and move the event to different communities, with high concentrations of minority businesses.**
- 4. The City should assign staff to interview the broad network of Supplier Diversity professionals in Chattanooga, to gain information on their preferred method of receiving/interacting with referrals. This information should then be compiled and shared with the Supplier Diversity network, to lessen confusion as members make referrals. A good place to begin these discussions and collect information would be at the Chattanooga Chamber's Office of Diversity and Inclusion quarterly meetings for diversity professionals.**

Summary

In summary, the **disparity study** would prove the already known fact that there's a major gap in the Chattanooga business community, but the same funds that could support a disparity study could also be used to create a loan fund for minority businesses. The **web portal** would help reduce the gap by hosting all info in one place, reducing the access to info hurdle. The web portal would allow minorities to have access to the latest info. It would also eliminate the knowledge and logistic obstacles that minority businesses encounter while trying to start up, stay up, and scale up their businesses. Next, **coaches** would be used to discuss the viability and profitability of their business. If the business warrants, the business would then have the opportunity to **consult** with SME's. After consulting with the SME, businesses may be introduced to **capital opportunities, C- Suite mentoring opportunities, and a business development officer** to explore opportunities to increase revenue and cash flow.

Appendix

1. **Minority Business Task Force 2016 - 2017 Survey Results**
2. *The Tapestry of Black Business Ownership in America: Untapped Opportunities Success*,
Association for Enterprise Opportunity 2017
http://www.aeoworks.org/images/uploads/fact_sheets/AEO_Black_Owned_Business_Report_02_16_17_FOR_WEB.pdf
3. *Tennessee Department of Economic and Community Development Business Enterprise Resource Office (BERO) tn.gov/e cd/bero March 2016 Addendum*
http://www.tn.gov/assets/entities/e cd/attachments/BERO_AR_FY2015_Addendum2016.pdf