THE BROOKINGS INSTITUTION

FIVE-STAR REVIEWS, ONE-STAR PROFITS: THE DEVALUATION OF BUSINESSES IN BLACK COMMUNITIES

Washington, D.C.
Wednesday, February 19, 2020

Welcome and Presentation:

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Fellow, Metropolitan Policy Program
The Brookings Institution

Panel 1:

Moderator: ESHE NELSON
Economic and Markets Reporter, Quartz

TYNESIA BOYEA-ROBINSON
President and Chief Executive Officer
CapEQ Impact Investing Advisors

MARTHA LEGG MILLER
Advocate for Small Business Capital Formation
U.S. Securities and Exchange Commission

JONATHAN ROTHWELL
Principal Economist, Gallup
Nonresident Senior Fellow, Metropolitan Policy Program, The Brookings Institution

Panel 2:

Moderator: ESHE NELSON
Economic and Markets Reporter, Quartz

KESHA CASH
Founder, Impact America Fund

BRANDON RULE
President, Rule Enterprises

TONY TOMELDEN
Owner, The Pug, Brookland’s Finest, and Union Trust

Closing Remarks:

ANDRE M. PERRY
Fellow, Metropolitan Policy Program
The Brookings Institution

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P R O C E E D I N G S

MR. PERRY: You can hype it up.

You know, in 1990, when I was a freshman at Allegheny College, is when I first learned -- or dove into my first policy news, it was the Moynihan Report. And at that time, it was a very comprehensive report about the economic conditions of Black America, but it also inserted this negative frame or view of Black families.

And to sort of counter that approach, I listened to Public Enemy, like incessantly. (Laughter) And “Fear of a Black Planet” was the album that was released in 1990, and I played that song over -- or that album over and over again. And that song if you're a hip-hop snob like me, you know that was the title track to “Fear of a Black Planet.”

And in many ways, it serves as a metaphor for what I work on today. I look at the assets in Black majority cities all across the country because I know personally how it feels to be devalued, to be ignored, to be dismissed. There are 12 -- about 1,200 Black majority cities all across the country, and they all have strengths. But we don't recognize those strengths, and which leads to a lack of investment. I say this all the time. No one invests in deficits. No one invests in problems. In fact, what is true is we essentially give money for white folks to fix Black problems.

And those investments lead to the growth of those industries to the detriment of Black people.

Let me introduce you to Dorian Moorefield. He is a business owner in Pittsburgh on the Hill District, not too far from where I grew up. It's a restaurant on the Hill. It has a 4.64 rating on Yelp. When I met him, I started talking to him and he was bragging about his restaurant. He held up this steak and he said, "Who in this city serves a breakfast steak like this?" And somebody on the counter said, "No one." And he pointed to that person said, "See, that's my best customer right there."

It's located on the Hill District. Now, for most of my time growing up, the Hill District was 99 percent Black. In 1970, when I was born, it was 99 percent Black all the way up to 2010. Between 2010 and 2017, it essentially became 80 percent Black. So, within that seven-year period, you saw a changing in demographic.

Now, what's interesting, he told me that he has had the same business for over 10 years.

And during that time, it's only in the recent -- the last few years, where he's gotten his streets repaired, garbage cans placed outside, the light -- the lights outside repaired. It wasn't until white people moved in the area for the city to recognize that this is an asset in this place.

And that's sort of where my work on this particular issue begins. Now, we have done a lot of work in this area of devaluation. I'm going to quickly just go through the background of it. In 2018, we released a report on housing devaluation. And what we found that after controlling for education, crime, walkability, all those fancy Zillow metrics, social conditions, we found that homes in Black neighborhoods are priced 23 percent lower than their white equivalents. And that amounts to about 156 billion in losses.

I can't say this enough, 156 billion is a big number. It would have funded about 4.4 million businesses based on the average start-up costs. It would have paid for about 8 million four-year college degrees based on that average cost. It would have replaced the pipes in Flint, Michigan 3,000 times over. It would have covered all of Hurricane Katrina damage. It is a big number.

And it's led me to this notion that there's nothing wrong with Black people that ending racism can't solve. Again, we're constantly producing this narrative that the conditions of Black cities are a direct result of the individual decisions of the Black people in it.

And so, that -- our research is starting to defy that logic. And so, we wanted to go into another asset class, and that is businesses. So, we are presenting today the devaluation of businesses in Black communities.

And we did -- we took this -- a similar approach. We looked at business revenue from Dun & Bradstreet and NETS databases and from there we also were able to get a sense of the race of the business owner. We also -- I hate when I say it, it sounds like something wrong when I say, we scrape Yelp data. With the help of the data scientists at Gallup we acquired Yelp data to get a sense of business quality. Again, we wanted to look at is -- are the decisions of the business owner the reason why you see lower profits?

And then we looked at neighborhood conditions. So, we wanted to get a sense of the buying power, the spending power in communities. We looked at home prices. We looked at income. We looked at education and all those other things people say the reason why profits are low. So, we controlled for all of those things.

Now, we found some things in the research about Black people represent about 13 percent of the population, but only 4 percent of the nation's business owners. Now, what's important to note here that Gallup psychologists have developed this a Builder Profile 10, and it measures the enduring characteristics that predict success of an entrepreneur. And what they found that there are entrepreneurs who meet the -- Black entrepreneurs that meet the profile at the same numbers as white entrepreneurs in white communities. And so, this notion that they're just not there is false. It's a false notion.

Another finding, minority-owned businesses are rated just as highly or higher than white-owned businesses on Yelp than average. Again, this is a myth. When you hear people say, oh, the service is bad in Black businesses. Or something -- they're no worse than these issues in white communities. So, we have to break that myth.

Now, in the aggregate, businesses owned by people of color are rated higher, but when you control for sector, then that falls apart. There's no difference. So, in the very least, there's no difference in quality. We should take this idea of quality off the table. Off the table when we're talking about businesses.

But this is where it gets -- we see the impact of race. Businesses in Black neighborhoods receive fewer Yelp reviews and they are .2 percent lower on average when you don't consider race. So, there's something about the racial concentration of Black people in a neighborhood surrounding the business that's suppressing profits.

Here you can see Yelp ratings decrease as the Black share of the population increases. Again, minority-owned businesses are higher, but they both are declining as the concentration of blackness increases. Highly rated businesses in Black neighborhoods experience lower revenue growth than poorly rated businesses in neighborhoods that are less than one percent Black. I can't tell you enough, I mean, this is the kind of distortion in the market that is absolutely robbing us of profits, robbing communities of profits.

What's the cost? We estimate about $1.3 to $4 billion in losses across the country in profits. There's a saying in the hood if you have old folks in your family who lived through segregation, our ice is just as cold. It's something my grandparents told me, and it was their wisdom that really I'm bringing this data through that if you have the choice between a hamburger shop in the Black neighborhood or a hamburger shop in the white neighborhood, go where the quality is. They knew then if you do not, you distort the market in ways that harms the entire community.

A lot of this work is really about figuring out ways to drive investment towards the people who deserve it. You know, I cringe when I hear things like, oh, we need another program to sort of help Black businesses. No, we need direct investment in businesses and we need investments in the communities around it.

So, to counter devaluation, we need direct capital. I say cut the check. You'll hear me say that all the time. We don't need another education program, capacity-building program. And I'm sorry if I'm offending folks who are doing that work. But folks need the check that white businesses receive three times the investment of Black businesses in terms of start-up. They're getting the check. Not only that as I relate, we need the public investment in the neighborhoods around them.

The reason why I always emphasize direct capital to people because if you completely invest in place and not people, you essentially spur gentrification. Folks need ownership from in a real sense, but they also need ownership in a spiritual sense. This is part of the American dream, the ability to own something.

And again, we make targeted infrastructure investments in Black neighborhoods, partner with business and developers to incentivize renovation and provide commercial spaces. I say if there's any group that needs incubators, it's folks in the hood, and we should figure out ways to make that happen.

This picture is deliberate. You see UPMC in the background. You see banks in the background. If they want to realize the returns on investment, it's to invest in Black businesses and invest in Black neighborhoods.

I have to be honest with you, I was very fearful of releasing this report because a superficial reading of it. Folks will say well, why should I start a business in a Black community if I'm going to lose profits? The reality is that you stand to gain the greatest returns by investing in quality, investing in Black businesses. Investing in neighborhoods that deserve it. Between housing and businesses, we are robbing people of the opportunity to lift themselves. And that type of suppression is what we all have to be concerned about eliminating.

With that said, I have a book coming out. (Laughter) May 19th. If you are familiar with Black history, you know the significance of May 19th, but I'll have you look it up. I'll have you Google it if you don't. But the point of the book why I title the book, “Know Your Price.” My favorite play in the whole wide world is “Two Trains Running” by August Wilson. And in the play, the main character, Memphis, is about to have his restaurant seized through imminent domain by the City of Pittsburgh for $15,000. The main character, Memphis, goes, no, I'm not selling by business for $15,000. I know my price. And I’m paraphrasing. And throughout the play, it's a refrain, "I know my price." "I got my price."

There's another character, Hambone, in the play. He paints a fence for a proprietor in exchange for a ham. He paints the fence. He never gets his ham and throughout the play, "Give me my ham." "Give me my ham." "Give me my ham." And we don't know if he had mental illness before he painted the fence, but eventually he went mad and died demanding his ham.

There's actually a happy end to this story. Y'all like, damn. (Laughter) It's crazy. But the happy ending to the story is that the main character, Memphis, gets $35,000, and it's assumed he's getting market rate for it.

But the moral of the story is know that you have worth. You've got to know you have worth. However, I want my research, I want this book to give people the price to stand on. A lot of the research that you're going to see today is about giving people a price to stand on. So much of the research that comes out of universities and think tanks are in this deficit frame. And again, no one invests in problems.

In the very least, we have a responsibility to identify racism and causes of inequality. Not to spotlight what's wrong or what's bad about people. And there's certainly nothing bad about me, you, or this research for that matter. (Laughter)

But, thank you, and right now, we're going to transition to a panel and it's my pleasure to introduce Eshe Nelson, who's with Quartz Magazine. So, Eshe, come on up. And D.J. -- D.J., hold-on. (Music playing)

MS. NELSON: Welcome, everyone. Can we actually just get another round of applause for Andre for that amazing presentation. (Applause)

MS. NELSON: my name is Eshe Nelson. I'm the Economics and Markets Reporter for *Quartz*. Can everyone hear me?

SPEAKER: No.

MS. NELSON: No?

SPEAKER: You have to on the mic.

MS. NELSON: Thank you, Karen, who has been a lifesaver all day for me. Okay, you can hear me now?

SPEAKER: Yes.

MS. NELSON: Thank you. Okay, so my name is Eshe Nelson. I'm an Economics and Markets Reporter for Quartz. At the moment I'm at Colombia University doing a Knight-Bagehot Fellowship. So, that's what brings me to the U.S. at the moment, and I'm really, really excited to be here today. And I'd like to get the rest of the panelists for this first panel up on the stage.

Thank you.

Just so you know, there will be opportunities for questions after both panels. So, feel free to start thinking of your questions now. I'm going to give a formal warning to keep your questions short and to the point. We've got a lot to get through.

So, first, I'd like to introduce Martha Legg Miller. She's at the SEC in the Advocate for Small Business Capital Formation Office at the moment. And next to her, Tynesia Boyea-Robinson, who is the President and CEO of CapEQ an impact investment advisors, and also about to start-up her new venture. So, I'm excited to talk about that a little bit more.

And then, Jonathan Rothwell, one of the authors of the report that we just heard about and an economist at Gallup.

So, actually, Jonathan, I wanted to start with you down the end, and just give you an opportunity to talk a little bit more about this report and the methodology behind it and let's just like get that out of the way at the start. Because, I mean, why Yelp? Why Yelp data? We don't run into a situation where someone reads this report and turns around and says, well is it just because, you know, Black people don't use Yelp. Like, what is it about this that really encouraged you to use this data and found -- what did you find the most kind of surprising about it as you went through?

MR. ROTHWELL: Well, thank you for that. So, we started this project on the tail end of the housing devaluation paper that Andre described in his remarks. And in that paper, our goal was to try to determine how prices are different in Black communities for homes and how homes are valued differently after you control or adjust for any conceivable measure of quality because the point is not that all homes in every neighborhood are exactly the same.

We recognize the fact that, you know, there could be large homes in white neighborhoods, particularly, in, you know, expensive white neighborhoods that would have more bedrooms and more square footage, been built newer. And so, we had to adjust for quality in order to do the analysis properly. And when we turned to try and understand other assets beyond the housing market, we thought, well, how can we measure the quality of businesses?

And I had done some research on consumer ratings of services and other industries, including in higher education markets and was already kind of thinking of Yelp and other social media, social websites as useful measures of business quality and it really, after we thought about it and discussed it, it really made more and more sense because what we're really focused on are our local businesses, not -- we're not trying to get ratings for Apple or Google or Amazon. We're trying to understand the small businesses that people are, you know, going to on a regular basis, particularly restaurants, but also, hardware stores, grocery stores, bars, and, you know, all the sorts of restaurants that people would go to in their communities.

And Yelp is really kind of the perfect source for that. It's the most ubiquitous website that has ratings along those lines. And it also happens to make their data available so we used their API and we're able to get a large sample of businesses.

And, you know, to your question about like, well, who uses Yelp? Because we do -- there are some, you know, concerns about, you know, whether it's a accurate representation of all the consumers who might be going to these restaurants and shops. And I would just say a couple things on that point. One, is that we know from Gallup Survey data that African Americans are represented in other social media platforms and anyone who uses Twitter knows that there's a strong African American presence on Twitter. When it comes to Yelp, I have not seeing any research until just recently, but a paper at the Journal of Political Economy finds that African Americans using Yelp at fairly high rates too. Somewhat less so than whites and Asians, but still to a great extent.

And so, we didn't feel that there was any kind of bias in terms of who was doing the ratings and to the point that Andre made, we also found that minority-owned businesses didn't suffer any kind of ratings penalty. In fact, their average rating was higher on Yelp than a nonminority-owned business.

So, if there was a concern about white people doing the ratings and kind of bringing discriminatory views to the restaurant owner that didn't seem to be playing out in any important way. Because as Andre said, the average rating was higher for minority-owned businesses.

MS. NELSON: Great. So, it is important to just like remove that idea of quality. It's not about the quality of these businesses. One thing that Andre mentioned and I thought was interesting is this Gallup buildup profile. The fact that there is the research that has been done to say, hey, what makes up an entrepreneurial mindset and like where can that be found? And Gallup finds that there is no statistical difference. Like it's available to anyone. So, that statistic about having only 4 percent of businesses being Black-owned is really shocking when you think, well, if it's not -- it's not a mindset thing and if it's not a quality thing, then it's something else.

MR. ROTHWELL: Exactly, so, yeah, my colleague, Sangeeta Badal, who's a psychologist who works at Gallup developed that with some of her colleagues. And essentially, it's trying to measure the enduring personality traits that are predictive of success for an entrepreneur. And whether or not you're an entrepreneur and then how successful you are if you an entrepreneur it predicts both of those things.

And no surprise, people of different races have the same sort of risk tolerance, have the same levels of, you know, the other kinds of things that matter are confidence and extraversion, enthusiasm. Those types of traits are spread as far as we know evenly across all races in the United States. So, that's not, you know, that's not an important factor for why there's this gap. And so, we're, you know, we're hoping to use this research to identify what some of the more important causes are.

MS. NELSON: And so, Martha, that is part of what your role is. You told me something remarkable, which is that your own office at the Securities and Exchange Commission came about about a year ago, but it had bipartisan support to do that. And I feel like anyone awake in this day and age would be shocked to hear that such a thing is still possible.

MS. LEGG MILLER: Yeah, you have to wonder. You seem to think, what did everybody agree on? (Laughter) And they agreed on what Andre is talking about. We need people to cut the check to borrow from one of our authors. And cutting the check is really where we come in and coming from the government I also come with a lovely disclaimer. That the things that I say today are my perspective and not necessarily the entire agency, which I know is intuitive.

But with that out of the way, our office was created with bipartisan legislation. It came out of committee almost unanimously. And you think like, oh, my goodness, I need to know more about where this consensus came from. And the consensus came from the fact that we have a lot of expectations for businesses and new businesses to come onboard and to grow in scale. Because we know that emerging businesses create the vast majority of net new jobs. Over two-thirds since the recession have been created by smaller businesses.

And so, our office came along because most people associate the Securities and Exchange Commission with the public company side of things, or with the different players in that market. They don't think about the fact that we also work very closely and make the rules for how you go about getting that check cut from the investor that goes into your business.

And so, our office came about to work from the very first check that you bring in as a start-up. And that's for investor capital, not necessarily looking at bank loans. We pay close attention to it and that's something that's a very interesting element. But from the time that you're a start-up all the way until you go public and then if you are a public company, if you're a smaller public company.

And so, we work on looking and addressing friction points that are faced by businesses across that very broad spectrum. There's a lot of different ones. And trying to make sure that we are proposing practical and pragmatic solutions and working on actually making sure that they happen.

MS. NELSON: So, one thing that's interesting is that like right now the U.S. is supposedly in its, you know, longest and strongest economic period of time. This is the longest economic expansion on record, right? These are supposed to be the good times. And yet, we know from the stats that actually the numbers of new start-ups are falling. Like the people aren't growing and developing businesses at quite the same rate they had been in the past.

And so, Tynesia, I wanted to ask you a little bit about this because you are a part of the, you know, you set up CapEQ, but you have this new thing called the Black -- is it the Black Business Development Goals? And so, that's so brand new. Can you tell us a little bit about what that is and what, you know, what the goals of this group will be?

MS. BOYEA-ROBINSON: Absolutely. And first, I just want to say, thank you, to the Brookings folks and Andre and the wonderful work that you've done. We are excited that we're officially launching the Black Business Development Goals today, and had our kickoff meeting this morning after two years of research.

So, that's a huge deal. And part of the reason why, let's zoom out a little bit and let's not talk about business for business sake. If you think about something that's really popular right now. It's closing racial wealth gaps. And so, there's so many different efforts focused on that.

And there was a recent report that came out that the Association for Enterprise Opportunity did, the *Tapestry Report*, that said, "Black business owners are 12 times wealthier than their nonbusiness owner peers." So, what does that tell you from a research standpoint? You need to figure out what that bright spot is and grow. Grow those businesses.

Another stat that was really impressive there is that is that one-fifth of Black people who are employed are employed by Black business owners. So, you get a two-for. You get a wealth gap closer and you get an income generator by focusing on Black businesses.

So, we leveraged that report to figure out what would galvanize investment in Black businesses as a tool for closing racial wealth gaps. And came up with a set of goals focused on a North Star, that all Black business owners have the resources and opportunity to invest in their growth and the growth of their communities.

And that's the ultimate vision of the Black Business Development Goals and our idea that is launching today is actually we have a set of outcomes and we're going to have a call to action in addition to a Brookings report that's underlining -- underscoring the research that actually propels some of those drivers that drive Black business ownership and growth.

MS. NELSON: Can you just give us a sense of a few of those outcomes?

MS. BOYEA-ROBINSON: Sure, so four. One is around high growth industries. The increase of Black business owners in high growth industries. There are consistent barriers, systemic, political, capital issues that keep Black business owners, not because they're less aspirational, not because there's anything wrong with them, but systemic things that move them in lower growth industries. So, one, is higher growth industries.

Two is access to capital. Making sure that there's more funds going towards and landing in Black businesses in their community. And assets under management that are led by Black institutions and Black individuals because the data shows that Black investors are more likely to invest in other Black investors.

The other piece is about the growth and increase of reinvestment. So, the research in the report shows that Black business owners are actually more likely to reinvest in their communities, which now you get a three-for.

And then the last one is around policy. The policy changes that actually help undergird and embed those changes.

MS. NELSON: I just want to talk about second one a little bit more about access to capital. And, Martha, what are businesses asking you? You know, if you're going around the country saying we are here to support you get more capital. What is it they're asking you to do?

MS. LEGG MILLER: Well, the first one is usually clearly, why are you here? (Laughter) Did I do something wrong? And then as soon as we get past that barrier, which is usually a fun one for how in the world did the SEC -- because they usually don't think that --

MS. NELSON: Yeah, you are lawyers.

MS. LEGG MILLER: Yeah, but --

MS. NELSON: You're about because it's trouble.

MS. LEGG MILLER: Yeah, and we're not. We're actually there because a lot of what I try to do is to just not sugar coat it. Get in the room, say who we are and why we're there, and then shut up and listen. Because that's what we need. We need to bring more perspectives that are not here that don't know the address 100 F Street, Northeast. And that doesn't mean anything to them. That by the way is our street address. (Laughter)

But if that doesn't mean anything to you, then that means you should come and talk to us because we need to hear from you. And so, a lot of what we hear are -- we hear a lot of the same stories and the same notes. I mean, some of them that we hear are, you know, it's really hard for me because I don't have a network of really high net worth people that can cut big checks. What do I do?

And a lot of the things that we hear are phrased as just a pure business concern or they don't think about the fact that there might actually be something related to the rules that are creating challenges for them. And so, a lot of what we do in the challenges that we hear, we hear a lot of the same challenges. There are certain pockets where there's a lot of money that is moving around into those companies, but they're actually not moving into all of the companies that are there.

You just hear a lot of news about the ones that are getting funded. But what we consistently hear is just how hard it is to grow and scale a business, and to bring in the capital that you need. And those challenges have gotten even tougher with the closure and the decrease in community banks and the challenges. I mean, probably if we did a show of hands in the room, a number of you who would say like, oh yeah, I've been told that a loan was not an option because I don’t have collateral or I don't have revenue yet or I don't have two years' of financials, or whatever the challenge is. And each of those are legitimate concerns for the financial institution, but it leaves a big gap.

And there's real challenges when that money's not coming from a bank and people are looking to say, okay, do my customers want to support it? Is there somebody in the neighborhood that wants to support it? Is there an angel? Is there a fund? Is there a group that wants to back me? But they don't know where to turn.

MS. NELSON: Are you hearing anything different from people of different races and ethnicities when you ask these questions? Or are you hearing the exact same problem?

MS. LEGG MILLER: Yeah, so that's a great question. So, our office is focused -- we look both macro at what's happening across the country to everybody, but then we hone-in on what's happening to women-owned businesses and what's happening with minority-owned businesses? What's happening for rural businesses? And what we've found, generally, is that there are the same issues that affect everyone. But when you check a box and all of a sudden you're a woman-owned business or you're a minority-owned business, the same issues that you might hear a few people talk about, they hit you way harder.

So, one example is, you know, looking at network effects, and who you know that can invest in your business. It is a lot more challenging. I'm from Alabama so I'll pick on Alabama. It is a lot more challenging as a woman in Alabama to figure out who in the world is going to invest in your business than it is if you are a woman or a man in, we'll pick on Boston, for example. Challenges are -- it's the same set of challenges, they just hit you harder.

MS. NELSON: And so, when it comes to kind of formulating a policy response and thinking about what are the rules, what are the regulations that we can do to help, even if the problems are the same that the people are facing, surely the responses have to be much more targeted. And how can the SEC go about that? I mean, you're an independent agency, but this is a very political moment. There's about to be an election. How do you respond to something where you need kind of like targeted action and maybe some groups need more help than others when that is like not the political moment for it?

MS. LEGG MILLER: So, I think that one of the things that we have really pushed a lot as a new office has been bringing in more voices so that when we are making decisions, we're hearing from a lot more people and we're hearing from a lot more diverse voices on that.

Whenever we're talking about making a change to the rules, we ask people for comments and we open up what's called a comment file. And if I did a poll of hands and asked how many of you have ever submitted a comment to a regulatory file, it's usually not a big crowd winner. That's not -- that's not the thing that gets people excited.

MS. NELSON: I think I saw one hand in the back there. Did I see some hands? I saw some hands, okay.

MS. LEGG MILLER: Oh, you are my people. Thank you.

MS. NELSON: There's some engaged citizens.

MS. LEGG MILLER: All right. One of the things that we tried to do, this summer, we put out a concept release that basically said, here's the slate of options that we're thinking about and we're trying to make the rules work better for raising capital when you are an emerging company. Tell us what you think. And one of the things that we realized is if we want to hear what more businesses think, we actually have to change the way that we get the message out that we want to hear what you think.

And so, we put together a short video that's on YouTube and then it was shared on Twitter and LinkedIn and social media saying in three minutes, so you don't have to read a 150-page guide, in three minutes, how in the world do you actually go about sharing your feedback? And did you know it's as easy as sending an email? Like, you don't have to make a .pdf with footnotes and headers and higher a lawyer. You can send an email. It can have bullet points. And trying to demystify that to engage more people so that when we do make rules, we're taking into consideration a much broader set of voices than we traditionally hear from.

MS. NELSON: Tynesia, what would you want to see in terms of your, you know, you're getting a lot of voices. You're already doing some impact investing yourself. Kind of what would you ask for to see as something different? Kind of what policy responses do you want?

MS. BOYEA-ROBINSON: So, I think one very actionable piece is one thing about this kind of work is it can be very overwhelming and like, oh my God, how are we going to solve racism in like the next --

MS. NELSON: We're going to do it today.

MS. BOYEA-ROBINSON: We're going to do it today. We're going to do it right now at the end of the (inaudible). One really powerful stat is that there's not employment parity from Black business owners. So, if only 15 percent of Black business owners hired one person, that would generate $33 billion in the economy. And so, it's thinking about what are the barriers of growth that keep people from being able to hire one person. It's not all Black business owners, it's literally 15 percent to hire one person.

And that -- people can wrap their minds around that and then you back into what are the political issues with that? What are the cultural issues with that? What are the growth industries that allow that to happen? And I think it's those types of things.

So, you mentioned policy. I would also say that there is something about a cultural narrative. So, as a country, our identity is based on entrepreneurship and start-up and you can be a David that slays a Goliath. And at the same time, our country is set up to believe that there are certain people that are less than. The combination of those two things don't work because you invest in growth.

You invest in assets. But you divest, as Andre said, in things that aren't of value.

And so, there's something not just about the dollars landing in the Black business communities themselves, but for Black business owners to actually see the assets they bring as part of their entrepreneurial identity. And I think that cultural narrative is something that has to shift in line with the policy narrative.

MS. NELSON**:** So, something that I saw in one of the SEC reports was that minority-owned businesses tend to start with three times less capital than white-owned businesses. And that's like a really shocking number. So, Tynesia, where should people be going to -- it's so hard to access capital, but like, where can you go? Is there like -- what are the bright spots here?

MS. BOYEA-ROBINSON: A bright spot is sitting in the audience. Impact America Fund with Kesha Cash, who you'll hear from later on today. But, you know, I think there are more and more people of color in positions of power that are moving capital. And that is one of the strategies to the Black Business Development Goal.

So, Surdna Foundation, for instance, is one of the folks funding this work. You don't think about unlikely sources of capital. Every large foundation has an endowment and the people who manage that money are investors like anybody else. That's a pool of capital that wants to land in something that has social impact. It's invisible. A lot of folks don't even know that that's a way to get capital.

And I mentioned Impact America Fund. They focus on high growth tech businesses usually by people of color, mostly founders that are Black that are addressing issues in the low-income community. They are more Keshas out there than we know of and that's why the narrative has to shift as well because there are leaders like us out there doing the work. And some of our responsibility is actually sharing that work together in the outcomes to advance the change we want to see.

MS. NELSON: I just think of this moment in time as also a positive thing happening around kind of like ESG and impact investing in general. Like, you have (inaudible) kind of clamoring to say we're doing sustainable finance now. Like, my inbox is full of reports from, you know, whether it's McKenzie, J.P. Morgan, whatever dah-ba-dah-ba-lah saying, you know, look at the good we're doing. Look at the good we're trying to do. And those environmental, social, and governance investing for that's what ESG stands for. But people will say that the S is the hardest bet is that social investing. And I feel like this and everything we're talking about today is precisely where that can fit in as you take something that people will say, we need more of this, but no one knows how to address it.

It's very easy to -- it's not very easy, but it's easier to do environmental stuff because people measure carbon emissions, right? People like to be able to measure and say we achieved this and we've had this outcome, so do we provide that for this S? How do we say, okay, do you want some metrics? Do you want to be able to show that you hit your investment goals? And like this counts as doing it. Is it something that you get to do a little bit of as like an impact fund fits right into that S?

MS. BOYEA-ROBINSON: Yeah, so, a couple things you're spot-on. Health, education, and environment are the areas that people gravitate towards. One, because of the metrics and two, because they see themselves in it. They've had a sick parent. They have kids that they send to school. Economic development is something that goes immediately to bootstrapping and what you think about identity.

So, one thing the Black Business Development Goals is going to work on is to build a neutral and credible platform that's actually a place of accountability measures. So, when you think about the outcomes that I talked about whether it's assets under management, capital landing, this platform will allow people not just to plug in the work they're already doing to accelerate and advance it, but also hold them accountable. Because there is something -- let's be real, not everything that says they are about Black people is actually landing in a way that makes things better for Black people or other people of color. And some of the issue with this work is that it's popular and so it has the real risk of not being authentic.

And so, we don't want closing racial wealth gaps to actually really just be a moniker for making more money for the financial institutions in a hot market.

MS. LEGG MILLER: Can I add a contrarian --

MS. BOYEA-ROBINSON: Yes.

MS. LEGG MILLER: -- note in there?

MS. BOYEA-ROBINSON: Please.

MS. LEGG MILLER: On the S? I actually don't see investing in Black businesses as a part of ESG because I think that everything we've seen in this report and in the data shows the profitability. And it is a business-driven decision that often the big challenge is just the lack of visibility of what those opportunities are and the lack of boundary bridging networks over to it. I think that that is a -- it's a smart business decision. We need more people that have the visibility into the investment opportunities and more companies that have visibility of what the tools are to showcase their company. Because I think it makes -- it just it makes business sense. This report talks about it. And the reviews and it is -- they're good business opportunities that are fantastic that are completely independent of ESG. Fantastic businesses.

So, I just -- I add that as just a nugget of my own thought.

MS. NELSON: Jonathan, I have a comment to what you said earlier about what you said earlier about the housing report as well. And just say, you know, how do you connect these two reports and while we're sitting here talking about what are the policies you can do to help new businesses and how can we encourage access to capital? We can't ignore the point of this research is that it's about the communities these businesses are in. And so, it's more than just access to capital to the businesses. It's about the entire access to investment for the whole community. And so, how do you connect the housing report and the future reports to come to this idea of the business report?

MR. ROTHWELL: Well, both with respect to housing and businesses, they're major sources of wealth. And when it comes to housing in particular, that is the primary source of wealth for most Americans, particularly African Americans, particularly given the statistics on business ownership. And so, the access to capital issue wouldn't be as big a problem if not for the legacy of Jim Crow that has devalued Black neighborhoods all around the country.

And we know, you know, we've discussed in, you know, previous Brookings events the many federal, state, local, and nongovernmental policies and mechanisms that created that lower housing value in Black neighborhoods. And so, part of this is about cultural change and appealing to the fact that there's -- just acknowledging that there's discrimination against communities and against neighborhoods just in the same way as there has been against individual people.

And so, all the assets within that community are not really getting to participate in the market in a way that is rational and would otherwise make sense. And so, the real -- to the point about investment, there are real opportunities for people whether it's in real estate or whether it's in these small businesses, to make money to acquire, for example, a nice sized home, renovate it and resell it in a Black neighborhood, and, you know, obviously, that sort of thing happens. But it's amazing how slow that process is and how undervalued those houses are. And the same thing is observed here with respect to businesses.

MS. NELSON: Yeah, you raise an important point about overall wealth. And the statistic that sticks in my mind over and over and over again is that white households have 10 times the average wealth of Black households. It's like this it's 10 times and it hasn't shifted and I just -- yeah, and I can't get rid of that statistic.

But that reminds me of your points about networks, right? Is if your -- is if one of the ways that people are able to access capital if it's not through the bank or it's not through an investor, it's through someone you know. A lot of start-ups get started because they know someone who can help them with that. And if you don't know anyone because you're in a community where the overall wealth levels are really low, how can what you're doing, Martha, and what you're doing, Tynesia, help build these networks and build these bridges?

MS. LEGG MILLER: I'll plug one thing that we've put out for comment in the comment period. I encourage you to take a look at it. Have any of you ever heard of the accredited investor? Does that definition ring a bell, that term? It's a term for those who -- you're going to get a little brief, very brief securities primer. And that's a standard that has been used. It's a definition that we've used for a long time to say, basically, which investors have the ability to fend for themselves in financial sophistication such that they are free to go and make investments without as many of the protections that exist for kind of the general public of retail investors.

And the challenge with it is we have used, or the challenge that's been voiced a lot and one that we have been asking for feedback on, is we've used your net income and your wealth as proxies for your sophistication because they're easy to measure. You can check a box and you can say, yes or no, I have a net worth over $1 million. Yes or no, I make over $200,000 a year. And that looks very different depending on if you live in Manhattan or if you live outside of New York or if you live here in D.C. or if you live far out in a rural community. And it also breaks down very differently across demographic lines and it's something that we have been seeking feedback on because we have put it on the agenda to say we want to hear what needs to be fixed with that.

As well as with that definition in mind, what are the other things that we need to be addressing where we keep investor protection because it's important. We keep the investor protection measures, but we also make sure that the unintended consequences don't have broader ripple effects for other people. Because we've -- there's a lot of data out there that is -- it makes your eyes pop out when you look at what the challenges are depending on who you are, where you are, and who you know.

MS. BOYEA-ROBINSON: I think, you know, addressing the issue of networks, the whole point of the Black Business Development Goals is to actually to create those networks. And not create them because they don't exist, but because they don't connect. So, when you think about -- I'll pick on opportunity zones for a bit because it's the exact same challenge. You think about an opportunity zone, which, you know, in one instance it's an economic development tool and in another instance it's a wealthy tax break. Let's just be honest.

The people who are attracting the folks who are going to invest in the opportunity zones are not the same people who know the right things to invest in in an opportunity zone. It's the same thing with Black business ownership. It's these groups who are all working on the problem don't work together, don't speak the same language, don't actually even know like, oh, wow, I didn't even realize I should incorporate that. And so, there is a need to fill that gap.

But I think from an asset standpoint, the Tapestry Report, once again, if you haven't read it, look at that and this and the future report that will released a year from now about the Black Business Development Goals.

MS. LEGG MILLER: And then what?

MS. BOYEA-ROBINSON: Thank you very much. If you compare Black business owners and their outcomes around revenue and other things, they're achieving similar outcomes with less money. So, there's one way to look at that in terms of like, oh, well, shoot, we don't need to give them that much money. But the other thing is look at it and say, whoa, if you did that, it's like I made a dollar out of 15 cents. It's the same thing. It's in our DNA. And even the concept around hustling and all of that stuff that we say in our own communities, the side hustle you have, that is actually just strong entrepreneurship. That is what it looks like to grow and develop a business. It is an untapped resource that this country needs to drive an economic engine.

MS. NELSON: I'm about ready to go to audience questions. But just quickly, Jonathan, I think to make sure I'm remembering this correctly, one of the points in the report is that no matter the ethnicity of the owner of the business, what we saw was that in Black communities, the Yelp ratings and the profits were lower, right? It wasn't just about --

MR. ROTHWELL: Right.

MS. NELSON: -- who owned the business.

MR. ROTHWELL: Correct.

MS. NELSON: Great. Okay, questions. Any of you smart people have a question? Oh, we have loads of hands. I'm going to leave Karen in charge. Let's do, let's see, start at the back and then we'll come right to the lady in -- yeah, you have your hand up. I can see you with the red lipstick, beautiful, and then we're going to come forward. Please.

MS. MINN: Good afternoon. Sheila Minn with the Minority Business Development Agency. I have some questions. There are some trends that we are seeing at our agency in respect to not all minority businesses are small businesses. And we are noticing that as minority businesses are scaling up in size, it's getting harder and harder for us to track the data of identifying them as minority. Perhaps you guys can speak to why this trend is taking place and, certainly, on the federal end, how we can better those businesses.

MS. NELSON: Anyone have an answer for that one? You're like the data guy.

MR. ROTHWELL: In the database that we used, which is based on Dun & Bradstreet, most of the minority ownership self-identifications, I'm guessing, come from businesses that have applied at one point or another for some kind of federal grant or participation in some kind of federal program where usually there's some identification process along those lines.

I don't know how Dun & Bradstreet does it for companies beyond that. And all I can tell you is that, you know, some sort of survey-based method, which Gallup would be happy to help you with, could be used along those lines. But, yes, since it's not a reporting requirement on tax forms or other kinds of things, I'm not sure how you would get it other than kind of paying for that data.

MS. NELSON: The gentleman in the back and then the gentleman in the blue shirt afterwards.

MR. ABDUL-SALAAM: Good afternoon. My name is Mustafa Abdul-Salaam. I'm an ANC commissioner, 8CO5, which is in a casa Ward 8. And I'm also a facilitating aide, Ward 8 Community Economic Development Planning Process. So, I appreciate this panel, a lot of information.

And so, my question is how do we begin to connect the data, the research to actual work that's being done on the ground? Because there's a real disconnect even though this community, Ward 8, is just five miles away, it's almost like two worlds away. Issues that you're talking about right now we're dealing with every day, but we don't have the capacity or the resources, particularly, capital, to deal with it. So, my question is, how do we take this rich data that we have to drive the day-to-day reality that we see in communities like a Ward 8?

MS. NELSON: Thank you. And I'm going to ask that, like, not only just what can these communities do, but what should investors and the people with the capital be doing to more actively get out there?

MS. BOYEA-ROBINSON: So, I'll take that. I mean, I think spot on. So, one of the things that's needed is first of all, not to use research as a way to distance folks from the real problems. And to honor the lived experience of folks who are working on this day-to-day, and to make sure that as capital lands, the capital is not just landing in other elite aggregators.

So, the voices of the community to not just give input, but actually drive the work is really important. So, I think it's a both/and. It's a this is the set of outcomes that we all want to hold ourselves accountable. Now, in Anacostia, how does that land? What's the right sequencing? You know your community better than anybody up on this panel. You know what restaurants people go to and why and why not. You know why the incubator space didn't work in this place because they forgot to call so-and-so. You know, that kind of thing.

And you can't have this kind of national level approach without landing it on the ground with people who are living that experience. You can't do to people. You have to do with.

MR. ROTHWELL: If I could just add one thing real quick. One of the hopes for this research is that it would empower people like yourself to go to a citywide meeting where discussions about investments are being had and say, well, here's some evidence that the businesses in neighborhoods like mine are not receiving the kinds of support that they need to really thrive, and they're not having the revenue growth that you'd expect based on the quality of the underlying business.

And so, we hope that it would motivate other politicians in the city to be more apt to support, you know, infrastructure investments around these high-quality businesses, for example.

MS. BOYEA-ROBINSON: I just want to say one thing, though. You're already doing that, right? So, I think one of the things that's just a reality of this type of work is that people pay six figures for folks to give them research on something you could have told them in the corner store and lunch counter, right? Like, that's just how it works. (Laughter)

That's the game, though. So, you already know the answer. We'll give you a report. You can be, like, you weren't listening to me before, but look what Brookings said. And then suddenly, wow, that's such a great idea. That's what we're trying to do. (Laughter)

MS. NELSON: Gentleman in the blue shirt just here, please. Thank you, Jon.

SPEAKER: Good afternoon. As one of the white people in the audience, this has been even more illuminating than perhaps it would have otherwise been.

I'm curious about a question you haven't approached. And that is the cost of capital. You talk about discrepancies in accessing capital, but assume for a moment, that the capital is there. Isn't there another dirty little secret in terms of how much it may cost in terms of extra points to access that capital, everything else being equal?

MS. LEGG MILLER: I think that's a great question. And that's actually, our team sat and we have a weekly team meeting on Tuesdays. And we said, I said, okay, I want to know what the differences are. And there's not great data that I've seen on exactly where those costs breakdown. How much it costs different populations. How much it costs depending on the pathway. We have some data. There's some information out there. Some people have gone out and benchmarked average legal fees or others.

I mean, one thing that's interesting that we found and when companies are doing equity crowdfunding, the costs -- they have figured out ways to streamline a lot of the costs. Whether it's your legal and your accounting and to make it much more kind of routine, quick work that can be cost constrained.

But what we found is actually really interesting. Companies have reported the thing they spend the most on -- you'd be surprised -- the video. Because the video that they put on the page is what costs by far and away the most because that's the hook that tells the story and it brings them in. And that was something that I'll -- if you had asked me to picture what are the costs that are going to be the greatest, I would have blamed it on the lawyers and the accountants. Partly because I'm a lawyer, so I know that lawyers they charge by the hour.

But I think that we are continuing to learn more about the different costs that you think of as the direct costs, as well as the indirect costs. The cost of diverting somebody's time to focus on capital raising. So, if you've got ideas or data sources that you've seen out, I would love to see it because it's something that I'm very interested in. And, particularly, shining a light if there are differences in those cost of capital for different people.

MS. BOYEA-ROBINSON: I think a good proxy is real estate. So, if you compare and contrast similar profiled properties in an affluent neighborhood versus in Anacostia, in our area is south Dallas, there is more of a capital raise, a capital gap, because of the consistent devaluation of a neighborhood. And you can put dollars to that. And when we think about impact investing, a catalytic role that philanthropic investors can play is to close that gap. To stand in the gap of the capital that is not how -- you are pricing the exact same profile in different neighborhoods because of the devaluation due to systemic racism. Philanthropic capital can stand in the gap while the market turns, and then pull out because what you're working for is not the comparable in terms of is this a good investment. What you're working for is the lack of trust and credibility on whether or not it's a good investment.

MS. NELSON: I have a question over here, gentleman in the blue blazer.

Coming behind you.

MR. SWAILES: All right. I really don't know. Al Swailes. I'm an independent paint distributor. I'm a business owner here in Washington, D.C., and also a member of the D.C. Black Business Task Force.

I really don't know where to begin, and I know you said don't be too long.

MS. NELSON: Yeah, keep that in mind.

MR. SWAILES: But I'm going to try to -- (laughter) -- I'm going to try to make this as short as I possibly can. First of all, I'm going to try to go across the board. Andre, I believe that you're right. We don't need more programs. We just need the programs that we already have in place to work for us.

And the second part of it is is that I think in securities, you know, in Black businesses, we have such a different level of where businesses are. We do have a lot of businesses that are very successful, and they seem to be the ones that actually drive the conversation about Black businesses. And really, we don't really get down to where the smaller businesses are and what they actually need.

I really have a debate over whether or not we need more capital or do we need more customers? Because basically if you have more capital and you don't have customers, how do you repay the money that is given? So, how do we actually get more customers? And that's to the point where we talk about how to report who gets to -- (laughter) -- how the report actually generates.

So, my question is, how do we get -- first of all, oh, yeah, and two -- one last point. The data that was used, every major city does a diversity study. And how was that inputted into the study that you actually did? And so, my question is how do we get a city like D.C. that has not done a disparity study using the data that she has to get them to show them that they really need to do this. Because that's how we actually prove that there are disparities and racism in business.

MS. NELSON: Tynesia, can you answer that question about is it the capital or the customers? Because you kind of mentioned this a little bit with how businesses, Black businesses, can then hire more Black people in this kind of like circular idea. Can you just expand on that a little?

MS. BOYEA-ROBINSON: Sure, so, I had said the highest-level long-term outcomes. The short-term things are more revenue coming in the door. So, if you think about focusing on industries that are higher growth, what's the first thing you do, get contracts. Like, get clients. And so, what are the barriers to getting clients? There are usually three things. It actually is access to capital in terms of as you're getting clients, you need enough money to hold you over while you're growing to be able to serve more clients. So, capital is more like fueling the growth of the clients. So, I think that's a short-term piece.

And then to your question around how do you get cities mobilized? This is a tier one issue that cities and governors across the country are trying to figure out. The political representation is not reflecting what their populous looks like anymore. And the more you can give concrete goals on this will allow us to drive economic development. You'd be surprised at how many mayors are biting for a chance to put their name on something like this.

MS. NELSON: We're about to wrap up. So, I'm going to ask the last question because there's another panel so they'll be more questions. (Laughter)

But I just want to hold you to that. And I'm going to go down and I'd like one concrete thing that you're going to do differently now we have this report. Putting you on the spot starting with you, Martha.

MS. LEGG MILLER: All right, yeah.

MS. NELSON: You're closest to me. I'm sorry.

MS. LEGG MILLER: Something that I'm going to do differently. I think that I'm going to try to use this report to spark more conversations. That’s part of what we've been trying to do is to show up. And as I mentioned earlier, we like to go in the room and start a conversation and then listen. This report I've already been using to seed conversations and then today when it became unembargoed, now, I can actually send the link and say, okay, come on, let's have a conversation about it.

We need to be having more conversations. But if you read the report, get to the last paragraph because that's the real, like, the kicker that just has all of the punch. And we don't just need interracial collaborative -- I think you said interracial cooperative conversations, we need to actually take action. And that is the real critical piece that I want to have the conversation, but I want that conversation to be driven around action. So, that's my big take away of what I plan to do with it.

MS. BOYEA-ROBINSON: I'm going to use the report to get some checks cut. (Laughter)

MS. NELSON: Jonathan, your turn.

MR. ROTHWELL: Well, I said, yeah, --

MS. NELSON: You'll write another report.

MR. ROTHWELL: -- one way to think about this is at a personal level, anyone who doesn't live in a majority Black neighborhood can think about whether -- how much their individual consumption decisions are distorted. And are there hidden gems that they could otherwise find about and, you know, actively go out and find those restaurants and be a patron of them rather than just going down the street to the one that everybody in the neighborhood's talking about or the one that has the celebrity chef.

Yeah, beyond that, Andre and I have more research coming out that will aim to elucidate these topics further.

MS. NELSON: This is amazing. Okay, I want to say, thank you, to our first panel. And welcome up the second panel. (Applause)

(Recess)

MS. NELSON: Okay. Thank you. So that was the, I guess the policy big ideas orientated portion of our programming. Now I guess we'll get into the nitty gritty what it's like to really run some of the business. We have Tony Tomelden, he's owner of The Pug and Brookland Finance and Union Trust, and I'm going to let you explain in a moment precisely where all these locations are because I'm not from D.C. so I don't know, I'm sorry.

We have Kesha Cash, founder of Impact America Fund. And then Brandon Rule, President of Rule Enterprises. I don't know the place, but which I believe is like a 10 minute walk north of here. Am I right, am I getting that right? Tell me where your establishment are.

MR. TOMELDEN: So first, I just real quick I want to tell Andre that Chuck D. follows me on Twitter. And later, like I have a lot of feels already from this thing already as an owner. And, yeah, that white guy, I'm the white guy on stage as a white business owner. I'm going to talk to the guy from Anacostia later, so can I find you?

So I own Brookland's Finest, it's in Brookland, which is northeast by Catholic University. And The Pug, which is a little dive bar on 12th and 8th northeast. And then I own a place called Union Trust, it's in the whitest neighborhood in DC, I'm a block from the White House. Those are my places. And I just looked it up while we were out there, I got a four on Yelp, and probably because I'm a white guy I never check it.

MS. NELSON: Well we should go, we should talk about, a little bit about when you went to these places, what that process was like and have you noticed any difference in kind of your customers or revenue, what it's like getting capital, what it's like growing a business, depending on the location of your three businesses?

MR. TOMELDEN: Well, I can only speak for D.C., but it's gotten exorbitantly expensive.

In 2005 I bought the building on H Street, and I got 15 guys together and we scraped up 100 grand. Then I went to the bank and turned that into a loan to buy the building. And then two years later I finally got it open. I'm still trying to pay them back because owning a business is awesome.

Then the same thing for Brookland's Finest. We gathered up seven guys and raised $200,000 and got some clever loans from a local property owner.

And then the one downtown was just the building was looking for a tenant and they needed to fill it for a bank so we got in there. And I think, again, the problem with Anacostia, it's too expensive. My business, the restaurant business, you need the checks, you need the staffing, and we can talk about programs too, because one of the problems I think in DC, even though there's probably a ton of programs, we have a small labor force of people who aren't lawyers or lobbyists, people who work for a living. I can't hire enough folks, so I don't know if programs are the answer. But you guys probably gotta go to Bowser and get some of kind of, you can't afford to run a restaurant in Anacostia with the rates that they're already charging for the property. It's gentrification, it's whoever owns the property, it's just too much now. Like on 8th street my biggest detriment right now is my property taxes. They just go up and up and up.

So, yeah, but definitely go out and open your own business. If you can get a check, it's awesome. Like six months ago I had a full head of hair, so just, you know. But I think that they need the checks, but as far as programs are concerned, I do sort of feel a little differently because there is a labor shortage. I think that, you know, The Wharf and all these places in DC have opened and they're continually short staffed. And meanwhile in Anacostia, the unemployment is staggeringly high so there has to be a way to bridge that gap.

The Cheesecake Factory is opening downtown, and they're going to need three shifts of 60 people. And we don't have that labor pool in my business in DC. So I understand the programs aren't always the answer but somebody, in addition to the checks and probably incentives from the city and the Federal government. And it is so easy dealing with the Federal government, right? Just a few pages here and there.

But I think that there needs to be a lot of, I mean it's not like America doesn't owe a black community, so the more money they can give them back, you have to get incentives too because as far as my business is concerned, the margins are too small.

MS. NELSON: That's a really important point about I guess we would call in equality circles is a skill gap. But, yeah, granted, people that, you know, there's unemployment in some place, there's needs to be filled and they're not being matched up and how they get around that.

But, Brandon, I wanted to bring you on this point about the property. And you work, you're in real estate, and tell us about Rule Enterprises and kind of your vision for that and affordable housing and why you go about it the way you have. I want you to explain.

MR. RULE: Cool. So I own a commercial real estate development firm, initially routed out of Milwaukee, Wisconsin, but now I'm based in DC. I specialize in affordable housing because my passion, it's my background and everything I do is for community.

And the reason really why I got into affordable housing, in addition to that being my passion, the barrier to entry into that is a little different in terms of like developing your company. When you're doing market rate housing, attracting equity and doing things like that, it could be difficult when you're coming from communities of color, they may not have the resources. But when you're doing affordable housing you can actually identify parcels, you can get them on the contract, and then use your knowledge and expertise to leverage a position that then allows you to find a partner. That can be a capital partner as well as a development partner. So that was the initial structure in our company. And now that I have a little more capital and more resources, I'm explaining it to other areas and markets, which is why I moved to DC shortly thereafter.

MS. NELSON: So what is that process in terms of like getting started with IDs. It's a little bit easier if you're going kind of with affordable housing, but I think we all know that like affordable housing, you know, the country's not awash in affordable housing.

MR. RULE: For sure, yeah. So I think "easier" is the wrong term. I think it's a little bit more tangible for someone that doesn't come from an abundance of capital. Simply because you can use knowledge as the arbitral. It's like you can use that as the leverage you need in order to build. And frankly, affordable housing is a very scarce thing because the values are increasing across the country where we are in the real estate cycle. Frankly, because of that increase in pricing it makes the cost of acquisition really, really high. And when you have the compound of construction prices, put that into the cost of acquisition, really the margins on real estate are really, really bad.

So affordable housing is a benefit because you're able to leverage resources that can fill that gap. And we were talking about in a previous panel government resources that can fill that gap that's effective why it's a little more tangible because of really the cost of capital. Like if you're developing a market ready project, I don't want to get too deep, but an IRR for that maybe 20 percent, like the returns on that, so to your point the cost of capital for market ready development, when you add in acquisition and you add in construction, there's no deal, right? But affordable you can identify undervalued and underpriced assets within communities and effectively leverage those financial resources to develop the projects.

MS. NELSON: I feel like you can use the Brookings map to literally identify those places. I've already set it up for you.

Kesha, can you tell us a little bit about Impact America Fund. But also, you know, how you got to founding that, and you have an interesting story background to it.

MS. CASH: So a very long story on how it came to be. But I grew up economically low income in Orange County, California, which is a very high income county. So that's an interesting way to grow up, not having many resources at home, but seeing what resources can provide. And I benefitted from great public schools, I attended UC Berkley, working on Wall Street. Go Bears. And was able to package that up into what is now Impact America Fund.

Impact America Fund invests in founders who are mission driven. They want to build big companies, scalable companies. These companies are typically tech enabled or software companies. And the goal is to prove that you can scale and grow a business while reinvesting in the community and providing more economic opportunity for the community.

So that's a tall order when you think about traditionally how businesses have worked and only focusing on a single bottom line, the profit line. And we're part of a community of "impact investors" who say that there should be ways that you can actually achieve both.

MS. NELSON: I think one of the things that really matters here is also that as a black people investing, you want a very few, and that's really important to address is that we talk about how to access capital, whether it's through banks or investors or field network, but what really matters is like who are the people who can do the investments. And when there are so few minority investors it becomes really, really hard to increase that pool of investments that way.

And so I'm going to give you some statistics because I'm an economist journalist and I like numbers. But one of the things that I found really striking is that only 0.2 women of color, entrepreneurs, receive venture capital funding. Like 0.2 percent. Less than half a percent. And so I think I just pull that because it's shocking to me that you could have like that statistic could even be so low, but how do you go about kind of finding, again at this point, the network of matching people. Because this is what kind of keeps coming up, and also your point, it's about bringing the right people together. So you're based still in Orange County, but how does the companies that you work with reach people in all different parts of the country and how much does location matter?

MS. CASH: Yeah, and that's really the beautiful part about our thesis and the focus on software and tech enablement in that you can scale faster, hopefully, and reach more people. But we're not doing it to leapfrog the community.

So as an example, there's a company that we're invested in. The name of that company is Maven. Maven is a tech enabled business based out of Oakland. It is a black founder who grew up in Oakland, was educated at a black college, lived overseas, speaks Mandarin, so is in a good position to manage a global supply chain. This company has raised, and I'll tell you want the company does for those who don't know it, but this company has raised over $50 million of venture capital to support the growth of the company. And it's a company that's disrupting the black hair care industry. And the disruption is about acknowledging the assets of black hair stylists in communities and their contribution to the growth of an industry that they receive very little of the pie in doing so.

And so through the use of technology, Maven isn't reinventing the wheel, it's leveraging the assets of those black hair stylists and communities and saying you are a true stakeholder and you deserve a bigger piece of the pie. Let's work together, essentially as a collective, if you think about the way that the business is structured, so that I can apply technology, manage a supply chain, provide you an opportunity to increase your income on a weekly/annual basis by doing what you're already doing. And there are details as to how that's happening, but it's happening in a real way. And in a little over four and a half years Maven has put $20 million of cash back into the pockets of independent hair stylists across the country, the majority of them on this map are located in the south.

MS. NELSON: Brandon, can you talk a little bit about as well that side of networks. Because you mentioned when we spoke before about the inequity being around crowd funding and how that works. So just to kind of mark this point on the previous panel around how do you keep protections for investors while also expanding the pool of people who can invest.

MR. RULE: Yeah, I think, so my crowd funding platform is really to scale, right? We talked about the type of industries that we're working in. And being in affordable housing, it's a very cash intensive business. So really the crowd funding platform, tech enabled, it's really a real estate syndication firm that takes advantages of some of the changes in SEC laws. So accredited investors back in the 30s, you know, the regulation that changed in the 30s and then stopped retail investors and really most Americans from investing in real estate. So if you think about the appreciation from the 30s until today, it wasn't until the Jumpstart Our Business Act back in 2012 that did allow for equity crowd funding and allow for most Americans to then be able to participate.

So the thesis of that company is really to enable really all of Americans, and primarily people of color, to be able to benefit from their real estate investing, and really the benefits of commercial real estate investing and democratizing that process. So in terms of protections, I think it's important for companies to then build opportunities for investing, whether that be through crowd funding or other vehicles, but then also have the expertise on the other side to be able to be that thought leader, be that really advisor in a real estate space or whatever that space may be.

When I'm thinking about capital in general I want to move on a little bit because it's really important to kind of get (inaudible) of the types. Real estate capital is very, very different from venture capital which is very, very different from crowd funding capital. And then also just understanding on a lower level like debt is extremely different from equity and the costs associated with each one of those types of capital is important, and then also understanding the difference between our access and the cost of that capital for each one of those types in communities of color versus majority communities.

MS. NELSON: I just want to extend a little further for what your experiences with those various types capital.

MR. TOMELDEN: Yes. So mine, going to the retail space, right? I own a bar in Dupont

Circle. And what I did there was just pull together a bunch of friends. So there's about 15 owners, it's 100 percent black owned and operating staff and finance. And I did that because I knew with my previous experience in lending. My background is in lending, I worked for two CDFI's in a previous life, so I was on the ground, I was in the ward eights of my community, trying to connect to the business owners and trying to give the capital that was perceived to be available and connect it to the businesses.

But there's a disconnect. There's a disconnect between what, specifically in debt capital. There's a disconnect in what they would like to see and then what the businesses have to offer. And if you think about even like the Five C's of Credit, right, that guides the ability for this decision making around the capital that's available. Oftentimes there's a lot of bias within that and oftentimes there's not a level of understanding of those communities when they're providing that type of capital, or even raising the money to then distribute it.

So I think it's also important now that we have different types of capitals that are emerging, whether it be equity crowd funding, whether it be venture, for the fund managers of those capital institutions, whether it be an internet platform and/or, you know, a group like the Impact Fund. It's important for us to understand what these businesses are doing on the other side. And frankly, because of that I wasn't able to attract the capital for a retail restaurant/bar/lounge in the Washington, D.C. area. And frankly, you pair that on with the cost of the lease and, like you mentioned, the cost of labor, I think not only is there a labor issue, the issue around labor is frankly, you know, in DC the minimum wage is rising, right? So historically you may have had a manager that was making $17 an hour, but now if the minimum wage of 14, they can literally just go work at a convenience store here and then supplement that cost with an Uber. And now your manager, that level of talent, has then left the industry altogether. So I think there's a downward pressure on small businesses when it comes to even the cost of that labor that is really effecting the sustainability of these small businesses moving forward.

MS. NELSON: And do you have any thoughts about, I mean while we have so many policy people around us, and what you would want to see, right? Like if you're describing a really similar problem in the retail space we're in DC right now. Well what would help with that?

MR. RULE: Yeah. I think if there was some credit, you know, some level of a credit for businesses under a certain threshold. You know, a lot of these big corporations, which in theory they were the ones exploiting the very labor issue and paying minimum wage to all these employees, are offsetting that labor through technology. So the ones that are being hit the most are the small businesses. So if there is a relative threshold that you can have that earns a credit at the end of the year, whatever the case might be, I think that's a way to offset that. Yeah, that would be kind of the number one thought in my mind.

MS. NELSON: Do you have anything else you would want to see mentioned, or like what are you going to do about finding people for the jobs, but --

MR. TOMELDEN: Yeah. The minimum wage going up is difficult. And I think that part of the problem it's always a small, small thing. People think well they raised minimum wage, I think it might be 15, I feel like it's 15, I feel like it's 50. But so we raise it to 15 but there's not enough affordable housing. Or we raise to 15 and there's affordable housing but it's in Lorton, so now the guy has to drive to come up here. And so I think everything is a bigger, and I'm not saying you were painting it as a small picture. But these pictures are too big and we don't have the wherewithal, you know, I don't have the time to sit and say we need all these things, but we do need all these things.

And of course there's the thing that I pay my business. The Pug made, I don't know, 12 bucks last year and I paid $8 in Federal taxes. And Amazon didn't pay anything. So I think there's these broad things, and maybe they paid that and I just saw it on Twitter, I don't know. I think that it's broader than we have the capability of currently, I mean I work two blocks from the Capitol, behind the bar for 15 years, and I'm two blocks from the White House and I don't have a lot of faith in the people that we have there linking minimum wage to affordable housing to transportation to all these things.

So I don't know if anybody knows Horace and Dickies, it's a place by the Pug and it's closing. And one of the problems is parking. And they closed the two blocks for deliveries because when they were voting on the trolley to nowhere, they didn't give it a dedicated lane. Had that trolley connected Minnesota Avenue, it would have cut the time, the transit time from Minnesota Avenue to Union Station, if you take the X2 it takes, I don't know, an hour and a half. If you take the trolley, if they got it all the way there in a dedicated lane, it would have taken half an hour. So you connect that community. But everybody voted no on a dedicated lane so we had to take away the parking, and now Horace and Dickies is, and I mean there may or may not be other things. But it's going come down to the hairdressers are the only businesses that survive because nobody's going to a shoe store anymore because they can get Amazon, and then they don't pay taxes. So it's perfect, it's a perfect disaster.

MS. CASH: I want to add to that point around, you know, it's a bigger question around how do we get people rewarded for their contribution, right? How do they actually get the real value for their contribution? We're invested in a company that invests in the home healthcare industry and in our doing our due diligence for that investment, you know, I was shocked to find out 60 percent of the women that provide the care in home healthcare are low income women of color. And these women can barely make ends meet in such an important industry. And on the other side of that we're seeing private equity strategies and roll up strategies. Someone's making a lot of money in the home healthcare industry, but that money isn't landing in the hands of the people that are actually doing the work each day. So there's a big discussion, what Ty mentioned, around narrative change and value that have to happen in this country. Because then that connects the dots back to the policy change that has to happen, right? If the Federal reimbursement rates for home healthcare are so low that the service providers can barely make ends meet, then we have to question what those rates should be as we are facing in this country an aging population. So it impacts all of us.

But there's a real mismatch. And similarly for the hair stylists, there was a business opportunity there because those hair stylists have been undervalued as part of the supply chain. A hair stylist essentially in any community, is a recommendation engine. If she tells you to go buy certain products, you will go buy those products. Well in black communities, the places where she'd recommend you to go aren't owned by black people. So you're being recommended to buy products, you're spending that money, and you're spending that money two or three times more than your counterparts because of the complex nature of your hair, that dollar spent isn't recirculating back in the community.

So we're really looking at supply chains. Who owns different assets throughout the supply chain, where are our dollars being spent, where's our time being spent, and can you start to reshape the pie using technology and software? Again not to override the community, but to reengage the community in a way that gets the more value for their time spent.

MS. NELSON: I think it's always kind of an important point around when it starts, which is with Federal policies that make economic sense and theory. And so that's why, you know, as soon as you bring up minimum wage, right, the data, the economic theory does support it in a certain sense, but then you have those businesses that say okay, if you do this one thing, sure that sure make everyone better off, but if you don't have the housing, if you don't have the transport, and to the point we have, you know, the investment in these whole communities and areas not just this is the one bit of the policy that we can get through, we can get to work, or it's always the companies that have decided this is good for us and when you have, all I'm saying we're going increase our minimum wage and then everyone else is like ah, gotta do that too. You know, one doesn't care the other businesses that it's pulling up too for minimum wages are struggling.

MR. TOMELDEN: So with the $15 an hour, so at one of my places we just don't have bussers and bar backs anymore. Which historically was the best way to get into my industry. The best guys behind the bar, and the best people on the floor started as bussers and, you know, food runners. I mean this is very nuts and bolts, but at $15 an hour I can't pay the server and the next level down. So that next level down disappeared, I make the server do all of it. And so now you've lost an entry into this job where you can make some money, but now you don't even have, that entry level is gone. So, yeah. I mean I'm not saying that people don't deserve a minimum wage, and it's minimum wage, not living wage, which is another thing.

MS. NELSON: Very different thing, yeah.

MR. TOMELDEN: I can't believe you think there's a problem with health care. I mean it seems so --

MS. NELSON: And then you're right, but then you have people doing twice as much work because it's more difficult. Also, you know, talking about value, you've both mentioned the way you were able to make your thesis of this work was by getting a group of people together. Like that was the key to starting it all. I think it's really interesting that that fact, that we have two people in similar scenes and that is the exact same experience that you had to get the like is there any other way?

MR. RULE: I think equity crowd funding could be it. I mean it's essentially the same thing. That's a private group as opposed to a public group.

I think being able to create your own terms around what that price is per share that you're kind of selling is a way. Outside of that, you know, traditional debt is not really being offered at this point because as we see, many of the black owned, you know, home values are decreased and then, frankly, millennials in general, regardless of race, aren't really owning homes at the same rate as they historically have been.

MS. NELSON: That is true.

MR. RULE: So if you think about the backbone of business loans, it's typically the collateral. And now the collateral isn't offered, then there's no collateral for there to be leveraged, so now you have no leverage in your business. And the only way that you can supplement this capital, by not having leverage, another word for debt, is through equity. And I think oftentimes, to the point that I made earlier, a lot of these business types aren't necessarily ones that can attract venture debt. They can't attract private equity, they're not scalable enough for those, they're not giving 3X equity multiples for the next funding round. A lot of these businesses, you know, barely have a 10, 15 percent profit margin on their own service. So again, I think the only true way to do it moving forward, is at a low cost rate through equity crowd funding.

MS. NELSON: It is interesting also about what that definition of success is, right? Like why do you have to have a clearly double digit margin to be defined as success at a time when we think about like what does economic growth even mean, you know. I can't let go at this stage without bringing up climate change, but I have to because it's one of these things that we talk about growth for growth's sake, and people say we can't do that. So why does everything have to be about, like why does that definition of success just have to be like crazy amounts of growth, why cannot be the sustainable growth in these businesses that have a lot to offer but maybe they don't have the returns that private equity wants?

MR. RULE: I think this is the cost of capital. So having that conversation about how much the capital is for the type of capital that's deployed is really that value. Like you can't match venture funds with I guess a start-up business. To me start-ups are scalable businesses, right? So every new company isn't necessarily considered a start-up. So there are a ton of businesses that don't fall within that frame and don't fit within a box of venture. And frankly, if you think about the social impact investing, I would argue, and I would like to pass the ball on this, but even in attracting capital as asset managers is difficult. And what is the cost of the capital for, you know, the impact fund to be able to return those returns to their investors. Like, yes, we're doing great work but, again, what is the cost, and then how much access is available for that. So that then puts downward pressure on the type of businesses that, you know, these social impact investment funds can invest in. And frankly, oftentimes if you're not scalable, it just doesn't makes sense.

So although you may be very successful, it's just not the right type of capital in the same way that a business loan isn't the same for a real estate loan. I think it's just different.

MS. CASH: Yeah. And I think listening to this conversation, I think we could all agree these systems are broken. And so, you know, how do we create new systems. And the reason why Impact America Fund exists is because there is such a need for innovation capital to test out new things. And in venture capital, you know, the conversation around customers, you raise dollars before you have a customer in both cases, at least your early seed dollars. And oftentimes black and brown people don't have that luxury or opportunity to raise capital to have two or three million dollars to play with and test out the market, etcetera, without having a customer. And so we're in a position to invest, you know. I'm thankful, you know, when you said it, it's very difficult raising a fund of any size, but we're now in a position to, and when I say we, my colleague Stephanie is here, who's on the team, but we can write, you know, $250,000 checks. We can write a million dollar check. We can write a $3 million check for business that are innovating and trying to create system change and new structures.

So why I relate it to this capital conversation, one area that we're looking at in our pipeline is alternative financing models, using technology to invest in companies that are building, you know, in this case an entrepreneur that's building a digital bank and a company that's offering, working with small businesses to offer a public bond, which hadn't been possible before the Jobs Act. And so those types of new models have to be invested in because the old model just doesn't work.

And related to the conversation around indirect cost of capital, I think Martha brought that up. It's so important. We have a relatively small fund, we have, I don't know, 15 investments made across two funds now, but when we look at our own cap table of investors that are invested in alongside us into our companies, we just did a quick analysis and we look at our cap tables and the company that's led by two white women, fared a lot better in terms of the time it took them to raise money and the number of investors they had to speak to than the companies led by black men. And that time it takes to actually raise the capital is an opportunity cost and a cost of actually missing your opportunity to build the vision that you see. And so part of the work is how do we cut down on those, you know, those time gaps as a big issue.

MS. NELSON: I'm going to take some audience questions. I would like to take two questions at a time and I'm going to focus on people who haven't asked questions already. Sorry, to do that. So we have two people in this same row. Can I get two mics for them?

FEMALE SPEAKER: Hi. I'm very honored to witness this panel. I'm the author of the African American Financial Experience Study in 2010. It was the first study conducted by a financial services company to analyze financial behavior. And we identified then in 2010 that small business was the growth engine of America, for black America.

I am now named the next Steve Jobs by Forest Magazine and the latest black woman to raise over a million dollars. It comes out in a route next month. I'm now 37, 37 in the country for the past eight years, that's less than one per state over the last eight years.

Having researched this topic for the past 10 years, one thought that I had that I would love to get your feedback on is, I find that grandparents and great-grandparents, especially in DC, are giving in to the gentrification of the neighbors and selling their homes. I'm from the first black neighborhood in the country, Kingman Park. We still own our home. I find that grandkids and great grandkids are coming up with businesses but the grandparents and great-grandparents, instead of taking the equity in their home and then investing it into the child, they are selling their homes.

So I'm wondering, I haven't really heard much discussion around this, and I personally hadn't researched it either. But I'm wondering what are your thoughts on being able to better educate the older people within the black community to actually take the wealth that they do have and the credit scores that they do have, to then invest into the younger generation and maybe we could solve the problem ourselves. So I'm just curious as to what your thoughts might be on that.

MS. NELSON: Can you pass the mic to the gentleman right here. Thank you. And a quick additional question here.

MALE SPEAKER: This just piggybacks on the venture capitalists comments. In January I went to the U.S. Chamber of Commerce Annual Symposium, and there was some information that even

I was shocked, and most of it provided by Steve Case. And that is, to give an idea of how this is stacked against people of color.

98 percent of venture capitalist dollars go to men and male-owned companies. Approximately 98 percent. 60 percent goes to companies in California, 30 percent goes to companies in Massachusetts. That's 90 percent right there. All right. So how do you break up that logjam, number one?

And then there are some encouraging things. I know I happen to meet, I don't know him, but I happen to meet Andre Agadalin, who at the time was with the Warriors, he's now with Miami. He is putting together, you may know about it, all right, he's doing some really good things that are reaching out to the community in terms of VC, and also Kevin Durant, I understand is doing some things on a local level. So those are the encouraging things. But any comment on the venture capitalist statement?

By the way, I would suggest get on the U.S. Chamber of Commerce website and their email list. It's a good source of information. Yes, indeed.

MS. NELSON: After you read the report, next up is the U.S. Chamber of Commerce website, sign up for their newsletter.

Okay. First let's talk about adhesion within the black community around financial literacy, and what can be done best. And then, Kesha, you can take the VC question.

MR. RULE: So first off, congrats to you. I've seen your work, so salute. I love it when black women are doing great things. So that's first off.

Second, I think really there's a financial literacy problem, right? Like who is the one to teach the grandparents? Is it us, is it our parents, or is it the grandparents? Oftentimes our parents may not be quick with the knowledge to do it, and the grandparents obviously aren't. So if it is up to us to do it, at what point do we do it? At what point do we take the liberties to start to understand what's going on in our neighborhoods?

So me personally, like the gentrification term is a double edged sword, right? On one hand it provides an opportunity for people to make a decision on their assets to improve the value of their lives. And on the other hand its disrupting the legacy and the historic history within these black communities.

That being said, I think the sweet spot when you understand current real estate, is some have got the top of that market, right? I think most of the problem that I see in DC is that we sell too early. You know, so if this home is paid off because you've been there for 30 years and someone comes up and offers you $350,000, it's like great, whoa, I've never seen this much cash before and let me take this opportunity and then reinvest it into a community, whether it be PG or one of the local counties, and then we just kind of settle, right? However, what that person that is offering that 350 knows is that it's actually worth 7, or it's actually worth a million. And that's the primary issue.

Like when we start to understand the land values and what that worth is to the point of a lot of this research, we then can sell at a higher rate. You know, if it's worth a million and we sell it for 1.2, I really don't have an issue with someone doing that at all. Because we're on the other side of that, right? And I think understanding that is where it starts, one. And then educating ourselves and informing ourselves around what those land values are and what they should be, then informs our conversations with our elders and say, hey, I'm looking at doing a start-up. I know they offered the 350, you can actually take out a 5 right now, through the revenue from my start-up I'll offset the cost of, you know, whatever the case may be, and this is how we can build together. And I think that's a more quality conversation then to have within black families in a way that doesn't currently exist.

MS. NELSON: Kesha, on the VC question actually, I haven't seen this particular data, but my hunch is that the concentration in California and Massachusetts is really down to like to Stanford, Harvard, and MIT. So can we talk about how you get the easy money out of these super elite spaces?

MS. CASH: It's a challenge. Because it's like a self-fulfilling prophecy. The ecosystems are established and as an investor we're not investing by ourselves, we're looking for great partners to invest alongside us. We're looking for co-investors. Most deals have syndicates, and depending on how far a company goes, and you hope to see their angel investors. So angel investors, we're seeing more black angel dollars being unlocked, but there's not a lot when you think about the racial wealth gap. Black and brown people have six and seven cents to the dollar, so there's just not a lot of angel capital out there where someone's going to risk the $50,000, $100,000. So I love this idea of the real estate piece of it.

And then it's, you know, the Series A capital. And that you have to be in a position to write a million dollar check, plus, three million dollar check. In these large institutions in Silicon Valley, etcetera, they're bigger, they've been around for longer, they're managing billions of dollars so the capital's there. So then you take that ecosystem that exists, it's the flywheel that's self-fulfilling.

The majority of where black and brown people are per this map are in the south. But the ecosystems aren't there yet. There's work that's happening on the ground to develop those ecosystems, and I encourage, when we talk about programs, there need to be invested in that development in order to create a flywheel effect, where a company can grow up in an area outside of the major innovation hubs.

MS. NELSON: Let's see some more hands for questions. Here and the gentleman in the far corner there.

MR. SMITH: Hi. Ty Smith from Philadelphia. I'm a serial entrepreneur and I've been in real estate for approximately five years. So my question is to Brandon, and it kind of relates to Tony's labor problem.

When I talk to city council people or state representatives, they often speak about affordable workforce housing. Now that I've been in real estate I know that AMI, Area Medium Income, in Philadelphia, goes for the entire region. So when I look at some of our projects and it says "affordable," I know that it's approximately $76,000 a year, in neighborhoods where the AMI is actually $17,000 a year.

But when I talk to my political representatives, they don't have an understanding of the nomenclature at a granular level. And when people are speaking to community they talk about workforce and they talk about affordable, but they're speaking over community rhetorically because they're saying to people, in their face, that this is not for you.

So how, from a public policy perspective, when we're trying to allocate for workforce, how do you connect the reality of the nomenclature of the industry to the capital stat, or what's actually happening in communities. Because I think from a public policy perspective what a business actually, like his needs is some sort of land trust or guarantee for a prime property so that we have mixed income spaces in cities. It seems like we're arrhythmical pushing people out of cities and only going to the knowledge economy.

MS. NELSON: Before we get to that, can I take that other question.

MR. CUNNINGHAM: So I'll make this quick. I'm Bill Cunningham, I run

Minorityfinance.com and Creativeinvest.com. We've been doing this for a while. Citi Group announced a $150 million equity fund.

MS. NELSON: Can you move the mic up a little higher?

MR. CUNNINGHAM: Citi Group announced a $150 million equity fund where they're going to make equity investments in social enterprises, and they've allocated 50 million for investments in women and minority-owned companies. It's problematic because we know that white women will be the target for most of that equity capital that will come out of the bank. But I'm curious as to what you think about that.

Now lastly, you know, we did a webinar on raising capital for black women-owned businesses. Out of that came a black woman-owned business in New Jersey, who is creating a manufacturing facility for natural cosmetics, targeting black women. And what's she going to do is she apparently, and I know nothing about cosmetics, what she's going to do is she's going to link something called Instagram, right? Apparently they're all the item, you know, I don't know. Apparently there are all these cosmetics brands that have gotten a lot of traction, and specifically she wants to focus on natural cosmetics for black women, using Instagram as the key marketing tool.

Last thing, last thing. I'd ask you to talk about opportunity zones and the impact that that will have on gentrifying the community.

Finally, finally, I see Angel is here. We did a talk at 1776 in what, 2015, right, where we covered all of this. This conversation keeps happening. Oh, we can't fund a black companies, oh, we can't find the money, it's hard to raise money. We know that, you know. So the last thing I'd ask is for solutions.

MS. NELSON: I mean I think that's fair, I do have to confirm that these conversations happen a lot. I do have to admit that the framing of this question I do think has changed, and that is one thing I think Audra has done really well.

So shall we take some responses to the questions? Who wants to go first?

MR. RULE: Yeah, I'll take the real estate question there.

AMI, yes, that's a general term is mostly rooted in a kind of a county income, not like city and/or neighborhood. So I think the liability is kind of the developers and the operators that are working in the space, but oftentimes they toast twofold. On one hand it's up to developers, like the properties are not developed I don't actually put my rents at the maximum AMI levels. I may do 90 percent of the AMI, I may do 95 percent of the AMI, but the challenge there is on the other side. When you don't take that maximum rent, identify the gap fillers in order to make this building work, right? Because the source is going to use it up the balance. And as you take lower rents, frankly, the uses are still there so you need additional sources to offset it. I think there's limited resources. So oftentimes what the municipalities do is just kind of generalize it and just do what's best based on the resources that are available.

And frankly, I think we have to be more intentional about the income tides, right? So to me I kind of view like very low income as 30 percent and below, right? And then workforce is 50 to 80, and the market is, you know, 100 and above. So when we're talking about workforce housing, that's not really targeting the 30 percent annual of my units that really represent maybe 80 percent of the neighborhood, that this neighborhood in particular, you know, is going to benefit. So that's a part of I think having more developers being able to identify those issues and really build to that problem is one of those solutions.

And then the other side, just asking for, I guess, more resources, which is difficult in a place like D.C. if you think about the $100 million housing production trust fund that's here. That's probably, you know, less than 15 projects total. So how much more, do we need a billion dollars annually, and then the question is where does that come from?

And then just quickly on the opportunity zone portion. Opportunity zones to most people in commercial real estate is more of a buzz word than anything else. And frankly, I'm concerned about it because one of the provisions within it is that the owners of these properties within opportunity zones have to sell their property in order for that benefit to be benefitted from. And frankly, on the other side of opportunity zones, most all of those funds are coming from money that is, you know, capital gains for giving. And a lot of folks in these communities don't have capital gains to even input.

So, you know, there's a lot of uncertainty around opportunity zones at this moment, but I'm worried that, you know, if each one of these parcels has to be sold and billions of dollars that are raised are investing in these communities, and frankly, it could be the biggest disrupter to gentrification that we've ever seen.

MS. CASH: I'm familiar with the work that Citi's doing, Morgan Stanley's doing, UBS is doing, Goldman Sachs is doing. So all of the big banks have launched some type of initiative to focus either on mission driven companies and/or minority owned companies. And for us it's quite interesting. When I started this work in 2010 there weren't very many independent funds led by people of color. We've seen a wave of new funds and venture being launched in early stage ventures, which we're excited, that are managed by people of color. And I think that's important.

But as you see trends and as we demonstrate the opportunity, then larger players will come into this space. So we're thinking about, right, how do we collaborate because it's money, it's real money that needs to be moved, but how do we collaborate in a way that doesn't extract from the communities that we're trying to serve and that had to be very thoughtful. I think reports come here from California because a report like Andre's and what's working releases the work that Ty's doing with the blackness development goals we're involved in. Because as this flood of capital comes into our community, how do we make sure we hold capital players accountable for real change versus, you know, this short term effect of great PR stories. But there's capital coming and it's up to us how we leverage it and what we do with it.

MS. NELSON: I think I have time for like one more question.

FEMALE SPEAKER: Hi. My question is around when new start-ups actually go into business and they are approached by VCs, how do they know that the deals that they are entering into are equitable and beneficial to them versus unequal partnerships where it may actually serve as a disservice to them?

MS. CASH: It's the work that we do as a black led venture capital fund. Stephanie's heard me say this, I'm taking off my venture capital hat and I'm putting on my Kesha cares about you as an individual hat. And it's a fine balance that you have to walk. We want to make sure that the companies that we're investing in, and these are ambitious entrepreneurs that want to grow their businesses, those valuations that they set early on will determine how much they have at the end of the day when they sell their business.

And it can get, you know, into murky waters and so it does take a family, a village, an ecosystem, to make sure, right, there are other places that an entrepreneur can go. So if there's only, you know, one fund in town, you know, to fund, you know, I have the leverage. Now that there are more funds, we're finding ourselves, thankfully, right, there's some competition. And so competition for us to be an investor in that entrepreneur's company puts some leverage in the hands of the entrepreneur. So this is all new, this is developing, and I think it's up to us again, you know, the more proof points that we have that this, you know, this actually works, the better off we'll all be as part of the ecosystem.

MS. NELSON: Real quick, yeah.

MR. RULE: Yeah. I think on the entrepreneur side, I think there's a lot of data out there and there's a decent amount of resources that even on the Internet you can kind of see what the general terms are starting to be. So I think leveraging, that is one. But then also really understanding your business and having a pulse on how much capital you need to raise and then identifying if that capital is worth the cost of equity, you know, in leverages, oftentimes a good thing. So if you can get some equity and blend it with some debt, it could be the case and/or doing in the trenches what would be the pre-seed and then the seed and then the seed as A, as opposed to just coming out and raising all the money up front and not being able to have the revenue to justify it.

MR. TOMELDEN: I'd just say that if you could go to community, like these, instead of going to a big bank. I mean the big banks, you know, I'm going to go with these guys, because the big banks it's all bottom line. But if you can investment from within your community, you're going to be better off. And you always have to judge how much you're paying back, but even if it's not a better deal, still go local or whatever, I don't know, whatever the terminology is. Don't, you know, I mean Wells Fargo? Come on.

MS. CASH: I must say this though, as for the entrepreneur, zero percent of zero is zero. So you also have to be willing to give up some equity if someone's going to write you a $250,000 check or a million dollar check, that's money for funds that we spent time raising, it's our business. So there is a partnership opportunity there.

MS. NELSON: Real quick.

FEMALE SPEAKER: I know, I know.

MS. NELSON: The boss gets to ask the final question.

FEMALE SPEAKER: Actually I want to come back to the core findings of this report, which is about geography and racial segregation. And I want to really direct this at Tony because Tony is a white-owned businessman who mostly does business in majority black neighborhoods in the DC area. And most of your businesses are not financed by venture capital.

So I guess what I want you to close with is what is the lesson of survival for you and maybe your peers and the other business owner who are probably near you. How can they survive given the data and the findings about the devaluation, and the market doesn't work for a lot of enterprises like you? What's the advice for other small business like yourself and others in majority black communities that can really succeed?

MR. TOMELDEN: So for me, you know, they call it the service industry, and so for me, and I want to be fair for you guys as well, just remember, they're all customers, treat them like customers. Sometimes they're wrong, but treat the customer like a customer. And again, like the Yelp is funny sometimes. But ultimately your neighbors, my places are all, I try to focus, not the White House place, but the other places, I focus on the neighborhood and they're my customers and I try to build personal relationships with them. I still work shifts in all of my places. And, you know, again, it's the lamest thing but treat people like you want to be treated.

If somebody comes into my place I treat them the way that I want to be treated when I go out. So if you're borrowing money, I mean if you're loaning money, lenders treat your whatever, you know what I'm saying. Treat people like they're you.

MS. NELSON: Before Andre comes up to wrap up, I'm just going to say thank you for your fantastic questions, and just ask you all to quickly, like the previous panel, to ask you to say one thing you want to see changed now that you've seen this report. One thing that you want to see done differently.

MR. RULE: Yeah. For me I think this kind of piggybacks off of the last question, but I think there's a lot of opportunity in investment of a "devalued neighborhood" if you are a retail establishment and you own the real estate. That appreciation that you benefitted from over the course of that time with you being in business can offset the potential cost or the lack thereof of revenue that your business may generate.

So I had a quick conversation with the owner of Ben's, Ben's next door in DC. They purchased that property many, many years ago so let's assume that it's worth $3 million now. If they have a year where they are negative 100,000, they can offset that through the $3 million of worth that they now created through the real estate asset. So I think by investing in real estate and then anchoring the business through that in a devalued neighborhood is a very, very good business proposition and yields a very, very good return.

MS. NELSON: Kesha, the one thing you want to see done differently.

MS. CASH: Yes. I am going to comment on the SEC open comments because something very important that much long discussion but there's conversation now that Airbnb is leading around, can they provide equity ownership to the homeowners on their platform. And so if you think beyond, you know, employees, if we can get equity, actual real equity in the hands of the community members, we can further change the game and really have conversations about what's building.

MR. TOMELDEN: I guess if you're a policymaker, try to link up everything. Try to link up the affordable housing, the minimum wage, the transit, it's all related. And if you're white, just pay attention to what's going on around you. It's not that hard, I'm not that woke, but just pay attention and, you know, all boats rise with the tide. If black people own businesses and white people own businesses, we can erase what all these people downtown are doing and we can just move ahead. So just pay attention.

MS. NELSON: Thank you so much everyone. Andre.

MR. PERRY: Wow, this is great. First everyone has to think a bunch of people, nothing gets done without a great team. And first and foremost I want to thank David Harshbarger, my research associate, who puts in work every day. I want to thank my co-author, Jonathan Rockwell from Gallop, he had to leave. But you can buy his book *Republic of Equals*, right outside in the book store. And I also want to thank Allison Harderback and Carl Romer. Allison was a former intern here, Carl's my current intern. And they can tell you I put them to work.

But I wanted to thank, and this goes to the gentleman from Anacostia southeast. When I met Amy Liu, the Vice President, and we came here, we talked about making an impact on communities. Your statement about, you know, how can the policy world get to you. That's my charge. You know, one of the things that we don't do as a think tank, and this goes not just us, AAI, all of them, we have events here, we give information to the muckity-mucks of the world. I want to create products for you. I want to host events where you are. None of this works, in my opinion, if the data, these reports, don't run through your lived experience. That's what we're about.

Too often, and I include, and I've said this before, people will invest in Brookings and invest in me. You know, I need for them to invest in you. So the very least I can do is show up at your door and represent you. That's my job. And if we're not doing that, then something's wrong.

Teig Smith, who came all that way down here from Philly, I want to thank you for that. I want to also thank my best friend, Jamal, a small business owner here. But he's going through what all small business owners are going through.

Martha, thank you for coming through, having SEC represented. Kesha, and all the panelists that are here, I want to thank you, but our job is not done. We've got to get this information to you so that we can have impact. And that's it, you know. Without that impact for change, all is lost.

But I also want to say this. I want to nudge the comments a little bit. The reason why we're here is not because of grandparents making bad decisions. It was because grandparents were victimized. I just want to, I mean you didn't mean that, but I just want to emphasize there's nothing wrong with black people that ending racism can't solve. We got here because Federal policy devalued black communities and everyone in it is suffering. The white business owner, the Asian business owner, the black business owner, obviously. And we're going to need the Federal government, as well as market drivers, to change this. But it's not going to come from blaming anyone, you know, we're not going to get there by blaming anyone. We will get there from policy correction.

And when I say but no, it will probably take us standing on our price to move policy. That's what it's going to take.

So with that, that's your charge. My book comes out May 19th, pre-order. But thank you for coming.

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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Expires: November 30, 2020