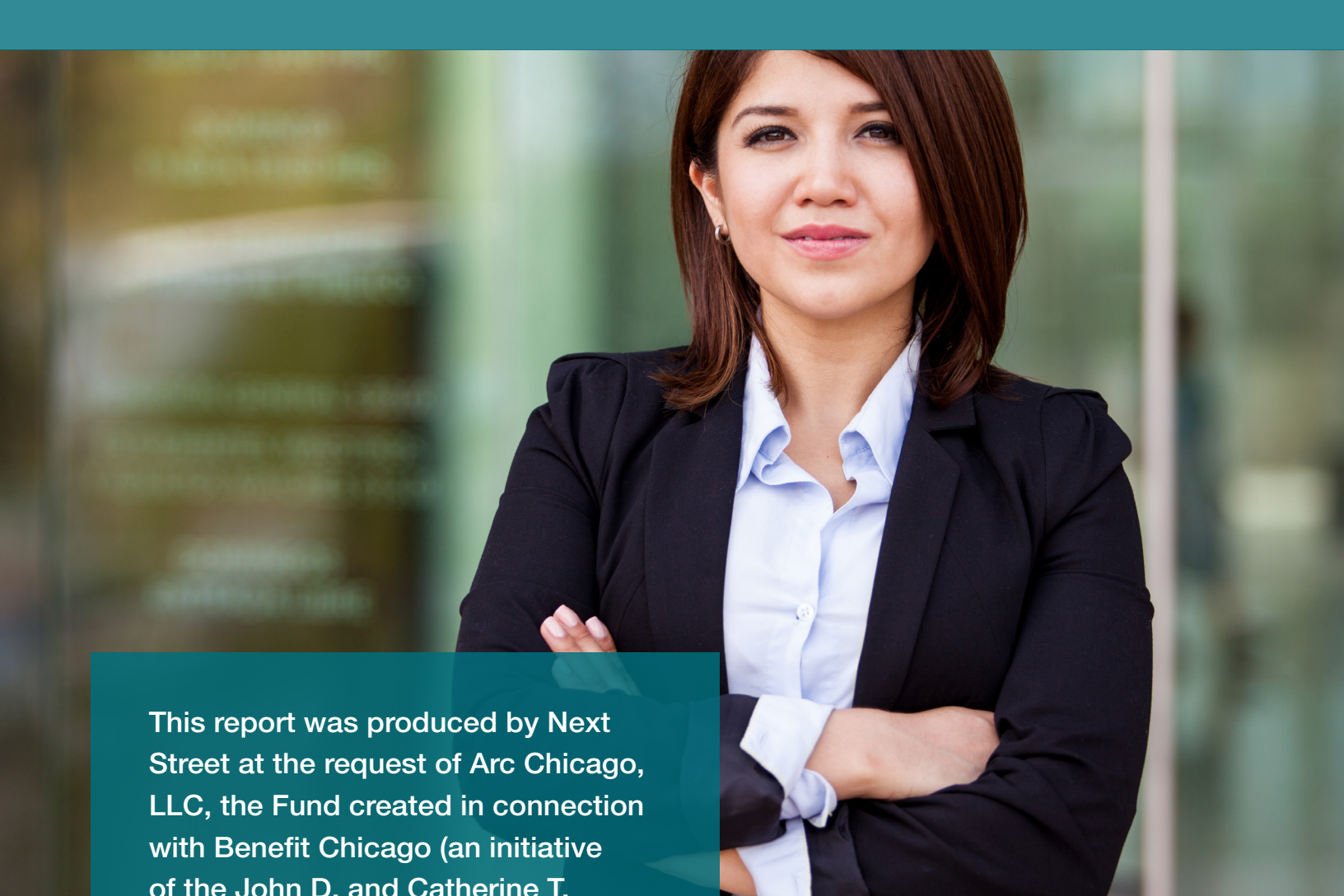


THE EQUITY CAPITAL GAP

for Entrepreneurs
of Color
in Chicago

June 2020



This report was produced by Next Street at the request of Arc Chicago, LLC, the Fund created in connection with Benefit Chicago (an initiative of the John D. and Catherine T. MacArthur Foundation, The Chicago Community Trust, and Calvert Impact Capital), to assess the gap between the availability of and demand for equity and equity-like capital among small- and medium-sized businesses owned by people of color in Chicago, with a specific emphasis on South and West Side communities.

Sourcing focus group interviews, U.S. Census data, and other available research, the report provides insights into the Chicago equity capital marketplace, including the supply and demand for equity and equity-like capital, the needs of entrepreneurs of color, and best practices from around the country.

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Executive Summary

Exploring the Racial Equity Capital Gap in Chicago

This report was commissioned prior to the COVID-19 pandemic and the actions that governments and others have taken in response to the enormous disruption to communities and businesses. The full scale and impact arising from the pandemic and the subsequent economic dislocation cannot be fully known, but we already know that the effects will be felt deeply in communities of color where decades of disinvestment, undercapitalization, and lack of health care for many have left residents and businesses vulnerable and marginalized. The racial equity capital gap – and the need for capital in disinvested communities and for entrepreneurs of color that our research confirmed – was a real issue prior to the pandemic and is even more critical today as the nation and the City of Chicago turn to trying to repair the damage exacerbated by the crisis.

History tells us that entrepreneurs of color are disproportionately affected by recession and times of economic hardship. And while it's important that small business owners have access to a range of debt and equity financing options and data show that entrepreneurs of color face more barriers to accessing capital across this full financing continuum than do their White counterparts, this report focused on the particular challenge associated with equity and equity-like capital. Nationally, White entrepreneurs attract 17 times more equity capital than Black and Latinx entrepreneurs.¹

Nationally, White entrepreneurs attract

17 times
more equity capital than Black
and Latinx entrepreneurs

¹ Note: While we use the term "entrepreneurs of color" throughout this report, our research primarily focused on Black and Latinx entrepreneurs, who have been historically underrepresented in business ownership in Chicago



Chicago reflects this troubling national landscape, as gathered from quantitative data, focus groups, and interviews:

- **Black and Latinx entrepreneurs in Chicago have 80% of their equity capital needs go unmet**, compared to 46% of White-owned businesses²
- **There is a gap of at least \$146 million between the supply and demand for equity capital** among Black and Latinx entrepreneurs in Chicago³
- There are **too few Chicago equity capital providers of scale focused on entrepreneurs of color** and providing the type of capital required by their businesses
- **Capital from “friends and family” is limited in Black and Latinx communities** due to lower levels of inter-generational wealth than found in White communities, along with cultural stigmas and risk intolerance around asking for and investing money

The benefits of addressing the racial gap in access to equity capital are clear and measurable – job creation, wealth building, and an opportunity to shape a more equitable, robust and resilient economy built on inclusive growth as we recover from the loss of life and the economic impact of the COVID-19 pandemic. On top of that, there is a meaningful upside opportunity for those willing to invest in the overlooked, often under-valued assets of communities in our region.

Black and Latinx entrepreneurs in Chicago have

80%

of their equity capital needs go unmet

² Source: U.S. Census Annual Survey of Entrepreneurs; Federal Reserve of Cleveland, 2016 Small Business Credit Survey

³ Source: U.S. Census Annual Survey of Entrepreneurs; Federal Reserve of Cleveland, 2016 Small Business Credit Survey



Success is possible via four primary actions.

Creating multiple new sources of equity capital focused on financing entrepreneurs of color

1

Encouraging shifts toward equity-like capital products, such as revenue-based financing, that are a better fit with moderate-growth businesses

2

Hiring, promoting, and retaining more racially and ethnically diverse people among general partners and key staff at equity funds and other institutional investors

3

Moving beyond considering this issue as just a social issue and “the right thing to do” and understanding that closing the racial equity capital gap drives economic growth

4

These steps will help ensure that as we rebuild and recover, Chicago’s business environment is vibrant, thriving, and provides equal access to opportunities to start and grow a business, regardless of race.



Equity Capital

Equity capital is cash paid into a business in exchange for an ownership stake, and can take on several forms, including personal capital from founders or management teams, seed or family and friends capital, or equity capital from a range of outside investors whose classification generally links to the time when investments are made (i.e., angel investment, venture capital, and private equity). Equity financing allows small firms to raise cash while maintaining more short-term financial flexibility, as compared to debt products that sometimes carry restrictions on financing and investment decisions that can be cumbersome for small, growing firms.

Revenue-Based Financing ("Equity-like Capital")

Revenue-based financing, or RBF, is a form of equity-like capital that is long-term debt with repayment structured as a percentage of future revenue, as opposed to an ownership stake. While some traditional equity funds offer specialty financing products alongside their core products, there are only nascent RBF providers in Chicago. Many multi-product RBF providers are focused on serving late-stage and middle-market businesses with RBF as an alternative to private equity funding. Often, RBF providers articulate their value propositions as providing non-dilutive, equity-like capital as an alternative to traditional equity capital.

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“Equity financing allows small firms to raise cash while maintaining more short-term flexibility.”

Introduction

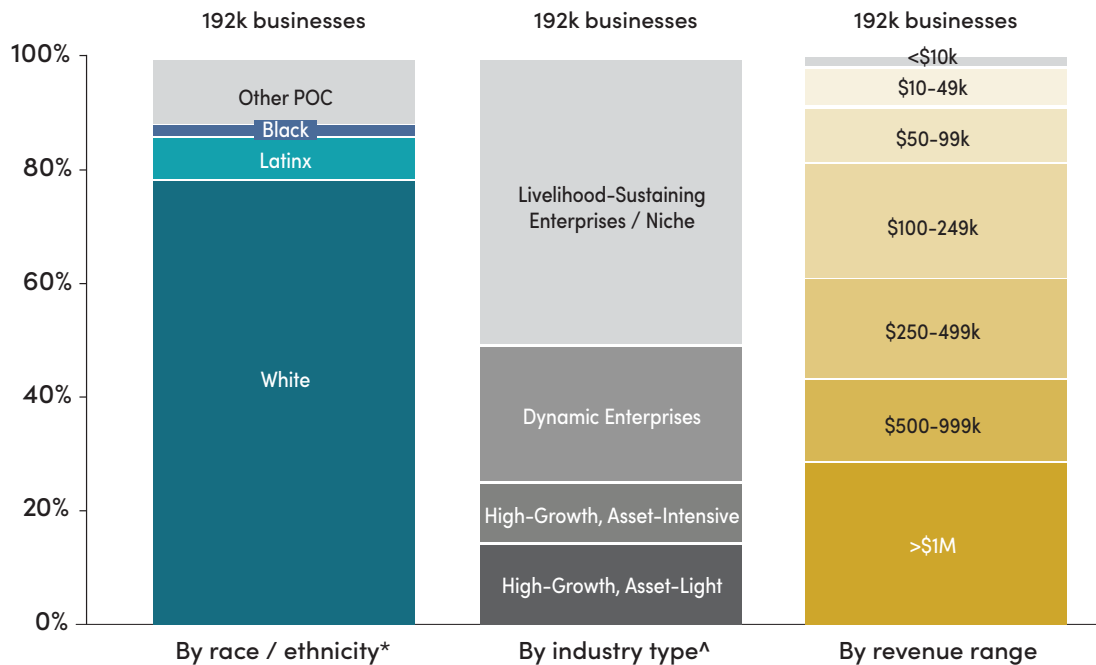
Context⁴

When it comes to business, metropolitan Chicago has it – from global behemoths to family-founded and owner-led firms, to tech start-ups and century-old legacies. The number of businesses with employees in Cook County alone totals 192,000. They are condensed into the Loop and spread across neighborhoods in all directions. They are a dynamic collective of employer firms with varying characteristics in business owner demographics, industry type, and revenue.⁵ They are also, largely, White-owned and/or -led enterprises.

Black- and Latinx-owned businesses comprise just 9% of total business owners with employees in Cook County, although they make up more than 57% of the county’s population. As a group, Black and Latinx business owners have not participated fully as members of Chicago’s small business ecosystem nor have they enjoyed the fruits of Chicago’s small- and medium-sized business economy to the same extent as their White counterparts. What’s holding back the growth of businesses owned by people of color (POC)?

Number of firms with paid employees in Chicago

Percentage of employee firms, 2016



Note: * Latinx-owned businesses assumed to be mutually exclusive from White- and Black-owned businesses
 ^ Industry types are classified based on U.S. GDP growth and CAPEX by sector at the 2-digit NAICS code level
 Source: U.S. Census 2016 Annual Survey of Entrepreneurs

⁴ The context reflects statistics prior to the impact of the pandemic
⁵ Source: U.S. Census Annual Survey of Entrepreneurs (2016)

It's not the availability of capital in the ecosystem, which does indeed vary across the equity capital spectrum. *Assessing Chicago's Small Business Ecosystem*, a 2018 report from Next Street and CRF USA, found evidence of a supportive environment for small businesses in Chicago, with year-over-year growth in nearly all types of small business financing activity, including debt, equity, and grant capital.

Rather, it is disparities in who can access the capital:

- Black and Latinx business owners tend to apply for smaller amounts and have less success securing financing than White business owners. As a result, businesses owned by people of color depend heavily on personal funds. They are two times more likely to report seeking funding from friends and family than White business owners⁶
- Lower levels of personal wealth among Black and Latinx households make funding a business in its early stages more challenging⁷

- While other forms of capital are available in the Chicago ecosystem, “friends and family” funding is limited or nonexistent for business owners of color, who are then pushed to tap more expensive capital, which compounds the challenge of scaling their business⁸
- With a debt capital gap in the \$50,000-\$250,000 range⁹ and limited alternative options for businesses seeking capital in that range, a clear need exists for increased grant, equity, and revenue-based financing (RBF) products to support Black and Latinx entrepreneurs

These disparities are not unique to Chicago. Nationally, less than 1% of venture capital—one form of equity financing—goes to African-American founders. For debt capital, business owners of color are twice as likely as their White counterparts to be denied credit. When they are approved, they tend to receive smaller loans and pay higher interest rates.¹⁰

Business owners of color face significant barriers in accessing capital nationally



Source: *Disparities in Capital Access Between Minority and Non-Minority Businesses*; Minority Business Development Agency, U.S. Department of Commerce (2010); *Discrimination in the Small Business Credit Market*, The Review of Economics and Statistics (2003), *Black, Hispanic entrepreneurs discriminated against when seeking small business loans*, Washington Post (2014), *The Color of Entrepreneurship* Algernon Austin, Center for Global Policy Solutions (2016), Interviews with POC business owners

⁷ Ibid.

⁸ Ibid.

⁹ Source: Survey results from *Assessing Chicago's Small Business Ecosystem*, 2018

Note: The survey of business owners indicated that businesses seeking \$50,000-\$250,000 loans struggled to find products that met their needs or capital providers able to serve them

¹⁰ Sources: *Disparities in Capital Access Between Minority and Non-Minority Businesses*; Minority Business Development Agency, U.S. Department of Commerce (2010); *Discrimination in the Small Business Credit Market*, The Review of Economics and Statistics (2003), *Black, Hispanic entrepreneurs discriminated against when seeking small business loans*, Washington Post (2014), *The Color of Entrepreneurship* Algernon Austin, Center for Global Policy Solutions (2016), Interviews with POC business owners



Process

Building on research conducted in 2018¹¹, Next Street worked with stakeholders from Benefit Chicago, including board members of Arc, and representatives of the MacArthur Foundation and The Chicago Community Trust, to more deeply understand the equity capital gap for small- and medium-sized enterprises owned by people of color in Chicago.

This research began with an equity capital supply analysis—creating an inventory of Chicago equity capital providers, an assessment of the size of the demand for equity capital from entrepreneurs of color; and researching existing models and best practices. The supply analysis was followed by two actions: an assessment of demand to size the market of entrepreneurs of color seeking equity capital; and, a set of focus groups to gain a deeper and more nuanced understanding of the equity capital needs and challenges faced by different types of entrepreneurs of color. Synthesizing these findings yielded an estimate and understanding of the unmet need—the gap between equity capital supply and demand among Black and Latinx entrepreneurs—in Chicago today.

¹¹ *Assessing Chicago's Small Business Ecosystem*, 2018

Capital Supply: Insights on Local Equity and Revenue-Based Financing

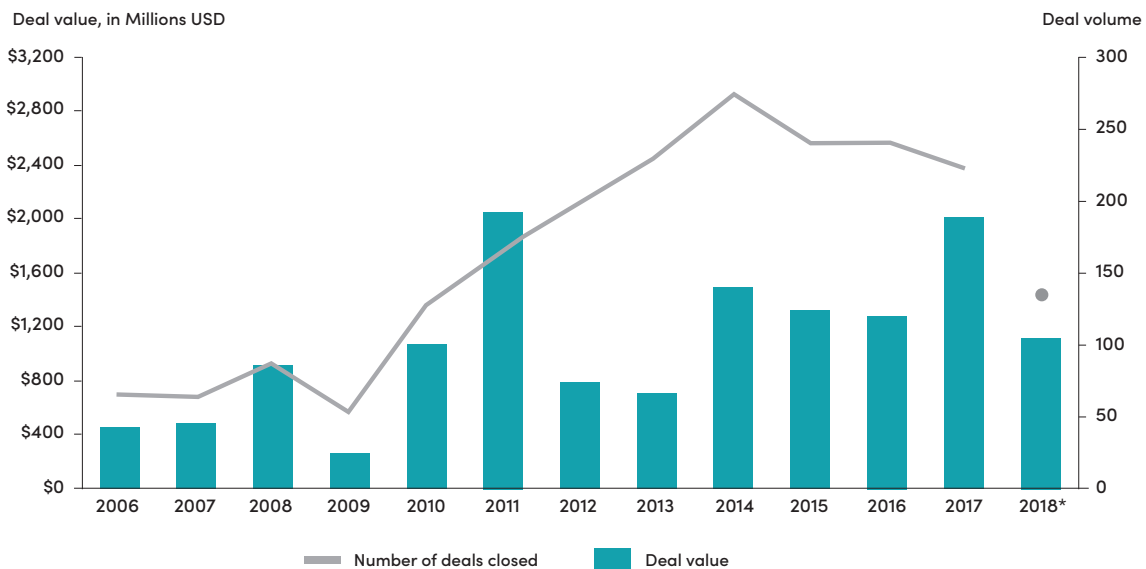
Visit a small business along one of Chicago’s retail corridors – Lincoln, Devon, or Western Avenues on the North Side, North, Chicago, or Ogden Avenues on the West Side, or 47th, 79th, or 95th Streets on the South Side, for example – and whether affixed on the glass front door or taped inside of the street-facing window, there’s likely to be a sign: “Thank you for Shopping Local.”

Chicagoans “shop local,” and tend to invest locally, too. Local investment firms provide most of the angel investment and venture capital for Chicago-based businesses. Their products serve the financing needs of local entrepreneurs and small businesses, concentrating primarily on investments of less than \$5 million in high-growth, asset-light industries.¹²

Overall, with more than \$1 billion in angel investment and venture capital deals closed annually, Chicago is among the most active U.S. markets outside of the East and West coasts, ranking #9 among metropolitan statistical areas by number of deals closed and #8 by total dollars invested.

But investing locally doesn’t mean investing equitably. Although Chicago is home to a variety of institutional providers of traditional equity capital, few of the top traditional equity institutional investors have a specific focus on serving diverse entrepreneurs. Most of their investments mirror the funds’ general partners and leadership, who are often not people of color. When an angel investor and/or venture capital firm does have an explicit focus on Black and Latinx founders, the firm lacks the size and scale of more traditional equity firms.

Chicago angel investment and venture capital deal value (\$) and volume (#) (2006-18*)



Note: * As of September 1, 2018
Source: Pitchbook, “2017 Venture Ecosystem Fact Book: Chicago” and “2018 Chicago VC Ecosystem”

¹² Source: Pitchbook, “2018 Chicago VC Ecosystem” (as of September 1, 2018)

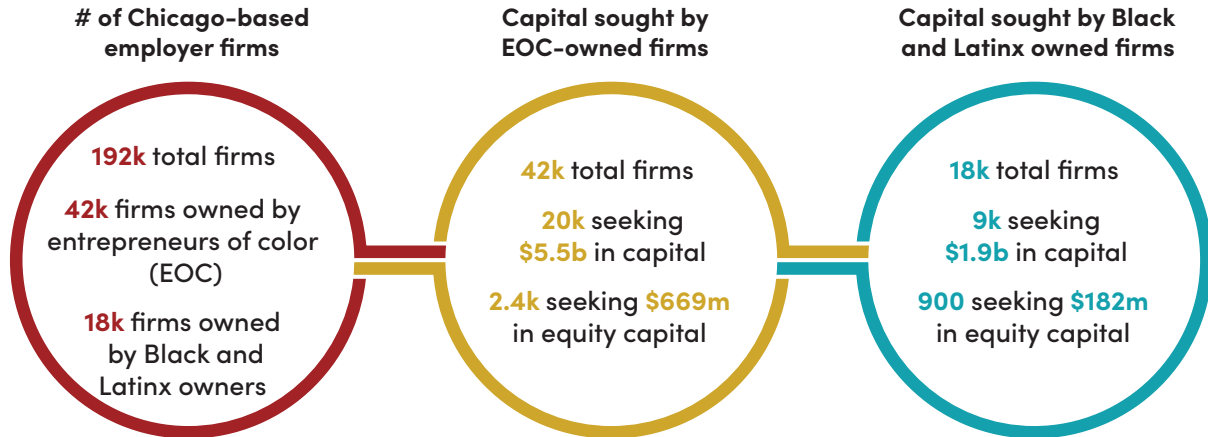
Capital Demand: Insights on Local Needs

To launch, grow – and perhaps now more than ever, to survive – Chicago’s Black and Latinx entrepreneurs need to finance their businesses. Black and Latinx entrepreneurs in Chicago sought an estimated \$182 million in equity capital in 2016, but were only able to secure an estimated \$36 million.¹³ And this is almost certainly an underestimate, because it is based on the number of firms actively seeking equity capital, and Black and Latinx firms have familiarity with, and seek, equity capital at rates lower than firms owned by other demographic groups.¹⁴

Will local, and potentially national, investors help meet this need and close the equity capital gap?

A better question may be can they? Comparing figures may point to an answer: While 80% or more of locally-owned Black and Latinx firms have unmet equity needs, only 46% of White-owned businesses do.¹⁵

Overview of directional market size



Total unmet demand

Chicago-based Black and Latinx firms have 80%+* or ~\$146m in unmet equity needs

* Compared to 46% for White-owned businesses

¹³ Source: U.S. Census Annual Survey of Entrepreneurs; Federal Reserve of Cleveland, 2016 Small Business Credit Survey

¹⁴ Source: Federal Reserve of Cleveland, 2016 Small Business Credit Survey; interviews with POC business owners

¹⁵ Note: White entrepreneurs sought an estimated \$2B in formal and informal equity capital and secured an estimated \$1.2B



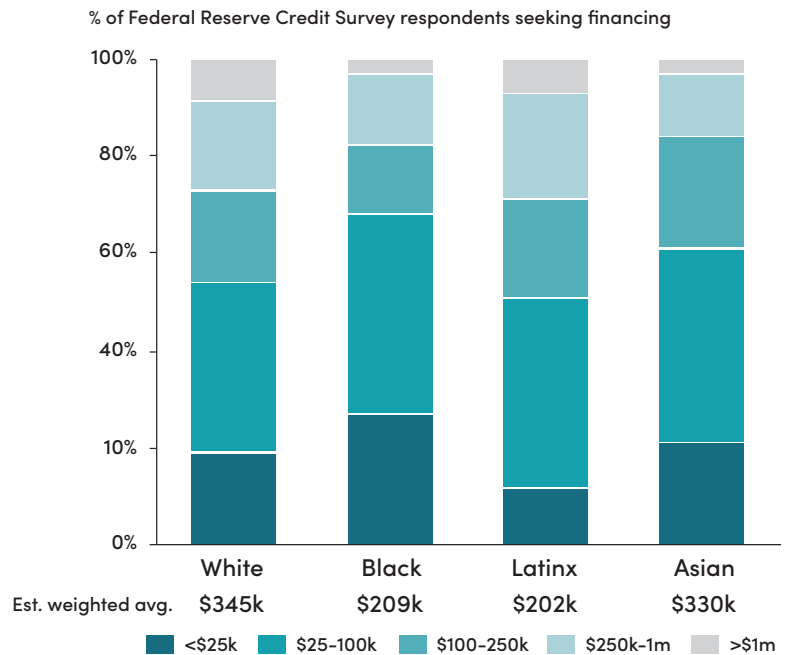
“Over the course of building my business, as an entrepreneur of color, I have had trouble getting in front of investors in the first place.”

(Chicago Entrepreneur of Color)

Relative to the million-dollar equity investments popularized in media, the equity needs of the approximately 18,000 Black- and Latinx-owned firms in Chicago are modest:

- About half of these businesses are seeking capital valued at \$1.9 billion – an average of about \$105,000 per business
- About 5% of these businesses are seeking approximately \$182 million in equity capital¹⁶ – an average of about \$202,000 per business

White and Asian entrepreneurs seek higher total financing when compared to Black and Latinx entrepreneurs



Source: Federal Reserve of Cleveland, 2016 Small Business Credit Survey

¹⁶ Source: U.S. Census Annual Survey of Entrepreneurs; Federal Reserve of Cleveland, 2016 Small Business Credit Survey

The Gap: Diagnosing the Problem

Recognizing that there is a racial disparity and a significant unmet need is a critical first step. Next, unpacking the specific demand and supply side challenges can help lead to solutions.



Demand Side: What Are the Financing Barriers for Black and Latinx Entrepreneurs in Chicago?

Focus group participants convened by Next Street for this analysis confirmed the “friends and family” capital gap among entrepreneurs of color and noted the challenge of starting a business given the risk of overburdening their own personal finances:

- **They struggle to access traditional forms of financing**
 - Based on Next Street’s assessment of the total employer firms seeking equity capital, Chicago-based Black and Latinx firms seek an estimated \$182 million in equity capital but receive only an estimated \$36 million, resulting in \$146 million of demand for equity capital that goes unmet, or an 80% unmet need (compared to 46% unmet demand among White-owned businesses)¹⁷
- **They do not have similar levels of “friends and family” capital to tap**
 - None of the focus group participants were able to secure “friends and family” capital to finance their businesses

- Few of the focus group participants had high net-worth friends or family members in their networks, and when they did, their risk-averse networks were often uncomfortable with the concept of providing informal equity capital and prone to asking for additional guarantees or outside favors in exchange for an equity investment
- **They have to navigate around personal financial circumstances**
 - Focus group participants cited risks to starting and sustaining a business due to a lack of personal safety net and risk to their reputations among their friends and family
 - Younger entrepreneurs’ finances are compounded by student loan debt
 - Some entrepreneurs cite challenging personal financial circumstances as the reason for keeping their full-time jobs to maintain a steady personal income while working their early-stage businesses on the side

Entrepreneurs of color are not a monolith. While their businesses have varying financing and service needs that correspond to different capital products and services, Black and Latinx entrepreneurs across all businesses explored through this research face challenges involving lack of access to networks and institutional financing, and less access to pools of personal savings and informal capital.

¹⁷ Source: U.S. Census Annual Survey of Entrepreneurs; Federal Reserve of Cleveland, 2016 Small Business Credit Survey



Supply Side: Why Are Equity Capital Providers Not Better Serving Black and Latinx Entrepreneurs in Chicago?

Equity capital providers are struggling to meet the needs of Black and Latinx business owners in Chicago. The research points to several factors that, when addressed, could expand access to equity and equity-like capital for entrepreneurs of color:

- **Lack of availability and scale of local providers:** There are few top traditional or scaled providers in Chicago that invest in entrepreneurs of color. Of the top 20 equity providers in Chicago, <5% of any given portfolio is allocated to Black and Latinx founders
 - **Reluctance to be the lead investor:** There is a perception among Black and Latinx entrepreneurs that equity capital providers in Chicago are much more conservative than investors on the East or West coasts, and they felt that this made Chicago firms less willing to back a business owned by a person of color as its lead investor
 - **Product-size mismatch:** In Chicago, the average capital sought by Black and Latinx businesses is about \$105,000. Even so, most products targeted to entrepreneurs of color are debt products or grants that are often too small to make a significant difference for
- the businesses. Owners of moderate-growth businesses struggle to secure traditional debt and equity products, as they often do not fit in providers' investment criteria (i.e., number of years in business, revenue or profitability requirements, growth profile, personal credit history)
- With these challenges, many entrepreneurs indicate that they would be interested in revenue-based financing products, depending on the terms of the investment
- **Disconnect between capital providers and business-support programs:** Entrepreneurs remark that local business-support and technical assistance programs for entrepreneurs of color often are disconnected from traditional capital providers. Once they participate in and graduate from these programs, they are still left with the challenge of finding investors interested in financing their businesses
 - **Exclusive investor and industry networks:** Focus group participants indicate that it is difficult for entrepreneurs of color to gain access to investor networks and attract capital to the city's South and West Sides
 - **Lack of industry specific value-added support:** Few capital providers and business-support programs in Chicago have industry-specific expertise, limiting entrepreneurs' ability to access industry-specific networks and advice

Emerging Solutions



“The best way to predict the future is to create it.”¹⁸ Entrepreneurs of all stripes are often driven by the notion that their ideas, decisions, and actions are leading to destinies of their own making. When successful, their momentum creates jobs, strengthens communities, and generates wealth among the entrepreneurs and among the investors willing to step up and finance their businesses. The impact of addressing the unmet equity and equity-like capital needs of Chicago’s 18,000 Black and Latinx firms (and those of aspiring entrepreneurs) has the potential to be transformative.

Lessons from Relevant National Models

There are several capital providers across the country whose work is relevant to this report, and there are insights and lessons from their investment mandates,







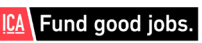

equity and equity-like capital products, value-added services, and fund structures that could be applied in Chicago. The list outlined below is not an exhaustive national list, but rather represents a sampling of the landscape. Many of these capital providers are led by people of color – a sign, perhaps, that leadership diversity could lead to less bias along with systemic change in funding practices.

The criteria below identify each provider and whether they have a focus on:

- diverse entrepreneurs across racial and ethnic groups
- specific community or places
- early-stage businesses, and/or
- a mix of industries (potentially inclusive of low- to moderate-growth, lifestyle businesses)

¹⁸ Peter Drucker.

Sample national models

Fund	Headquarters	Products	Business Stage	Industry focus		Place-Based?	POC Focus?	Impact Focus?	Description
				Industry Agnostic	Industry Specific				
 1517 Fund	San Francisco, CA	Traditional equity; Grants	Pre-founding through growth stage	✓				✓	Venture fund and grant provider for tech start-ups founded by makers and inventors interested in working outside universities and other tracked institutions
 BLUEPRINTLOCAL	Washington, D.C.	Equity	Start-up	✓		✓			Place-based fund focused on rebuilding local communities by bringing together funds targeting certain geographic locations
 CAMELBACK ventures	New Orleans, LA	Convertible debt; Grants	Start-up and early stage		✓		✓	✓	Nonprofit social venture fellowship that provides the "friends and family stage of funding" to entrepreneurs in a cohort fellowship model, with convertible notes
 DECATHLON CAPITAL PARTNERS	Palo Alto, CA	Revenue-Based Financing	Growth stage	✓					Largest revenue-based funding provider to growth-oriented companies with \$4-100M in annual revenue
 Founders First CAPITAL PARTNERS, LLC	San Diego, CA	Revenue-Based Financing	Early and growth stages	✓		✓	✓		Revenue-based capital provider that invests in companies through a cohort-based platform to empower underrepresented founders
 Urban Innovation Fund	San Francisco, CA	Traditional equity	Early and growth stages	✓		✓		✓	Venture capital firm that provides seed capital and regulatory for entrepreneurs in Minnesota, North Dakota, South Dakota and 23 Native nations that share that geography
 ICA Fund good jobs.	Oakland, CA	Traditional equity & debt; Convertible debt	Early and growth stages	✓		✓	✓	✓	Non-profit investment fund that accelerates great businesses through mentorship and investments to close the racial and gender wealth gaps
 RUNWAY PROJECT	Oakland, CA	Low-cost debt	Start-up and early stage	✓			✓		Provider that bridges the racial wealth gap by developing capital products for early-stage Black entrepreneurs across industries

Several insights emerged about best practices around the products, services, and execution considerations required to meet the equity capital needs of entrepreneurs of color:

Entrepreneur focus and engagement: Some providers invest in target portfolio companies with attributes that align with their financial and impact goals, which in turn dictates how providers source and engage with entrepreneurs.

- Capital providers consider key criteria, including target race and ethnicity, geography, and industry focus, to tailor their approach to meet and engage with potential portfolio companies
 - Those seeking to target entrepreneurs of color must be intentional about engaging inbound requests from entrepreneurs and embedding themselves in local ecosystems through partnerships and, in some cases, through

delivery of business support programs in communities that they serve

- Upon meeting with potential portfolio companies, capital providers evaluate businesses using criteria related to the funds' target financial return
 - Criteria can include demonstrated team performance, generated and potential revenue, and viability of business growth plan
- Impact-focused providers also consider the impact a business will have on the local economy and workforce
 - For example, ICA Fund Good Jobs evaluates businesses' growth plans by examining their potential job creation and wage growth, in addition to traditional financial fundamentals



“ Few capital providers and accelerator programs have a specific focus on a particular industry. This makes it difficult to find resources and networks that are specific to your industry ”

(Chicago Entrepreneur of Color)

Value-added services: Many capital providers offer single or multiple capital product portfolios, depending on the intended breadth of the types of businesses served, and offer value-added, non-financial services to support growth of portfolio companies and to source new potential deals.

- In addition to financial products, capital providers often provide value-added services (including mentorship, networking, and training) to support their portfolio companies’ growth
- Providers often utilize their service platforms as a sourcing pipeline, offering pre-funding training programs and networking opportunities (e.g., founders pre-funding bootcamps)
- To offer their service platforms in-house, providers become deeply embedded in the local ecosystem of capital and service providers, often requiring significant financial commitments
- Some providers offer programs and services through partnerships with local accelerators to alleviate additional investment requirements (e.g., The Runway Project partnership with Uptima Business Bootcamp)

Revenue-based investors: Revenue-based financing products can effectively serve moderate growth Black and Latinx business owners, who often struggle to secure traditional debt and equity products, as their businesses do not fit in providers’ investment criteria (i.e., number of years in business, revenue or profitability requirements, growth profile, personal credit history).

Fund structures: National capital providers profiled for this report had fund structures that fell into three categories based on target return and geographic focus: for-profit limited partnerships or limited liability companies, funds with non-profit status because the sole member is not for profit, and Opportunity Funds (often limited partnerships) arising from recent legislation creating Opportunity Zones.

Emerging Solutions and Adjacent Initiatives in Chicago

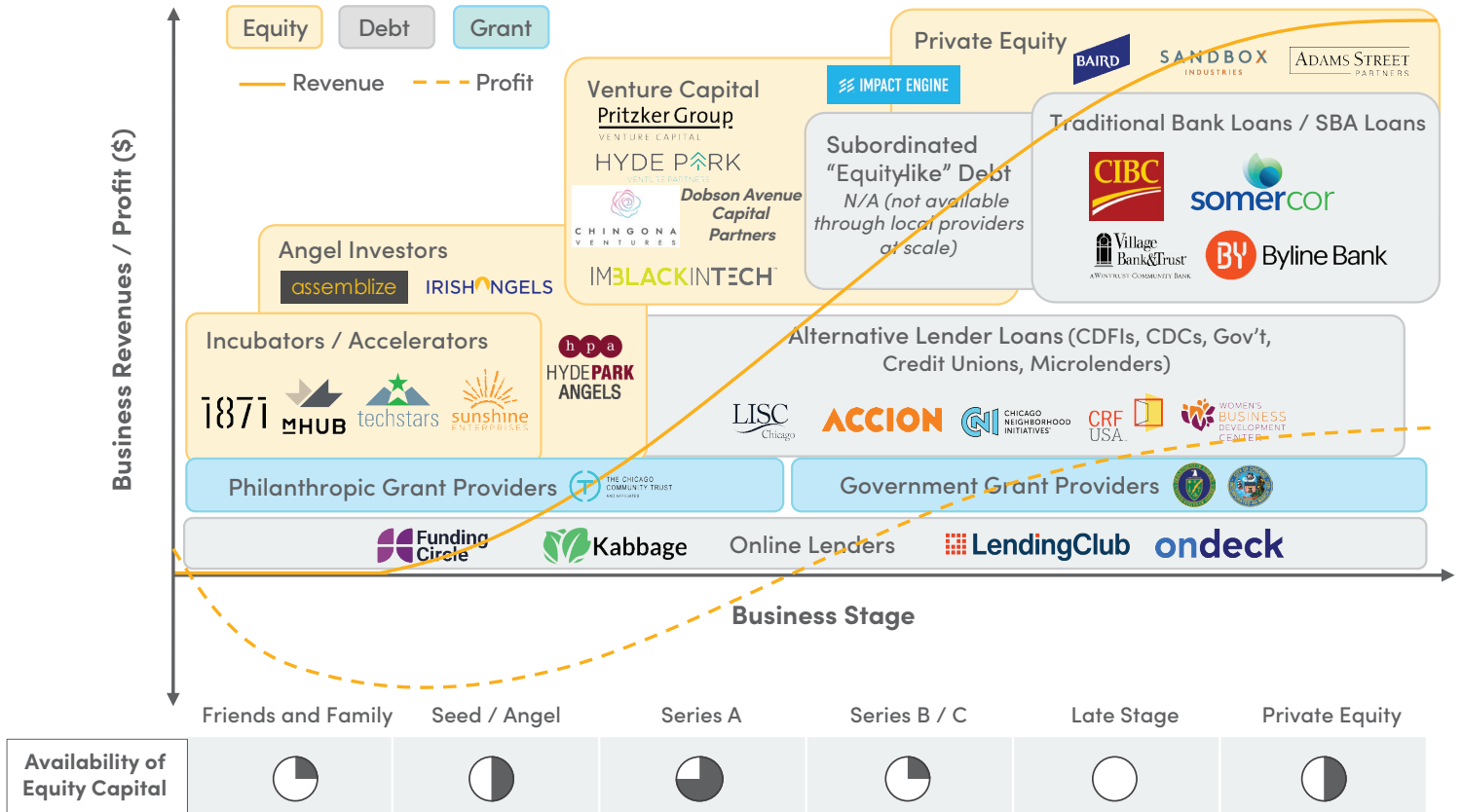


Chicago is host to a variety of active and engaged institutional capital providers across the spectrum of capital needs. And while early-stage equity is not a panacea—all forms of financing are important in supporting the small businesses in our community—there are few equity providers of scale with a focus on entrepreneurs of color, particularly Black and Latinx entrepreneurs. The local landscape is illustrated in the chart here and is based on an assessment of the firms' activities by the author of this report.

Adjacent to these capital providers, there are additional local initiatives that are working to address the disparities in business ownership among people of color with capital and technical support. These include the JPMorgan Chase Entrepreneurs of Color Fund, the Chicago Community Trust's Neighborhood Entrepreneurship Lab, and VC Pathways. Other efforts are raising equity through non-traditional funding structures to support businesses and communities on Chicago's South and West Sides (e.g., Assemblize, SouthSite) and working to build more inclusivity among startups and venture firms (e.g., Chicago Blend).

Chicago provider landscape by capital type and business stage served

NON-EXHAUSTIVE // ILLUSTRATIVE



Note: Examples within each category reflect a representative sample of active capital providers. Online lenders (e.g., Lending Club, OnDeck and Kabbage) are capital providers deploying capital to businesses of all revenues / profits and sizes.

“

“Even with an amazing business idea, it is scary to go into business without outside funding. For people like myself, we don’t have a ton of personal savings, and you are the one that supports your family. And as someone who graduated from school a few years back, I still have student loans that I have to pay off, making it even harder to go into business on your own”

(Chicago Entrepreneur of Color)

Conclusion



The differences in accessing equity and equity-like capital experienced by entrepreneurs of color are significant, nationally and in Chicago. These findings are troublesome but present an incredible opportunity to drive the inclusive growth in Chicago and Cook County that will be essential to a full and resilient economic recovery.

While there are many barriers facing people of color, Black and Latinx entrepreneurs can help fuel more equitable and inclusive economic growth if they have better access to equity and equity-like capital.

Next Street and all of the partners in the Benefit Chicago collaboration – the MacArthur Foundation, The Chicago Community Trust, and Calvert Impact Capital – maintain a shared commitment to shining a light on this issue and deepening our understanding of the challenges. Our goal is to provide analysis, capital, and leadership that can help close the racial wealth gap in Chicago and ensure that as we rebuild our local economy, we create a vibrant, thriving, business landscape that recognizes innovation and success—not race—as its defining features.