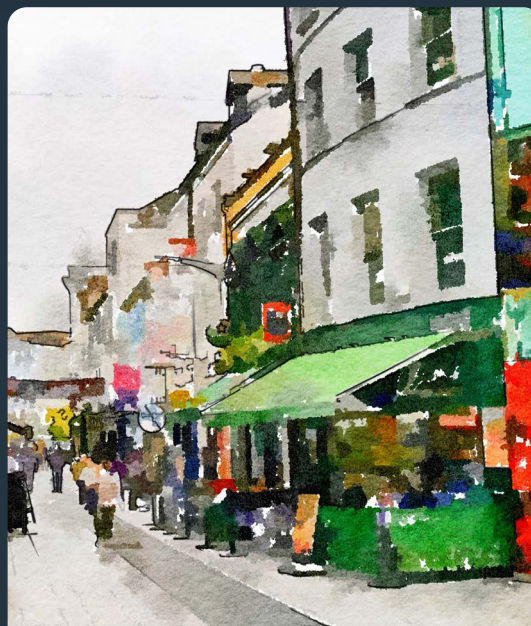




# Gaps and Opportunities: Supporting Boston's BIPOC Small Businesses

## A SURVEY OF SERVICE PROVIDERS

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# INTRODUCTION

Small businesses play a central role in cities: they foster growth and innovation in local economies, provide critical jobs for residents, contribute to the vibrancy of urban corridors, and help to anchor neighborhoods. However, over the last two years, the pandemic has devastated the small business community, forcing many to shutter their doors. Nationally, the number of active business owners fell by 22 percent from February to April 2020.<sup>1</sup> Black-owned businesses closed at almost twice the rate of other businesses, experiencing a 41 percent drop during that time.<sup>2</sup> In an effort to support struggling small businesses during the COVID-19 pandemic, the federal government invested in new tax credits, capital investments, and the Paycheck Protection Program, though early access was inequitable.<sup>3</sup>

Against this more recent backdrop, the racial wealth gap continues to persist, as systemic bias contributes to white households both earning more and having more — and more valuable — assets on average than households of color. These gaps not only manifest in personal and household wealth, but in small business creation and operation as well.

Boston has the potential to be a model for other cities by moving aggressively and intentionally to close these gaps, including by addressing biases that limit the opportunities of small business owners and entrepreneurs of color. The city and region boast an array of nonprofit, government, and private sector partners that are increasingly working together to remedy structural imbalances and redress historic inequities. Vital to these efforts — and the emphasis of this report — is the ecosystem of organizations that are focused on supporting Black, Indigenous, and people of color (BIPOC) small business owners by, among other things, improving access to capital, contracts, and technical assistance.

Based on in-depth, structured, qualitative interviews with leaders across 30 nonprofits, community-based organizations, city agencies, and others, this report seeks to 1) reveal the strengths and weaknesses of Boston's ecosystem of small business advocates, funders, and technical assistance providers, 2) capture their views on the challenges confronting our region's BIPOC small business owners and entrepreneurs, and 3) collect their ideas for changes in the future. It endeavors to provide new intelligence and insights, not just for Boston but for other cities. And finally, drawing on Boston University's longstanding survey of American mayors<sup>4</sup>, where relevant it juxtaposes the viewpoints and priorities of Boston's ecosystem against mayors' from across the country.

# BACKGROUND

In 2015, the Federal Reserve Bank of Boston issued “The Color of Wealth,” a report examining the racial wealth gap in the Boston metropolitan statistical area (MSA).<sup>5</sup> The findings, which generated tremendous visibility, helped to foster a new sense of urgency in the region to redress historic wrongs and remedy the stark racial wealth imbalance. New organizations and funding mechanisms soon emerged, including the Black Economic Council of Massachusetts (BECMA), the Boston Ujima Project, the Business Equity Fund, Amplify Latinx, and, most recently, the New Commonwealth Racial Equity and Social Justice Fund, all of which seek to close racial gaps and grow wealth and power among residents and business owners of color.

While Boston's population is majority-minority, meaning nonwhites make up more than half the population, its small business community, in particular, is not reflective of its diversity. This is true both nationally and in the

1 Mills, C.K. and J. Battisto. “Double Jeopardy: Covid-19's Concentrated Health and Wealth Effects in Black Communities.” Federal Reserve Bank of New York (Aug. 2020): [https://www.newyorkfed.org/medialibrary/media/smallbusiness/DoubleJeopardy\\_COVID19andBlackOwnedBusinesses](https://www.newyorkfed.org/medialibrary/media/smallbusiness/DoubleJeopardy_COVID19andBlackOwnedBusinesses).

2 Mills, C.K. and J. Battisto. “Double Jeopardy: Covid-19's Concentrated Health and Wealth Effects in Black Communities.” Federal Reserve Bank of New York (Aug. 2020): [https://www.newyorkfed.org/medialibrary/media/smallbusiness/DoubleJeopardy\\_COVID19andBlackOwnedBusinesses](https://www.newyorkfed.org/medialibrary/media/smallbusiness/DoubleJeopardy_COVID19andBlackOwnedBusinesses).

3 U.S. Government Accountability Office. “Paycheck Protection Program: Program Changes Increased Lending to the Smallest Businesses in Underserved Locations.” Report to Congressional Addressees (Sept. 2021): <https://www.gao.gov/assets/gao-21-601.pdf>.

4 Menino Survey of Mayors: [www.surveymayors.com](http://www.surveymayors.com).

5 Munoz, A.P., M. Kim, M. Chang, R.O. Jackson, D. Hamilton, and W.A. Darity. “The Color of Wealth in Boston.” Duke University, The New School, and the Federal Reserve Bank of Boston (March 25, 2015): <https://www.bostonfed.org/publications/one-time-pubs/color-of-wealth.aspx>.

## Recent Boston Milestones

- 2014 [“Massport Model”](#) created when Massport adds Diversity & Inclusion criteria to development RFPs, weighting it at 25 percent of proposal's total score
- 2015 Federal Reserve Bank of Boston releases [“The Color of Wealth in Boston”](#) Report examining the racial wealth gap in the Greater Boston Metropolitan Statistical Area (MSA)
- 2015 BECMA (Black Economic Council of Massachusetts) launches
- 2016 City of Boston releases its first citywide [Small Business Plan](#)
- 2017 [Boston Ujima Project](#) founded as a membership organization
- 2018 Greater Boston Chamber of Commerce launches Pacesetters program to diversify member procurement
- 2018 The Boston Foundation creates the [Business Equity Fund](#)
- 2018 [Amplify Latinx](#) created to advocate for Latinx business and civic leaders
- 2018 Massachusetts Gaming Commission approves Encore Boston Harbor's required inclusive procurement plan, dubbed the [Affirmative Action Program for Equal Opportunity and Local Vendor Plan – Goods & Services](#)
- 2020 Black and Brown executives in Massachusetts launch the [New Commonwealth Racial Equity & Social Justice Fund](#)
- 2020 City of Boston launches a Racial Equity Fund, which will later [transfer funds](#) to New Commonwealth Fund in 2021
- 2020 Nonprofits and banks coalesce to form the [Massachusetts Equitable PPP Access Initiative](#)
- 2020 Public/private partnership creates [Small Boston Strong](#) to help women and minority small businesses during COVID-19 pandemic
- 2021 City of Boston releases its [Disparity Study](#) examining gaps in procurement and contracts for minority and women-owned businesses, based on analysis, interviews and surveys with hundreds of local businesses
- 2021 [Coalition for an Equitable Economy](#) formed as cross-sector coalition to bring related stakeholders together and better coordinate support for BIPOC entrepreneurs and small business owners in Massachusetts

Greater Boston area. A 2022 Brookings report<sup>6</sup> finds that no major metro area in the U.S. has a share of Black-owned employer firms that matches or exceeds the Black population in the area. In the Boston MSA, there are 1,453 Black businesses, accounting for one percent of businesses. If Black businesses accounted for 10.6 percent of firms (equivalent to the Black population), there would be 10,596 more Black businesses in the Boston metropolitan area.<sup>7</sup>

6 Perry, A.M., R. Seo, A. Barr, C. Romer, K. Broady. “Black-owned businesses in U.S. cities: The challenges, solutions, and opportunities for prosperity.” Brookings Metro (Feb. 2022): <https://www.brookings.edu/research/black-owned-businesses-in-u-s-cities-the-challenges-solutions-and-opportunities-for-prosperity/>.

7 Perry, A.M., R. Seo, A. Barr, C. Romer, K. Broady. “Black-owned businesses in U.S. cities: The challenges, solutions, and opportunities for prosperity.” Brookings Metro (Feb. 2022): <https://www.brookings.edu/research/black-owned-businesses-in-u-s-cities-the-challenges-solutions-and-opportunities-for-prosperity/>.



Concurrent to efforts in the nonprofit and private sectors that focus broadly on the racial wealth gap, the City of Boston began developing new supports for the city's small businesses, releasing the first Small Business Plan in 2016,<sup>8</sup> and later undertaking a comprehensive review of its procurement practices. In early 2021, it released the alarming results of the multi-year procurement study, initiated in 2018. Based on analysis of procurement contracts between 2014 and 2019, and interviews with hundreds of small business owners, it revealed that just 2.5 percent of city contracts had gone to minority-owned businesses.<sup>9</sup>

Alongside these important and long-awaited efforts and changes, the region, nation, and world grapples with a global pandemic that continues both to be economically damaging and socially devastating, and a nationwide racial reckoning following the murder of George Floyd. Boston also underwent an unprecedented political transition, with three different mayors at the helm in 2021.<sup>10</sup>

In the wake of the pandemic, small business owners of color across the country were particularly challenged and had greater difficulty accessing federal funding resources meant to forestall closures and economic hardship.<sup>11</sup> In Boston, still more coalitions formed during the pandemic to support small businesses, including the Massachusetts Equitable PPP Access Initiative and Small Business Strong.

Most recently, the Coalition for an Equitable Economy was created, an outgrowth of some of the networks and partnerships forged during and prior to the pandemic, to better coordinate services and supports for BIPOC entrepreneurs and small business owners in Massachusetts.

## PROJECT SCOPE

In recent years, multiple reports have laid out specific opportunities for the City of Boston and the broader ecosystem of regional and state partners devoted to closing racial wealth gaps and, more particularly, improving access to capital, contracts, and technical assistance for BIPOC small business owners. [See Appendix for Related Reports.] This report will not repeat those lessons, but instead focus on knowledge gaps that have not been fully addressed elsewhere, including:

### 1. The state of the ecosystem:

What do members of Boston's ecosystem view as its own strengths and weaknesses?

### 2. Present and future challenges confronting small businesses:

What do these same resource providers perceive as causes of racial inequity, particular in accessing capital? What challenges do they believe lie ahead for Boston's small business owners and entrepreneurs, particularly those of color? How do these perceptions compare to those of mayors across the country?

### 3. Remedies:

What should the city government and the broader ecosystem be doing differently to address the imbalance in capital access? Which partners will be most critical in addressing it? Which groups, if any, warrant even greater attention? What changes and lessons have emerged during the pandemic?

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8 The City of Boston. "City of Boston Small Business Plan." March 2016: [https://www.cityofboston.gov/images\\_documents/160330%20Boston%20Small%20Business%20Full%20Report%20-%20Web%20\(144dpi\)\\_tcm3-53060.pdf](https://www.cityofboston.gov/images_documents/160330%20Boston%20Small%20Business%20Full%20Report%20-%20Web%20(144dpi)_tcm3-53060.pdf).

9 BBC Research & Consulting. "2020 City of Boston Disparity Study: A Tool Towards Equitable Procurement." Executive Summary (February 2021): [https://www.boston.gov/sites/default/files/file/2021/02/Disparity%20Study%20Executive%20Summary\\_0.pdf](https://www.boston.gov/sites/default/files/file/2021/02/Disparity%20Study%20Executive%20Summary_0.pdf).

10 Boston Mayor Martin Walsh, elected to a second term in 2017, was appointed by the Biden Administration in 2021 to serve as Secretary of Labor. Upon his departure, City Council President Kim Janey became Acting Mayor. Councilor Michelle Wu won the 2021 mayoral election and took office shortly thereafter.

11 Office of Evaluation Sciences. "Building Evidence About How to Support Small Business Growth and Success." U.S. General Services Administration: <https://oes.gsa.gov/small-business/>.

## The Boston Ecosystem: Research Design

To study the Boston ecosystem of resource providers — including funders, technical assistance service providers, and advocates — and their views, we conducted conversational survey-interviews with leaders from organizations that compose it. Each conversation lasted between 30-45 minutes. Participants were promised that they and their responses would be anonymous, but that the names of the participating organizations would be made public. Our unit of analysis was the organization — that is, we generated a list of organizations and reached out to a senior representative of each with a request to participate.

We defined the universe of organizations as those that exist to support minority-owned small businesses in Boston. We included organizations whose primary geography is the city of Boston, organizations that focus their work in particular neighborhoods or parts of the city, and organizations that work on a wider scope (e.g., Massachusetts), but for whom Boston is a central area of interest and activity. We did not include those that just happened to have some activity in Boston. This ensured the small business environment was consistent across subjects, and that they were operating under the same local government and institutions. We sought organizations that support small business in a variety of ways ranging from organizing and advocacy to providing capital and technical assistance.

The list was generated by triangulating several techniques: 1) We consulted with an external expert who has done considerable consulting, policy, and research work in this space to generate an initial list; 2) Our team independently generated and cross-referenced lists of candidate organizations based on secondary research, sourcing lists from other sources (e.g., the MAPC), lists of Community Development Corporations, and those that were included in related research reports. This process resulted in a set of 47 organizations; 3) We also supplemented this list with additional snowball sampling by asking participants if they had suggestions, particularly any organizations likely to slip under the radar. All in all, we reached out to 54 organizations and 30 (56%) participated between November 2021 and February 2022. [See Appendix for names of participating organizations.] Importantly, our recruitment invitation promised a broad study focused on the ecosystem, challenges, and public and private sector interventions. While it mentioned access to capital, we are confident that the general framing of the project did not lead to organizations choosing whether or not to participate based on a particular viewpoint.

Interviews were guided by a questionnaire containing a mix of closed- and open-ended questions, and participants were asked to elaborate wherever they chose. The survey included some questions that were also posed to U.S. mayors in summer 2021 as part of the Menino Survey of Mayors.<sup>12</sup> Some responses from the Boston ecosystem study are compared to those from the mayors' study. These comparisons may reveal how Boston perspectives align with, or differ from, national perspectives or how perspectives on the ground align or do not align with those in city hall. However, we caution against drawing strong inferences since it is a comparison of one city's ecosystem with the broader universe of mayors. This comparison cannot directly speak to how well Boston city government's perspectives align with its ecosystem nor how well mayors' views in general align with those doing this work in their respective cities.

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<sup>12</sup> Menino Survey of Mayors: [www.surveyofmayors.com](http://www.surveyofmayors.com).

## EXECUTIVE SUMMARY

**Inter-organizational collaboration — across the public, nonprofit, and private sectors — is perceived as one major strength of Boston's ecosystem of organizations working to support small business owners and close gaps in capital access.** Roughly two in five participants also noted as a key strength that those in Boston's ecosystem truly understand and appreciate the disproportionate challenges confronting business owners of color. Awareness of systemic inequities, plus a desire to work together, afford a strong foundation on which to build.

**But members of the ecosystem also note there is not yet a corresponding coordination of services, nor enough resources to begin with.** Two-fifths of participants believe the ecosystem lacks capacity and funding to address the full scope of business needs, noting this imbalance as a key weakness. As one participant commented, collaboration is sometimes a necessary consequence of insufficient funding. The sheer number of BIPOC small business support organizations with overlapping interests — at least 54 in total — suggests the scale of the coordination challenge.

**Ecosystem participants shared several misperceptions and knowledge gaps within the City of Boston, and the ecosystem more generally.** Participants believe local leaders do not appreciate the heterogeneity within the BIPOC small business community, noting the need for more cultural competency in relation to language, resource imbalances, or predatory lending practices, but also debt hesitancy. Participants also believe not all organizations, businesses, and agencies fully appreciate the time scarcity and information imbalances facing small business owners, as well as the systemically-biased systems business owners of color must navigate.

**Participants consistently pointed to the inaccessibility of capital as a key challenge in Boston, afflicting both new entrepreneurs and existing business owners. This challenge is most acute for BIPOC owners.** Lack of personal assets, credit scores, limited “friend and family” resources, and lenders’ racial bias are perceived as the major contributors to this inequity. While many of these relate to owner attributes, participants noted these as deeper issues rooted in systemic inequities and historical discrimination. Participants believe the main consequences of this capital access gap are a failure of businesses to grow, as well as the likelihood that they take on riskier debt.

**CDFIs and community banks are frequently believed to be “essential” to tackling the imbalance in capital access. But participants also point to large banks as key.** The wide range of alternative financing options, from crowd funding to digital banks, while important, were ultimately perceived as complementary to — rather than a replacement for — more mainstream sources. This points to an opportunity for Boston to try to bring the big banks to the table as allies in addressing the imbalance, similar to the collaborations well underway with community banks.

**As one of the most expensive real estate markets in the country, it is not surprising that half of participants also raised commercial real estate costs as a looming challenge for small businesses in Boston.** Two-thirds of participants believe commercial real estate costs are an even greater challenge for BIPOC owners, relative to white owners. While few new solutions emerged during conversations, this challenge suggests the need for more scrutiny on rising rents and fresh attention to mitigate small business displacement in coming years.

**While all the players of Boston's ecosystem are integral, there is widespread agreement that the City of Boston is a crucial player, with considerable influence over small businesses generally and the state of BIPOC-owned small businesses, in particular.** However, participants believe that local government has historically been most responsive to “big businesses,” like local corporations, and least responsive to micro-businesses in Boston. This suggests an opportunity to expand the City's sphere of concern, capitalize on relationships formed during the pandemic, and exercise influence in new ways. A number of participants also expressed optimism that the City was making progress, and that new leadership would bring fresh attention and perspective.

**Ecosystem members shared a range of changes they would welcome from the City of Boston.** Top themes included a desire for more equitable and transparent procurement practices, streamlined permitting, enhanced communication, and increased direct funding. They also expressed a desire for greater investment by the City with particular BIPOC entrepreneurs, including women, immigrants, and people with criminal records such as returning citizens.



# FINDINGS

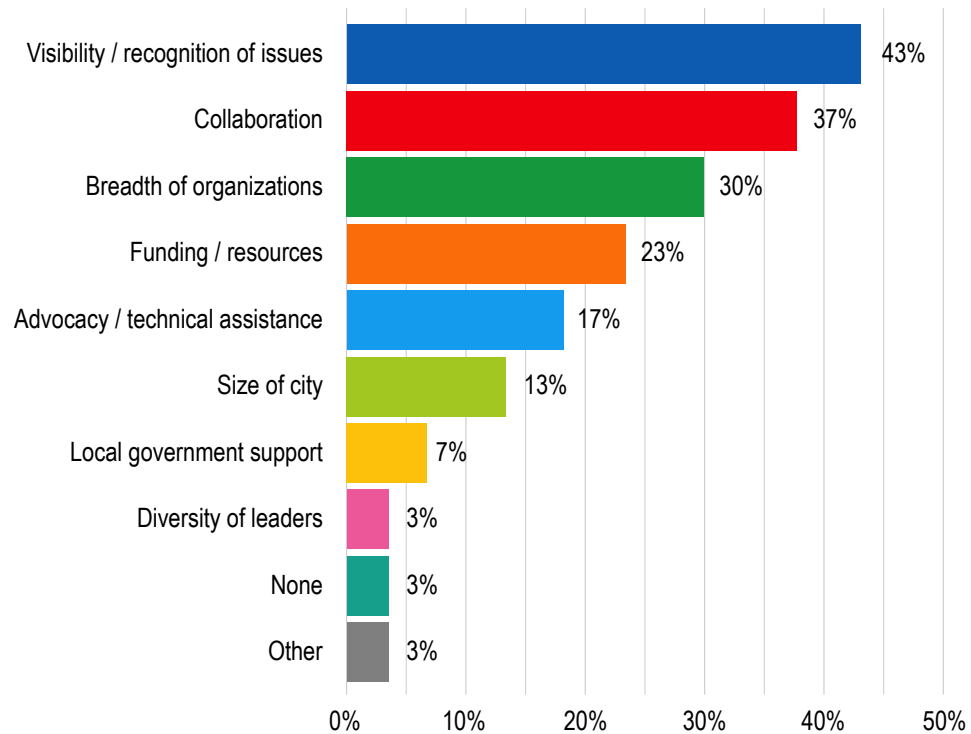
## State of the Ecosystem: Collaborators Not Yet Coordinators

While racial inequality generally, and capital access more specifically, can seem like intractable challenges, participants we spoke with highlighted key strengths of Boston's vast ecosystem of partners and provided some reasons for optimism. Roughly two in five noted the visibility and recognition of small business equity issues in and around Boston as a key strength of this community. Many made reference to new or renewed awareness of the challenges confronting BIPOC small businesses, specifically. As one participant shared, there is a new sense that local stakeholders now have *"a clearer understanding of their needs,"* while another talked about a *"nascent awareness of the need for more aggressive investment"* in these businesses. A third interviewee said *"finally, people are paying attention."*

Collaboration and the breadth of organizations were also among the most commonly cited strengths. Participants regularly discussed how Boston benefits from being a small, networked city where *"everyone knows each other"* and that boasts a robust range of highly engaged and committed organizations that are increasingly working together. Multiple interviewees noted that collaboration had become more commonplace during the pandemic, with some expressly pointing to the newly formed Coalition for an Equitable Economy<sup>13</sup> as a key enabling mechanism.

**Figure 1. Strengths of Boston's Ecosystem**

*What, if any, are the two most important strengths of Boston's ecosystem of organizations and funders that support BIPOC small business owners and entrepreneurs? (Note: Coded from the open-ended question.)*



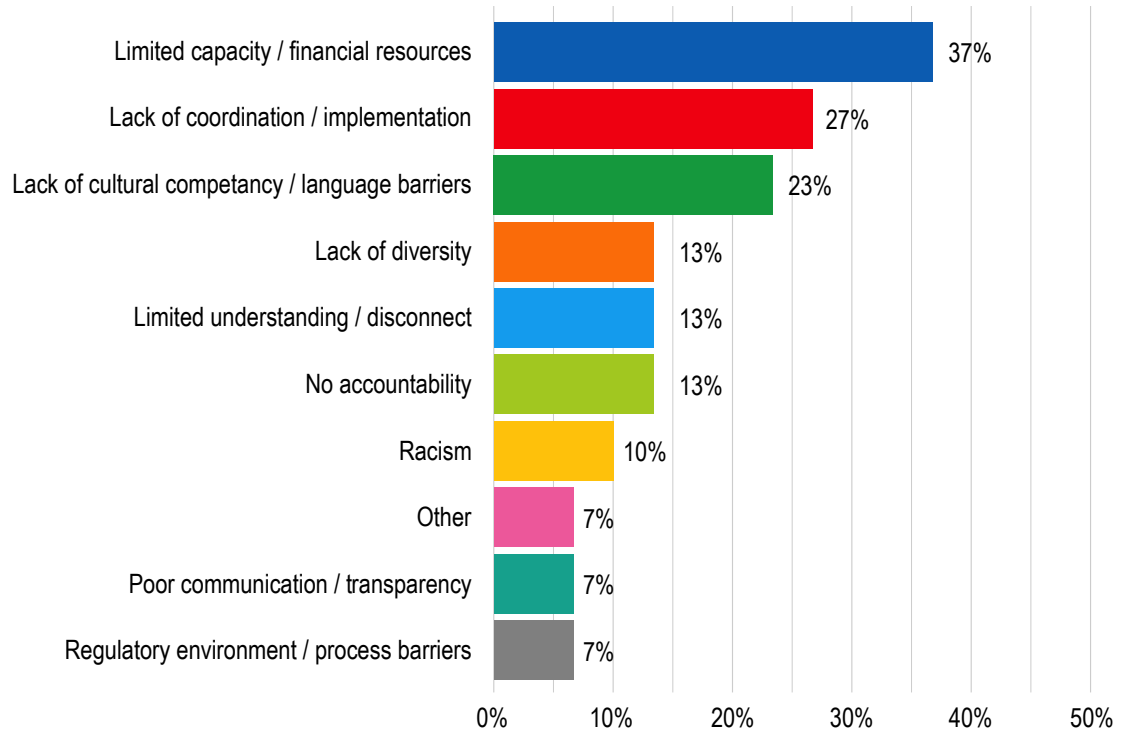
When asked about weaknesses of the ecosystem, interviewees clarified that collaboration should not or could not yet be conflated with effective coordination. Roughly one in four highlighted a lack of coordination as a weakness. As one said, *"there is a disconnect between how the ecosystem is supposed to work in principle and the actual implementation."* This lack of coordination was sometimes referenced by noting duplicative and overlapping services.

<sup>13</sup> The Coalition for an Equitable Economy: <https://www.maequitableeconomy.org/>.

But more common, noted by two-fifths of participants, was the sense that there was not enough capacity — or funding — to address the full scope of needs. One participant shared: “[there are] not a lot of resources. We can be collaborative, but not a lot to go around to start with,” while another offered “from a funding standpoint, the fact that we pool together is because there were gaps in funding. It wasn’t equitable [...] Structural racism still exists.” The other most commonly cited weakness was a lack of cultural competency.

## Figure 2. Weaknesses of Boston’s Ecosystem

What about any major weaknesses [of Boston’s ecosystem of organizations and funders that support BIPOC small business owners and entrepreneurs]? (Note: Coded from the open-ended question.)



The lack of cultural competency was seen as a key weakness, both with regard to racial and ethnic understanding — such as language barriers — and to a lack of first-hand insight into the challenges of being a small business owner in Boston. A number of participants shared the sense that some organizations were working at a distance removed from businesses themselves, or that they were funding organizations that did not have first-hand

interaction, insight, and trust with business owners. As one said, “during the pandemic, a lot of programs popped up to support BIPOC small business owners, but a lot of the organizations didn’t have deep understanding of communities or cultures, or true need of communities.” One participant cited the city’s need to build or renew more direct relationships with small business owners, as it provided new services

***“Boston is still an ‘over the railroad tracks’ city, in terms of segregation. Boston still needs to have this conversation. [Yet], there’s truly so much that Boston has the ability to lead in. This city truly has the ability to be a leading compass for the rest of the nation, if it chooses to do so.”***

during the pandemic: “at the end of the day, businesses see CDFIs, CBOs — they don’t see the City. When the City comes in to assist, the business owners say ‘we don’t know you.’ Building that social capital is an uphill battle going forward.” A handful of participants referenced the need to diversify leadership, calling for greater racial and ethnic diversity at “decision-making tables,” and the continued need to tackle systematic racism more explicitly.

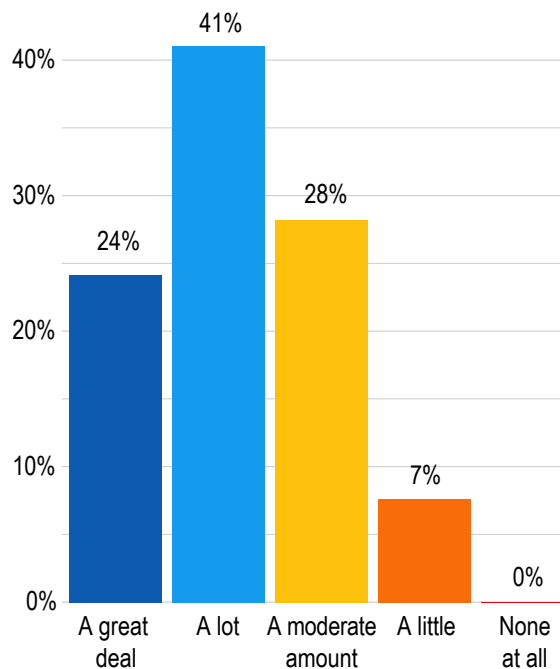
The other leaders in this space that participants referenced were major cities like New York City, Detroit, Philadelphia, Atlanta, Chicago, Houston, and Los Angeles. Some were specifically noted as having more diversity in leadership roles, relative to Boston, and, in a number of instances, were referenced for having larger Black populations. A handful of participants referenced unique positives in Boston like a culture of philanthropy, a ‘culture of sharing,’ being one of few pockets in the country with land trusts and co-ops, and an abundance of anchor institutions. One participant said, “*Boston is still an ‘over the railroad tracks’ city, in terms of segregation. Boston still needs to have this conversation. [Yet], there’s truly so much that Boston has the ability to lead in. This city truly has the ability to be a leading compass for the rest of the nation, if it chooses to do so.*”

## City Policy and Programs

The City of Boston has a key role to play in the maintenance and growth of a thriving, diverse small business sector. Participants believe that municipal government in Boston, here referred to as the City of Boston, has a considerable amount of influence over the state of its small businesses. Two-thirds believe Boston’s municipal government has “a great deal” or “a lot” of influence. An even larger share, three-quarters of participants, believe the City has considerable control over differences in the state of white-owned vs. nonwhite-owned small businesses.

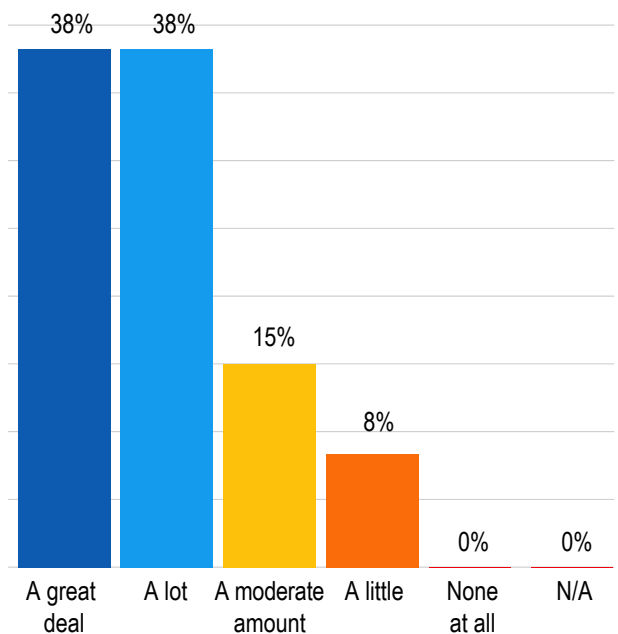
**Figure 3. City Government Influence on Small Businesses**

*How much influence does city government have over the state of small businesses in Boston in general?*



**Figure 4. City Government Influence Over Racial Gaps Between Small Businesses**

*How much influence does city government have over differences in the state of white-owned and the state of BIPOC-owned small businesses in Boston? Or are there no meaningful differences between them?*



There was relatively little consensus on perceptions of the city’s top small business goal. A plurality, but fewer than half of participants, believe the City of Boston’s priority is “helping fragile businesses survive”, and a third believe it is focused on “helping successful businesses grow.” It is unclear how permanent these top priorities are, as the

## AMERICA'S MAYORS & LOCAL SMALL BUSINESS: Perceptions of City Hall's Influence

Boston University's 2021 Menino Survey of Mayors, a nationally representative survey based on interviews with more than 100 mayors from across the country, also included an array of questions related to small businesses generally, and BIPOC small businesses in particular. Some of these questions were identical or virtually identical to those posed as part of this project. Just 23 percent of mayors believe they have strong influence over the state of small business in their communities. They see their governments as having even less influence over racial inequities in small business outcomes: only 16 percent of mayors say their government has "a great deal" or "a lot" of influence over differences in the performance of white-owned and minority-owned small businesses in their cities.

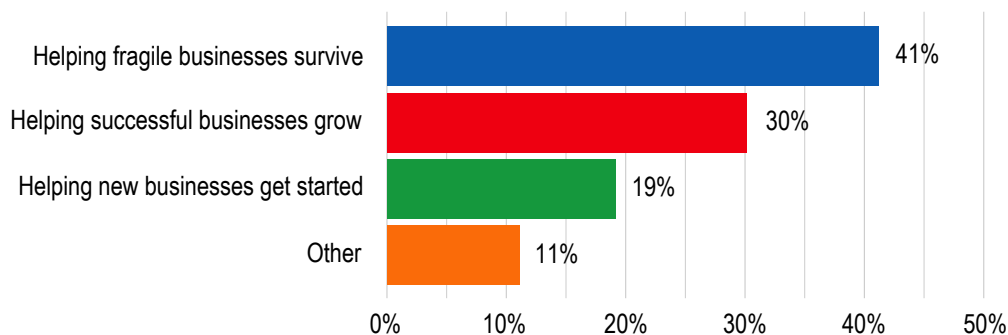
While drawing inferences by comparing the Boston ecosystem's views to a national set of mayors is imperfect, the comparison suggests a gap between the views from above and below with a few possibilities: those working on the "frontlines" overestimate city government's influence over small business, mayors underestimate or understate their influence over small business, or Boston's government has more influence than other cities.



focus on aiding fragile businesses might be a product of the ongoing pandemic. Indeed, many participants believed that the City's priorities had shifted during the pandemic — from growth to simply helping businesses keep the lights on and ensure staff continued to be paid.

### Figure 5. Prioritizing Small Businesses

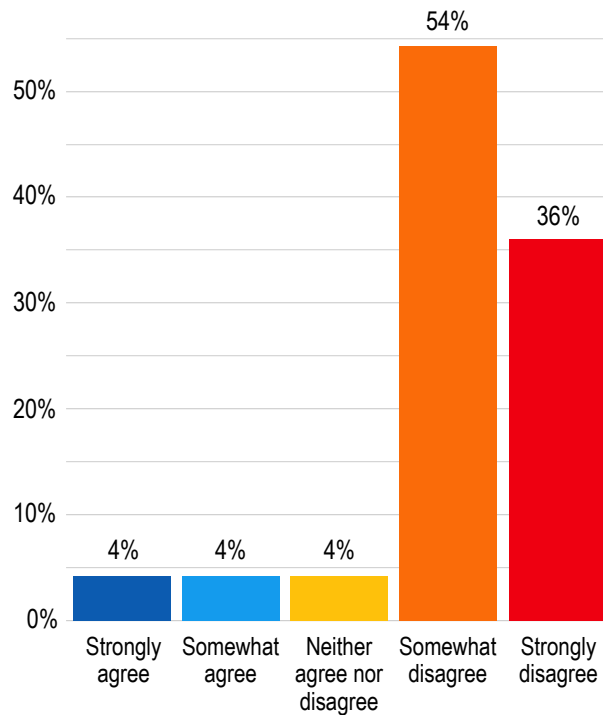
*Which small business goal do you think is Boston's government's highest priority?*



Participants overwhelmingly disagree that there is one set of "business friendly" policies that helps businesses large and small, white-owned or minority-owned. Rather, they see tradeoffs in policies not just between business goals and other types of city goals, but within business goals themselves. Nine in 10 participants *disagree* with the statement that city policies that are good for big business are also good for small business. The same proportion *disagree* with the statement that policies that are good for white-owned businesses are also good for BIPOC-owned businesses. In short, there is widespread agreement that small business owners of color need tailored programs to address their unique needs.

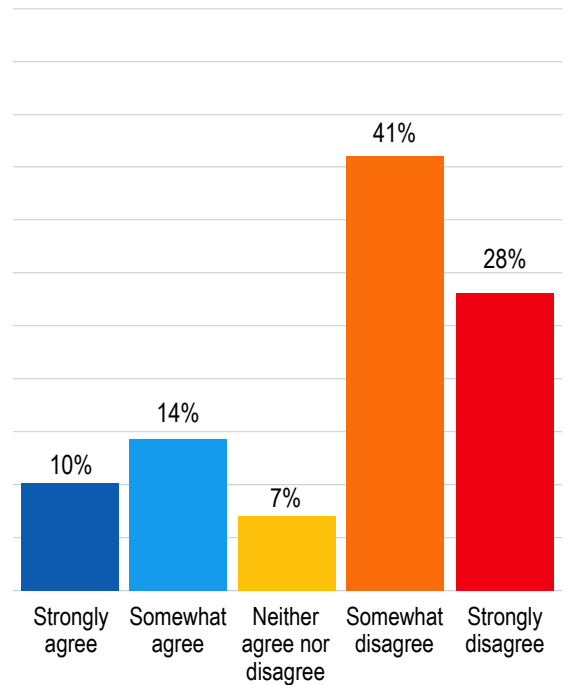
**Figure 6. City Policies for Big and Small Businesses**

Overall, in Boston, city policies that are good for big businesses are also good for small businesses.



**Figure 7. City Policies for White-Owned and BIPOC-Owned Small Businesses**

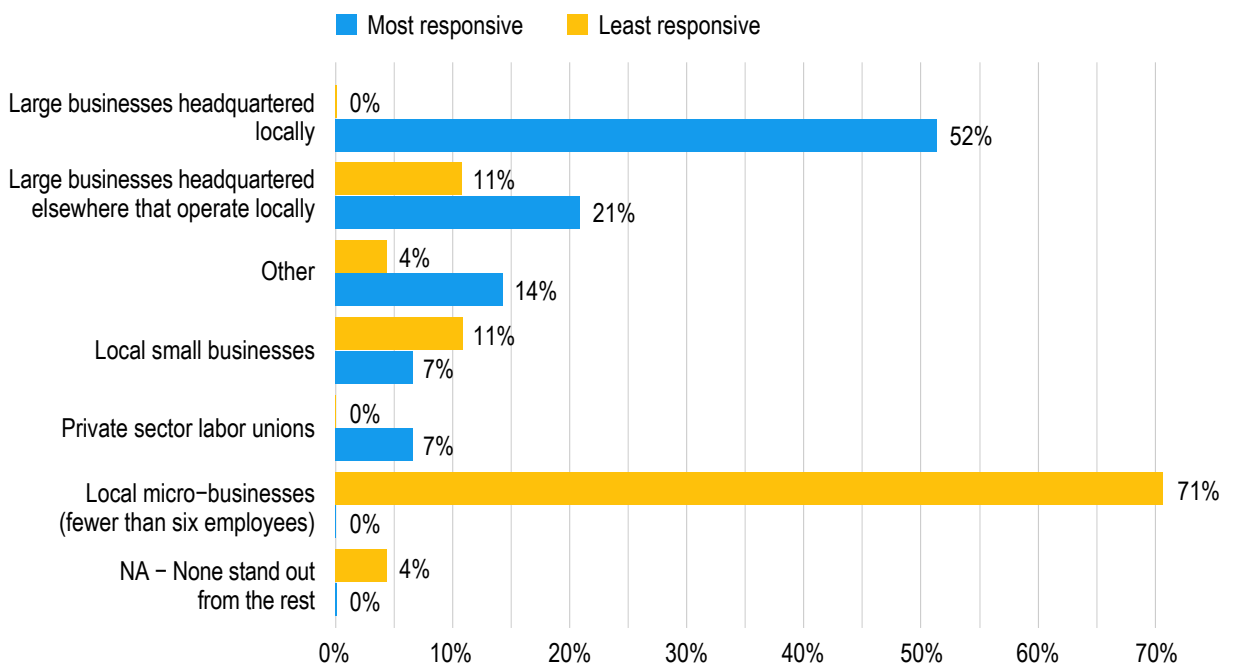
Overall, in Boston, city policies that help white-owned small businesses are also good for BIPOC-owned small businesses.



Overall, there is also the perception that the City of Boston has, to date, been most responsive to “big businesses” headquartered locally, like Boston-based corporations, and least responsive to micro-businesses with fewer than six employees.

**Figure 8. City Responsiveness by Business Sector**

To which sector of the business community is the City of Boston MOST and LEAST responsive?





## The Ecosystem's Views of Misperceptions and Knowledge Gaps

Participants revealed a number of misperceptions and knowledge gaps they believe adversely impact small businesses in Boston. Via a set of open-ended questions, they shared their perceptions of knowledge gaps within the ecosystem of nonprofits, private sector partners, and government allies. While there was no consensus, some themes emerged, including the lack of appreciation or full understanding of: the heterogeneity within the community, the time scarcity and information imbalances facing small business owners, and the systemically-biased systems small business owners of color navigate.

The most commonly mentioned knowledge gap was a lack of appreciation of the variation and nuances in the community of BIPOC small business owners. These variations include things like language, culture, and views about debt. For example, one participant said, *"BIPOC entrepreneurs access information very differently. The approach that is often taken by cities is that there's one universal approach (may translate things in another language, but it's the same approach.) The reality is that BIPOC businesses, because [they are] so diverse, need targeted, differentiated outreach strategies. [It] costs money to do that, requires deep partnerships with organizations that know those owners really well. [Instead,] it's one approach and the fastest thing is to translate stuff and hope it gets into the right hands. But there's a couple more steps that are needed. A real specific outreach strategy for each group, to really [help them] take advantage of opportunities offered."*

Misunderstanding — or failing to appreciate — owner fears and anxieties also emerged as a knowledge gap, including in some cases BIPOC small business owners' deep mistrust of banks and government. One participant answered that it is the *"lack of trust of government programs. Red tape is meant to leave people behind. Or, individuals think it's a ton of work and they'll just get rejected anyway. Government thinks, 'we have these programs and no one is taking advantage of it.' It's because we have centuries of disappointments and waste that are there. I don't think Boston city government — or many [other] governments — understand that lack of trust or the deep embedded reasons for it."*

Participants also cited a lack of appreciation of just how central access to capital is to these businesses, and how hard it is to navigate the system. One participant shared an example: *"one woman entrepreneur told me, 'Those people will come give you those booklets, and they tell you, do one, two, and three, but I am struggling to do one and two. How do*

*you expect me to do three? I'm struggling to maintain cash flow, I'm struggling to keep my employees, I'm struggling with my taxes. Struggling to do all these things you require of my business. And it's not that I don't want to do it, but I have to run a business, I have another job, and I'm a full-time mother. And you want me to jump through hoops.' Where is the support that is given outside of 'these are the requirements'?"*

A number of participants expressed hope that Boston was making progress, and that new leadership in City Hall would bring fresh attention and perspective. They also noted local government need not solve all these problems themselves,

but rather — as discussed in the next section — has an opportunity to create sustainable funding to outsource technical assistance and other tailored programs to trusted local partners. Collectively, the findings noted here suggest an opportunity for the City and the ecosystem more generally to set public small business goals, better tailor programs and resources to specific sub-populations, and be clear about which — of the many expectations and challenges laid before it — the City views as the priority.

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***"Those people will come give you those booklets, and they tell you, do one, two, and three, but I am struggling to do one and two. How do you expect me to do three? I'm struggling to maintain cash flow, I'm struggling to keep my employees, I'm struggling with my taxes. Struggling to do all these things you require of my business."***

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## The Small Business Data Gap

Accurate small business data is notoriously difficult for cities both to obtain and maintain. The lack of aggregate and firm level data stymies the ability of municipal government, nonprofits, banks, and foundations to track progress over time. The lack of a comprehensive, easy-to-maintain database makes it nearly impossible to target interventions and outreach.

The City of Boston's Small Business report, from 2016, frequently references the challenges of obtaining reliable, local-level data on its own small business population.<sup>14</sup> Comparative tools<sup>15</sup> designed to juxtapose the racial and gender composition of small business populations of the biggest cities in the U.S. have major omissions due to changes in the way the U.S. Census surveys small business owners and entrepreneurs in recent years.<sup>16</sup>

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*"When it comes to Boston's small businesses, one participant simply noted: 'we don't know who they are....as well as where they are.'"*

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When it comes to Boston's small businesses, one participant simply noted: "we don't know who they are....as well as where they are." While the City Clerk's list is considered moderately useful, it is incomplete. And even the City, and other stakeholders, ultimately have no insight into revenue, employees, needs, or even up-to-date contact information for owners. This challenge is not new. In 2013, terrorist attacks at the Boston Marathon finish line led to tragic loss of life.

They also shut down Boston's Back Bay business district. Food was abandoned at restaurants, cash left in registers, and goods on shelves. The City lacked contact information for business owners to keep them updated on when they would be permitted to return or to provide assistance with insurance claim filings. Available contact information for owners often consisted of phone numbers linked to the now empty stores and restaurants.<sup>17</sup> Seven years later — when businesses were confronted with a citywide pandemic-induced shutdown — interviewees revealed that little had changed.

What data does Boston's ecosystem wish it, or the City, had about the local small business community? In addition to up-to-date contact information for owners, they cited a wide array of data needs including:

- Owner demographics like race/ethnicity and gender;
- Number of employees, number of local employees; and
- Revenue, profits, and debt.

But gathering better business intelligence presents a major problem. As one participant shared, "we need real data about businesses, but it's impossible to do that without adding more bureaucracy and making it a requirement for businesses to provide."

Other participants also expressed interest in up-to-date, localized and aggregated business statistics, broken down by race/ethnicity of owners, including:

- Number of new business starts each year;
- Number of business closures; and
- Businesses by sector.

Data could also be important in identifying struggling businesses before they fail, such as through unpaid taxes or utility bills [see Appendix for a full list of intervention ideas].

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14 The City of Boston. "City of Boston Small Business Plan." March 2016: [https://www.cityofboston.gov/images\\_documents/160330%20Boston%20Small%20Business%20Full%20Report%20-%20Web%20\(144dpi\)\\_tcm3-53060.pdf](https://www.cityofboston.gov/images_documents/160330%20Boston%20Small%20Business%20Full%20Report%20-%20Web%20(144dpi)_tcm3-53060.pdf).

15 Nowak Metro Finance Lab at Drexel University, Accelerator for America, The Mastercard Center for Inclusive Growth. The Small Business Equity Toolkit: [https://www.smallbusinessequitytoolkit.com/tool/#/?tool=city&ethnicity=black&metric=INDEX\\_rank\\_&token=Boston,%20MA](https://www.smallbusinessequitytoolkit.com/tool/#/?tool=city&ethnicity=black&metric=INDEX_rank_&token=Boston,%20MA).

16 Nowak Metro Finance Lab at Drexel University, Accelerator for America, The Mastercard Center for Inclusive Growth. "Small Business Equity Data Tool Methodology." The Small Business Equity Toolkit: [https://assets-sbet.s3.amazonaws.com/Small\\_Business\\_Equity\\_Data\\_Tool\\_Methodology\\_2.16.pdf](https://assets-sbet.s3.amazonaws.com/Small_Business_Equity_Data_Tool_Methodology_2.16.pdf).

17 One of the authors of this report, Katharine Lusk, worked for then Boston Mayor Tom Menino. This is her recounting.

## Present and Future Challenges Facing Boston Small Businesses

What are the most salient challenges that lie ahead for Boston's small business community? Multiple questions posed during interviews provide insight into challenges affecting Boston's small business community generally, and BIPOC business owners in particular.

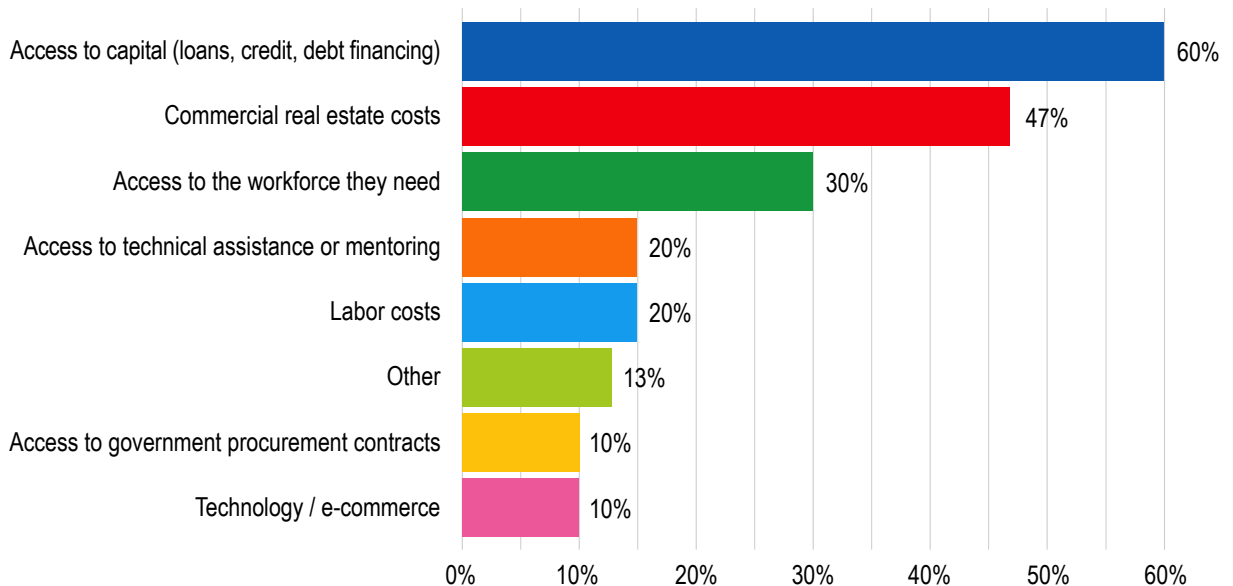
Participants were asked, in an open-ended format, to reflect on the biggest barriers business owners in Boston face when either a) starting or b) maintaining a small business. Overwhelmingly, participants point to the challenge of accessing capital as a major barrier for businesses, whether they are just getting started or maintaining the business and hoping to grow. Roughly three quarters mentioned it as the top barrier to starting a new business, and a few mentioned it in conjunction with the challenge of acquiring physical space. The other major top of mind barrier to starting a new business was navigating the bureaucracy. Access to capital was also the most commonly noted barrier to maintaining a small business in Boston. However, according to the participants, a somewhat wider array of top barriers applies to existing business owners including bureaucracy, procurement, and maintaining customers and workforce.

In response to a parallel closed-ended question, three in five participants cited access to capital as one of the two biggest challenges facing small businesses in Boston over the next couple years.

To be clear, the capital access gap is not new news in Boston. It has been the focus of many prior reports and multiple organizations. However, this forward-looking question revealed additional challenges for the City of Boston and the ecosystem of providers to consider a) commercial real estate costs, and b) access to the necessary workforce. Nearly half of participants raised commercial real estate costs as a looming challenge in the next couple years, while about a third cited workforce.

### Figure 9. Top Challenges for Small Businesses

*In general, which TWO of the following will pose the biggest challenge to small businesses in Boston over the next couple of years? (Please pick two.)*



Members of the ecosystem widely believe that not only is access to capital a top challenge for small businesses in general, but that it is a challenge that falls disproportionately on BIPOC-owned businesses (Y axis on Figure 10). Over 90 percent of participants believe that access to capital is a bigger challenge for BIPOC-owned small businesses than for white-owned ones. About two-thirds said that commercial real estate costs, the second most commonly cited challenge for businesses in general, are a bigger challenge for BIPOC-owned small businesses.

The other most commonly selected unequal challenges were access to city procurement, which over 90 percent saw as unequal but only 10 percent saw as a top challenge overall, access to technical assistance, and use of technology/e-commerce. The latter two were cited as challenges that disproportionately burden BIPOC-owned businesses by over three-quarters of participants.

Access to workforce, the third most commonly cited challenge overall, was the least likely to be seen as an unequal challenge. Though even here, nearly one in three saw it as disproportionately affecting BIPOC-owned businesses while fewer than 10 percent saw it as disproportionately affecting white-owned ones.

Some of the respondents' comments and elaborations provide more nuance and insight into the issues that "access to capital" selections reflect beyond "give us more money." One theme was the ways in which limited access to capital and lack of personal wealth intersect. As one participant said, *"a lot of people of color and women are unable*

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*"A lot of people of color and women are unable to work on their startup or small business full time. The ability to work on your startup full time or small business full time is a game changer. So I would say that initial capital sort of ties into generational wealth."*

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*to work on their startup or small business full time. The ability to work on your startup full time or small business full time is a game changer. So I would say that initial capital sort of ties into generational wealth."* Relatedly, another said, *"entrepreneurs need earlier checks, smaller checks, to start them faster and not be a side hustle business."*

A second theme was the disproportionate need for early money due to high start up costs in Boston. One participant said, *"I think it's an expensive proposition to properly and legally start a business."*

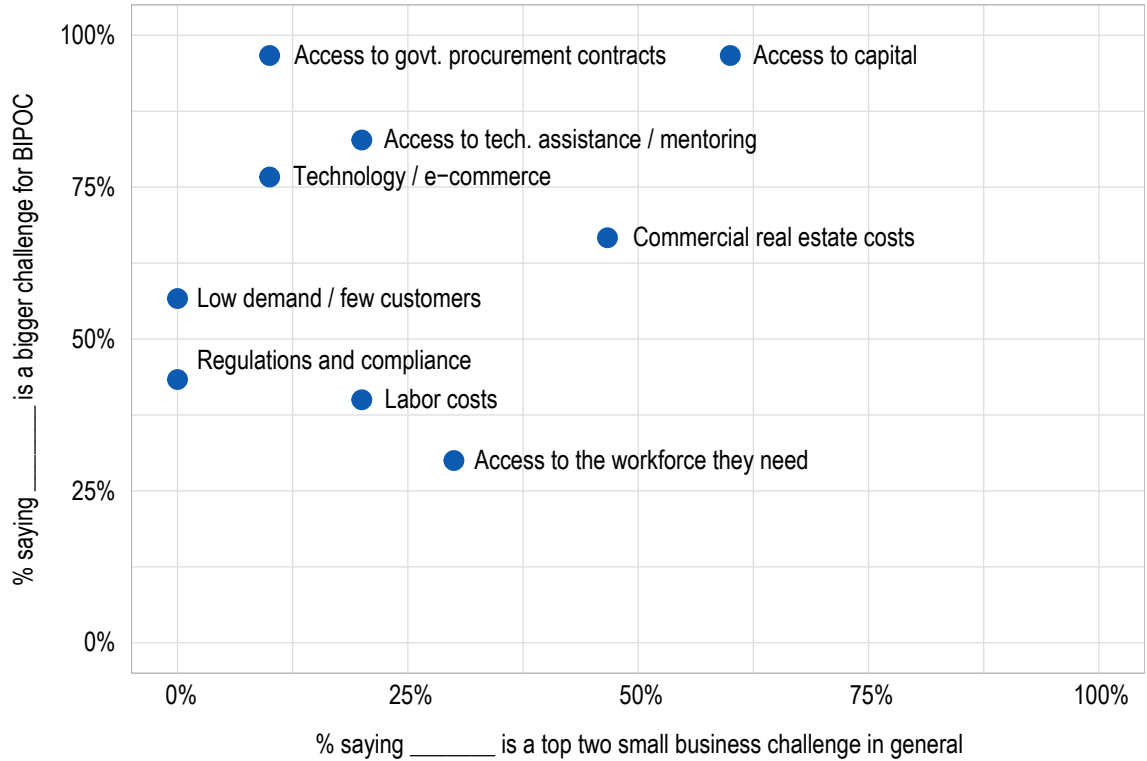
Another focused on the mismatch between traditional lending and

these startup costs saying, *"when starting, you have no assets to go for a loan, so traditional lending is the challenge."* A third theme we heard was frustration that there was plenty of money around but not for these types of businesses. As one participant noted, *"it's not really about availability. It's about making the connection to that money."* Another said, *"all the angel investments just go to Cambridge biotech stuff."* Related to these concerns, one participant highlighted the challenges that the lenders themselves face by noting that there are probably *"mutually beneficial loans that don't happen because lenders, including non-profit organizations, can't report high risk or high rate loans and keep getting funded themselves."*

### Figure 10. Equity and Small Business Challenges

Challenge question: *In general, which TWO of the following will pose the biggest challenge to small businesses in Boston over the next couple of years? (Please pick two.)*

Disproportionate burden question: *In Boston, will each of the following be a bigger challenge for 1) white-owned small businesses, or 2) BIPOC-owned small businesses over the next two years? Or will the challenge be similar for both?*



Finally, while participants on balance think the challenges accessing capital and credit are especially burdensome for BIPOC entrepreneurs when they are starting a new business, they do not think they disappear once a business is up and running. About three-fifths of participants said that the challenges they highlighted were worse or much worse for those starting a business compared to those maintaining one.



## AMERICA'S MAYORS & LOCAL SMALL BUSINESS: Perceptions of Looming Challenges

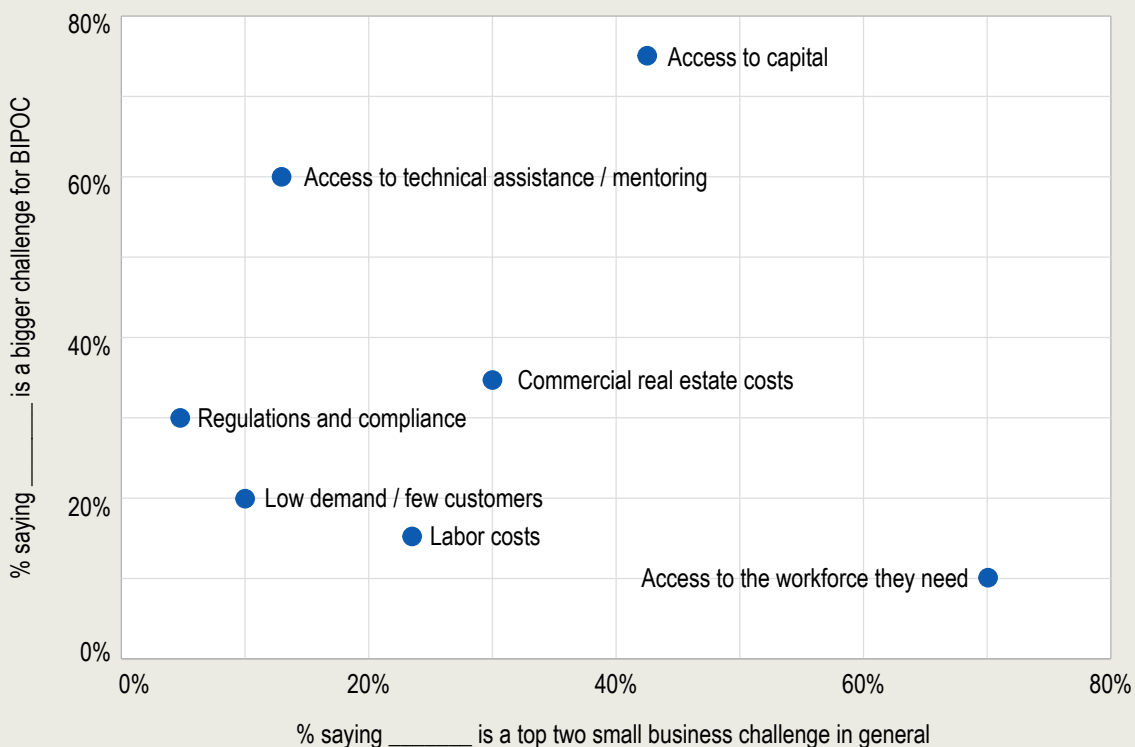
Nationally, mayors believe a) access to workforce and b) access to capital will be the two biggest challenges small businesses confront over the next couple years. Seventy percent of mayors selected access to workforce<sup>18</sup> and 43 percent selected access to capital as one of the top two barriers facing their business community.

Mayors are generally aligned with the Boston ecosystem's views on small business racial gaps. Over three quarters of them believe that access to capital is a disproportionately bigger barrier for small business owners of color. The 2021 Menino Survey found that these mayors believe that lack of personal assets, credit scores, and limited networks for friends and family money are "major" contributors to the gap.<sup>19</sup>

Notably, mayors are significantly less likely to perceive commercial real estate costs as a key challenge facing small businesses in their cities. While small business displacement may not be a national issue facing most cities, it may very well be a local one that deserves more attention. Cities like Minneapolis and Washington, DC have dedicated commercial property development and acquisition funds to support real estate purchases by disadvantaged small business owners.<sup>20</sup>

### Figure 11. Equity and Small Business Challenges, Mayors' Responses

Challenge question: *In general, which TWO of the following will pose the biggest challenge to small businesses in your city over the next couple of years? (Please pick two.)* Disproportionate burden question: *In your city, will each of the following be a bigger challenge for 1) white-owned small businesses, or 2) nonwhite-owned small businesses over the next two years? Or will the challenge be similar for both?*



18 The gap in perceived workforce challenges may be due in part to timing, as mayors were interviewed throughout the summer of 2021, when news about labor shortages were at their peak.

19 Einstein, K.L., D. Glick, M. Palmer. "2021 Menino Survey of Mayors: Closing the Racial Wealth Gap." Boston University Initiative on Cities (March 2022): <https://www.surveyofmayors.com/files/2022/03/2021-MSOM-RWG-Report.pdf>, pgs. 9-10.

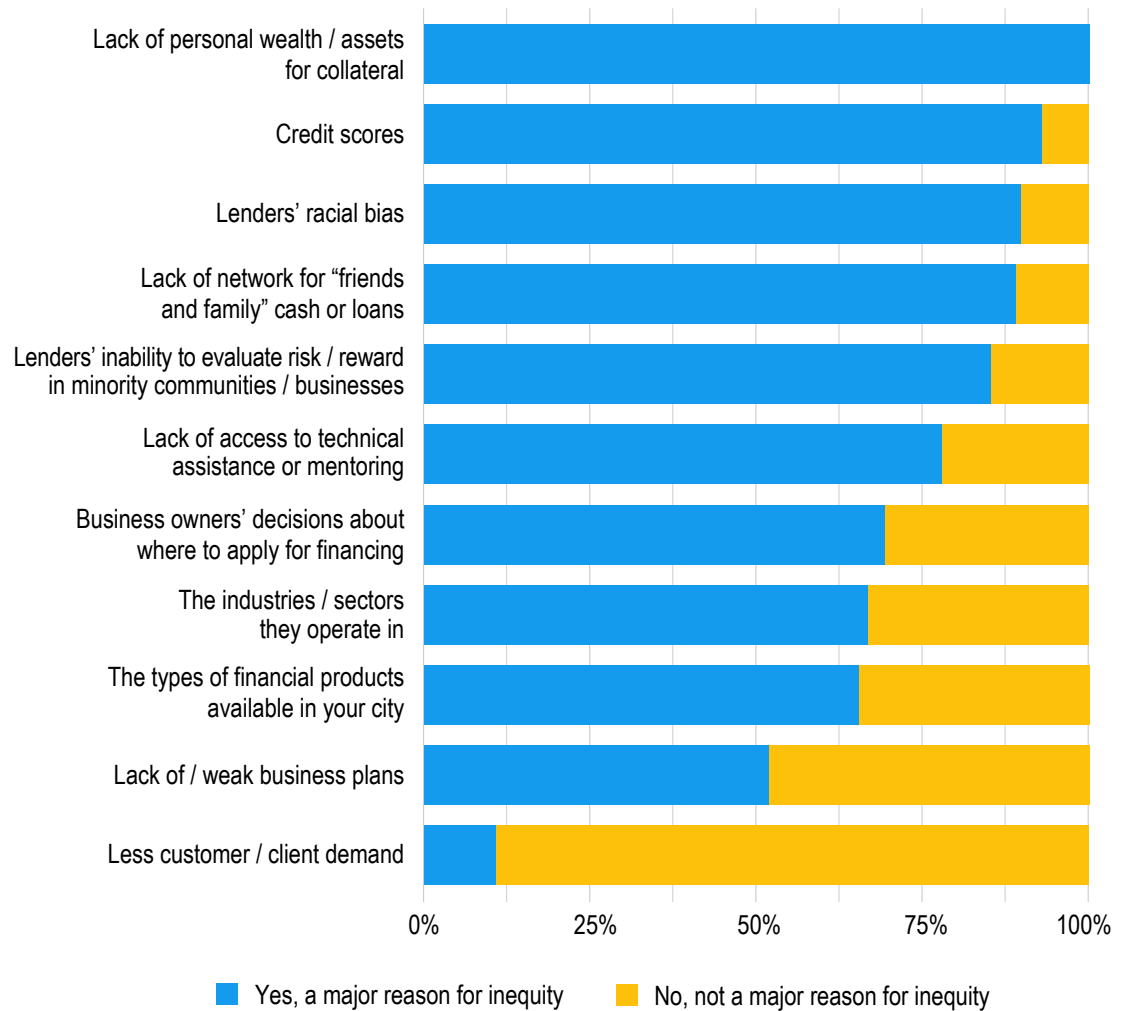
20 Lung-Amam, W. and N. Alvarez. "To Narrow the Racial Wealth Gap, Help Entrepreneurs of Color Own Property." Bloomberg CityLab (Apr. 28, 2022): <https://www.bloomberg.com/news/articles/2022-04-28/small-business-real-estate-can-narrow-the-racial-wealth-gap?sref=Y5NzbMHF>.

## Perceived Causes of the Capital Gap

Participants believe an array of factors contribute to racial gaps in Boston entrepreneurs' ability to access capital — indeed they selected nearly every potential underlying cause offered in response to a close-ended question. Nearly all believe that lack of personal assets, credit scores, limited networks for friends and family money among the small business owners, and racial bias, on the part of the lender, are major contributors to the inequity. However, a few stood out as the most critical in response to a probing follow up question.

**Figure 12. Major Reasons for Inequity in Access to Capital**

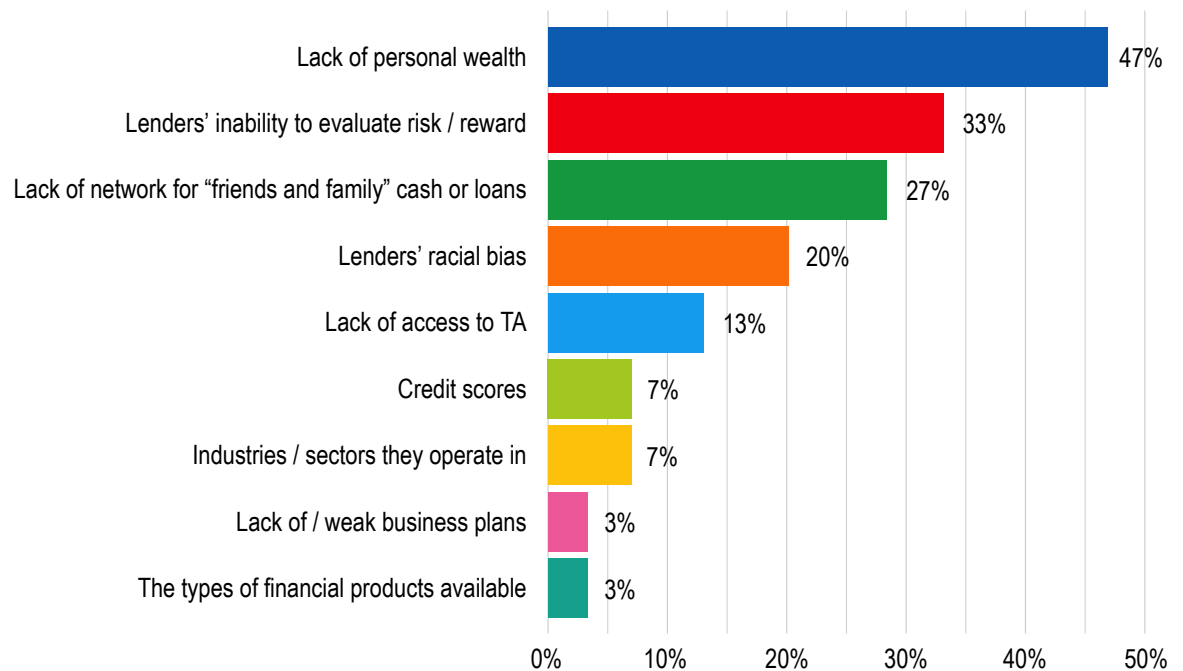
*Which of the following are MAJOR reasons that Boston's BIPOC small business owners have a harder time accessing credit and capital than white small business owners?*



When asked to reflect more explicitly on the main drivers, nearly half of participants said that lack of personal wealth or assets was one of the top two reasons for inequity in access to capital. A third of participants cited lenders' inability to evaluate risk and reward. Lack of family and friends network and lenders' racial bias were the other two cited as the drivers of inequity.

**Figure 13. Top Reason for Inequity in Access to Capital**

Which [of the above] most stands out to you as a major reason for the inequity? (Pick up to two.)



Many of the participants explained that they see these sources of inequity, even ones that are plausibly traits of the entrepreneurs or their businesses, as systems-level flaws. As one respondent explained, “I see BIPOC owners all the time who have good business plans but are stuck in a larger system of structural inequity.” Some expressed a belief that the lending industry is over-reliant on credit scores, rather than taking the time to delve deeper in things like revenue or cash flow, or that credit scores are themselves the result of systemic inequality. Lack of personal wealth of BIPOC business owners was similarly referenced in relation to structural inequities. The undervaluing of home

assets in neighborhoods of color, difficulty buying a home, or lower likelihood of intergenerational wealth transfer are some examples of potential root causes. One participant remarked, “I think we really have to look at root causes of why things exist. Most of these reports should start with apartheid just ended 50 years ago [...] Most people’s biggest asset is their home, especially for a small business. If we’re not going to look underneath the valuation of these things, then there’s no financial literacy or anything that matters, and I feel like that’s the hard work that no one wants to do.”

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*“I see BIPOC owners all the time who have good business plans but are stuck in a larger system of structural inequity.”*

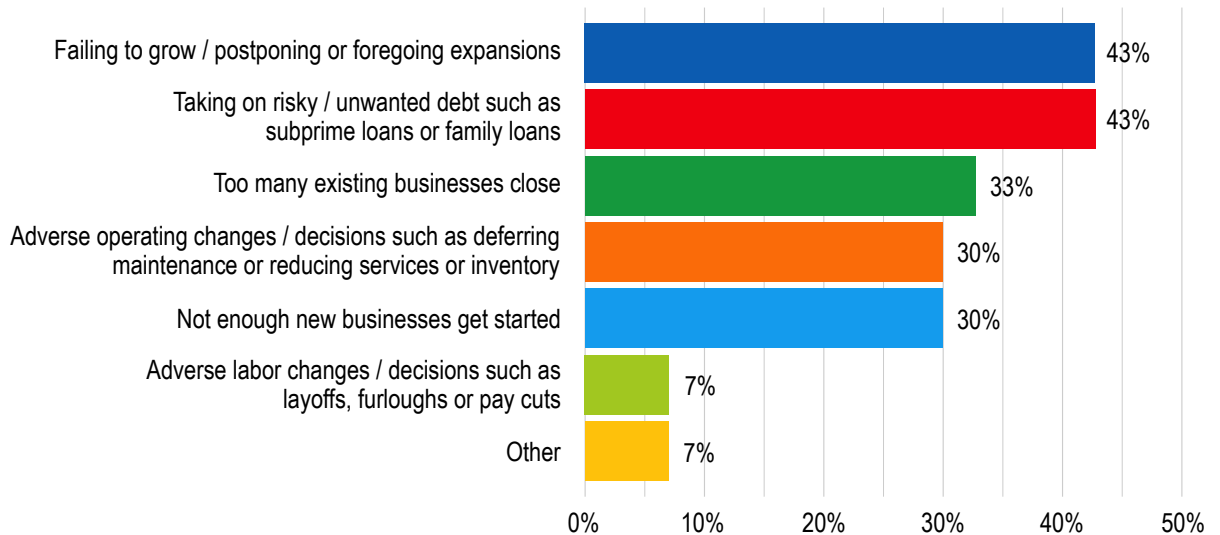
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Others noted that lenders fail to appreciate how much access to particular networks, or a lack thereof, drives inequity and how hard it is to navigate the small business financial system. As one said, “[It is] so relationship-based — people don’t get that. It’s who you feel comfortable with. For example, going back to PPP, if you didn’t have a relationship with a bank, you didn’t have opportunity to apply. It is really important to understand how that’s embedded into these gaps.” Another noted, “[there is an] inherent lack of trust of white business leaders and companies. BIPOC business owners are not given the benefit of the doubt. Amazing how many white leaders get that benefit of the doubt or that leap of faith. That subjective belief doesn’t happen for BIPOC owners.”

Participants cited a variety of consequences related to inequitable capital access. About two-fifths of participants selected “failure to grow” as one of the top two consequences of BIPOC small business owners’ challenges accessing capital. Another two-fifths believe it leads to these business owners taking on “risky or unwanted debt.” This suggests that the failures of the banking system to adequately assess risk — and lend — may actually then contribute to risk for the business owner. Other frequently cited negative outcomes included businesses closing, making adverse operating cuts, or not starting in the first place.

**Figure 14. Consequences of Inequity in Access to Capital**

*What are the two biggest consequences of current and potential BIPOC small business owners' challenges accessing credit and capital?*



As this section makes clear, members of the ecosystem consistently highlight limited access to capital as a major challenge and as a source of inequity for BIPOC small businesses. And they point to systemic barriers as the underlying causes. Again, this is not new news in Boston, where many players have been working to address the imbalance, if not always equipped to tackle the root causes. The questions that remain are: Are all the right players at the table? And what more could they be doing?

## Remedies

### Changes to the Financial Industry and Financing Models

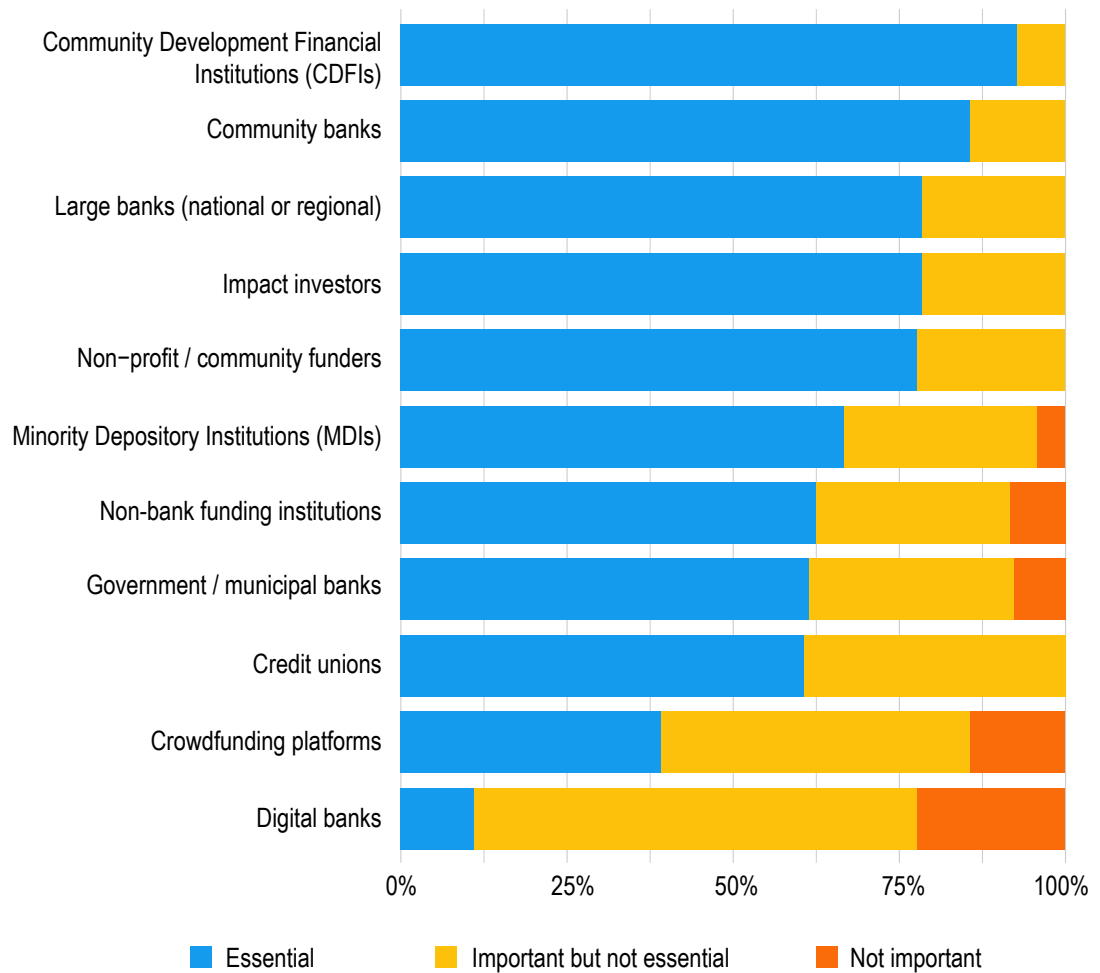
Looking ahead, participants were asked to reflect on both major and minor changes they would like to see in the way Boston's private and nonprofit sector support BIPOC-owned small businesses, as well as desired changes to City of Boston practices. Not surprisingly, the funding landscape was often referenced, including the need to create larger pools of resources, change underwriting criteria, or provide resources to buy down interest rates.

In response to a closed-ended question, nearly all participants said that Community Development Financial Institutions (CDFIs) would be "essential" if Boston were to make progress on the capital access gap in the coming years (Figure 15). And indeed, they have been key players throughout the pandemic and prior to it. The next most commonly cited institutions central to making progress included community banks — again, long-standing partners.

However, the interviews also made clear that progress on these issues must include traditional national lenders, including the 'big banks.' When asked to prioritize among a long list of potential partners, it was the big banks who were most commonly referenced as the "most essential" to progress. As one participant said, *"Large banks [would] change the tide if they would walk the talk."* Another said, *transformative change would mean "if big banks made it an intentional priority to do it themselves and collaborate to increase lending and investment in BIPOC entrepreneurs. Right now...it's in the hands of more regional banks. [For example,] Eastern Bank is the #1 SBA lender. Bank of America is not doing small business lending."*

**Figure 15. Importance of Institution in Reducing Inequity in Access to Capital**

*If Boston successfully reduces inequities in access to capital in the coming years, how important will each of the following institutions be to making real progress on these issues?*



The opportunity to bring the public and private sectors closer together was noted by some participants. As one participant in the nonprofit sector said, they need a “*seat at the table with the private network to address decisions together with the nonprofit sector.*” Just prior to and throughout the pandemic, new “tables” were being created

to enable better coordination of efforts to support the BIPOC community. Small Business Strong, while a newly formed nonprofit, is predominately a corporate coalition. In contrast, the Coalition for an Equitable Economy — created in response to the lack of integration of the ecosystem leading into the pandemic — appears to be predominately made up of nonprofits, foundations, and governmental or quasi-governmental units. Just two banks, Eastern Bank and Berkshire Bank, which are both regional, are explicitly linked both to Small Business Strong and the Coalition groups.

*“Another participant called on private companies to better ‘support intermediary organizations who are doing the work to get businesses ready for opportunities,’ like procurement contracts and loans.”*

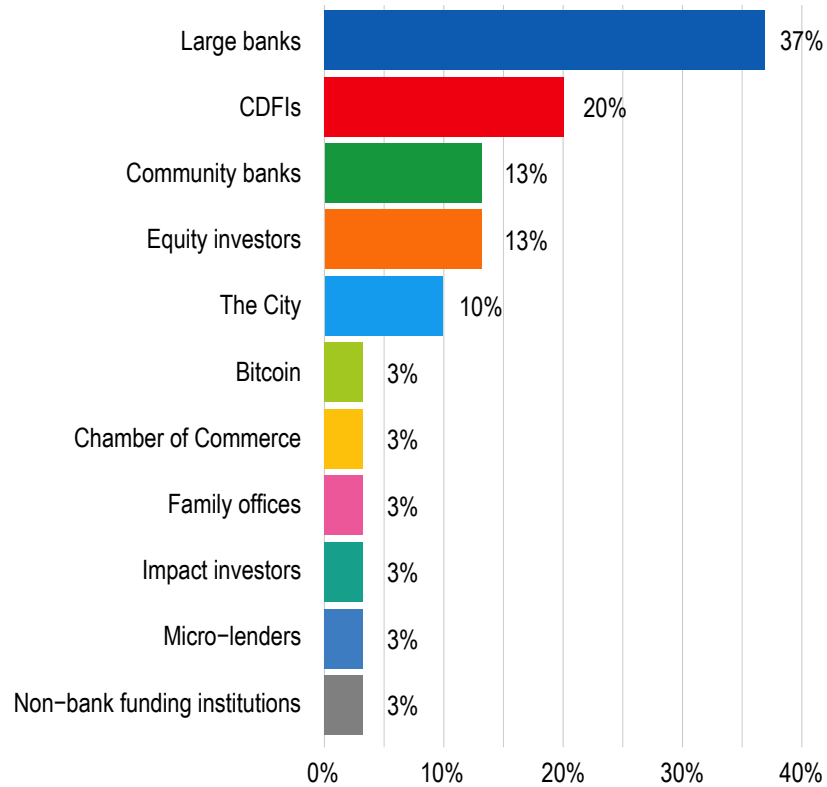
Another participant called on private companies to better “*support intermediary organizations who are doing the work to get businesses ready for opportunities,*” like procurement contracts and loans.



Finally, the responses to the question about “essential” institutions also hint at the embrace of some newer models, like impact investors, and hesitancy in relation to others, such as digital banks and crowdfunding platforms to address the capital gap. That’s not to say they do not all have a role to play, but the emphasis here seems to be on the biggest institutional actors alongside those with the longest standing local commitments.

**Figure 16. Importance of Institution in Reducing Inequity in Access to Capital**

*Which [of the above] stand out as the most important? (Pick up to two.)*

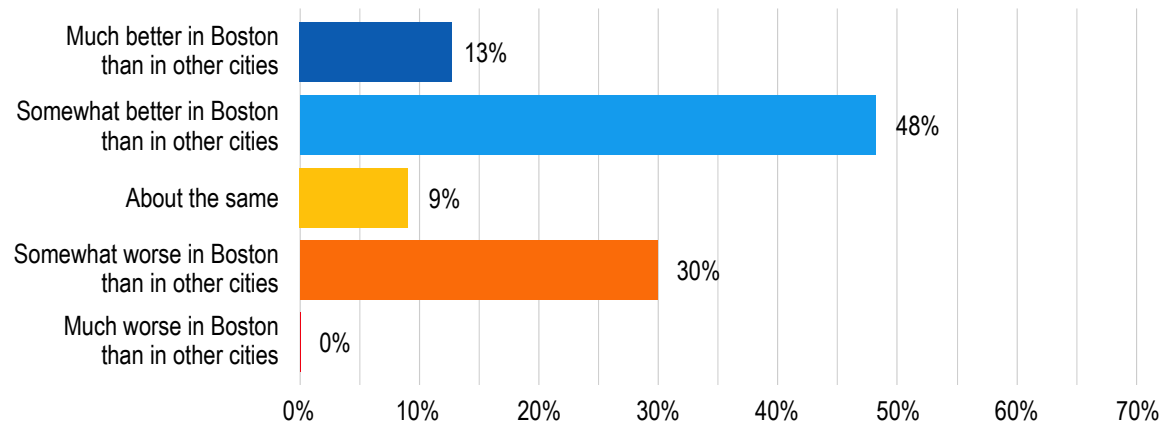


In relation to less conventional financing models, members of the ecosystem are divided as to where Boston currently stands in terms of the availability and amount of “non-traditional” capital. More than half think that this type of capital — from channels other than loans, debt, and equity from banks or other firms — is more available in Boston than elsewhere, but one-third believe it is less available in Boston. However, there is widespread agreement that there is not enough to go around. No one thought there was too much non-traditional capital relative to need. Roughly nine in 10 participants thought there was “somewhat less” or “much less” than what is needed.

Participants were also enthusiastic about alternative ownership models such as cooperatives and employee ownership plans. Three-quarters agreed that these structures “should be adopted more than they currently are” and two-thirds agreed that the government or other institutions should “support them more than they currently are.” Only one participant expressed a negative sentiment about such models.

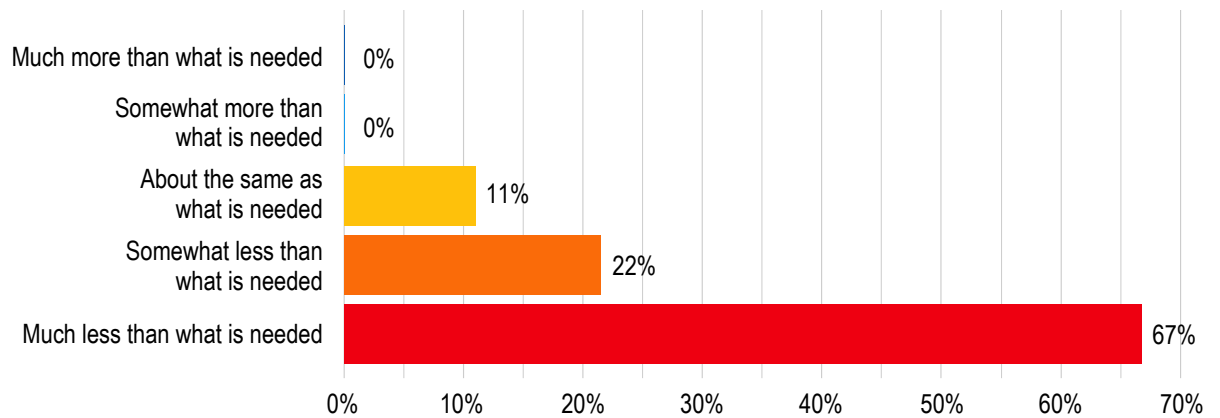
**Figure 17. Availability of Non-Traditional\* Capital, By Comparison to Other Cities**

*In general, how does the availability of “non-traditional” capital in Boston compare to that in other major U.S. cities?*



**Figure 18. Availability of Non-Traditional\* Capital, By What is Needed**

*In general, how does the availability of non-traditional capital in Boston compare to what is needed?*



\*For this question “traditional” capital is, for example, loans, debt, and equity investments from banks and firms while “non-traditional” includes alternatives such as tech apps, lending circles, and community-governed institutions.

### Looking Forward: Policies, Practices, & Priorities

To understand the types of shifts participants would like to see at the municipal level, they were asked both to reflect on desired changes generally, to respond to a narrow set of potential tools at the City’s disposal, and to consider the audiences served.

To begin, participants shared a range of “modest” and “major” changes to BIPOC small business supports they would welcome from the City of Boston. [See Appendix for full list of recommended interventions.] More equitable and transparent procurement practices, streamlined permitting, enhanced communication (including language access), and increased direct funding emerged as key themes.

With regard to procurement, the majority of ideas related to the city’s own contracts, though some called on the city to directly influence private and nonprofit procurement practices via “the bully pulpit,” tax credits, shared public/private goals, or other new incentives, mandates, or penalties. As one participant noted, Boston-based small businesses pay higher insurance, have higher labor costs, face different inspectional processes, and have higher rent costs, yet there is no system to prioritize those with a Boston address. Another participant, referencing both permitting and communication, said “there has been no progress on permitting and licensing for 20 years. Those

As part of a cohesive public small business strategy, the interviews revealed some specific opportunities:

### Opportunities for the City of Boston

- 1. Procurement Practices Beyond City Hall:** Use the convening power of the Mayor's Office to influence procurement goals and practices at major employers.
- 2. Mitigate rising commercial real estate costs:** Create innovative ownership models and new financial supports to build wealth, explore vacancy penalties, and invest in additional anti-displacement strategies.
- 3. Unlock localized small business data:** Partner with local universities and others to create new, low/no burden ways to identify and track BIPOC small business owners, and growth, over time.
- 4. Streamline permitting:** Hire staff with small business ownership experience and partner with them to overhaul permitting processes in targeted sectors.
- 5. Prioritize specific small business populations:** Women, immigrants and people with criminal records were identified as potential priority groups by ecosystem partners.

### Opportunities for the Ecosystem

- 1. Bring the big banks to the table:** Create new ways for national retail banks to have a seat at the table with community partners.
- 2. Conduct service mapping:** Map all services and resources by audience to identify duplication and understand opportunities for greater coordination.
- 3. Partner with the City of Boston on anti-displacement strategies, including pathways to commercial real estate ownership.**

*processes need to be revised, made friendlier, and accessible in multiple languages."* A recent analysis of new business permitting in twenty US cities determined that starting a barbershop in Boston involves 81 steps, 21 forms, 6 agencies, and 10 fees totaling \$3,300.<sup>21</sup>

Funding emerged as an area due for reform, and multiple participants place emphasis on the need for *consistent* funding, whether to technical assistance providers or businesses themselves. One called for *"a real investment that is not short-term resources. [Also], provide money to the organizations serving different neighborhoods. The city used to provide money to CDFIs and Main Streets, but they stepped out of that role."* Another noted *"existing organizations doing technical assistance for the city have unpredictable capacity, because of a lack of long-term contracts."* Like others calling for direct business support, one subject suggested the city capitalize *"pools of funds just for BIPOC entrepreneurs,"* while another suggested using American Rescue Plan (ARPA) funds to *"buy qualifying small business loans that intermediaries have made."*

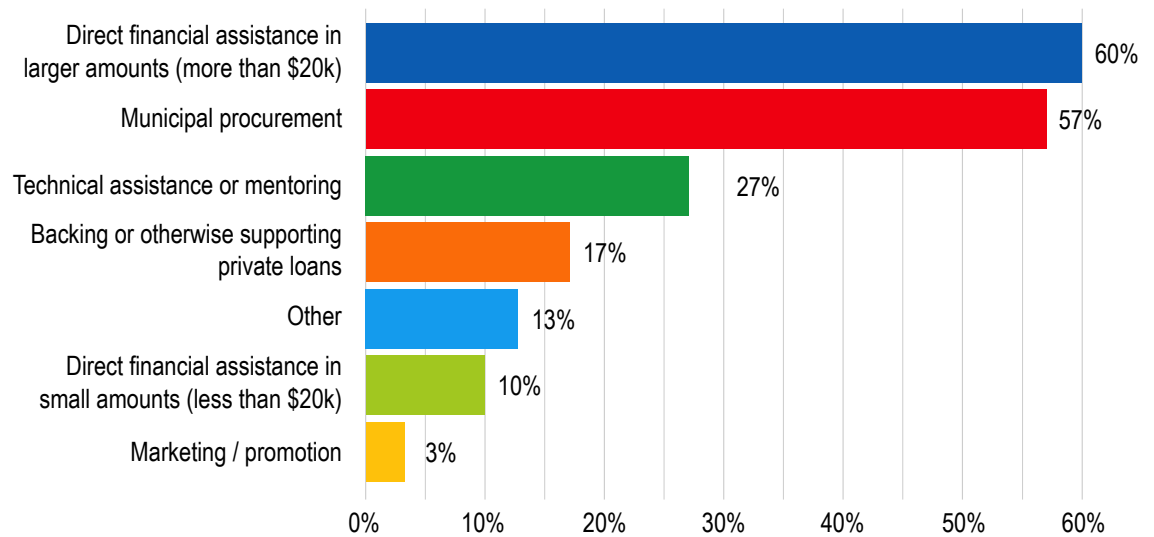
These responses to open-ended questions were consistent with closed-ended questions about specific policy actions. In response to a menu of policy tools they would like to see the City use or use more, three-fifths of participants chose *"direct financial assistance in large amounts (over \$20,000)"* as one of their two choices. The other tool that was selected as frequently was municipal procurement. Notably, as discussed earlier, ecosystem members rarely see access to government contracts as one of the biggest small business challenges in general, but they did see it as one of the most inequitable.

The third most commonly selected policy tool was technical assistance, which roughly a quarter of participants chose as one of their two options. Other policy tools, including direct financial assistance in small amounts (less than \$20,000) or backing private loans were rarely selected.

<sup>21</sup> Meleta, A. and A. Montgomery. "Barriers to Business: How Cities can Pave a Cheaper, Faster, and Simpler Path to Entrepreneurship." The Institute for Justice (Dec. 2021): <https://ij.org/wp-content/uploads/2021/12/Barriers-to-Business-WEB-FINAL.pdf>

**Figure 19. City Policy Tools/Resources to Address Racial Gaps Between Businesses**

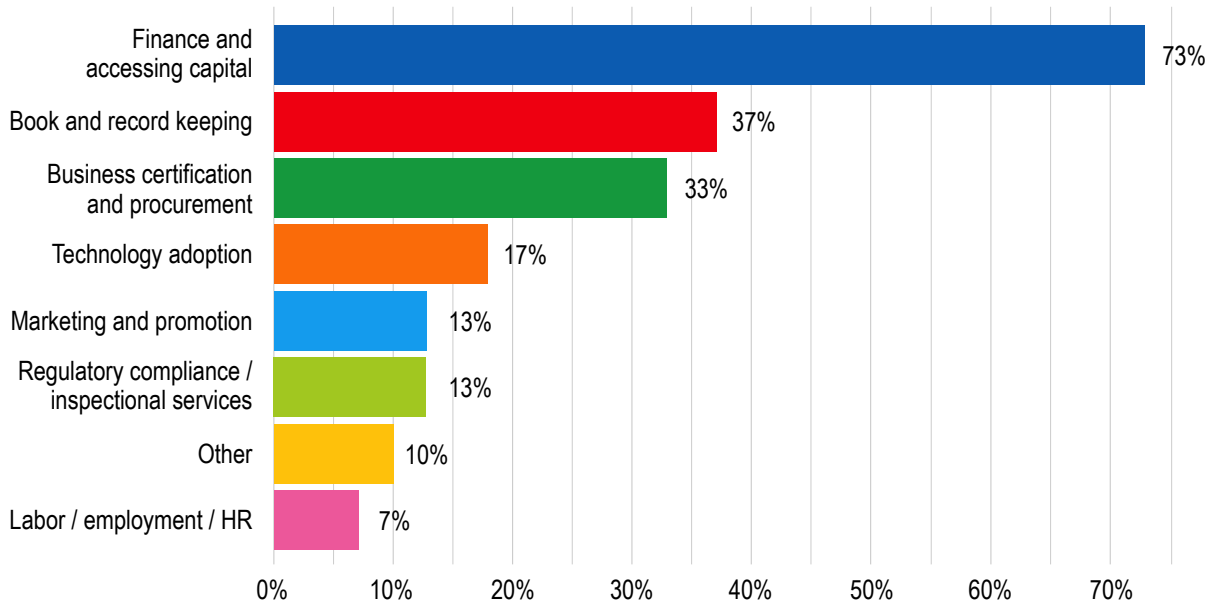
*Which TWO of the following policy tools or resources would you most like to see the City of Boston start to use, or to use more, to address gaps between white and BIPOC-owned small businesses? Or are there no such gaps to address?*



Even the quarter of ecosystem participants who emphasized the need for the City to provide more technical assistance and mentoring came back to the centrality of capital. Three quarters of participants selected “finance and accessing capital” as the best place to focus technical assistance. The other regularly selected options were “book and record keeping” and “business certification and procurement.” Each was selected by about a third of participants as one of the two areas they would most like to see more city-provided technical assistance. Other areas such as technology, HR, and regulatory compliance were rarely selected.

**Figure 20. Technical Assistance Impact**

*In what two areas would more technical assistance make the biggest positive impact for BIPOC-owned small businesses in Boston?*



## AMERICA'S MAYORS & LOCAL SMALL BUSINESS: Perceptions on Policy Tools to Address Racial Gaps Between Businesses

In contrast to the Boston ecosystem's views on policy tools local government can use to address inequities in the small business community, nationally, mayors are most enthusiastic about using technical assistance. Forty-eight percent of mayors selected "technical assistance or mentoring" as one of the two tools they most support using to

address racial gaps between businesses in their cities.<sup>22</sup> Thirty-one percent of mayors selected the municipal procurement process and 26 percent selected direct financial assistance in amounts less than \$20,000.

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*"While I would have loved to have helped with financial assistance, money is always an issue, but technical assistance or mentoring is not cost prohibitive, neither is municipal procurement."*

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Several mayors saw technical assistance and municipal procurement as the most financially viable tools for the city; as one mayor said, *"while I would have loved to have helped with financial assistance, money is always an issue, but technical*

*assistance or mentoring is not cost prohibitive, neither is municipal procurement."* Other mayors focused on direct funding because they saw capital as the critical gap. As one explained, *"getting the money to do the things [small business owners of color] want, and not having a history of family wealth, means they have to get loans to support their business model. Technical assistance and backing private loans are good, but you have to directly finance something to get the business off the ground and running."*

In Boston, the Wu Administration has made diversifying city contractors a key priority, placing her among a minority of American mayors addressing this challenge.

To state the obvious, there is tremendous heterogeneity within the BIPOC community. As noted earlier, participants have been frustrated by lack of multilingual access to resources, but also the lack of investment in the intermediaries who work "on the ground" with specific small business populations, whether by race/ethnicity (e.g., Black, Latinx), country of origin (e.g., Vietnamese, Haitian), or industry/sector (e.g., retail, tech, food). Participants were asked to select up to two specific groups of BIPOC entrepreneurs or small business owners where they would like to see the City of Boston dedicate new resources. Women, immigrants, and individuals with criminal records were the most frequently selected groups. One participant commented on the many organizations devoted to workforce training for returning citizens,<sup>23</sup> but the lack of supports or pathways for those who want to be entrepreneurs, akin to the Prison Entrepreneurship Program in Texas.<sup>24</sup> In spite of persistent variation in rates of punishment in communities and neighborhoods of color and the added burden of a criminal record as a barrier to accessing capital, Massachusetts and Boston have, until more recently, placed little emphasis on supporting the entrepreneurial ambitions of this population. The cannabis industry is a recent exception.

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<sup>22</sup> Einstein, K.L., D. Glick, M. Palmer. "2021 Menino Survey of Mayors: Closing the Racial Wealth Gap." Boston University Initiative on Cities (March 2022): <https://www.surveymayors.com/files/2022/03/2021-MSOM-RWG-Report.pdf>, pgs. 9-10.

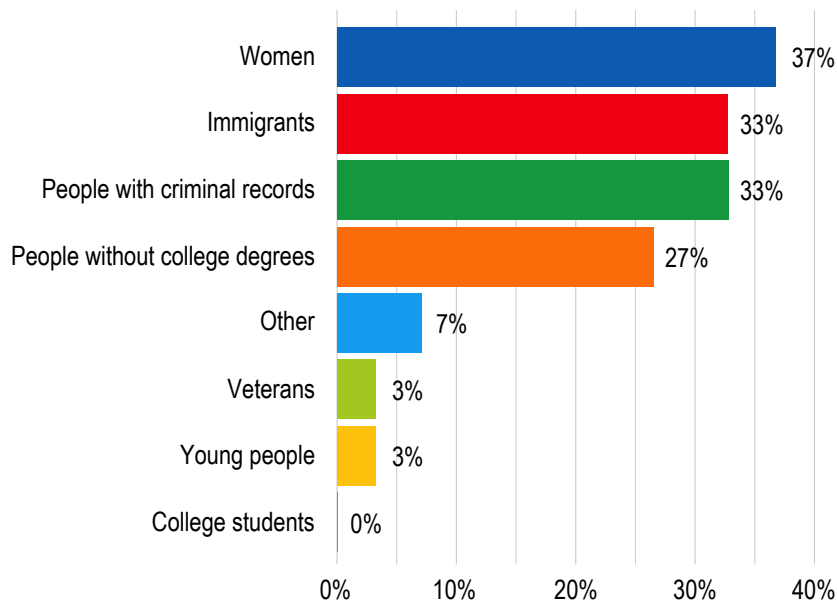
<sup>23</sup> Individuals returning home after being in prison.

<sup>24</sup> Prison Entrepreneurship Program: <https://www.pep.org/>.



**Figure 21. Population Priorities for New City Resources**

*If the City of Boston were going to direct new resources toward a particular group of BIPOC entrepreneurs and small business owners, which two of the following would you want them to prioritize?<sup>25</sup>*



Finally, participants widely agree that the COVID-19 pandemic is closely linked to the need and potential for change. Three quarters of participants strongly agreed that the pandemic “reveals the need for significant changes” in how the city supports small businesses in the future. Nearly all the rest agreed. Participants noticed that the pandemic “left so many disparities in plain sight” that had always been there but now had an “ugly light” shone upon them. One participant made the case for the importance of technical assistance in book and record keeping by noting that the businesses they supported were better able to weather the pandemic because they “had their books in place and had their numbers.” Several participants also noted the rise of e-commerce during the pandemic and how many small businesses they dealt with “didn’t know how to take advantage of digital selling” and therefore lacked the “ability to pivot” as easily as other businesses with “knowledge capital.”

Collectively, these findings suggest a long list of potential investments for the City of Boston in concert with the entire ecosystem. The City itself can signal its own priorities, set public targets, and create public accountability for change, working as a partner and complement to other efforts being led by the wider ecosystem. ■

<sup>25</sup> This question was posed to 22 of 30 ecosystem participants. As such, it captures the perspective of a majority, but not the entirety, of participating organizations.

# APPENDIX

## Actionable Ideas from the Ecosystem

At the end of the interviews, participants provided 1) ways to identify struggling businesses that could use help, and 2) minor and major change or intervention ideas in general. We conclude the report by consolidating what we see as the most concrete and actionable ones. The lists below are lightly edited, but capture the ecosystem members' ideas rather than our own as closely as possible. In many cases, similar ideas that were mentioned more than once are consolidated into one line such that this is an assembly of ideas not a tally of the frequency with which they came up.

### WAYS TO IDENTIFY STRUGGLING BUSINESSES THAT COULD THRIVE WITH A LITTLE HELP:

Look to unpaid utility bills as an early indicator of struggles

Private office hours / open doors hosted by people that look like the owners, in an area of the city where the business is located

Personal outreach through local intermediaries or reframed Main Streets program rather than email  
[basic idea mentioned multiple times]

Learn through grassroots / community members and groups on the ground

Small business census

More frequent check-ins and collecting more basic business performance data

## SUGGESTED CHANGES / INTERVENTIONS FROM THE CITY:

Use BIPOC business vendors for city contracts and promote them / target procurement to communities of color

Encourage private businesses to prioritize BIPOC businesses with their procurement practices and to buy local

Address challenges around insurance that can be cumbersome for procurement

Put backbone behind equity standards for contracts

Improved publication and accessibility of information about procurement contracts and other resources

Create local procurement requirements/targets for major employers, drawing specifically on lessons from the Gaming Commission's Inclusive Procurement Plans for the casinos

Simplify language and process in procurement contracts; Provide more time and assistance in completion

Longer term contracts for technical assistance providers so they can build capacity with the predictability

Make permitting and licensing process more user friendly and accessible in multiple languages

Improve equity in access to liquor licenses

Permanent permitting changes for outdoor space to allow business to plan for future

Give priority / preference for businesses based in the city like food trucks

Have city staff with lived experience of a business owner or experience lending and evaluating businesses

Improve accountability for city hall equity goals down through department level

Provide large business tax breaks for contracts with BIPOC small businesses

Produce one list of all small businesses that pay taxes

Continue the relief funds (small amounts)

Provide capital and direct funding to and through the neighborhood organizations that can help distribute

Buy and pool qualified small business loans that intermediaries make (like Fannie Mae does)

Create local procurement requirements/targets for major employers, drawing specifically on lessons from the Gaming Commission's Inclusive Procurement Plans for the casinos

Provide opportunities for developing connections and networking

Have monthly meetings with small business owners in communities

Spotlighting more communities (like the City did for Newbury St.)

## SUGGESTED CHANGES / INTERVENTIONS FROM PRIVATE SECTOR/PHILANTHROPY:

Consolidate non-profits / programs and improve coordination to reduce duplicative efforts

Larger foundations and funders could connect better and support the local ones

Support intermediary organizations to meet businesses where they are rather than come in with top-down approaches

Create opportunities for managing funds that come to the nonprofit sector (e.g., what Mass Growth Capital is doing – managing large amounts of funding from federal and state government and going directly to a fund that is supporting BIPOC micro businesses)

Offering some basic services (e.g., QuickBooks) for free

Eliminate some underwriting criteria that limits capital that needs to flow to BIPOC entrepreneurs (e.g., don't rely on or use credit scores; don't require personal guarantees)

Intentional funding for BIPOC businesses that don't fit traditional models

Start thinking beyond technical assistance and actively focusing on capital / nano-loans

Matching funds for CDFIs

Funding to buy down interest rates

Entrepreneurs need earlier checks, smaller checks, to start them faster and not be a side hustle business; Venture capitalists also have the power to push their start up and portfolio companies to hire more diverse people

Sustainable funding for nonprofits that are involved in small business technical assistance

Having better access to translators (e.g., pool of translators that nonprofits can share at discounted rates)

Publish information in multiple languages and streamline applications because small businesses do not have lawyers or accountants

Large nonprofit institutions should target procurement and spending to communities of color; Possible public-private partnership

Voluntary transparency in procurement

Massport model (for inclusive development) applied across industries (e.g., clean energy)

Constant and regular outreach, not just in moments of crisis

Less time being spent on trying to paint this picture that Boston is inclusive/innovative

Data transparency

Pushing for better policies around Co-ops and models that are similar

Importance of representation: white males from ivy league backgrounds dominate that space; Diversify the space

Increased wages for non-profit employees to retain talent

Provides benefits to businesses actually utilizing services of color

More mentoring and one-to-one relationships

## List of Ecosystem Survey Participants

We spoke with 30 ecosystem partners between November 2021 and February 2022. While individual participants and their responses remain anonymous, we have published a list of the represented organizations, which include CDFIs, non-profit and community organizations, philanthropic organizations, and the local government. The participating organizations include:

African Community Economic Development of New England (ACEDONE)

Amplify Latinx

Black Economic Council of Massachusetts (BECMA)

Boston Black Hospitality Coalition (BBHC)

Boston Impact Initiative

Boston Local Development Corporation (BLDC)

Boston Ujima Project

City of Boston

Codman Square Neighborhood Development Corporation (CSNDC)

CommonWealth Kitchen

Dorchester Bay Economic Development Corporation (DBEDC)

Entrepreneurship for All (EforAll)

Fields Corner Main Streets

Foundation for Business Equity

Greater Grove Hall Main Streets

Haley House

Interise

Local Enterprise Assistance Fund (LEAF)

MassChallenge

Massachusetts Growth Capital Corporation (MGCC)

New Commonwealth Racial Equity and Social Justice Fund (NCF)

New England Blacks in Philanthropy (NEBiP)

Newmarket Business Association

Small Business Strong

The Boston Foundation

The Hyams Foundation

The Indus Group (TiE) Boston

TLE Center for Urban Entrepreneurship (TLECFUE)

Vietnamese American Initiative for Development (VietAID)

Visible Hands

## Further Reading

**City of Boston's Small Business Plan, 2016**

[https://www.cityofboston.gov/images\\_documents/160330%20Boston%20Small%20Business%20Full%20Report%20-%20Web%20\(144dpi\)\\_tcm3-53060.pdf](https://www.cityofboston.gov/images_documents/160330%20Boston%20Small%20Business%20Full%20Report%20-%20Web%20(144dpi)_tcm3-53060.pdf)

**City of Boston's "Disparity Study", 2020**

[https://www.boston.gov/sites/default/files/file/2021/02/2020%20City%20of%20Boston%20Disparity%20Study%20Final%20Report\\_1.pdf](https://www.boston.gov/sites/default/files/file/2021/02/2020%20City%20of%20Boston%20Disparity%20Study%20Final%20Report_1.pdf)

**MassInc: Entrepreneurs of Color in MA report, March 2021**

<https://massinc.org/research/entrepreneurs-of-color/>

**The Boston Foundation: The Color of Capital Gap report, May 2021**

<https://www.bostonindicators.org/-/media/indicators/boston-indicators-reports/report-files/capitalgap052020211458.pdf?la=en>





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