

Municipal models for assisting Historically Underutilized Businesses

Historically Underutilized Businesses (HUBs) play a critical role in North Carolina's local economies. While small-business supports have been front and center in the response to COVID-19, HUBs are most at risk of significant economic losses — or permanent closure — and have faced barriers in accessing state and federal relief (see Breakout Box). The good news is that before the pandemic, North Carolina's local governments already were developing models to support HUBs in their communities and breaking down the barriers that prevent these businesses from getting established and expanding.

Increasing access to capital

For 15-plus years, the City of Charlotte has partnered with Bank of America, Wells Fargo, and others to contribute funds to the [Charlotte Community Capital Fund \(CCCF\)](#). Self-Help Credit Union administers the fund and serves as a third-party lender together with the Carolina Small Business Development Fund (CSBDF). CCCF guarantees up to 85 percent of a loan amount, reducing the collateral that HUBs need to access capital.

Providing technical assistance

The City of Winston-Salem created an [Office of Business Inclusion and Advancement](#) in 2016. The office provides technical assistance, certification support, and access to contracting opportunities for businesses owned by people of color and women.

Within the last year, the City of Durham established an [Equity and Inclusion Department](#) to provide technical assistance to and increase contracting with Underutilized Business Enterprises (UBEs). This department also will

Design flaws can prevent aid from flowing to businesses that are most in need

The CARES Act (Coronavirus Aid, Relief, and Economic Security Act) expanded access to small-business loans through the SBA (Small Business Administration) and the Paycheck Protection Program. Design flaws prevented HUBs from accessing and benefiting from these supports.

- Loans depended on businesses having **preexisting relationships with financial institutions**, which prevented underbanked Black- and immigrant-owned businesses from accessing urgently needed funds.
- **Loans were made on a first-come, first-served basis.** Many financial institutions put wealthier business customers at the front of the line, which diverted funds from the smaller local shops that are hit hardest by reduced consumer demand.

assess racial equity and inclusion efforts throughout city government.

Expanding markets and contracts

The City of Asheville's [Business Inclusion Office](#) works to ensure that businesses owned by people of color have the certification and information they need to compete for city contracts. Without an explicit focus on ensuring equitable access to capital and small-business supports, policies intended to help could worsen preexisting inequities for HUBs in particular. **North Carolina's local communities should consider developing model programs and policies that explicitly seek to engage with businesses owned by people of color and to support their recovery from this economic crisis.** Many communities already have begun this work in their COVID-19 response (see lists below).

Municipal small-business supports during COVID-19

NORTH CAROLINA MODELS

Recovery Task Force

- In **Charlotte**, the mayor and City Council will assemble a [Community Recovery Task Force](#) to support and assist families and businesses as they plan for the future. The task force will focus on challenges in the areas of small business, housing, and the airport.

Loan and Grant Funds

- The **Buncombe County** [Tourism Jobs Recovery Fund](#), authorized by the NC General Assembly and administered by Mountain BizWorks, was created by the Buncombe County Tourism Development Authority with \$5 million in occupancy-tax revenue dedicated to tourism product development.
- **Durham** established a [Small Business Recovery Fund](#), with \$1 million each from the city, Durham County and Duke University. Home businesses, food trucks, and independent contractors are all eligible. The fund is administered by the CSBDF.
- **Orange County's** [Emergency Small Business Funding Program](#) provides grants up to \$5,000 per business. The Board of County Commissioners approved \$300,000 for the first round of funding — which also included loans — and \$410,000 for the second round of funding.
- The **City of Raleigh** established a [fund to provide grants](#) up to \$10,000 to local, independently owned small businesses. CSBDF administered the program.

NATIONAL MODELS

- **Tampa, FL** — One Tampa: Relief Now, Rise Together helps residents and small businesses with rent, mortgages, and utilities.
- **Minneapolis, MN** — City Council has dedicated more than \$5 million for Minneapolis residents and businesses that have been hit hardest (includes immigrant and mixed status families).
- **Austin, TX** — City Council approved allocating \$15 million from the Emergency Reserve Fund

to establish the City's Relief in a State of Emergency Fund for Austin residents (includes immigrant and mixed status families).

- **Hayward, CA** — The Community Relief Fund directs charitable donations to residents and businesses. The focus will be on those experiencing a loss of earnings without paid sick leave or access to unemployment benefits.
- **Chattanooga, TN** — Created a resource support and stabilization [fund](#) for small business owners and displaced workers.
- **Newark, NJ** — Created a program to help commercial property owners and their tenants remain solvent and avoid evictions or foreclosures.

Considerations for equitable program design

- **Prioritize those who are most in need.** Several NC funds require applicants to have seen at least a 25 percent decline in revenues due to COVID-19. Orange County gives preference to businesses that have not been able to access funds elsewhere.
- **Partner with CDFIs** (Community Development Financial Institution) that have an established relationship with communities of color, instead of relying on relationships with traditional lenders.¹
- **Consider a mix of loans and grants.** Loan programs face fewer legal hurdles in North Carolina and may be implemented on a shorter timeline. Grants may be more widely accessible to those who don't qualify for loans and may supplement a loan program if private funds are available.²
- **Ensure equity in the application process.** In Durham, the CSBDF will market the program, provide technical assistance with applications, and select recipients randomly rather than a first-come, first-served basis.

Additional Resources and Models

- <https://nextcity.org/daily/entry/leveling-the-playing-field-in-city-contracting>
- <https://www.governing.com/cityaccelerator/blog/cities-purchase-power-people-color-minorities-lc.html>
- <https://www.governing.com/cityaccelerator/blog/How-Can-Cities-Boost-Minority-Owned-Businesses-By-Buying-from-Minority-Owned-Businesses.html>
- <https://www.entrepreneur.com/article/345149>

¹ brookings.edu/blog/the-avenue/2020/04/08/coronavirus-economic-relief-cannot-neglect-black-owned-business/

² <https://ced.sog.unc.edu/using-federal-coronavirus-relief-funds-for-small-business-support/>