G.I.F.T's Black Business Report

The Road So Far...
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Kansas City is one of 21 hyper-segregated cities in our country. It is no secret, we have a clear racial divide in our city. The racial wealth gap is vast and growing, as well as the disparities in opportunities for Black people in our city. It exacerbates the gap in access to funding and other resources that would assist in growing Black businesses, and by extension, the Black community.

That is why Generating Income For Tomorrow (G.I.F.T.) exists. We are a 501c3 nonprofit organization that is raising money and giving out grants to Black owned businesses that are located or operating on the east side of Troost Ave. That is the area that was specifically created for Black and Brown people through the practices of redlining, which eventually developed into an economic dessert.

Back in May of 2020 we set out on a path to raise money, identify, provide grants and technical assistance to worthy businesses in the Urban Core so they may grow and create jobs for the residents of the eastside. Even though we've raised over $250,000 since we've started and are guaranteed to give out a minimum of $180,000 before the end of April 2021, we are far from done. The ultimate goal is to build a Black owned grocery store in the Urban Core, as well as raise enough money to go beyond our current target area and expand to the entire KC metro area.

In this report, we'll talk about what we've learned about Black businesses in Kansas City so far. Since October 1st we've had over 70 businesses apply for funding from G.I.F.T. At the time we began working on this report, we had 56 grant applications. The findings in this report come from those 56 businesses. That means that this is not an extensive report on the Black businesses of Kansas City at large, but of what we have found so far doing this work.
The businesses that applied for grant funding from us are diverse in many ways. They span over ten different industries; varying widely from, years of operation, revenue and the products and services they provide. Our applicants showed themselves to be a strong source of employment, with 199 total paid employees between them all, with over 60% of our grant applicants being businesses owned by Black women.

Since October 1st, we've received a request for $1,394,817.00 in total grant funding. Thirty-eight businesses identified needing a portion of the grant money to cover fixed cost, such as rent and utilities, to either obtain or maintain a physical location. Thirty-five businesses identified needing all or some of the grant funding for payroll. The grant request, that would specifically allocate some, or all of the money to payroll, equal up to $998,750.00. Based on the intended use of the grant dollars, identified in the grant application, fulfilling all of these funding requests would create 216 more jobs immediately.

Based on the review of the data collected from our grant applicants, we believe there are clearly two primary needs for Black businesses. Those needs are, realistic access to early startup capital and increased access to technical assistance in the startup phase.

G.I.F.T. addresses these needs through direct grant funding and collaboration.
Normally when people think of Black owned businesses here in Kansas City, most immediately think restaurants. That became more apparent this summer during protests, when the movement to Buy Black was stronger than ever, and many list of Black owned restaurants were being circulated. While supporting Black restaurants is absolutely essential, we knew that Black entrepreneurs were so much more diverse, and our data supports that thought.

Our 56 grant applicants spanned across 10 different industries with food, human services, and skilled labor being the top three. See Chart below.
Business Diversity

A Breakdown

13 Food
10 Human Services
10 Skilled Labor
6 Education
4 Entertainment
4 Beauty
4 Clothing
3 Real Estate
1 Tech
1 Automotive
While all of our grant applicants have a need of some sort, the data we compiled also shows the strength that Black businesses have in our community.

Of the 55 businesses that have applied, 25 of them have been in business for one year or less, 11 more being in business for two years or less, 9 of them have been in business between 3-4 years, and 11 of them had been in business for 5 years or more. They range between 0 to 20 paid employees with a total of 199 paid employees between all of them.

24 of the businesses have no paid employees beyond themselves
21 of the businesses have 1 to 4 paid employees
11 of the businesses have 5 or more paid employees

They have $3,059,660.17 in total revenue from 2019 with $2,222,388.00 coming from the 7 highest performing businesses that have applied for funding from us. Their 2019 revenue ranged from $0 to over $660,000.
Businesses operating for 2+ year, account for $2,222,388.00 of total revenue for all applicants

- 25 have been in business less than one year
- 11 in business two years or less
- 9 of them have been in business between 3-4 years
- 11 have been in business for 5+ years
Businesses Range Between 0 to 20 Paid Employees

- 24 businesses have no paid employees beyond themselves
- 21 businesses have 1 to 4 paid employees
- 11 businesses have 5 or more paid employees.
• COLLECTIVELY OUR APPLICANTS EARNED $3,059,660.17 IN TOTAL REVENUE FROM 2019.
• $2,222,388.00 CAME FROM THE 7 HIGHEST PERFORMING BUSINESSES THAT HAVE APPLIED FOR FUNDING FROM G.I.F.T.
• THE REMAINING 49 BUSINESSES BROUGHT IN A TOTAL OF $837,272
• INCOMES RANGED FROM $0 TO OVER $660,000
We are also able to show that the Urban Core is rich with Black entrepreneurs, particularly Black women. Below you can see the geographic and gender breakdown of our grant applicants.

37 businesses were located or operating in our 6 zip code area targeting the Urban Core of KC
9 businesses were located or operating in the Grandview, Raytown, Independence, and South KC area
10 businesses were located or operating in the Downtown, Westport, and Johnson County areas

34 of the businesses owners are female
22 of the businesses owners are male

This speaks to the current power that Black business owners already have in the city. They employee hundreds of people, spanning a wide range of industries, with proven success in a lot of those areas.
Gender Breakdown

- Male Business Owners: 39.3%
- Female Business Owners: 60.7%

- 34 of the businesses owners are female
- 22 of the businesses owners are male
• 37 businesses were located or operating in our 6 zip code area targeting the Urban Core of KC

• 9 businesses were located or operating in the Grandview, Raytown, Independence, and South KC area

• 10 businesses were located or operating in the Downtown, Westport, and Johnson County areas
The core of our mission, is focused on urban job creation, through the expansion of Black owned businesses, with the end goal being to close Kansas City’s racial wealth gap. The data that we’ve collected over the past three months, not only lets us know we are on the right track, it spurs our drive to be able to fund more businesses as soon as possible.

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Based on the intended use of the grant dollars, identified in the grant application, fulfilling all of these funding requests would create 216 more jobs immediately.

Considering the high number of grant applicants that came from our target area, along with the high percentage of intent to use the funds for physical locations as well as increasing staff. It is extremely clear how investing in Black owned businesses is a path to wealth and job creation in the Black community, as well as a catalyst for reducing poverty related crime in these areas.
Use Of Funds

Of The $1,394,817 Requested:

- 38 identified needing a portion of the grant money to cover fixed cost such as rent and utilities to either obtain or maintain a physical location
- 35 identified needing all or some of the grant funding for payroll
- 33 identified needing all or some of the grant funding for inventory
- 3 identified needing all of the grant funding for special projects

Fulfilling all of these funding requests would create 216 jobs immediately
Challenges to Black-Owned Businesses

Though the path to Black prosperity may seem relatively clear when looking at the numbers above, there are some rather large hurdles that stop this from happening. Nineteen of the 56 businesses applied for other sources of funding and were denied. The most common reasons were that:

1. They were within their first 12 to 24 months and are too new to qualify for a loan
2. They did not have enough current cash flow to satisfy the lender
3. No reason given at all

Eight additional businesses indicated that they have not applied for other funding at all because they were too new.

Since 36 of the 56 applicants were in business less than 2 years, it is unlikely that they will get any type of funding.

From our research into potential avenues of funding, most traditional lenders require two years of operation before you can get a loan. Even alternative forms of capital require at least one year of operation with six months of positive cash flow.

This leaves start-ups with two options. Self-funding, or loans based on personal credit history. Due to the systemic factors of this country, that have intentionally excluded Black and Brown people from economic prosperity, and the continual increase of the racial wealth gap, it is less likely that Black entrepreneurs are able to self-fund their business.
19 Businesses Applied For Other Sources Of Funding And Were Denied.

The Most Common Reasons:

- To new to qualify for a loan
- Not enough current cash flow to satisfy the lender
- No reason given at all

8 Businesses indicated that they have not applied for other funding because they are too new.
The racial wealth gap also creates a credit gap. We live in a system where Black and Brown people are more likely to have lower income and less home ownership than their white counterparts. This means that their access to credit products, is slim or nonexistent, removing one of the primary ways to fund a business in the early stages, and limiting growth.

Another challenge is capacity. 45 of our 56 applicants have 4 employees or less, with most of them having none. We found that some of the technical things get passed over, such as creating a marketing plan and getting an accounting system. For example, while some businesses reported using an accounting system, the majority reported using spreadsheets or self-monitoring their business bank account to keep track of their financials.

When looking at what the applicants identified their needs to be, we saw the highest need in request for funds up to $25K. We also saw that fixed cost, payroll expenses, and inventory were nearly equal.
19 Businesses applied for up to 10K
23 Businesses Applied for up to 25K
14 Businesses applied for up to 50K

38 identified needing a portion of the grant money to cover fixed cost such as rent and utilities to either obtain or maintain a physical location

35 identified needing all or some of the grant funding for payroll

33 identified needing all or some of the grant funding for inventory

3 identified needing all of the grant funding for special projects.

Based on the review of the data collected from our grant applicants, we believe the need is clear:

- **Realistic access to early startup capital**
- **Increased access to technical assistance in the startup phase**
The State Of Black Business 2020

Overall requested funds since October 1st: $1,394,817.00

- 19 Businesses applied for $10K
- 23 Businesses Applied for up to $25K
- 14 Businesses applied for up to $50K
At G.I.F.T. our goal has always been to do whatever we can to help as many Black-owned businesses as possible. We understand that by growing Black businesses, we grow the city as a whole, and we do that in multiple ways.

First, through funding. By raising money from, the community at large, foundations, and corporations, we are able to give out grants in the amounts of $10K, $25K, and $50K, at a rate of one grant per month. By April 31st, 2021 we will have given out at least $180K in grants to 8 Black owned businesses in the Urban Core of Kansas City.

The second way we grow Black businesses is through providing technical assistance. Every grant recipient receives 12 months of professional business consulting, and 12 months of professional accounting services, both paid by G.I.F.T. We have also partnered with Beveridge Seay and Husch Blackwell, who provides pro bono marketing consulting and legal representation to our grant recipients.

In addition to what we provide to our grant recipients, we have recently launched a Back Office Support volunteer program, to provide business consulting, legal consulting, marketing, and accounting services to a wider pool of our grant applicants.

Lastly, we grow Black businesses through collaboration with other organizations with the same goal as ours. Together with the Heartland Black Chamber of Commerce, KC BIZ Care, The Porter House KC, Entrepreneur Business Basics, Black Excellence, and Black Privilege, We make up the Kansas City Black Business Coalition. Our goal is to work as a cohesive unit to ensure the greatest opportunities for business owners to succeed.
Conclusion

Black Business Ownership into the 21st Century

After reflecting on all that we have learned in these 8 long months, our resolve to grow Black businesses is stronger than ever. It is an undeniably tangible path to create jobs for the people in the urban core and begin to close the racial wealth gap in Kansas City.

We need to go above and beyond to help Black businesses get started and grow. Favoring Black businesses will be called unfair by some, but it is necessary to take aggressive action to reverse the effects of redlining and create true equity in our city.

There is still much more work to be done, which is best illustrated by the fact that we are only financially able to give out 8 grants, instead of meeting the needs of all 56 and creating those 216 jobs. We will continue to shoot for the stars, collaborate with others and aggressively seek out ways to grow the Black business community and create a more equitable Kansas City for everyone.