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RE: Support for the GroundBreak Capital Access Fund (HF4105)

March 6, 2024

Chair Hodan Hassan
597 State Office Building
100 Rev Dr Martin Luther King Jr Boulevard
St. Paul, MN 55155

Dear Chair Hassan,

I'm writing today in support of HF4105 which would provide a one-time \$70 million investment in the GroundBreak Capital Access Fund to expand wealth-building opportunities for entrepreneurs and commercial developers as part of a regional, 10-year strategy to close racial wealth gaps, starting in the Minneapolis-St. Paul/Metro-area.

GroundBreak is a coalition of over 40 philanthropic, corporate, and civic institutions working to fundamentally change how and where capital flows so every person, no matter their race or background, has the opportunity to build wealth in our region. The Minneapolis Foundation is proud to be a partner of this coalition.

In 2022, hundreds of community members designed financial tools & products that, if fully financed, would remove barriers for BIPOC wealth-builders and close racial wealth gaps. The goal is to make private capital more accessible, and account for generational wealth disparities: our region has used race to exclude people from wealth-building opportunities, and we must be intentional about including people.

GroundBreak partners identified that that by creating a financial system for the region, we could unlock over \$5.3 billion in capital for aspiring homeowners, entrepreneurs, and commercial developers and that every \$1 in flexible capital invested could unlock over \$3 in private market capital.

A core premise of GroundBreak is that the onus must be on institutions that hold capital to make it accessible, instead of placing the burden on nonprofits and individuals. To that end, the Minneapolis Foundation is working closely with coalition partners to organize \$1.2 billion in flexible capital over the decade that can flow in a systematic, predictable way, along with approximately \$4.1 billion in capital from the private market through GroundBreak-aligned loans.

Flexible capital will be used to bridge one-time funding gaps to account for historic wealth disparities, maximize private-market capital, and ensure community-identified financial tools & products are widely available at a scale commensurate with the need.

For entrepreneurs and neighborhood commercial developers, these include:

- \$50,000 forgivable start-up loans for new businesses
- Business bank loans up to \$1,000,000 for growing businesses with partial guarantees
- A system that would enable neighborhood commercial developers to secure at least 95% of financing for a project through one doorway by stacking three different kinds of capital in a systematic way:
 - Commercial mortgage loans provided by financial institutions with a partial guarantee (senior debt)
 - Low-cost loans that do not need to be repaid immediately (junior debt) and
 - Equity enhancements for up to 2% of a project cost or \$250,000.

Currently, the partners are building regional pools for low-cost, patient capital, grants to bridge financial gaps, and guarantees for loans. We are working with our Boards to pledge assets and endowments for grants and loan guarantees. We will be working with private donors to unlock capital from Donor Advised Funds for GroundBreak's low-cost, patient capital pool. This means that immense wealth that has been built in our region can be used to help other families build wealth.

State investments will provide precious, flexible capital, filling critical gaps that are not fully covered by philanthropic or private partners. State funds will be matched with resources from other partners. The Minneapolis Foundation will serve as a conduit for state funds. Capital will be available through GroundBreak approved partners including nonprofits, CDFIs, and financial institutions.

While this first-in-the-nation financial system is first being built on a regional level in the Minneapolis-St. Paul/Metro area, we envision that as its established, it will expand statewide and be replicated across the country.

On Behalf of the GroundBreak Coalition, we respectfully request your support in this truly groundbreaking effort.

Sincerely,

R.T. Rybak
President & CEO
Minneapolis Foundation