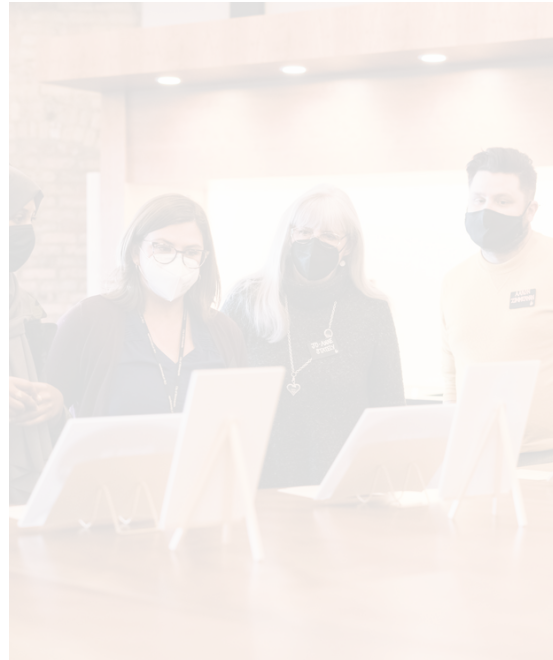
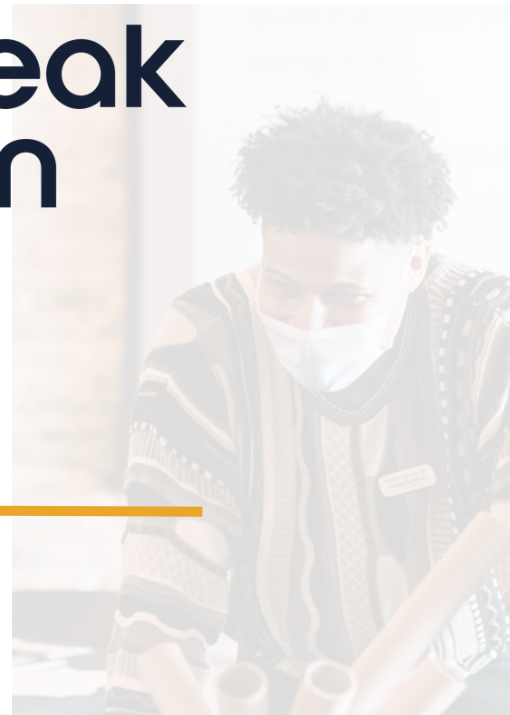




GroundBreak Coalition

PROGRESS REPORT

October 2023





EXECUTIVE SUMMARY

GroundBreak, a coalition of over 40 corporate, civic, and philanthropic organizations, was established in 2022 with the mission of creating a more inclusive, racially equitable, and climate-ready Minneapolis-St. Paul region. Over the next decade, GroundBreak aims to expand access to capital to close racial wealth gaps in the region, with a focus on building Black wealth. Through deep collaboration across philanthropic, private, and public institutions, GroundBreak seeks to impact 11,000 new homeowners, 5,000 entrepreneurs creating 8,000 jobs, 60 neighborhood commercial developments, and 23,500 units of affordable housing.

In 2022, GroundBreak identified financial tools and products that can help close racial wealth gaps with an emphasis on leveraging private-market capital. Over the next 10-years, GroundBreak aims to mobilize \$5.3 billion to fund these financial tools and products to achieve ambitious results.

In October 2023, GroundBreak announced a nearly \$1 billion (\$926.75 million) investment in wealth-building opportunities pledged by ten institutions: Bremer Bank, Bush Foundation, GHR Foundation, Huntington Bank, M.A. Mortenson Companies Inc., Margaret A. Cargill Philanthropies, McKnight Foundation, Pohlad Family Foundation, Securian Financial and U.S. Bank.

In addition to impact goals that were identified through existing research and reports, community work groups identified common barriers facing wealth builders and solutions to lower them. Examples of common barriers include lack of access to generational wealth, mistrust of financial institutions, and overly conservative risk-assessment models. Proposed solutions include bridging financial gaps to account for generational wealth disparities and unlocking capital with flexible terms and conditions.



By concentrating on the aspirations of Minneapolis-St. Paul residents who face some of the region's deepest and most persistent disparities, GroundBreak aims to ensure strategies are broadly beneficial, contributing to a more equitable and prosperous region for all Minnesotans.

GroundBreak identified that by creating a **new financial system for the region** institutions could enable a large amount of capital to intentionally flow toward financial tools and products for aspiring homeowners, entrepreneurs, and commercial developers. The innovation, which harnesses both flexible capital and lending commitments from financial institutions includes a combination of grants to fill one-time funding gaps, guarantees for loans, low-cost, patient capital, and special purpose credit program loans. Through this system, every \$1 of flexible capital can unlock over \$3 in private-market capital in a predictable and sustainable way.

In October 2023, GroundBreak announced \$926.75 million in financial commitments to expand wealth-building opportunities at a Community Briefing to inform partners and community members on progress and the work ahead. Progress to date includes securing a significant down payment toward GroundBreak's 10-year goals and the early development of a more durable operations and governance structure. Work ahead includes building systems to deploy capital, securing additional flexible capital and lending commitments, continuing work on rental housing and aligning GroundBreak with climate initiatives.

GroundBreak is an ambitious effort, providing a nation-leading path forward for a more equitable and prosperous Twin Cities region and beyond. This report provides a comprehensive review of GroundBreak's vision, progress to date, opportunities ahead, and our path forward.

Key Definitions

Capital: Money or assets that can be used to invest, start businesses, create wealth, or generate income. Includes various financial resources such as savings, grants, loans, and investments.

Private-Market Capital (or market-rate capital): Financial resources, loans, or investments provided at interest rates determined by prevailing market conditions with terms and interest rates that can fluctuate based on factors like supply and demand, economic conditions, and perceived level of risk.

Flexible Capital (or non-market rate capital): Financial resources, loans, or investments typically provided at a lower interest rate and more favorable terms and conditions, often offered by organizations, governments, philanthropy, or other investors to support specific initiatives.

“Collaboration is the cornerstone, embracing change is non-negotiable, we must let go of the status quo.”

- Miriam Zoila, *Three Lessons from Emergent Strategy*



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GROUNDBREAK OVERVIEW

As an African proverb says, **“If you want to go fast, go alone. If you want to go far, go together.”** This philosophy is the ethos of the GroundBreak Coalition and the work it is doing to transform the Twin Cities from a place where George Floyd died into one where he would have thrived.

GroundBreak — a coalition of over 40 corporate, civic, and philanthropic organizations — launched in 2022 with the mission of creating a region that is dramatically more inclusive, racially equitable, and climate-ready. Given the challenge to not only rebuild after 2020, but to reimagine a new future for the Minneapolis-St. Paul area, GroundBreak leaders set out to change how money flows in the region, and to whom it flows.

Since its launch, GroundBreak asked hundreds of community members and technical experts what it would take to close racial wealth gaps in Minneapolis-St. Paul, uncovering the financial tools and products that would make a meaningful difference to BIPOC wealth builders. [1] The only caveat was that private-market capital had to be part of the solution. As a result, GroundBreak focused efforts on four key areas: homeownership, entrepreneurship, commercial development, and rental housing.

With an ambitious 10-year vision, GroundBreak researched strategies to equitably build wealth across all BIPOC communities and further honed in on building Black wealth. By concentrating efforts on the aspirations of Minneapolis-St. Paul residents who face some of our region’s starkest disparities, GroundBreak seeks to ensure strategies are effective for people across all races and backgrounds. [2]

Unlike a joint fund that eventually spends down its assets, GroundBreak is developing a regional strategy to remove common barriers that stand between Black wealth builders and capital needed to buy a home, start or grow a business, and develop commercial property.

By creating a new financial system, GroundBreak identified a way for large amounts of capital to intentionally flow. The innovation, which harnesses both flexible capital and lending commitments from financial institutions includes a combination of grants, guarantees for loans, low-cost, patient capital, and special purpose credit program loans. [3] Through this system, **every \$1 of flexible capital can unlock over \$3 in private-market capital** in a predictable and sustainable way.

[1] BIPOC stands for Black, Indigenous, and people of color.

[2] Powell, John A., Menéndez, Stephen, and Ake, Wendy Targeted Universalism, Policy & Practice, Othering & Belonging Institute, UC Berkeley.

[3] Low-cost, patient capital is money a business raises because it allows a long-term repayment option with a lower interest rate than the private market.



Building on previous research from the Minneapolis Federal Reserve Bank, the Governor’s Task Force on Housing, the Urban Institute, other sources and local work groups, GroundBreak identified impact goals that include: 11,000 new Black homeowners, 5,000 Black entrepreneurs, 60 Black-led neighborhood commercial developments, and 23,500 units of affordable housing. [4]

To date, GroundBreak achieved several key milestones:

- In early 2023, a broad set of philanthropic, financial, and civic leaders affirmed an ambitious plan and set of financial tools and products developed by community work groups to change how money flows in the region.
- In September 2023, GroundBreak leaders approved a new governance and operations structure that allows coalition members to begin building the financial system and its infrastructure that will soon allow more capital flow toward Black wealth builders.
- In October 2023, GroundBreak announced a nearly \$1 billion (\$926.75 million) investment from ten philanthropic, corporate, and financial institutions. In addition to private investments, approximately \$175 million in state funding for first generation homebuyers and Minnesota Housing mortgage lending can also be harnessed toward homeownership goals.

Moving forward, there are also important considerations to our approach and areas of opportunity to focus on:

- **Balancing urgency and long-term vision:** GroundBreak is seeking to make fundamental changes within 10 years. We are navigating the urgent need for financing and the time it takes to build new, highly collaborative and impactful systems.
- **Systems change takes time:** GroundBreak’s approach requires deep collaboration across sectors. It takes intention and focus to collectively replace the status quo with a new way of operating.
- **GroundBreak has a clear focus:** GroundBreak’s priority of leveraging private-market capital is a considerable undertaking and requires a focused approach to make the greatest impact. GroundBreak does not encompass all of the work needed to fully address racial wealth equity. For this reason, many of our organizations continue to support efforts to address adjacent issues to GroundBreak’s focus.

In the words of Tonya Allen, President of McKnight Foundation and a founder of GroundBreak, “As a state, we have wrestled with deep disparities, but we have never figured out how to wrestle with great aspiration.” Together, GroundBreak is working to close wealth gaps and tangibly support great aspirations with a first-of-its-kind capital initiative.

[4] GroundBreak’s affordable rental housing goals are aimed at households earning less than 60% of area median income (AMI) and less than 40% of AMI.



GROUND BREAK'S VISION AND STRATEGY FOR CHANGE

GroundBreak aims to reimagine what is possible through equitable investments in the aspirations of the people who live here. Our approach includes three key components:

- **Building Black wealth:** Our strategy uses a targeted approach focused on Black wealth builders to ultimately close racial wealth gaps for all BIPOC communities and ensure financial systems can work for everyone.
- **Capital:** In the past, our region has not been intentional about organizing capital at scale even though it is a consistently needed resource. GroundBreak's strategy asserts that people and institutions with capital must increase the supply of money available to affect change permanently.
- **New regional systems:** Because most money is held in financial institutions, we believe private capital must be part of the solution to make a sustainable impact. To make more money available, commensurate with the need, we realized we needed to create new systems that bring together financial institutions, corporations, investors, philanthropic organizations, and governments to increase access to capital.

Additionally, understanding the critical importance of both climate-readiness and racial equity to our region's future, GroundBreak is seeking opportunities to align investments in both areas.





Our plan requires a targeted, scaled, and sustainable approach. By concentrating on the aspirations of Minneapolis-St. Paul residents who face some of our region’s deepest and most persistent disparities, we can ensure strategies are effective for all communities. In the process of creating a more equitable and prosperous region, our work aims to ultimately benefit all Minnesotans.

This work starts with capital, but it doesn’t end with capital. Success is a true and permanent transformation of the systems that control capital and its flow. Success is changing narratives to create a more inclusive financial system and proving through GroundBreak portfolios that institutions’ perceived lending risks are unfounded. Success is closing racial wealth gaps for good with compounding returns.

What is the difference between GroundBreak and a fund?

While funds are typically time-limited pools of money that are raised for certain purposes and eventually run out, GroundBreak is working to create permanent mechanisms through shared strategies adopted by private, public, and philanthropic partners. We are currently working to build the enduring systems that make more financing and funding easily and readily available to Black wealth builders. GroundBreak is not creating a fund, but fundamental change.

Regional Background

Minnesota has extraordinary assets and resources. The Twin Cities constitute the 15th largest metropolitan economy in the United States with a gross domestic product of just under \$297 billion while Minnesota is home to 15 Fortune 500 companies. [5]

However, not everyone has had the opportunity to share in our region’s wealth and prosperity. Minnesota has the sixth worst racial income disparities in the nation, despite a relatively high average income. [6] The median household income for Black households in the metro-area is more than \$47,000 less than it is for white households.

Across Minnesota, just 25% of Black households own their home compared to 77% of white households. Historic disparities in the Twin Cities can be traced back to policy decisions ranging from land-use to resource allocation. [7] GroundBreak seeks to develop new financial systems that set our region on a different, more equitable course.

[5] Mapped: The Largest 15 U.S. Cities by GDP, 2023. MN has 15 companies on the Fortune 500 list, Bring Me the News, 2023.
[6] Minnesota among states with highest average household income, highest racial inequality, Minnesota Reformer, July 20, 2023.
[7] Twin Cities Metro Regional Disparities by Race and Origin, MN DEED, 2020, Economic Status of Minnesotans, DEED, 2023 and Systemic racism haunts homeownership rates in Minnesota, Minneapolis Federal Reserve, 2021.



IMPACT GOALS AND INNOVATION

GroundBreak began its work by researching and developing a set of impact goals for building BIPOC wealth. Building on previous research, GroundBreak assessed what goals would dramatically close racial wealth gaps. The coalition focused on three proven avenues for wealth building that intersect with the offerings of private lenders: homeownership, entrepreneurship, and commercial development.

Because stable housing — whether it is owned or rented — is critical for building wealth, GroundBreak also researched capital opportunities related to housing stability through rental housing development for households earning less than 60% of the area median income (AMI) and less than 40% of AMI.

GroundBreak’s impact goals for all BIPOC communities include:

- 45,000 new BIPOC homeowners
- 11,000 new BIPOC entrepreneurs with 20% of businesses employing over 5 people
- 30 community-led, climate-ready commercial developments
- 23,500 families are stably housed affordable housing units.

Upon further reflection, research, and analysis, the steering committee concluded that a targeted strategy focused on Black wealth builders was most responsive to regional disparities and GroundBreak’s origin, and that a targeted approach would also generate benefits more broadly for all communities that have historically faced barriers to capital.

Targeted impact goals for building Black wealth include:

- 11,000 new Black homeowners
- 5,000 new Black-owned start-up businesses creating 8,000 jobs
- 60 new Black-led neighborhood commercial developments [8]
- 23,500 families stably housed in affordable units

The Work Group Process

In 2022, over 170 individuals and 120 organizations participated in an intensive design process to identify key barriers and uncover the financial tools and products that would make a meaningful difference to wealth builders with the caveat that solutions needed to leverage private-market capital. Over a six-month period, four work groups participated in 23 meetings. By the end of the design sprint, community members and technical experts identified nine financial tools and products that were brought back to the steering committee to implement. [9]

The next sections outline work group findings, proposed financial tools and products, and GroundBreak’s core innovation to fund solutions.

[8] Targeted impact goals for Black-led neighborhood commercial developments were increased from initial goals after work groups reviewed projects in the pipeline and determined previous goals were too low. The work group also directed GroundBreak to focus on neighborhood developments under \$10 million.

[9] See Appendix A.



GROUNDBREAK WORK GROUPS, FALL 2022





HOMEOWNERSHIP

Work group question: What would it take for 11,000 Black households to become homeowners over the next decade?

Common barriers aspiring Black homeowners face:

- A history of predatory practices deters potential Black homebuyers from exploring homeownership or seeking a loan.
- Generational wealth disparities mean first-time home buyers lack the necessary down payment funds to secure mortgage loans.
- Mistrust is created by inconsistencies in underwriting standards, practices, and products across lenders.
- High rates of mortgage denials stem from overly conservative risk assessment models based on factors like credit scores, debt to income ratios, and savings that are less favorable to homebuyers with limited generational wealth.
- Loans carry greater costs through higher interest rates due to risk-based pricing, mortgage insurance, and closing costs.
- Limited intergenerational wealth means buyers are more likely to spend down their financial resources to purchase a home, leaving insufficient funds for large and unexpected costs that may ultimately result in the loss of the home.

Solutions we heard:

- **Make it easier for homebuyers to afford a home** by providing cash for down payment assistance, forgivable loans, lower cost mortgages, and home preservation funds in case an unexpected expense comes up or income is lost.
- **Increase and maximize funding** by allowing homebuyers to pair GroundBreak's tools with other state, county, and nonprofit homebuyer assistance programs.
- **Create a standard experience for homebuyers** so they have a consistency across financial institutions and there is more transparency and trust in the process of borrowing.
- **Streamline processes through collaboration** between lenders and funders so homebuyers can take advantage of otherwise disjointed local and state programs, and the onus is on lenders and funders to coordinate financing.

Financial tools and products we identified:

1. **A GroundBreak-endorsed mortgage product:** Special bank loans with flexible underwriting. [10]
2. **Cash to buy and close on a home:** Financial assistance up to \$50,000 to cover down payments and closing costs (half forgivable, half repayable) that can be paired with other homeownership assistance programs.
3. **Funds to keep a home:** Forgivable loans up to \$10,000 for home preservation in case of a costly emergency like mid-winter furnace replacements.

[10] Special purpose credit program loans would be for homebuyers earning above 50% of AMI or above about \$56,000 for a family of four. There would be no upper income limit for these loans. Flexible underwriting means lenders would adopt less stringent methods of assessing risk that have been proven through pilots to expand eligibility for borrowers but are not broadly available. Mortgage products would be available through multiple lenders.



HOMEOWNERSHIP

Unpacking the impact: If these solutions are fully activated, homebuyers would have more cash to buy and close on a home, more confidence to buy a home if they know forgivable loans are available to cover unexpected expenses, and the option of applying for a GroundBreak-endorsed mortgage with more favorable terms and conditions offered by different banks across the region. [11]



[11] At an August 2023 community input session, current and aspiring Black homeowners underscored the importance of getting the word out about these opportunities through a large-scale marketing campaign, using trusted organizations as messengers, and conducting grassroots outreach when new homeownership tools become available. A summary of community insights are available on GroundBreak's [website](#).



ENTREPRENEURSHIP

Work group question: What would it take for 5,000 Black entrepreneurs to start and grow businesses that create at least 8,000 jobs over the next decade?

Common barriers aspiring Black entrepreneurs face:

- Generational wealth disparities mean entrepreneurs are less likely to have networks with the ability to seed start-up costs.
- A history of loan denials sends the message that applying will be futile and humiliating.
- Loan applicants are more likely to be denied because of overly conservative methods of assessing risk.
- The lack of two or more years of business experience and significant personal wealth for collateral means perceived risk keeps applicants from being approved.
- Those who decide to move forward despite the odds often lack the necessary relationships with bankers to help them grow.
- Approved loans often carry higher repayment costs due to risk-based pricing.

Solutions we heard:

- **Bridge financial gaps** through collaborations across banks, philanthropy, and governments to fully meet the needs of start-up and early-stage businesses.
- **Prioritize choice and autonomy through flexible-term funding** with less restrictive eligibility requirements so entrepreneurs can choose the right financial product for their business.
- **Streamline processes** to deploy financing faster through a common application process across lenders.

Financial tools and products we identified:

1. **Capital to start a business:** Provide forgivable start-up loans up to \$50,000 [12]
2. **Loan to grow a business with over a year of revenue:** Provide early-stage small business loans of \$50,000 to \$250,000 with flexible underwriting.
3. **Loan to grow a business with over two years of revenue:** Provide growth-stage commercial loans of \$250,000 to \$1 million with flexible underwriting. [13]

Unpacking the impact: If these solutions are fully activated, entrepreneurs would have more access to critical start-up funding, capital that entrepreneurs from affluent backgrounds are often able to raise through their network and access to generational wealth. Entrepreneurs with an established business would be able to access GroundBreak-endorsed loans to grow their business under more favorable terms and conditions through a financial system designed to be inclusive of Black entrepreneurs.

[12] Forgivable start-up loans would be provided through flexible capital (grants).

[13] GroundBreak-endorsed loan products for early and growth-stage businesses would be provided through special purpose credit program loans with a partial guarantee. Flexible underwriting means lenders would adopt less stringent methods of assessing risk that have been proven through pilots to expand eligibility for borrowers but are not broadly available. For example, allowing flexible collateral requirements. Loan products would be available through multiple lenders.



COMMERCIAL DEVELOPMENT

Work group question: What would it take to establish 60 Black-led neighborhood commercial developments?

Common barriers aspiring Black developers face:

- Generational wealth disparities mean developers lack the necessary collateral to secure loans.
- A lack of significant personal wealth and prior successful developments mean lenders view applicants as higher risk, ultimately denying loans or offering insufficient funding.
- It takes years to fill in the gaps left by small loans with a patchwork of additional funding sources.
- Uncertainty and additional costs result from a lack of sufficient, predictable financing sources.
- Repayment is due too soon before properties and businesses can be adequately developed, built, and start generating stable revenue.

Solutions We Heard:

- **Ensure that 95% of financing can be efficiently and reliably secured** for a commercial development.
- **Create pathways for developers to generate their own income** from projects that can be leveraged and reinvested.

Financial tools and products we identified:

1. **Commercial mortgage loans for the first 60% of project costs:** Make financing readily available for the first 60% of a project's cost with flexible underwriting. [14]
2. **Low-cost, patient capital from GroundBreak to invest in the next 35% of project costs:** Make low-cost financing easily available for the next 35% of project costs that can be repaid with flexible terms over a long-term period. [15]
3. **Cash for collateral:** Make it easier for developers to come up with the remaining 5% of the project by providing 2% of the project cost in equity enhancements.

"To open the door for more Black-owned commercial developments, we need to think about both financing and the importance of time. The faster financing can be secured, the quicker we can get to work without additional costs and lost time adding up. On the flip side, the more time we have to repay a loan means that, especially for neighborhood developments, we are factoring in how much time it takes to start generating revenue. It is not just the financing that matters, but the timing, the terms, and how fast all the pieces can come together."

- D'Angelos Svenkeson, CEO, NEOO Partners

[14] GroundBreak-endorsed loans would be provided with loan guarantee. Flexible underwriting means lenders would adopt less stringent methods of assessing risk, that while different, have been proven, through pilots, to expand eligibility for borrowers yet never made broadly available. For example, flexible collateral requirements. Loans would be available through multiple lenders.

[15] Low-cost, patient capital is money a typically small or medium sized business raises because it allows a long-term repayment option with a lower interest rate than the private market.



RENTAL HOUSING

Work group question: What would it take to develop 23,500 units of affordable housing for households earning less than 60% of AMI over the next decade?

Research from the Metropolitan Council, Governor’s Task Force on Housing, and the Itasca Housing Affordability Task Force Report helped the work group identify that approximately 24,000 Black Minneapolis-St. Paul households face housing instability. The lack of affordable housing means that Black renters—particularly households earning less than 60% of AMI, or about \$70,000 for a family of four—are most likely to face housing instability. The work group also honed in on the need for affordable rental housing for households earning under 40% of the AMI because the majority of Black households facing housing instability earn less than 40% of AMI. [16]

The work group looked at the issue from the lens of a Black renter household and considered two key “what if” questions:

1. What if all households with incomes below 60% of AMI could afford market rate rents?
2. What if those households could build equity, savings, or wealth while renting without homeownership?

Our findings: To date, tools that leverage market-rate private capital to finance affordable housing for households earning less than 60% of AMI did not emerge. The importance of debt-free sources of funding for rental housing development surfaced, as did the fact that private capital could make a significant difference as a subsidy, so long as it did not require a return. The group recommended additional exploration around the streamlining of the financial processes that surround affordable housing development; leveraging low-cost, patient capital to maximize existing funding; and other innovations that can support wealth building for renters.

Next steps and opportunities after the 2023 Legislative Session:

This year, the state Legislature passed a historic \$1 billion investment in housing. In addition to significant one-time investments in rental housing assistance and homebuyer assistance programs, the Legislature passed a new Metro-wide area sales tax to provide ongoing funding for state, city, and county investments in rental and housing assistance, affordable housing providers, and affordable housing preservation and expansion. Rental housing leaders are continuing to explore how GroundBreak’s vision for rental housing may be powered through new state investments.



GroundBreak will continue exploration and work on rental housing in 2024 and many coalition partners will continue supporting housing efforts through other initiatives and grantmaking.

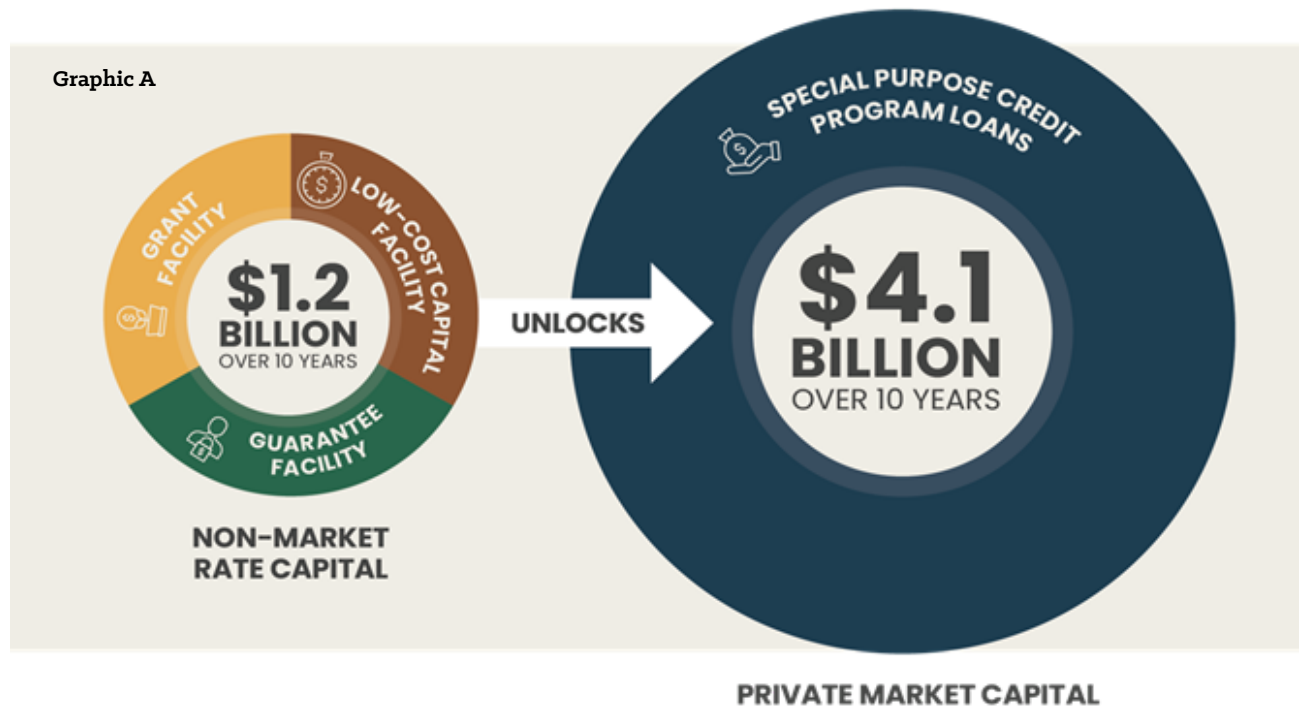
[16] About 70% of Black households facing housing instability in MSP earn under 40% of AMI or about \$46,000 per year for a family of four.



REACHING OUR GOALS: A New Financial System for the Region

Once financial tools and products were identified, GroundBreak calculated it would take approximately **\$5.3 billion to fund them and achieve** homeownership, entrepreneurship, and commercial development goals.

GroundBreak leaders considered what it would take to enable this amount of capital to easily flow toward Black wealth builders and other communities facing barriers to capital. We identified an innovation that achieves this scale through alignment across philanthropy, financial institutions, governments, and other investors. By combining grants, guarantees, low-cost capital, and special purpose credit programs in a **new regional financial system, every \$1 of flexible capital can unlock over \$3 in private capital** in a predictable and sustainable way. [17]



Graphic A: GroundBreak estimates \$1.2 billion in flexible capital can unlock \$4.1 billion in private-market capital through special purpose credit program loans provided by financial institutions. Each element of GroundBreak’s system exists in Minneapolis-St. Paul or other markets, but no region has implemented each of these strategies in one place, at the same time.

[17] GroundBreak is working to secure \$250 million in flexible, non-market rate capital toward the platform by December 2024. Additionally, this work will require capacity-building grants for approved partners who will deploy capital.



GroundBreak's financial system provides breakthroughs in three ways:

1. **It scales solutions identified by work groups:** By unlocking capital through a system, we can shift the burden of raising capital away from nonprofits and ensure thousands of more wealth builders have access to the financing they need to buy a home, start or grow a business, or develop commercial property.
2. **It establishes a shared, regional strategy:** Every individual investor, public, and private institution can contribute to GroundBreak's goals, whether through grants, loans or pledging of assets to be used for guarantees. Instead of having many disjointed approaches and boutique financial products, GroundBreak is creating a streamlined plan to transform how money flows, and who it flows to in Minneapolis-St. Paul.
3. **It creates long-term systems change:** Instead of creating another fund, a regional system creates new ways of systematically blending capital from different sectors in a way that can exist permanently and be replicated elsewhere. [18]

Homeownership Example: What GroundBreak Helps Make Possible

Once the financial system is established, GroundBreak can make it easier and more affordable for a family to buy a home by combining a GroundBreak-endorsed mortgage product with homebuyer assistance grants, forgivable loans, and additional state or county homebuyer assistance programs. [19]

Financing would be administered by approved partners such as banks, Community Development Financial Institutions (CDFIs), or nonprofit organizations focused on homeownership. Capital would be accessed by approved partners through GroundBreak's system, shifting the burden of raising and organizing financing from nonprofits to the institutions that hold capital.

In addition to maximizing the financing tools available to homebuyers, the system creates standardized products across institutions so homebuyers have nearly identical experiences at a variety of banks, CDFIs, and nonprofits. By permanently changing institutional practices and expanding access to capital, we can reduce barriers for thousands of aspiring homeowners and support the building of generational wealth.

[18] See Appendix C.

[19] The GroundBreak-endorsed mortgage product would be provided by financial institutions. Homebuyer assistance grants and forgivable loans to cover down payments and closing costs would be provided by philanthropic and public partners.



MOVING FORWARD TOGETHER

In October 2023, GroundBreak announced nearly \$1 billion (\$926.75 million) to expand wealth building opportunities committed by ten institutions: Bremer Bank, Bush Foundation, GHR Foundation, Huntington Bank, M.A. Mortenson Companies Inc., Margaret A. Cargill Philanthropies, McKnight Foundation, Pohlad Foundation, Securian Financial and U.S. Bank. [20] This significant down payment is a testament to GroundBreak's momentum and recognition that more can be achieved by working together across sectors.

Over the next year, GroundBreak will implement a revised governance and operations structure, build the technical teams tasked with developing the financial platform and identifying approved partners who will be responsible for deploying capital.

In next year's progress report to the community, GroundBreak will have more information about the teams charged with building the platform, approved partners, and when money will begin to flow in each area. Financial tools and products are expected to be available by the end of 2024. In the meantime, monthly progress updates are available through GroundBreak's newsletter and website.

Moving forward, GroundBreak seeks to address key questions including:

Opportunities to align goals with climate initiatives:

- GroundBreak believes there are significant opportunities to integrate climate initiatives with GroundBreak's approach. This is a developing area, though one potential alignment is leveraging new financing opportunities through Minnesota's emerging green bank that will funnel state, federal, and private dollars toward climate projects as well as climate projects through GroundBreak's commercial development area. [21]

Increasing the demand for Black-owned banks and businesses:

- With more money flowing toward Black wealth builders, we anticipate a demand for more Black-owned banks, lenders, and realtors. [22] We also have the opportunity to build the capacity of nonprofits and other partners to lead this aligned work. Many coalition members are considering the range of professions our region will need to fully realize GroundBreak's roles and how they can be supported.

GroundBreak remains committed to transparency and adaptation in the face of these opportunities and the work ahead. We welcome ideas, engagement, and insights to strengthen our approach.

[20] Investments are slated to be finalized in the first two quarters of 2024, contingent on final term sheets, structures, and approved partners. Terms range between three-to-ten years.

[21] Minnesota Climate Innovation Finance Authority, Dept. of Commerce, 2023. A briefing on opportunities to integrate climate into GroundBreak was presented by Ben Passer, Senior Program Officer with McKnight Foundation's Midwest Climate & Clean Energy program in August 2023 and is available [here](#).

[22] Minnesota's first Black-owned bank opens in Minneapolis, MPR News, April 26, 2022.



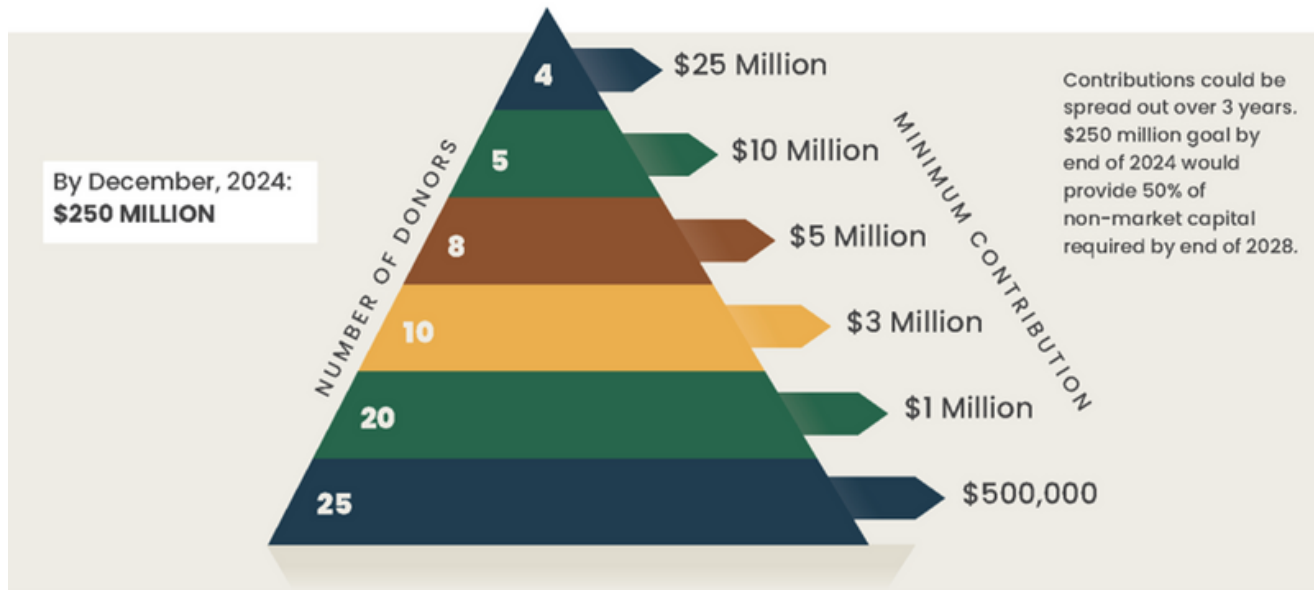
JOIN US

We're at a critical juncture in our journey. GroundBreak is looking for partners and supporters to join us in creating a just future for the Twin Cities region that will ripple out across Minnesota and show the nation what's possible. Now is the time to help us move this crucial work forward. GroundBreak is working to secure \$250 million in flexible investments by December 2024. A range of investments by many institutions will ensure our ability to achieve the breakthroughs we are capable of at the scale necessary to build transformative Black wealth in our region. We are actively seeking additional investments.

We encourage investors to think creatively about their resources and ability to make non-traditional commitments like unfunded guarantees or forgivable loans in order to power GroundBreak's shared financial platform. We encourage investments to complement, not replace, existing support for institutions and organizations aligned with GroundBreak's goals and approach.

Investments can be specified for GroundBreak grants, low-cost, patient capital, or pledged assets to enable guarantees. Investments can also be directed to any of the wealth building areas or any of the nine financial tools and products. To learn more about our work and ways that you can support it, please contact **Ben Hecht** at bhecht@mcknight.org or **Erin Imon Gavin** at egavin@mcknight.org.

Flexible Capital Investment Goals





CONCLUSION

Together, we can expand economic opportunity for all Minneapolis-St. Paul residents by creating a more prosperous and equitable region. Over time, we can increase regional wealth, strengthen communities, attract new businesses and investments, and write a new future for all Minnesotans.

GroundBreak is thankful to our visionary partners who have already taken — and all of those who will take — this bold step with us. We always welcome questions and feedback about our work. Please contact us at info@groundbreakcoalition.org and find updates on our website at www.groundbreakcoalition.org.

GroundBreak Coalition Steering Committee

Tonya Allen, McKnight Foundation
Kelly Baker, Thrivent
Susan Bass-Roberts, Pohlad Family Foundation
Tawanna Black, Center for Economic Inclusion
Dorothy Bridges, MEDA
Robert Butterbrodt, Wells Fargo
James C. Burroughs II, Children's Minnesota
Mayor Melvin Carter, City of St. Paul
Kari Collins, Ramsey County
Greg Cunningham, U.S. Bank
Dondi Edwards, Wells Fargo
Rebecca Fabunmi, City of Minneapolis
Patricia Fitzgerald, Hennepin County
Jennifer Ford Reedy, Bush Foundation
Mayor Jacob Frey, City of Minneapolis
Peter Frosch, Greater MSP
Darrel German, Huntington Bank
Amy Goldman, GHR Foundation
Nicolle Goodman, City of St. Paul
Commissioner Marion Greene, Hennepin County
Amelia Hardy, Best Buy
James Hereford, Fairview Health Services
Commissioner Jennifer Ho, Minnesota Housing

David Hough, Hennepin County Administrator
Suzette Huovinen, Securian Financial
Kate Kelly, PNC Bank
Kenneth Kelly, First Independence
B Kyle, St. Paul Area Chamber
Kenneth LaChance, Wells Fargo
Chris LaTondresse, Beacon Interfaith Housing Collaborative
Commissioner Trista Martinson, Ramsey County
Repa Mekha, Nexus Community Partners
David Mortenson, Mortenson Construction
Adair Mosley, African American Leadership Forum
Jim Mulrooney, Bremer Bank
Ravi Norman, Norman Global Enterprises
Ryan O'Connor, Ramsey County
Pilar Oppedisano, JP Morgan
David Reiling, Sunrise Banks
R.T. Rybak, Minneapolis Foundation
Nadege Souvenir, Saint Paul & Minnesota Foundation
Stephen Spears, Bremer Bank
Steve Steinour, Huntington
Alene Tchourumoff, Minneapolis Federal Reserve
Kathy Tunheim, McKnight Foundation
Jonathan Weinhagen, Minneapolis Regional Chamber
Tim Welsh, U.S. Bank



APPENDIX A

WORK GROUP METHODS AND BACKGROUND

By the numbers:

- Over **170** individuals with lived and technical experience participated in GroundBreak’s “discover, design, deliver” process representing over **120** organizations
- **23** work group meetings were held in 2022
- Work groups covered homeownership, entrepreneurship, commercial development, and rental housing
- **9** financial tools and products were identified, providing direction to GroundBreak’s steering committee to implement through a financial platform.

HOMEOWNERSHIP

Co-Chairs: Former Commissioner Chris Latondresse, Hennepin County; Dondi Edwards, Wells Fargo

Subject matter experts and staff: Julia Welles Ayres, Hennepin County; Julie Gugin, MN Homeownership Center; Brooke Walker, MN Homeownership Center; Ben Hecht, McKnight Foundation; Johnna White and Malik Mitchell, Imagine Deliver

The following reports provided a foundational understanding of the needs our work seeks to meet:

- “More Places To Call Home”. The Governor’s Task Force on Housing, August 2018.
- “Barriers to Accessing Homeownership Down Payment, Credit, and Affordability”. Urban Institute, September 2018.
- “Housing Affordability Task Force Report”. The Itasca Project, September 2020.
- “Affordable Homeownership: Sharing Best Practices”. The Met Council, May 2019.

The homeownership work group’s recommendations are available [here](#).



APPENDIX A

WORK GROUP METHODS AND BACKGROUND

ENTREPRENEURSHIP

Co-Chairs: Former Commissioner Steve Grove, MN DEED; Ravi Norman, Norman Global Enterprises; Greg Cunningham, U.S. Bank

Subject matter experts and staff: Alex West Steinman, The Coven; Lyneir Richardson, The Center for Urban Entrepreneurship and Economic Development; Ben Hecht, McKnight Foundation; Johnna White and Malik Mitchell, Imagine Deliver

The following reports provided a foundational understanding of the needs our work seeks to meet::

- “The Demand for Capital for Minority and Immigrant Owned Businesses”. Northside Economic Opportunity Network & New Impact Fund, February 2017.
- “Small Business Success”. Chet Bodin, State of Minnesota Department of Employment and Economic Development, December 2017.
- The Kauffman Indicators of Entrepreneurship: Minnesota, 2020
- “Access to Capital for Entrepreneurs: Removing Barriers”. Kauffman Foundation, October 2021.
- “Despite Recent Gains, Minnesota’s Entrepreneurs of Color Face Persistent Barriers”. Federal Reserve Bank of Minneapolis, May 2021.
- Minority Owned Firms in Minnesota. Rachel Vilsack, State of Minnesota Department of Employment and Economic Development, 2015.

The entrepreneurship work group’s recommendations are available [here](#).



APPENDIX A

WORK GROUP METHODS AND BACKGROUND

COMMERCIAL DEVELOPMENT

Co-Chairs: Dorothy Bridges, U.S. Bank; David Reiling, Sunrise Banks; and Jim Mulrooney, Bremer Bankformer

Subject matter experts and staff: D'Angelo Svenkeson, NEOO Partners; Cameran Bailey, NEOO Partners; Ben Hecht, McKnight Foundation; Johnna White and Malik Mitchell, Imagine Deliver

Background and Methods: The foundation for our understanding of this problem came from conversations with an array of local actors and institutions that have been working to scale commercial development in critical cultural corridors for decades. These include the Neighborhood Development Corporation, Northside Economic Opportunity Network, Lake Street Council, Lake Street Leadership Recovery Coalition, Minneapolis Foundation, and Twin Cities LISC.

Efforts to raise capital and awareness around this issue after George Floyd's murder, such as the Restore-Rebuild-Reimagine fund, the Community Asset Transition (CAT) Fund, and Main Street resources from the State all contributed to the identification of at least 100 community-prioritized projects.

Kate Speed at LISC, who has helped harness and deploy the CAT and Main Street funds, worked with D'Angelo Svenkeson at NEOO Partners to help us categorize and dimension the resources needed to complete them. A broad array of data was collected during five months of intensive work group meetings alongside associated research and support from subject matter experts. Our data included, but was not limited to, a comprehensive assessment of the current conditions, barriers to achieving desired outcomes, existing solutions, and interviews with current commercial development actors.[19]

The commercial development work group's recommendations are available [here](#).

[19] Narrative of background research and methods provided because we did not have the same access to existing reports and research as other work groups.



APPENDIX A

WORK GROUP METHODS AND BACKGROUND

RENTAL HOUSING

Co-Chairs: Commissioner Jennifer Ho, Minnesota Housing Finance Agency and Kate Kelly, PNC Bank

Subject matter experts and staff: Will Delaney and Shannon Smith Jones, Hope Community; Ben Hecht, McKnight Foundation; Johnna White and Malik Mitchell, Imagine Deliver

The following reports provided a foundational understanding of the needs our work seeks to meet:

- “More Places To Call Home”. Report of The Governor’s Task Force on Housing, August 2018.
- Housing Affordability Task Force Report”. The Itasca Project, September 2020.
- “Housing in the MSP Region: Understanding needs for tomorrow and today”. Metropolitan Council, January 2017.
- Thrive MSP 2040 Housing Policy Plan. Metropolitan Council, July 2015.

The rental housing work group’s recommendations are available [here](#).

[19] Narrative of background research and methods provided because we did not have the same access to existing reports and research as other work groups.



APPENDIX B

GROUNDBREAK FINANCIAL SYSTEM



About the System

- GroundBreak’s financial system includes four interdependent elements that fund nine financial tools and products for homeownership, entrepreneurship, and commercial development: 1) special purpose credit programs, 2) guarantees, 3) low-cost, patient capital and 4) strategic, one-time investments or grants..
- The system enables capital to repeatedly and seamlessly blend multiple financing sources. Banks will provide most of the capital through special purpose credit loans.
- Every \$1 invested in flexible capital will unlock over \$3 of market-rate capital.



APPENDIX C

ADDITIONAL REPORTS AND SUMMARIES

[Black Wealth Builder Community Meal and Input Session Report](#), September 25, 2023

[Frequently Asked Questions](#), August 2023

[Building a Shared Financial Platform: MSP's Key to Unlocking Capital at Scale](#), July 2023

[GroundBreak Coalition Work Group Synthesis](#), December 2022

[Nine Capital Prototypes](#), December 2022



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Coalition