

PART II: BUSINESS DEVELOPMENT

1. Metropolitan Economic Development Association (Meda)
2. NEON: Business Incubator Overview
3. DEED: Business Development Competitive Grant Program



Legislative Working Group on Disparities and Opportunities

Gary L. Cunningham, President and CEO

January 15th, 2016

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Current State of Minority Businesses in Minnesota (2007-2012)

In the *Latest Data on Minority Businesses in Minnesota, 2015* (American Community Survey, 2007-2012) compiled by Dr. Sam Myers and Dr. Bruce Corrie:

- In 2012, there were 47,565 minority businesses with \$8.7 billion in sales, employing over 63,000 people with an annual payroll of \$1.7 billion.
- From 2007-2012, the number of minority businesses grew by 53%. The number of non-minority businesses declined by 3%.

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We are Meda

- Vision: Create thriving communities through equal economic participation.
- Mission: Helping entrepreneurs of color SUCCEED. And communities GROW.

Current State of Minority Businesses in Minnesota (2007-2012)

- Minority businesses achieved a 68% growth in jobs. Non-minority business jobs grew by only 10%.
- While minority businesses achieved a 71% growth in payroll, non-minority payroll grew by 24%.
- Average sales of minority firms in 2012 were \$183,000 while the average sales of non-minority firms were \$638,000.



Barriers to Minority Business Growth

Access to Capital

Building Assets

Education

There is a growing number of minority owned companies in Minnesota; these companies have limited access to capital and low sales compared to their non-minority counterparts.



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Who We Serve

Demographic	Percentage
African American	40%
Hispanic	20%
Asian	28%
Native American	12%

Meda Customer Base 2015

Gloria Freeman
Founder and CEO of Olu's Home

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What We Do

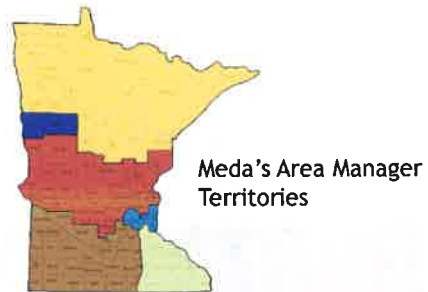
- Access to Business Consulting
- Access to Capital
- Access to Market Opportunities

Meda Statewide
Business Solutions

Carlos and Abby Jimenez
Owners of Nadia Cakes

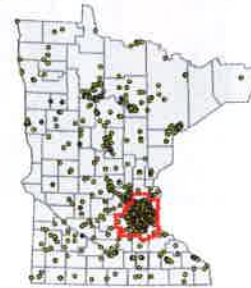
Who We Serve

- All Minnesota small businesses have access to Meda's Procurement Technical Assistance Center (PTAC).
- Meda provides statewide technical assistance to small businesses to increase governmental market opportunities.
- Meda's statewide reach is enhanced by Area Managers located throughout the state.



Meda's Area Manager Territories

Meda's Client Locations



Our Results



Jashan Eison
President & CEO of H&B Elevators

In the last five years Meda's customers...

- Secured over \$85 million in financing leveraged at 5.6:1
- Created and retained more than 2,000 jobs through financing and minority-owned start ups and acquisitions
- Received \$1.2 billion in awarded government contracts
- Produced revenues of more than \$5 billion (data from 2011-2014)
- Employed minorities at a higher rate than non-minority firms




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Our Loan Fund

Meda's Loan Fund:

- 100 loans in our portfolio
- 59 companies financed in 2015
- 2015 financing secured: \$20.6 million, leveraged capital 6:1

In 2015, Meda received national recognition for its loan fund by the Goldman Sachs 10,000 Business Initiative.



Elise Hernandez
President & CEO of Ideal System Solutions

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Our Loan Fund

- Access to capital is the primary demand for minority businesses today.
- Today, we have \$10.2 million in unfilled loan requests for capital - 64% of these potential customers are African American.
- Meda's loan fund of \$9 million is fully deployed and is 96% performing.
- The average salary for employees of companies receiving loan funds from Meda is \$22.50/hr.

Meda's Proposal

- Request for State funding:
 - \$3 million in loan capital
 - \$1.5 million in operating support
- The Return on Investment on State funding:
 - Increase Meda's customer base by more than 33% (an additional 150 minority businesses)
 - Assist more than 100 start-ups and acquisitions
 - Create or retain 1,200 jobs annually through financing and business consulting
 - Leverage Meda's loan participation at 5:1



Accelerating Minnesota Minority Business Growth

Gary L. Cunningham, President and CEO

gcunningham@meda.net

250 Second Street South | Minneapolis, MN 55401


www.meda.net

THE OBJECTIVE

The NEON Business Incubator Program will provide targeted resources and services to entrepreneurs with businesses who have potential to grow and create job opportunities for unemployed and underemployed north Minneapolis residents. The new and/or growing businesses will become assets and open up accessibility to goods and services in the community.



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NEON
Northside Economic
Opportunity Network

NEON Business Incubator Program
Legislative Working Group on Disparities and Opportunities
Friday, January 15, 2016

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THE BUSINESS OPPORTUNITY

Facts about north Minneapolis:

- North Minneapolis is 48% African American (Approximately 45,000 residents in total)
- African Americans have a 42% poverty rate in comparison to a 13% poverty rate for Whites.
- First, north Minneapolis has the largest African American unemployment rate (29%)
- In north Minneapolis, the African American and Asian unemployment rates are more than 10 percentage points higher than for Non-Hispanic Whites.
- If median incomes for African Americans in north Minneapolis were to match the city value for Non-Hispanic whites, the median would need to increase by \$35k, an equivalent of 2,276 households of color moving to or above the city value (Source: LISC/CURA - Moving Beyond the Gap - Racial Disparities in north Minneapolis)
- The research found that the opportunities in North Minneapolis are with lack of access to capital, mentors, information, technology and other resources.

Facts about business incubators:

- U.S. Small Business Administration reports that: "business incubators are facilities that provide small entrepreneurial businesses with affordable space, shared support and resources as well as business development service.
 - Success of incubator businesses is 87% (NBIA)
 - New business failures are 65% (NBIA)
 - On average, 3 out of 5 new business start-ups fail within their first 5 years. However, 4 out of 5 new businesses that start in an incubator program succeed within 5 years." (SBA)
- According to the Global Co-working Survey 72% of all co-working spaces become profitable after more than two years in operation.

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The NEON Business Incubator Program

The NEON Business Incubator provides a welcoming and modern space for entrepreneurs, consultants and solopreneurs to come together to work, network and grow their businesses together. The business incubator provides a much needed space in the community for small business owners from various fields to collaborate and get work done. We have installed phase one of this component of the program with expected expansion in 2016-2017.

The NEON Business Incubator Program will provide wraparound business support services such as enhanced technical assistance, mentorship, connections to business opportunities, and accessing various types of capital (i.e. debt vs. equity).

NEON knows that connecting entrepreneurs with high potential and viable business models to resources and support can accelerate growth and create further opportunities for longer-term job creation. Select entrepreneurs will be in the program for up to 36 months. Selection criteria will include:

- Capital and partnerships secured prior to launch,
- A collective agreement (an advisory committee will be established) on viability of business model
- Ability to hire at least five full time employment positions, and
- Ability to be self-sustaining within 36 months of entering program.

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APPENDIX

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Expected Outputs/Outcomes 2016-2017
9,000 sq ft of space available for a wide range of business types.

- General Business Space, Commercial Kitchen Space, Retail Marketplace
- Resources made available (equipment, supplies, etc)
- 75 businesses are able to afford and access spaces
- Self-sustaining revenue model

2-3 Businesses will enter wraparound service program

- Hire at least 5 fulltime employees by end of 2018
- Improved Financial performance of business
- Certifications attained: DBE, MBE, CERT
- Fully capitalized business model





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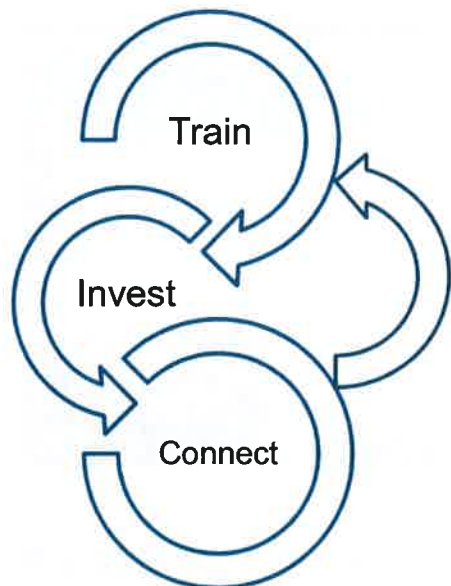
ABOUT NEON

The Northside Economic Opportunity Network (NEON) is a North Minneapolis community-based organization established in 2006. NEON's engaged community approach focuses on individual mobility as the first step toward long-term entrepreneurial success. This type of community development work is representative of the organization's commitment to helping North Minneapolis residents rethink how they reinvest in themselves and their communities.

Our mission is to expand economic opportunities and build wealth for North Minneapolis residents through the creation, growth and development of small businesses in the North Minneapolis area.

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What NEON Does



- Prevention**
 - Thinking about Business Workshop
 - Small Business Feasibility Assessments
- Start-Up**
 - Going into Business
- Existing**
 - Continued Learning Workshops
- Youth**
 - Summer Internship Program
- Resources**
 - Business Consulting, Financing,
 - Cooperative Economics, Certifications (DBE, MBE, WBE)
- Market Place Opportunity**
 - Pop ups, Events, Vehicles, Retail,
 - Contract Bids, Brick and Mortar,
- Community**
 - Business Incubator
 - Cohorts in Training

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NEON Business Incubator, co-working benefits

MEMBERSHIPS AND BENEFITS	DIAMOND MONTHLY	SILVER MONTHLY	GOLD MONTHLY	PLATINUM MONTHLY
Available for Use	Mon - Fri 9 am - 5 pm	Mon - Fri 9 am - 5 pm	Mon - Fri 9 am - 5 pm	Mon - Fri 9 am - 5 pm
Workspace	Shared workstation	Shared workstation	Shared workstation	Private office
Conference Room Use	1 hour daily	4 hours monthly	8 hours monthly	15 hours monthly
Coffee, Tea and WiFi	AVAILABLE	AVAILABLE	AVAILABLE	AVAILABLE
Printing/Copying	AVAILABLE	AVAILABLE	AVAILABLE	AVAILABLE
Access to NEON Business Consultants	AVAILABLE	AVAILABLE	AVAILABLE	AVAILABLE
Discounts to Events	AVAILABLE	AVAILABLE	AVAILABLE	AVAILABLE
Mail Service	AVAILABLE	AVAILABLE	AVAILABLE	AVAILABLE
24/7 Access	AVAILABLE	AVAILABLE	AVAILABLE	AVAILABLE
Guest Passes	AVAILABLE	AVAILABLE	AVAILABLE	AVAILABLE
ADDITIONAL BENEFITS (DAILY USE)				
Mail	\$30 monthly	\$30 monthly	\$30 monthly	\$30 monthly
Storage	\$30 monthly	\$30 monthly	\$30 monthly	\$30 monthly
24/7 Access (Physical Business only)	\$30 monthly	\$30 monthly	\$30 monthly	\$30 monthly
Coming Soon				
Cost	\$10	\$65	\$150	\$400

NEON
Growing Businesses in North Minneapolis
incubator@neon-mn.org 612.302.1505 neon-mn.org

Business Incubator: Client Testimonial



Quest Care - A home healthcare enterprise, relocated from south Minneapolis to the NEON Business Incubator. The business owner stated that the incubator, "... allowed me to move my business to north Minneapolis to better serve my clients [90% of which are from the immediate community], attract and retain employees [70% live in the immediate community] and with the assistance of NEON's general consulting services, aid in strengthening my business model for the expansion opportunities presented."

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Wraparound business support services

The problem we're solving. The wraparound services are important to accelerate growth of high potential entrepreneurs. There are many barriers to starting and growing a business and a lot of time the entrepreneurs we see don't have a support system in place including assets to invest into their business. We see this component the missing link to ensuring sustainable businesses.

Accelerate 5-10 businesses per year

- Increased Technical Assistance
 - Development of Sales opportunities
 - Back Office Support Services
 - Marketing
 - Mentoring
 - Capital Infusion
 - Scaling Business Model
- Members accepted in program should (but not limited to...)
 - Have participated in NEON training or technical assistance programs
 - Be a for profit entity
 - Reside in or operations will be placed in North Minneapolis
 - Must show projected cash flow that demonstrates that they can afford rent.
 - Have low to moderate income (Per Federal Poverty guidelines)
 - Demonstrate a capacity for growth, meet the Northside demand and present a plan for expanding service and create jobs within 24-36 months
 - Applicants commitment to business and incubator program
 - Work in incubator business full time.
 - 100% Owned and controlled by minority individuals.
 - Proof of business certifications, licenses and insurance

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Recent News Stories

<http://www.kare11.com/story/money/business/2016/01/07/new-space-entrepreneurs-north-mpls/78439996/>
<http://finance-commerce.com/2016/01/small-business-incubator-opens-on-the-north-side/>
<http://issuu.com/insightnews/docs/122115insightnews>

Contact

» Marcus Owens – President
612-302-1501

marcus@neon-mn.org

www.neon-mn.org

Meda: Accelerating Minority Business Growth Meda Customer Success Profiles



Elise Hernandez **President and CEO of Ideal System Solutions (Ideal)**

When Elise first contacted Meda, Ideal System Solutions (ISSI) already had offices in Pine City and Minnetonka, MN. Her IT products and services company received acquisition assistance, working capital financing and strategic planning from Meda. With more than 25 employees across the state, she expects to see an increase in her hiring over the next few years. In late 2015, was awarded the Minority Business Development Agency Entrepreneur of the Year.



Gloria Freeman **Founder and CEO of Olu's Home**

After a year of planning with a lead consultant from Meda, Gloria secured financing for a building purchase, renovation and working capital totaling more than \$2 million through a collaborate effort between Meda, Community Reinvestment Fund, and 21st Century Bank. Today, her innovative multi-generational daycare and additional facilities employ more than 100 employees.

Meda: Accelerating Minority Business Growth

Meda Customer Success Profiles



Carlos and Abby Jimenez Owners of Nadia Cakes

Carlos and Abby looked for a place to put down roots and raise a family. After starting their first successful cupcake store in California, Meda assisted in financing their second store in Maple Grove. It was such a success that they opened a third store in Woodbury. Employing 75 Minnesota employees, Nadia Cakes is the two time winner of the Food Network Cupcake Wars competition.



Jashan Eison President and CEO of H&B Elevators

Jashan wanted to partner with a coworker to purchase their current employer's company when they learned it was for sale. Jashan came to Meda, where a team of consultants used their creative talents to craft a complex financing package to make their dream come true. H&B Elevators is the only African American owned elevator cab and entrance manufacturer in the country. Located in North Minneapolis, H&B Elevators employs 43 people.