

New investment fund aims to raise \$25M for minority-owned business development

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GRAND RAPIDS, MI — In an effort to diversify the economy, a group of community partners on Thursday said they plan to launch an investment fund next year that will focus on growing the number of minority-owned businesses in West Michigan.

Bank of America and the Consumers Energy Foundation have donated \$400,000 to support the design and development of the New Community Transformation Fund. Officials say they will attempt to raise between \$15 million and \$25 million before the fund is activated next year.

The Right Place, a Grand Rapids-based economic development group, is partnering with the fund and will provide support to businesses that receive funding.

Birgit Klohs, the group's president and CEO, said West Michigan's economy is strong, but the economic growth playing out across the region has not been shared by all residents.

The New Community Transformation Fund is designed to help change that.

"By investing in companies that will create long-term economic prosperity in communities of color, this fund will increase upward mobility and ultimately build a more diverse and globally competitive economy," she said.

Roughly 6 percent of the businesses in the Grand Rapids-Wyoming Metropolitan Statistical Area are minority-owned, according to statistics provided by The Right Place.

Klohs is among a three-member consulting team who will lead the design and development of the fund, which will focus on early to mid-stage businesses in advanced manufacturing, food processing and agribusiness, life sciences and medical devices, and information technology.

Businesses that receive dollars from the fund must either be based in West Michigan or located elsewhere but agree to move here. Officials say they will search on a national-level for such firms.

The other two members of the fund's consulting team are: Skot Welch, principal of Grand Rapids-based Global Bridgebuilders, a firm focused on diversity and inclusion; and Kwame Anku, who lives in Sacramento, California, and serves as CEO and chairman of the Black Star Fund.

Anku, whose work for the fund will include identifying minority-owned businesses to invest in, said the New Community Transformation Fund is needed. He said the challenges faced by entrepreneurs — raising capital, creating products, studying the market — “are really compounded when you’re dealing with founders and entrepreneurs of color.”

“Now some of that is because you don’t have the generational historical experience, some of that is because there are systemic obstacles that are in the way,” he said.

But, Anku added: “We’re firm believers that oftentimes those challenges create opportunities as well. Sometimes that fact that you have to be more resourceful ends up making you more successful.”

Officials say they’re confident they can raise between \$15 million and \$25 million by next year. But they added they could start providing resources to minority-owned businesses by the time the fund reaches \$10 million.

Klohs, when discussing raising money for the fund, said “the indication from two large employers” and “quiet” conversations with others is that “people are giving us the thumbs up that this is needed.”

While details surrounding the fund are still being finalized, the minimum investment it would provide to a business is \$25,000, Anku said. He said the goal of the fund is not to invest in “a couple folks that live in their grandmother’s basement with an idea.”

“We’re looking for companies that have already been able to secure funding, they have partners, they attract customers, they’re growing,” Anku said. He added that the cash infusion from the fund and the business development assistance provided by The Right Place is designed to “hyper accelerate the growth of those companies.”

Before the fund launches next year, officials will work to create the fund’s legal structure and operational system, and establish a management team, board of directors and advisers.

Another part of the fund’s mission: Helping qualified people of color purchase or invest in existing family-owned businesses that are on the verge of transitioning away from local or family-ownership.

Klohs said such a strategy is beneficial in two ways. It not only ensures that those once family-owned businesses retain local ownership, but also boosts the number of minority-owned businesses.

“We are getting a much more diverse supply chain that way,” she said. “Because right now that supply chain is pretty meager.”

Welch, who is serving as a general partner to the fund, said there's strong demand for the New Community Transformation Fund. Many entrepreneurs are looking for "some type of catalyst to take their business to the next level," he said.

"What we might be surprised with is not the lack of deal flow but really the abundance of opportunity," Welch said.

Looking forward, Klohs said she's hopeful the fund will spur job creation, increase regional competitiveness and strengthen historically disadvantaged communities.

"Twenty years from now, I hope somebody will sit up here and say, 'Here's how many companies we've created, and it really has changed the trajectory of West Michigan and how we look at ourselves,'" she said.