

Racism and the Economy

focus on the **Wealth Divide**

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Title of proposal: A Participatory Approach to Local Economic Development in BIPOC Communities: Appreciating the True Value of Communities' Assets | Moving Beyond Merely Home Ownership to All Ownership

"Voting was a form of catharsis and a form of relief, because I'm so hyper-aware of injustice and just like how messed up everything is - and you get told so often that the changes you want to see aren't going to happen until you're like a bajillion years gone so you're just fighting to hope you can advance things. And I think it was a very powerful testament to like - no actually in this lifetime I do get to get something back from this work that I'm putting in - and that like the idealism around economic democracy isn't this like totally pie in the sky thing that just can't happen." - Ujima Member

- [Get Out The Vote: Increasing Voter Participation at the Boston Ujima Project](#)

Some History

BIPOC communities have contributed significantly to Boston's economic, physical, social, cultural, and political environments for nearly two centuries.

However, early political and legal structures worked to actively undervalue and undermine the efforts of BIPOC communities to reap the just rewards of their work, sustain themselves, and accumulate wealth. This created what we understand today as racialized wealth gaps.¹ Those political and legal structures included:

- General housing and lending discrimination through restrictive covenants, redlining and other lending practices
- Exclusion from post-Depression and World War II (1939 – 1945) public policy, which was largely responsible for the asset development of an American middle class. (For example,

¹ Federal Reserve Bank of Boston, The Color of Wealth in Boston, available at <https://www.bostonfed.org/publications/one-time-pubs/color-of-wealth.aspx>.

racially discriminatory local implementation of Federal Housing Administration loans and G.I. Bill benefits.)

- The Immigration and Nationality Act of 1952 (also known as the McCarran-Walter Act) denying Afro-Caribbeans the right to take advantage of the quotas set for Great Britain.

The rich history of Boston's BIPOC communities includes institution building in the face of racism. Without great financial wealth, communities of color in Boston assisted the general community by providing housing, income, and other support services. For example, Black-owned businesses in the 19th century provided alternatives to low-paying work for some people, while grocery stores provided credit and loans to families, making them "the finance agencies of the community."²

Boston Ujima Project has honored and reflected this history by building a multi-stakeholder structure that deploys the political and financial capital of Boston's working-class neighborhoods to invest in, purchase from, and advocate for local BIPOC firms that build community wealth and create good jobs. Working-class Black, Latinx, Indigenous residents, and nonaccredited investors pool their investments with capital from accredited investors, impact investors, and progressive foundations, via the Ujima Fund – a core component of our multi-stakeholder structure. This allows them to directly invest in local businesses while building assets from the returns.

The Ujima Fund is uniquely designed to advance "Capital Stack Equity." It inverts the traditional risk-return relationship by providing higher returns with lower risks to lower-income investors. Normally, higher risk (here defined by the amount invested) capital is compensated with higher returns, but we think about risk differently. For a working-class investor, a \$100 investment may be a greater risk than a wealthy investor investing \$10,000.

Today in Boston, the average per capita income across the 14 neighborhoods that are Ujima's areas of focus (out of 22 Boston neighborhoods) is \$40,740. This is compared to the other eight neighborhoods, whose average per capita income is \$72,151.³ In all but one of those eight neighborhoods, households with incomes of \$150,000 or greater make up the highest percentage of households. The same is true in only five of Ujima's 14 neighborhoods of focus. Meanwhile, in five of Ujima's neighborhoods of focus, households with incomes of \$14,999 or under make up the greatest percentage of households.⁴

Small businesses, particularly those led by women and people of color, struggle to access the capital they need to survive, thrive, and compete for both individual and institutional customers. According to the City of Boston's 2016 Small Business Plan, small business lending in Boston in 2014 mirrored national trends because it was "significantly lower than in the pre-recession period," with microloans seeing the largest decline.⁵ This lower level of spending was concentrated in a few neighborhoods, including six of Ujima's areas of focus. Eight of Ujima's neighborhoods of concern received fewer loans than expected in relation to the number of businesses in those

² Hayden, Robert C. (2007) "A Historical Overview of Poverty among Blacks in Boston, 1850-1990," Trotter Review: Vol. 17: Iss. 1, Article 8. Available at: http://scholarworks.umb.edu/trotter_review/vol17/iss1/8

³ Boston Planning & Development Agency Research Division, February 2020

⁴ *Id*

⁵ City of Boston Small Business Plan, March 2016

areas.⁶ The City of Boston identified capital gaps as particularly acute for businesses owned by people of color and women, These gaps arose due to fewer personal and “friends and family” assets, lack of physical proximity to support organizations and capital providers, smaller or disconnected networks, and discrimination by lenders.⁷ When people of color do acquire loans, higher interest rates, as well as lower loan amounts or equity investments, are likely.⁸

The decline in traditional lending provided opportunities for alternative and emerging sources of funding to fill its gap. The use of online lending is presumed (but unknown), and Boston led in crowdfunding and had many alternative and emerging funding sources,⁹ with Ujima now among that number. Boston also mirrored a national trend with the increased use of credit cards (with higher interest rates) for business financing: 30% of Boston businesses used credit cards to finance their businesses.¹⁰ These opportunities brought additional need for support to help small businesses choose wisely between their options. However, even these services were unevenly distributed, with very high concentrations of Business Support Organizations (BSOs)¹¹ in only three of Ujima’s areas of focus. There was also very low BSO concentrations in five (and possibly more) of Ujima’s areas of focus, with an average of less than one BSO per square mile.¹² Furthermore, “(f)ewer than 10% of BSOs explicitly serve women or minority entrepreneurs.”¹³ These disparities in the distribution, focus, and service of BSOs not only impact the availability of capital (and support related to capital) to businesses owned by people of color and women, but also the availability of other resources critical for small business growth and establishment. These resources include customers, workers, markets, and relationships,

It is highly likely that a study of the impact of the coronavirus pandemic will show an intensification of the characteristics of Boston’s current community and 2014 small business landscape:

- A difference in average per capita income between Ujima’s areas of focus and other neighborhoods in Boston
- Weaknesses and declines in traditional lending and resulting gaps
- Acute capital gaps for people of color and women
- Opportunities for alternative and emerging funding sources
- Support needs in addition to capital and acute support gaps for people of color and women.

⁶ *Id*

⁷ *Id*

⁸ *Id*

⁹ *Id*

¹⁰ City of Boston Small Business Plan, March 2016

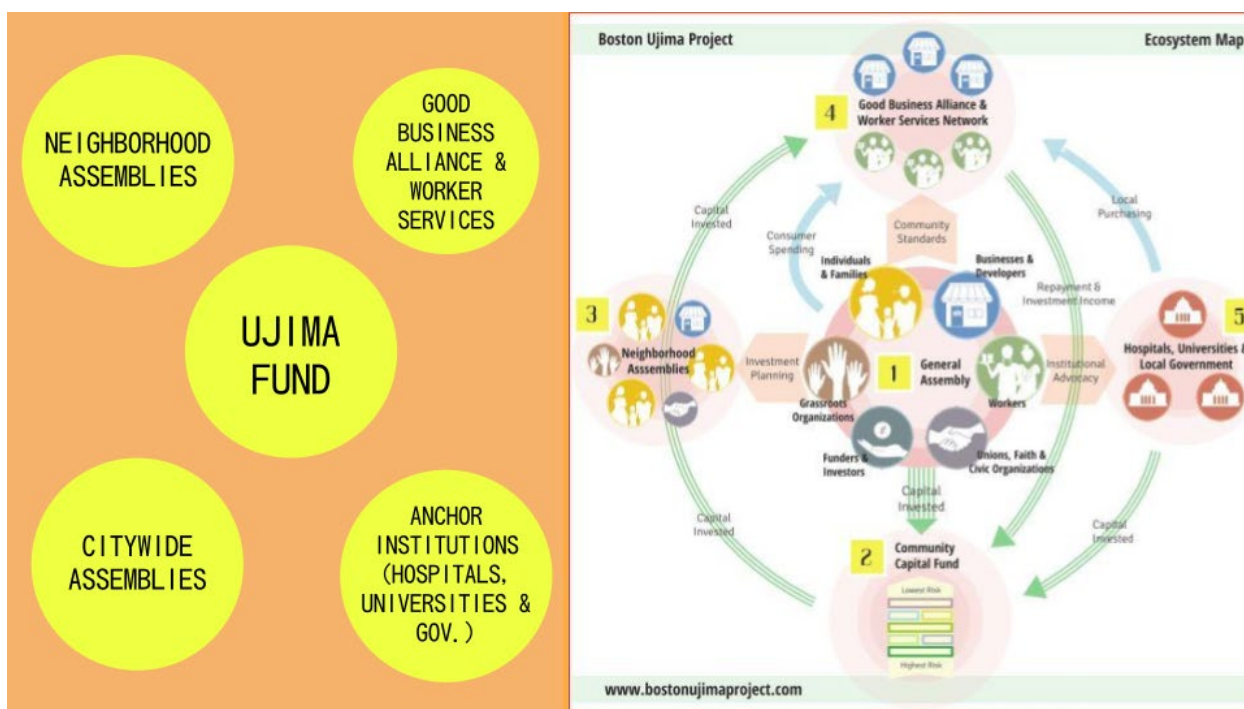
¹¹ *Id*, pg. 11: “To navigate their environment, entrepreneurs rely on a variety of business service organizations (BSOs) to provide education and technical assistance; support firms in navigating real estate, labor, and service markets; and influence the local environment through information sharing and advocacy. BSOs include both public and private sector organizations focusing on small business services. By providing valuable advice, services, and advocacy, BSOs are critical to the success of the city’s entrepreneurs.”

¹² *Id*

¹³ *Id*

AN ECOSYSTEM APPROACH

As an anti-poverty project, the Boston Ujima Project has created an ecosystem comprising several components, including: 1. the Ujima Fund, a community-controlled investment fund; 2. Neighborhood Assemblies; 3. Ujima’s “Good Business Certification” and Ujima Business Alliance; and 4. Anchor Institution Strategy, a set of cross-sector advocacy campaigns focusing on large institutions and corporations as well as the public sector.



Each of these innovations helps our communities leverage our assets to better meet our own needs. As an interlocking system, the Ujima infrastructure allows low-income communities to govern and model the transition to a more just and sustainable local economy.

Ujima Fund

The Ujima Fund is an alternative and emerging funding source that not only works to fill gaps left by traditional lending (at its height and decline) but also acts as a source of “friends and family” funding for BIPOC and cooperatively owned businesses. As a vehicle to grow BIPOC business ownership and counteract the racial wealth gap, the Fund is structured to give BIPOC borrowers access to below-market capital with higher risk tolerances than banks and most traditional funds.

Ujima’s ability to offer these products is achieved by constructing a four-tranche capital stack with distinct risk and return profiles for each investor type. For example, up to 10% of the Ujima Fund will be raised as a philanthropic gift (the Imani Gift), which significantly expands the risk tolerances for the fund.

Investment Opportunity						
Investment Type	Investor Type	Investment Range	Return Target	Term Length	Rights	Fundraising Goal
Kujichagulia Note (Self-Determination)	Non-Accredited Investors (Massachusetts only)	\$50 - \$10,000	3.0 % Annually	3 yrs.	Partial Security	\$500,000
Umoja Note (Unity)	Non-Accredited Investors (MA, CT, ME, RI, NY, CO only) & Accredited Investors (Anywhere in US, UK, CAN)	\$1,000 - \$250,000	2.0 % at Maturity 3.0 % at Maturity	3 yrs. 7 yrs.	Partial Security	\$3,250,000
Nia Note (Purpose)	Philanthropic Investors, (Accredited Investors only) (Anywhere in US, UK, CAN)	\$5,000+	1.5 % Annually	7 yrs.	Partial Security, Subordinated Debt	\$750,000
Imani Gift (Faith)	Donors and Foundations	\$5+	None	None	Gifted, Not Repayable	\$500,000

While helping to build successful BIPOC businesses in Boston, Ujima also addresses the wealth gap by providing its 300-plus non-accredited working-class members with new opportunities to build savings by investing in their own community (3% annually via the Kujichagulia Note). These 3% returns to community investors contrast with the notes for accredited and philanthropic investors, who accept higher risk (less security and longer-term lengths) and lower yields (1.5%-3%) than non-accredited investors. This is in direct contrast to conventional risk-return tradeoffs,

where higher risk investments and larger check sizes are typically compensated with higher returns.

With Ujima, we sought to expand our definition of risk and risk tolerance to consider the lived contexts of our investors. For example, a community investor who loses \$500 through an investment in the Ujima Fund could be more severely impacted than a wealthy investor who loses \$50,000 in the same fund. As a result, we designed the relationship between tranches to reflect our commitments to equity and reparations, while ensuring that the average cost of capital is low enough to offer affordable and additive financing for BIPOC companies.

This framework has resonated across investor types. As an illustration of demand, the Ujima Fund has raised over \$4.8 million from 370 investors to date. These 370 investors include Ujima members, community members, Founding Business Alliance members, foundations, faith institutions, civic associations, and high-net-worth individuals. Ujima Fund seeks to balance the needs of various stakeholder types and offers a blueprint for more equitable capital structuring for larger funds in the future.

Highlight

- ★ [Union Capital Boston](#) (UCB) works to build social capital by investing in its members through the actions they take every day to strengthen our community. UCB members – residents from Roxbury, Dorchester, and Mattapan – earn points for their community engagement activity. These are redeemed for Visa gift cards and total more than \$1.4 million since UCB began in 2014.

In 2019, UCB and Ujima began a unique collaboration that matched UCB's reward system with the Ujima Fund: At UCB's Silver reward tier, UCB members can choose to have UCB make a \$50 investment in the Ujima Fund on their behalf. Through this collaboration, 30 UCB Members chose to invest in the Ujima Fund's Kujichagulia Note and gained access to an additional wealth-building vehicle for their families and communities. This is an important illustration of demand for equitable wealth-building opportunities with working class BIPOC communities.

Neighborhood Assemblies

To deploy the Ujima Fund's capital, Ujima hosts Neighborhood Assemblies where Ujima members and local residents identify neighborhood businesses they'd like to invest in to help them become established or grow, or to fill gaps in local retail offerings. In Ujima's fund design, all members have an equal vote on screens and deals, regardless of the amount invested in the fund. We've structured a "financial commons" to prioritize the needs of communities, rather than the profits of wealthy investors.

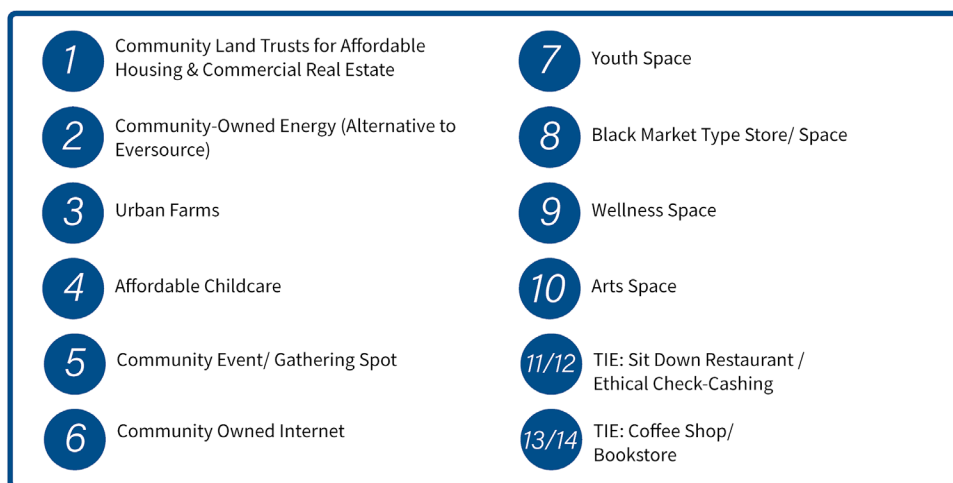
Via neighborhood assemblies, working class Black, Latinx, and Indigenous residents can have direct say on the resources that flow into their communities. The direct implementation power, generated by the Ujima Fund, combined with the direct planning power exercised in our Neighborhood Assemblies, changes the variables in an equation that's seen social inequities combine with institutional power to disempower workers and communities. Leadership, shared power, and a sense of agency are swapped in, increasing the health, community wealth, and power of workers and communities.

We built a participatory process, not just because we believe that democracy is a human right, but also because we believe that meaningful, community-based planning will result in a better, more effective allocation of resources. Democratic planning allows communities to prioritize investments in enterprises that are most needed alongside investment returns.

We invest in residents who have been most impacted by disinvestment and the racial wealth gap. Their intimate understanding of our communities ensures that problems and solutions, needs and supports, actually match.

Increased ownership over the process increases ownership of the results. A shared stake compels shared action towards success, giving our investments a better chance to not only make a profit but also ensure that residents thrive.

Highlights



- ★ Ujima members ratified Neighborhood Investment Plans for the communities of [Roxbury](#), [Dorchester](#), and [Mattapan](#). They allocated financing toward various local needs and service gaps by investing in vehicles such as Community Land Trusts, community-owned renewable energy, and cooperative childcare.



- ★ On Monday, Dec. 16, 2019, we marked the end of a 3-week voting period, during which 145 Ujima members (53% of Ujima members who can vote) voted directly on our first investment from the fund. These 145 Boston residents – more than 80% of whom identify as Black, Indigenous/Native, Latinx, Asian, Pacific Islander, Middle Eastern or Northern African, Mixed Race, or Person of Color – had their say.

From Ujima’s Dorchester Investment Plan, Ujima members voted to fund their first investment – \$100,000 at 4% – in CERO Co-op, a majority women- and BIPOC worker-owned compost hauling co-op. As a worker-owned cooperative, CERO’s success will not only create good jobs, but also build wealth for its workers by including all employees in profit distributions.

Good Business Certification and Ujima Good Business Alliance

Ujima’s members have established [36 minimum community standards](#) for our Good Business Certification. These standards posit business practices like living wages, people of color- and employee-ownership, local purchasing, environmental impact, and affordability. These draw a line between exploitative businesses and the enterprises in our communities we choose to support. Certified companies are listed in the Ujima Good Business directory, receive a seal for storefront display, and are eligible to join Ujima’s Good Business Alliance (UBA) and access the Ujima Fund.

As a member of the UBA, companies gain access to capital through the Ujima Fund, financial coaching, peer coaching, technical assistance, cooperative purchasing, and other joint ventures to strengthen operations and market share.

A featured offering of the UBA is creative consumer organizing of Ujima’s members and other local residents to intentionally support Ujima’s businesses. Like most businesses, many Ujima businesses have identified marketing and a strong customer base as critical areas of weakness.

This offering fills a major gap in Boston's BSO ecosystem, where many BSOs do not competently provide these supports to businesses owned by people of color.¹⁴

UBA's Technical Assistance (TA) Network works to fill gaps left by the low percentage of BSOs that competently serve businesses owned by people of color and women. It simplifies Boston's confusing TA environment by creating value-added partnerships with TA providers. These providers are vetted for their ability to provide high-quality service to businesses owned by people of color and women, which reduces the legwork for Ujima businesses.

TA Network members develop specific agreements with the Ujima Business Alliance to make services available to Ujima Businesses. Agreements are specific to each TA Partner and should align with the interests, strengths, and mission of each partner or coach.

Ujima's commitment to technical assistance and community-provided support transforms relationships between businesses and community members from potentially adversarial to cooperative. It creates a mechanism for mutual feedback that allows the two to understand their respective needs and co-create solutions that meet those needs.

The UBA provides critical wraparound support to buttress the Ujima Fund's investments of capital into businesses. The UBA is a much-needed network for businesses owned by people of color and women to acquire and develop peer, community, capital provider, anchor institution, and technical assistance relationships, and access to their networks. This provides important linkages that can expand UBA members' access to resources.

Anchor Institution Advocacy

Ujima leverages its networks to organize large "anchor institutions" like hospitals, universities, and faith institutions to direct purchasing contracts to Ujima companies and invest their endowments and savings into community vehicles like the Ujima Fund.

Ujima's anchor institution strategy supports additional growth for successful local businesses with new and large customers. This adds to their ability to provide good jobs that offer health benefits, workplace wellness practices, and asset building opportunities in working-class BIPOC communities.

Highlight

- ★ Our member-led Anchor Institution Member Team has partnered with Ujima staff to successfully advocate for campus-wide composting contracts for Ujima's first investment, CERO Coop, at [Northeastern University](#) and Boston University.

Some Destinations

Boston Ujima Project modernizes traditional economic development strategies by structuring democratic coordination through the full cycle of local value creation, consumption, and

¹⁴ City of Boston Small Business Plan, March 2016

exchange. Though each community must tailor its solutions to its local context, we believe that Ujima's participatory approach to ecosystem building and governance can be replicated in other cities and towns. As a multi-stakeholder strategy, Ujima's success to date has depended on its ability to integrate community organizing practices into a business, finance, and cultural organization.

Through our democratic processes, working-class BIPOC communities in Boston have mechanisms for direct voice and decision-making. We have received positive feedback from community members who can now consider themselves a part of the businesses and planning in their communities. As a result of our creative neighborhood assemblies and community gatherings, Ujima has received requests from city officials, private developers, and other investors to partner on participatory processes for community conversations and projects.

Through the Ujima Fund, working-class communities of color in Boston have an accessible wealth-building investment vehicle – a first opportunity for some of our members. Not only has the Ujima Fund provided direct investment opportunities, it has sparked community members and working-class people of color in other communities to initiate their own efforts. We have been contacted by community members in Albany, N.Y., Atlanta; Cincinnati, Los Angeles, and New York who want to start an Ujima-like ecosystem where they are.

Impact investors and foundations have new infrastructure to align their investments with their values.

Anchor institutions gain coordinated opportunities for mission-driven investment and procurement.

Patient, lower-cost investment capital is available for Boston's BIPOC owned companies to grow their resilience, create good jobs, and build wealth in our communities.