Mountain | Plains Regional Native CDFI Coalition

THE STATE OF THE REGION: COVID-19 Initial Impacts on Native Businesses, Economies & Native CDFIs

April 24, 2020

FOUR BANDS COMMUNITY FUND, INC.
In partnership with Bar K Management Co.
& Sweet Grass Consulting

CDFIs: Dismantling the Master's House

"For the **master's tools** will never dismantle the **master's** house. They may allow us temporarily to beat him at his own game, but they will never enable us to bring about genuine change." - Audre Lorde

CDFIs were born in the early 70's to provide responsible, affordable finance where it is needed most, primarily in communities of poverty, and communities of color. Today, it's a more than $150 billion industry, proving that alternative finance and investing in relationship-based, holistic approaches to business and economic development isn't only feasible, it is essential.

CDFIs are committed to solving today's pressing issues: persistent poverty in rural and Native communities; obstacles to minority-led small business lending; and access to fair and responsible finance for all. CDFIs fill the gaps in employment, housing, education, healthcare, and access to banking services where mainstream finance does not reach. CDFIs strive to achieve a vision of an America in which all people and communities have access to the investment capital and financial services they need to prosper.

"When I first started, they [CDFIs] were just emerging. The message of the industry was to fill a gap to help people who can't enter conventional banking systems. Today, it is a strong industry. The narrative of this model of business lending is a multi-faceted financial service to the community. They are doing everything."
- Martin Jennings, Program Officer
Northwest Area Foundation

LAKOTA FUNDS

Started in 1986 when Pine Ridge had only 2 Native owned businesses to a current portfolio of 112 with over $6M invested.

Lakota Funds was one of the first alternative finance organizations in the nation and was a founding member of what is now Opportunity Finance Network, the organizing and advocacy association for the industry.

When Lakota Funds was started, founders knew they needed to work holistically addressing:

- Access to capital
- Access to technical assistance
- Access to business networks
- Access to infrastructure

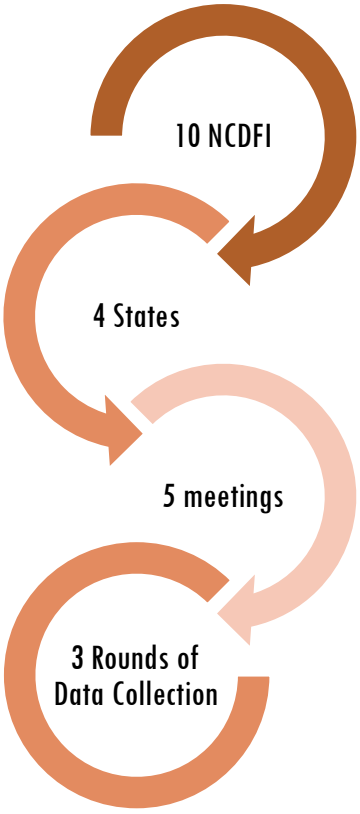
Mountain | Plains Regional Native CDFI Coalition

WHO WE ARE

The Mountain | Plains Regional Native CDFI Coalition convened for the first time on March 30, 2020. The Coalition consists of 10 NCDFI members and is currently collaborating around COVID-19 with a longer-term vision for regional capacity building specifically related to agriculture. To date, this engagement includes:

1. Sharing resources, learning, & strategies
2. Collaborating on data collection
3. Leveraging shared resources and partners

8 Members participated in the data collection and are collaborating to leverage shared resources while all members are deeply committed to sharing learning, strengthening capacity and investing in our region.



WHAT WE HAVE ACCOMPLISHED

In four weeks, we have met 5 times, convened 10 NCDFIs from the 4-state region and conducted 3 rounds of data collection to ensure that our region has the best understanding possible of impact on our Native businesses. Collectively, we know that this data and research better positions the region's ecosystem to calibrate how we strategically respond together to COVID-19.

OUR RESPONSIBILITY

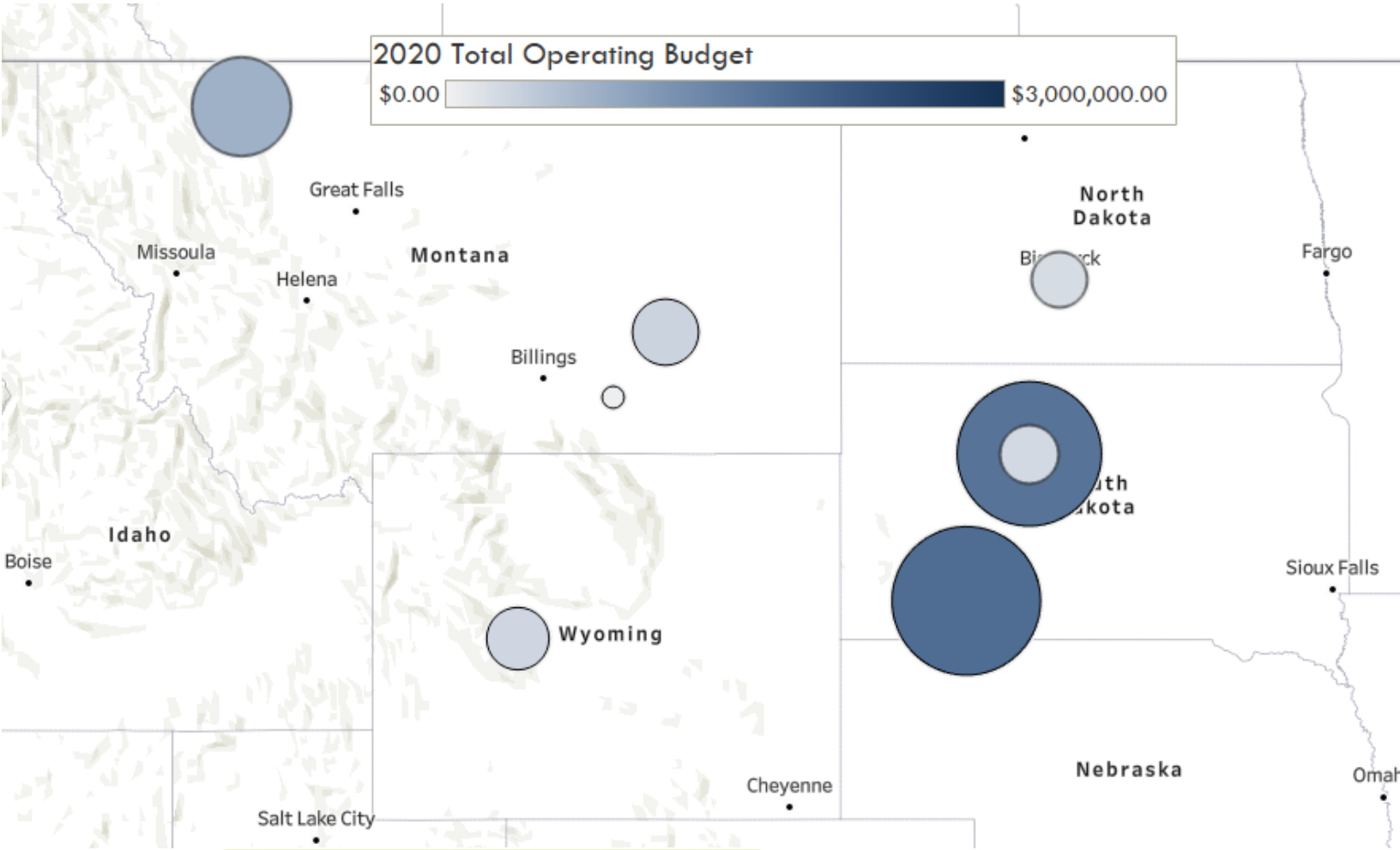
We know that our actions every week will directly impact the future of the Native private sector in our shared markets. 35 years of capacity building and investment is at stake. And we are the current stewards standing on the shoulders of giants in the industry, ready to contribute with URGENCY and precision.

We also know that we have already accomplished something significant. During a crisis, we did what we do. We came together. We shared resources. We worked long hours. We invested into each other, knowing that our industry was built to sustain through crisis.

MEMBERS:

Lakota Funds | Four Bands Community Fund | Lakota Federal Credit Union | NADC (Billings) | NACDC (Browning | Wind River Development Fund | Plenty Doors Community Development Corporation | People's Partner for Community Development | NADC (Bismarck) | Akiptan

MOUNTAIN | PLAINS DATA COLLECTION SAMPLE SET



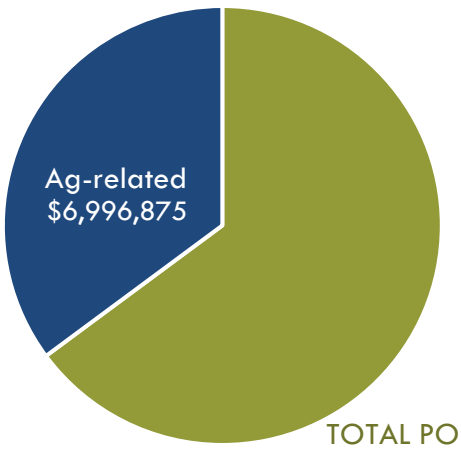
4 states

8 Native CDFI

66 Businesses

Annual NCDFI Operating budget range > $50K - $1.8M

Combined Outstanding Portfolio vs. Outstanding Agriculture-related Portfolio

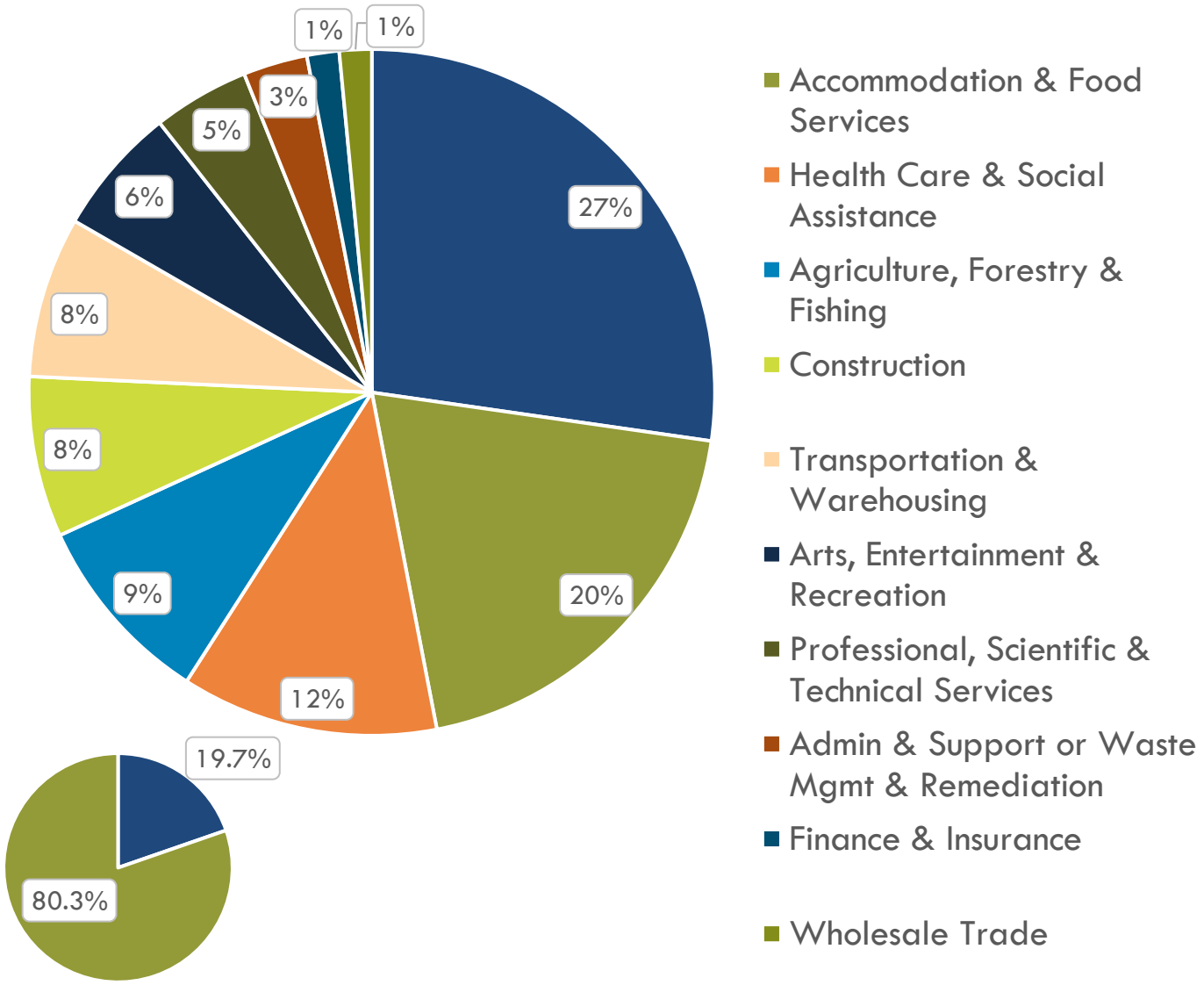


TOTAL PORTFOLIO
$12,916,451

SURVEY RESPONDENTS: BUSINESS OVERVIEW

66 BUSINESSES SURVEYED

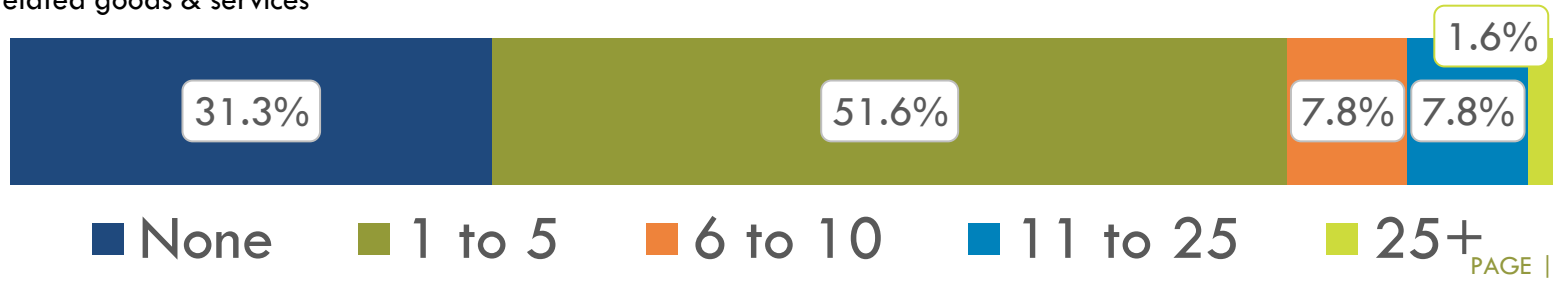
11 Primary Industries | Largest Primary Industry: Retail 27% |
Second Largest: Accommodations & Food Services 20%



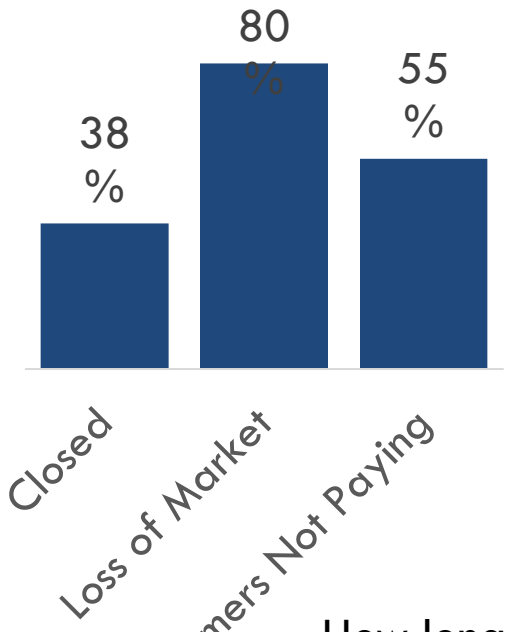
* Reflects ag producers PLUS those that provide ag related goods & services

79% OF BUSINESSES HAVE EMPLOYEES

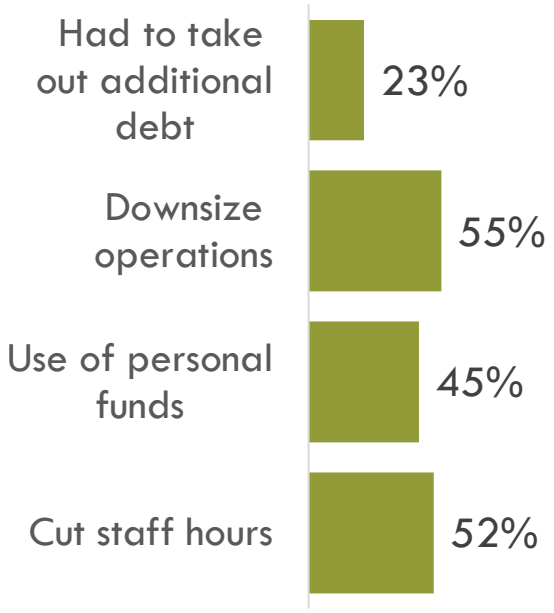
17 % have more than 6 employees | almost 8% between 11-25 employees |



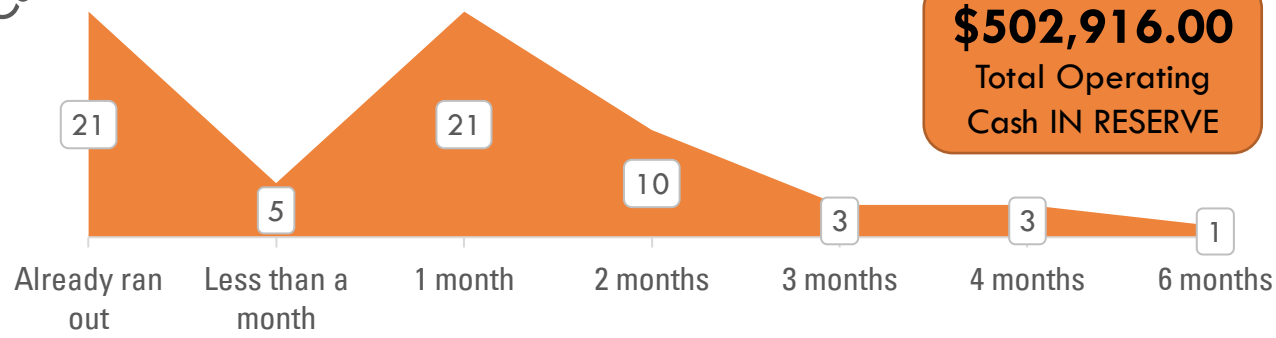
BUSINESS IMPACTS



BUSINESS RESPONSES



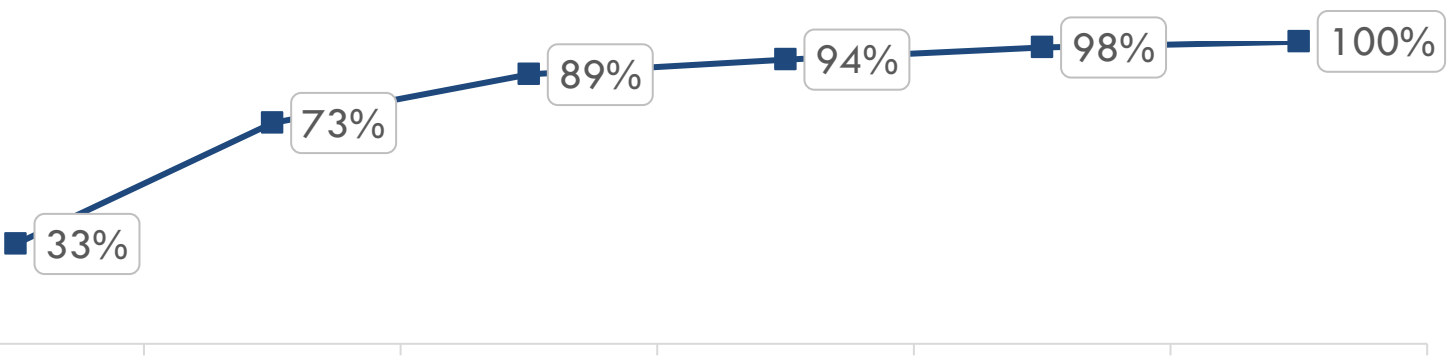
How long will operating cash last?



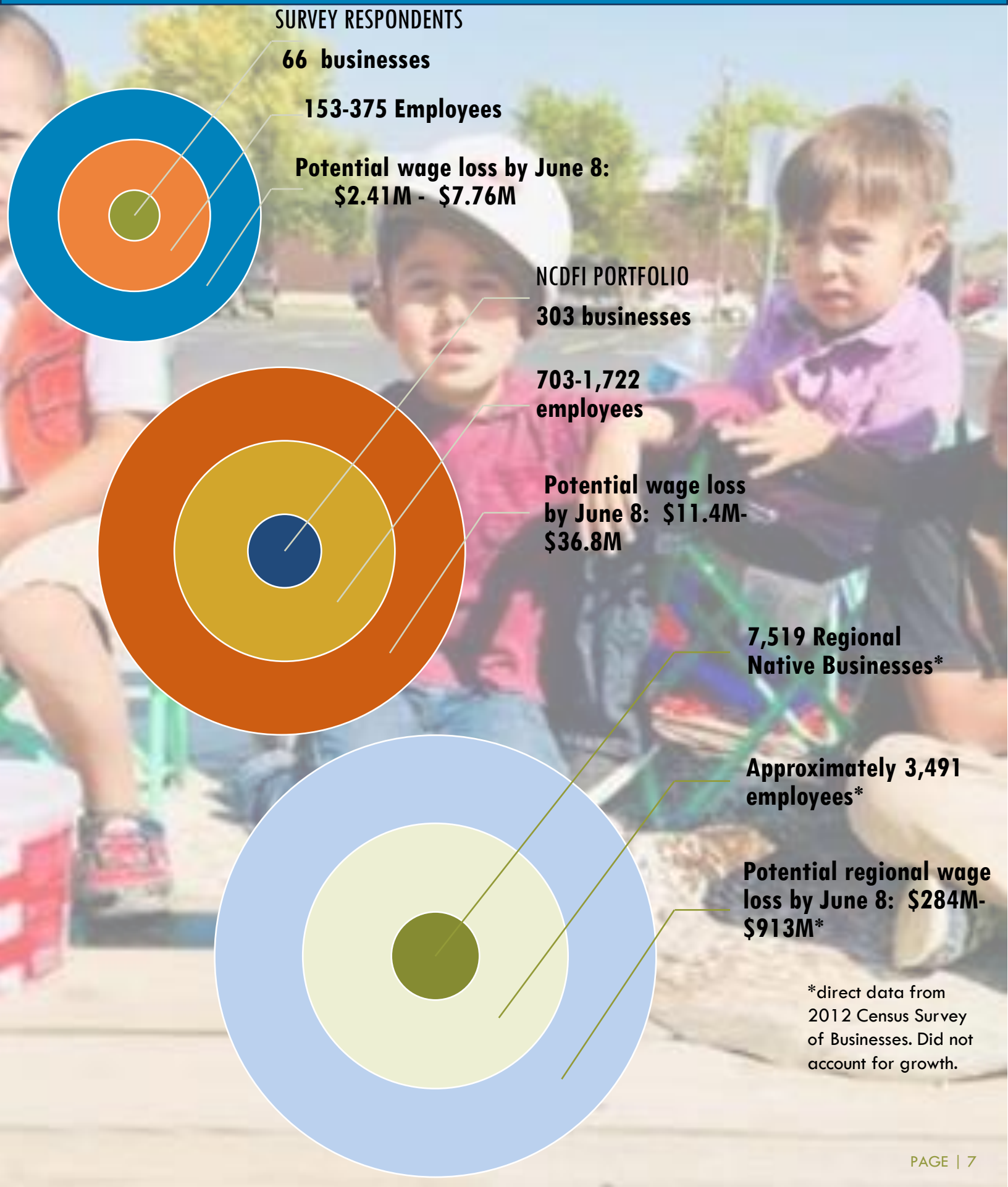
$502,916.00
Total Operating Cash IN RESERVE

By June 8th, 89% of the businesses surveyed project that they will be closed.

% of Businesses That Will Run of Out Operating Cash by Date

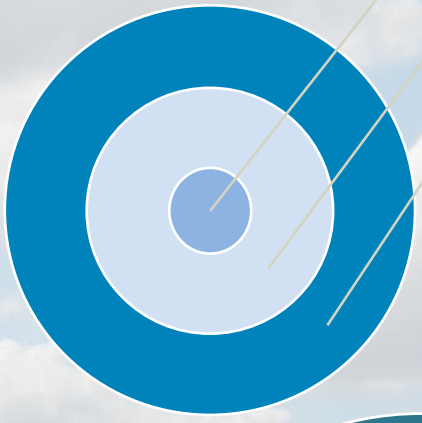


ECONOMIC RIPPLE EFFECT | Impact on Employees, Households & Wages



*direct data from 2012 Census Survey of Businesses. Did not account for growth.

AG-RELATED ECONOMIC RIPPLE EFFECT | Impact on Employees, Households & Wages

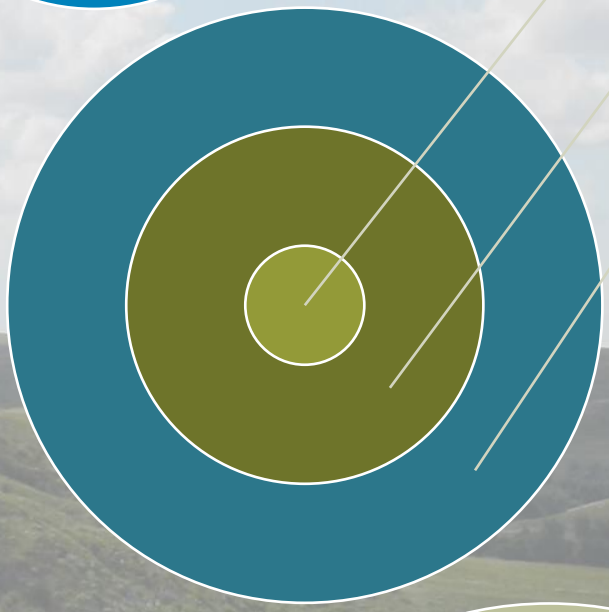


SURVEY RESPONDENTS

13 businesses

68-108 Employees

Potential wage loss by June 8: $351K - $1.05M

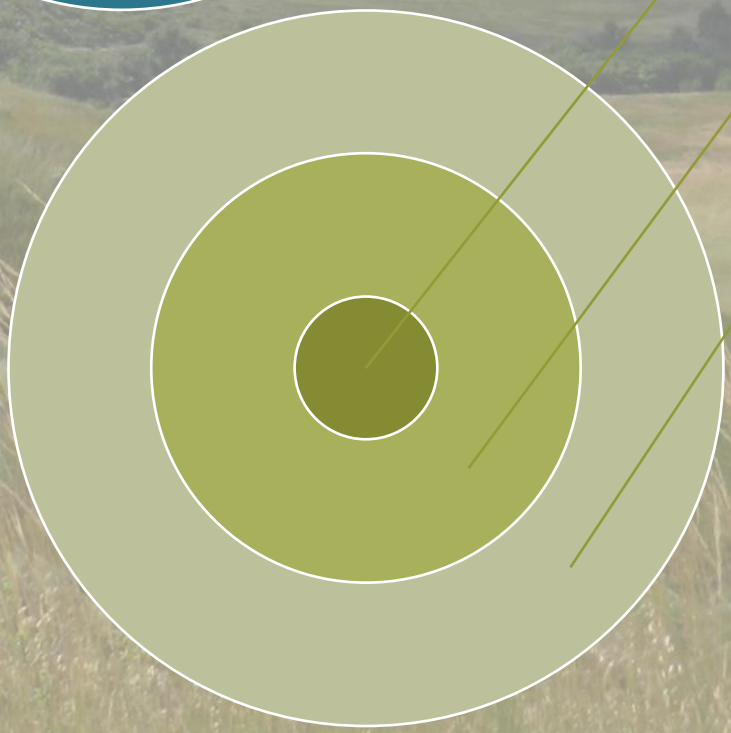


NCDFI PORTFOLIO

60 businesses (est.)

120-360 employees

Potential wage loss by June 8: $1.62M-$4.86M



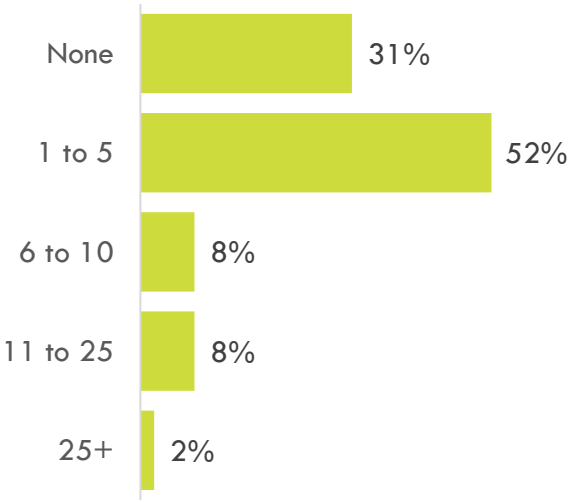
1,489 Regional Native Agriculture Related Businesses*

Approximately 691 employees*

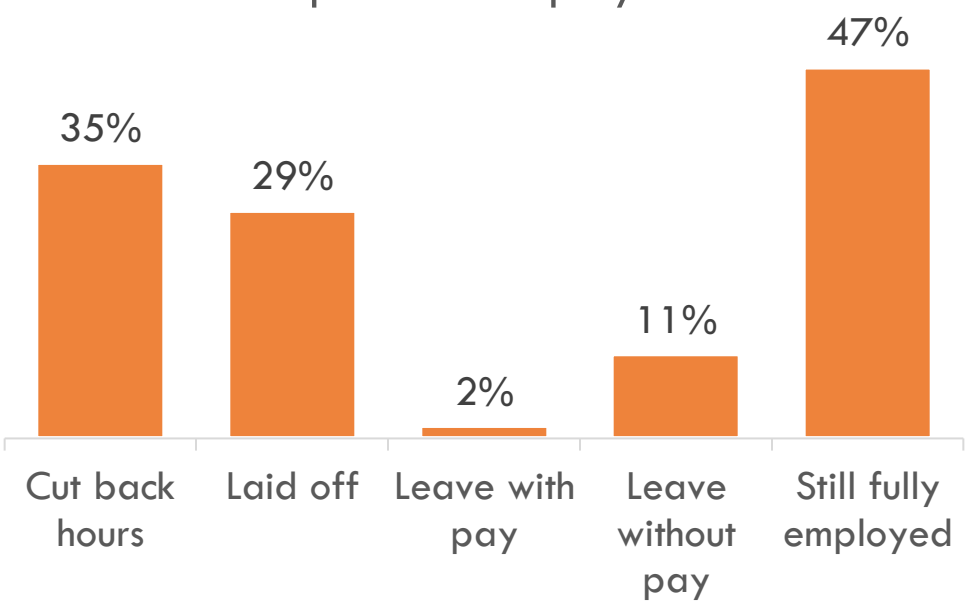
Potential regional wage loss by June 8: $40M-$121M*

*direct data from 2012 Census Survey of Businesses. Did not account for growth.

Number of Employees



Impacts on Employees



CURRENT WAGES LOST

- OWNERS $586,555
- EMPLOYEES
  - MIN $277,632
  - MAX $1,386.811

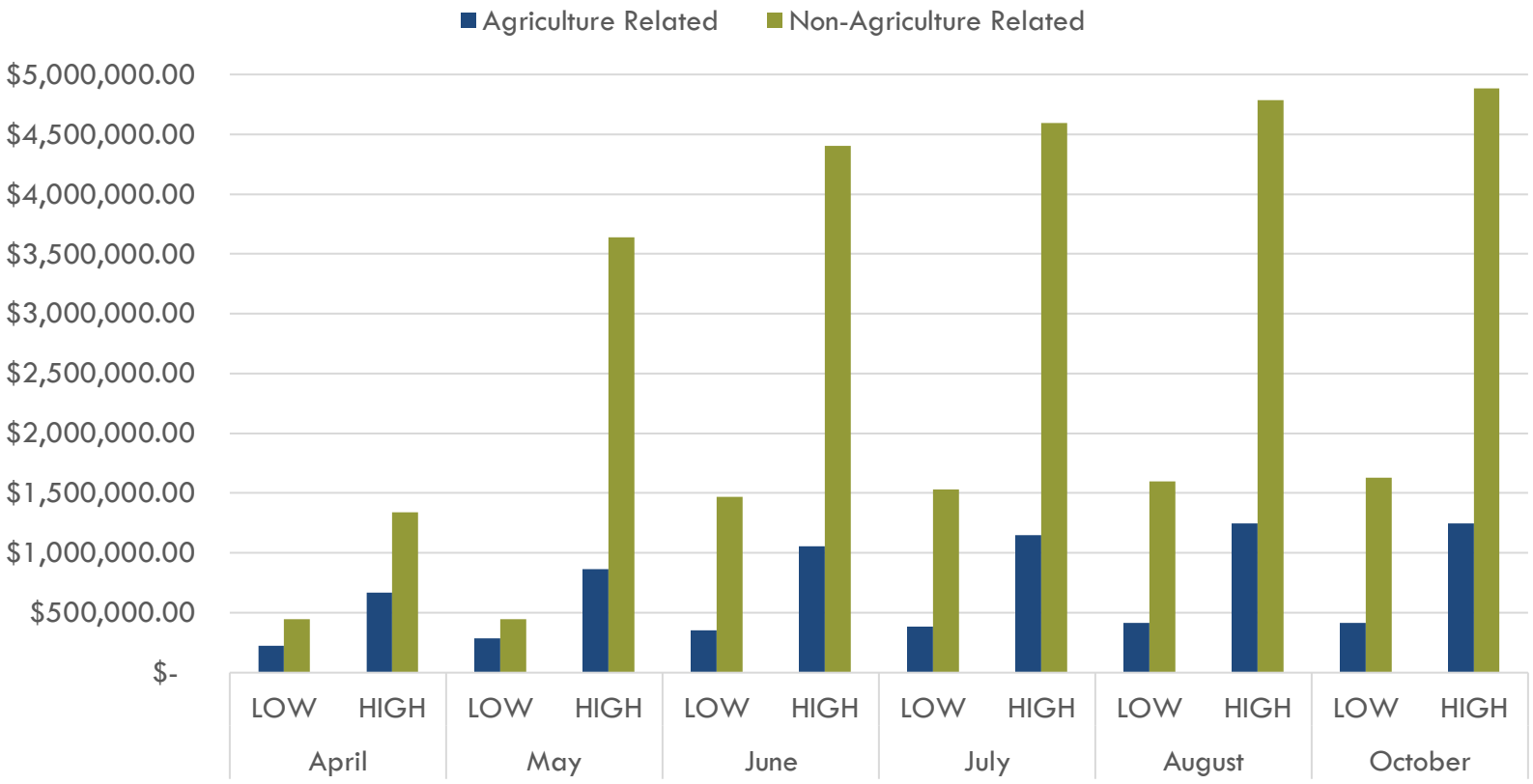
PROJECTED WAGES LOST in 6 MONTHS

- OWNERS $1,459,610
- EMPLOYEES
  - MIN $3,505,164
  - MAX $ 8,284,201

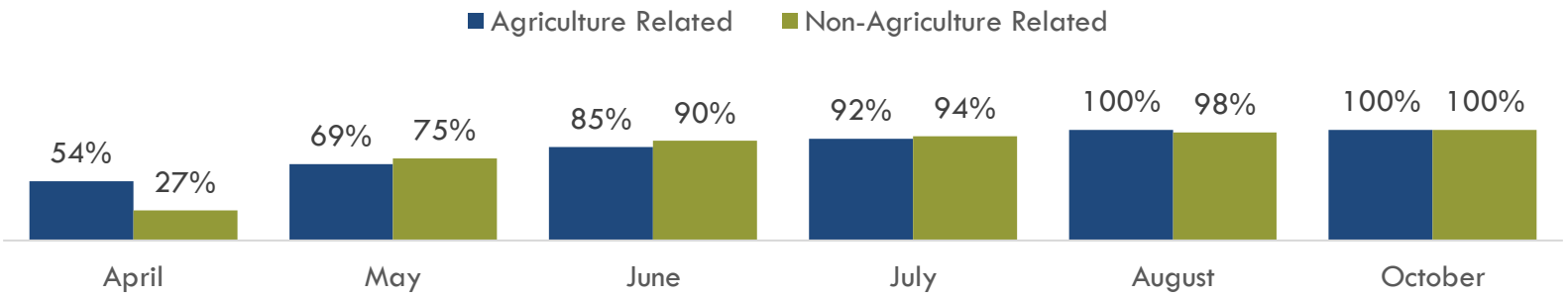
(based on 2019 SD median individual income

Impacts on Agriculture

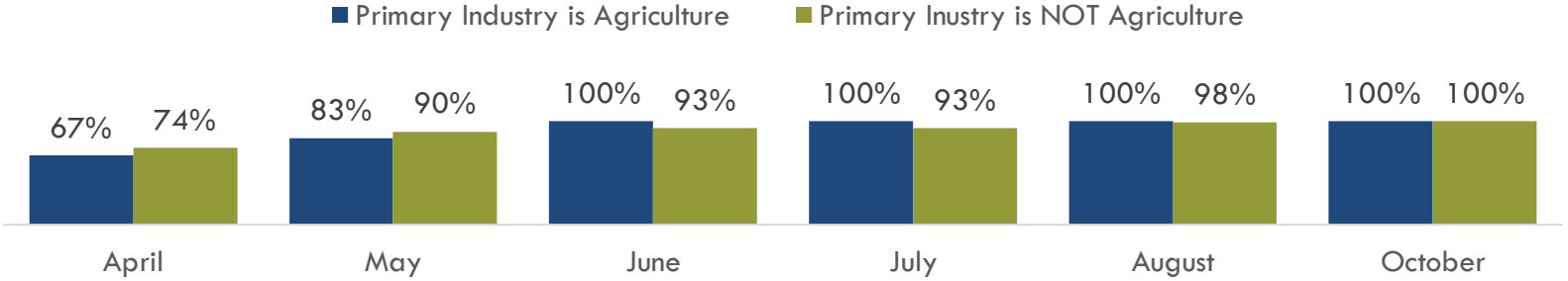
Wages Lost by Agriculture Related



% of Businesses That Will Run of Out Operating Cash by Date – Agriculture "Related"



% of Businesses That Will Run of Out Operating Cash by Date – Agriculture "Primary Industry"



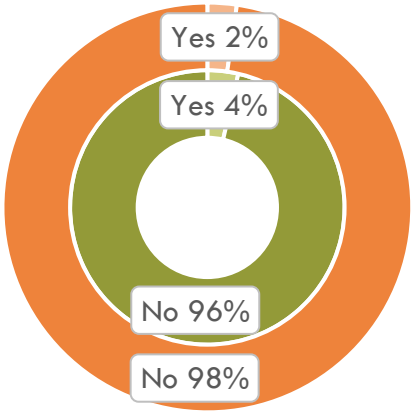
Food Security

AG-RELATED BUSINESS LOAN CAPITAL NEEDED: $1.38M

"Our local school lunch program is running out of food because adults and families are utilizing the program... The school system does not want to turn hungry people away …, which is leaving some families with children who don't get fed. $350,000 of capital would support the 5 restaurants within the reservation boundaries to order food, cook it in their kitchens, and provide to go foods to those families who need it. In addition, we have commercial kitchens, which are unused, but if they were provided contracts to do it, they could. Currently, our grocers cannot meet the local demand for food, since families are no longer able to leave the reservation. We've always had a problem with shopping locally and families leaving the reservation to shop elsewhere. The dollars are now being spent locally but the grocers cannot get all products on the trucks which normally deliver. Prices of grocery items are also increasing. There's a gap in local efforts to reduce regulations on locally grown food as well. Many families have chickens, pork and beef, our communities just lack the infrastructure to process these foods into markets. We need local advocacy in these areas. It'd be a good use of the new tribal funds for our tribe to invest in a meat processing plant. Normally, we would be able to advocate for this but our time at the CDFI is limited and we are missing these opportunities."

Federal Response vs. NCDFI response

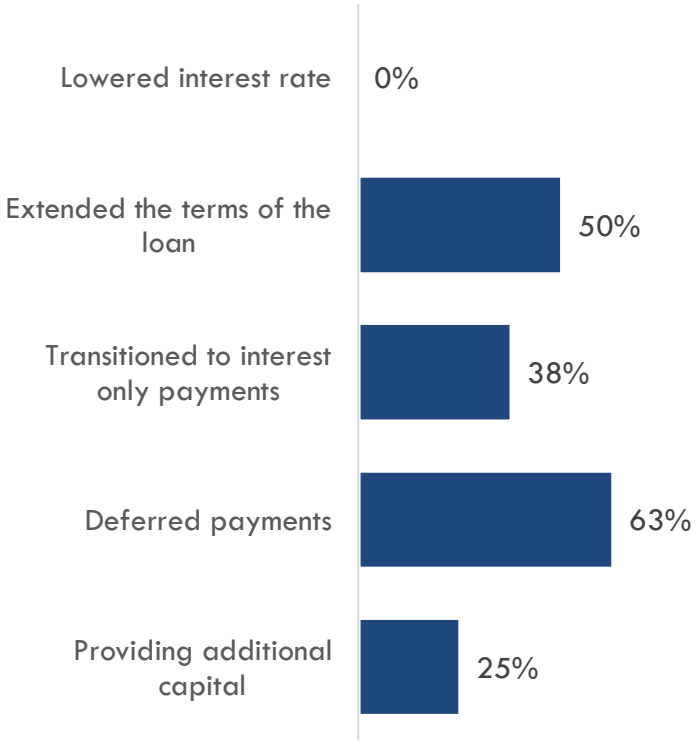
Percent of CDFI clients who applied for PPP or EIDL



"It was based upon existing relationships with banks that are SBA approved lenders. Many of our businesses did not have those. Also, those businesses who need it, did not want to get because they couldn't hire back their employees during a shut down. "

On Friday, April 24, Native CDFI Network secured a relationship with Community Reinvestment Fund to partner with Coalition members on client referrals for PPP, providing CDFI training for underwriting, a partnership agreement, and access to a 1% referral fee.

Use of Types Loan Restructures

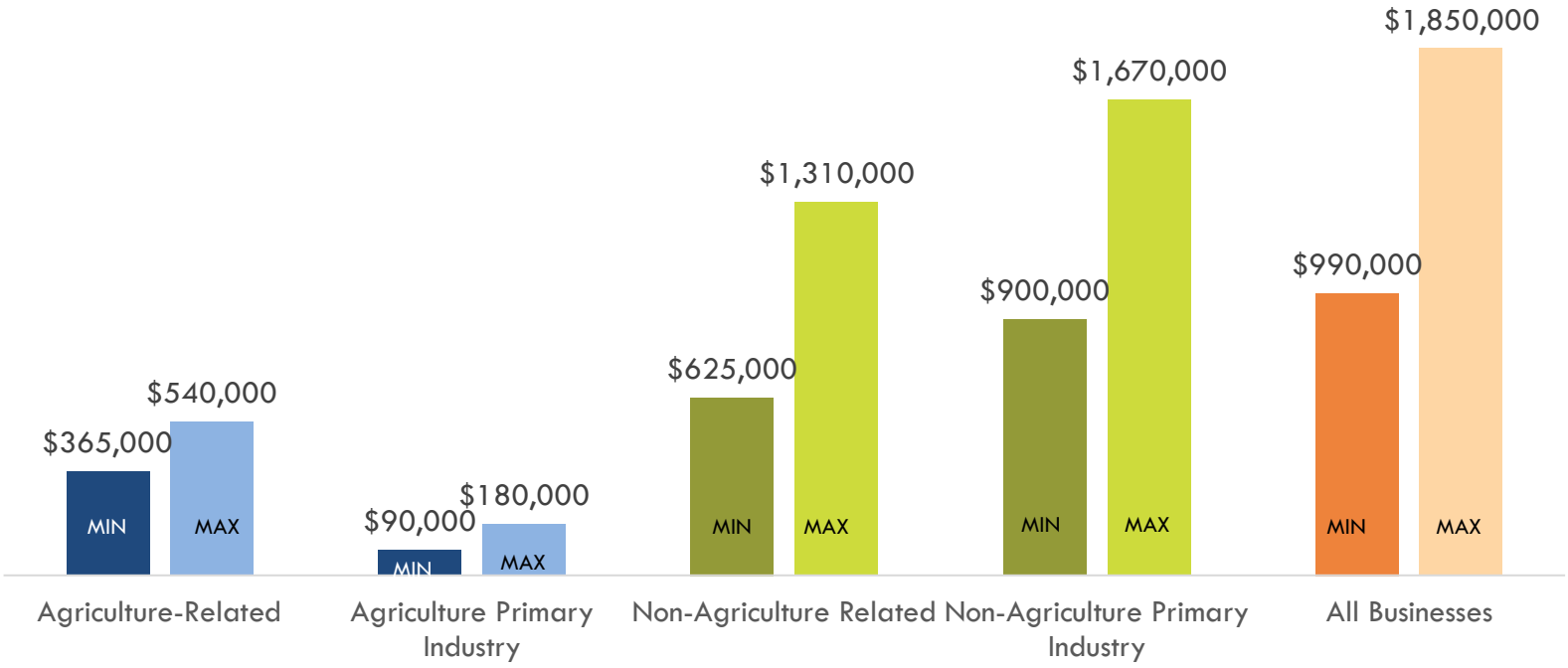


50% of NCDFIs applied for PPP

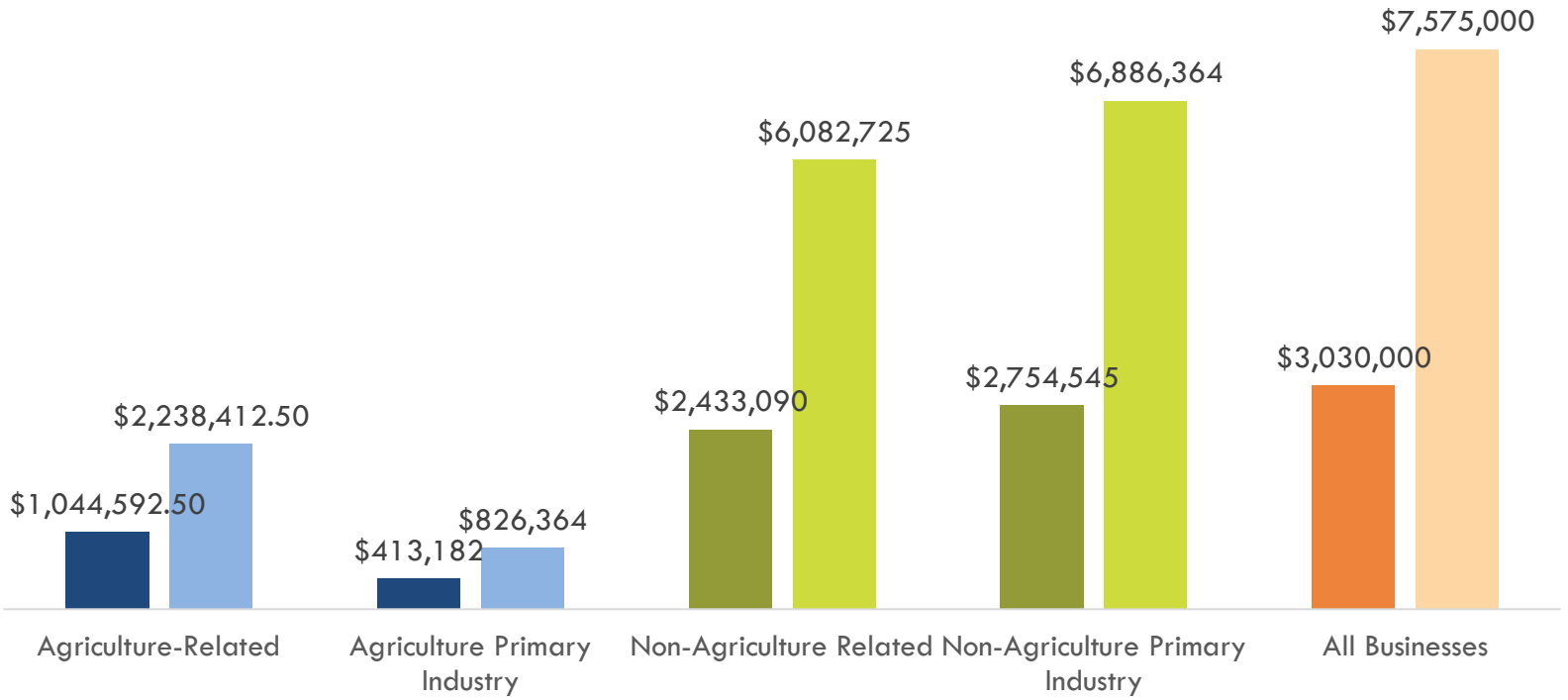
NCDFIs estimate that 34% of loans will need to be restructured, resulting in a revenue loss of **$670,000**

ESTIMATED INVESTMENT CAPITAL NEEDED

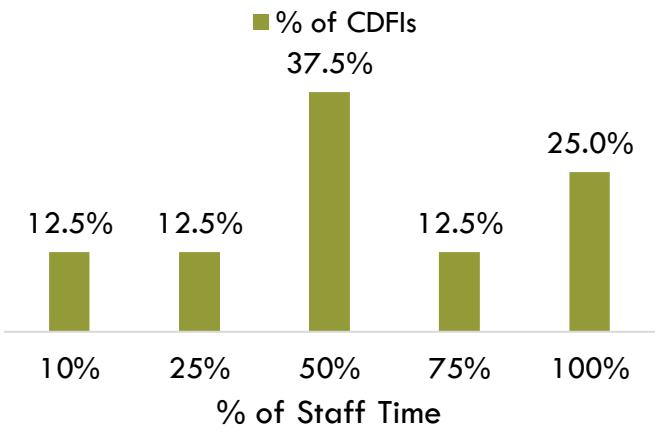
SURVEY RESPONDENTS: If you are not able to meet your current personal and business expenses, how much capital do you need to meet expenses through June 30, 2020?



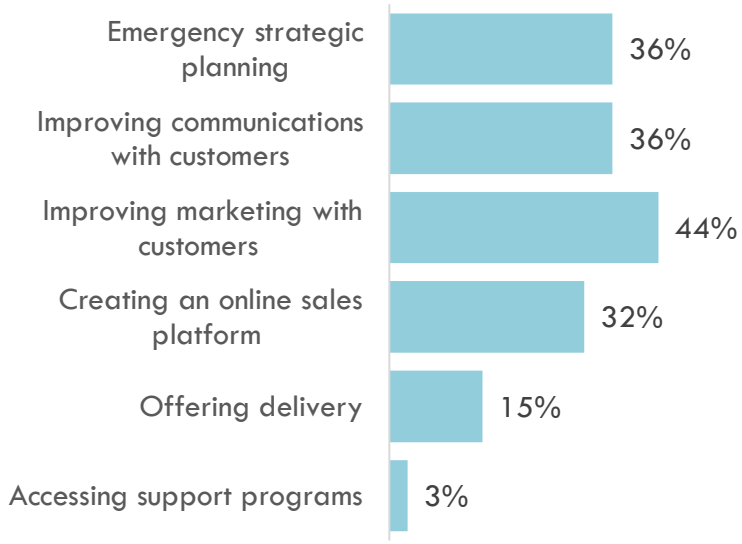
NCDFI PORTFOLIO: If you are not able to meet your current personal and business expenses, how much capital do you need to meet expenses through June 30, 2020?



What percentage of staff time is dedicated to COVID response and preparation currently?



Technical assistance needed



OPERATIONAL NEEDS

- Remote staff capacity
- Build programmatic capacity
- Leverage outside resources & partnerships for clients

Be a Good Relative: What this Moment Requires

PARTICIPATE IN THE GIVE-AWAY

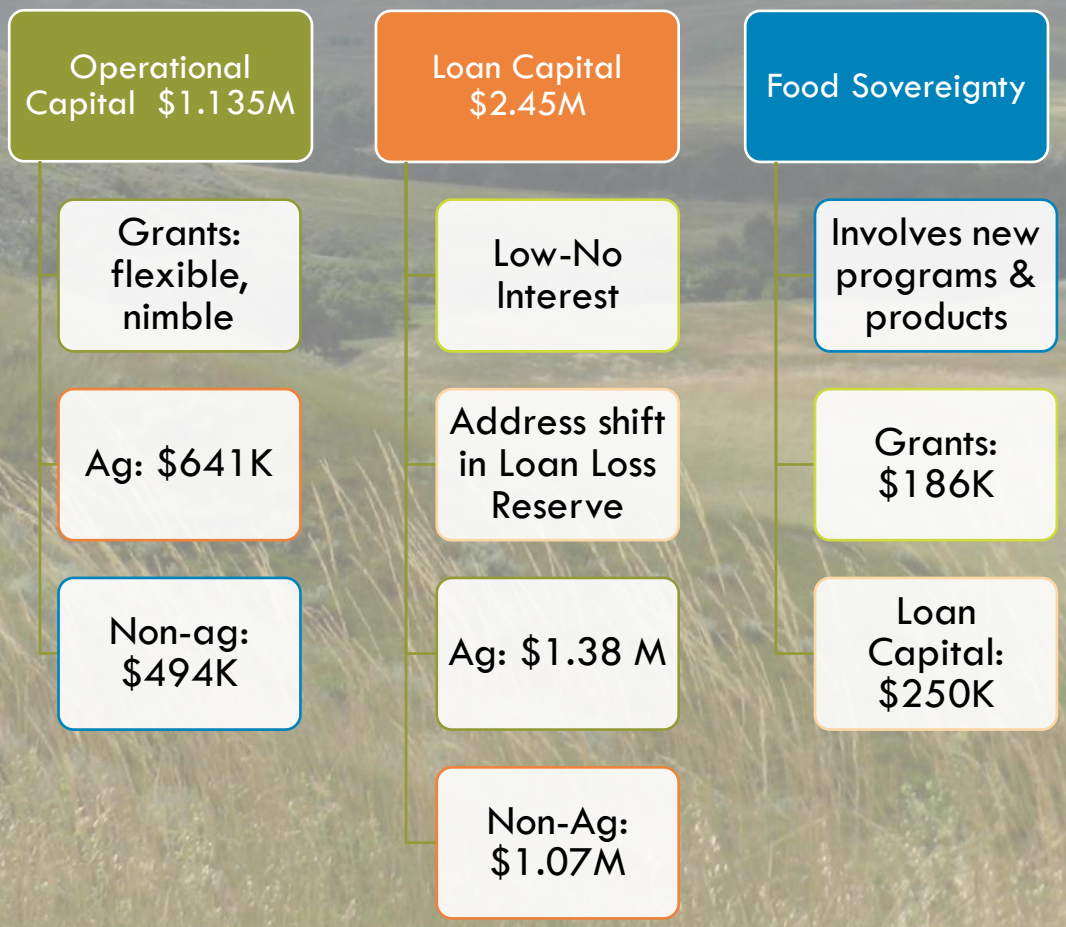
All of us have participated in the Northern Plains tradition of a give-away. It is a tradition based on relationships, reciprocity and involves the entire community to re-distribute resources. It is a part of an Indigenous understanding of the linkage between community well-being and our collective responsibility to support those most vulnerable. This is the new economy and the paradigm shift required to uplift the region in sustainable ways, not just through COVID-19, but into the next seven generations.

BE A GOOD RELATIVE

Economies are comprised of relationships and transactions. Relationships are at the center of Indigenous economies and are the greatest asset we all must invest in. Right now, we look to this, our shared ecosystem to how together we can strengthen our collective capacity to be good relatives.

NEXT STEPS:

- Bring others to this conversation including from other sectors
- Commit deeper to your existing relationships in the region, aligning capital accordingly
- Invest in the Regional Coalition, streamlining the investment process
- Magnify and amplify the story and Native Leadership



APPENDICES

FOUR BANDS COMMUNITY FUND, INC.

In partnership with Bar K Management Co.

& Sweet Grass Consulting

(based on 2019 SD median individual income)

$373,719
Total Monthly Operating Cash Needed

$167,767
For Agriculture-related Businesses

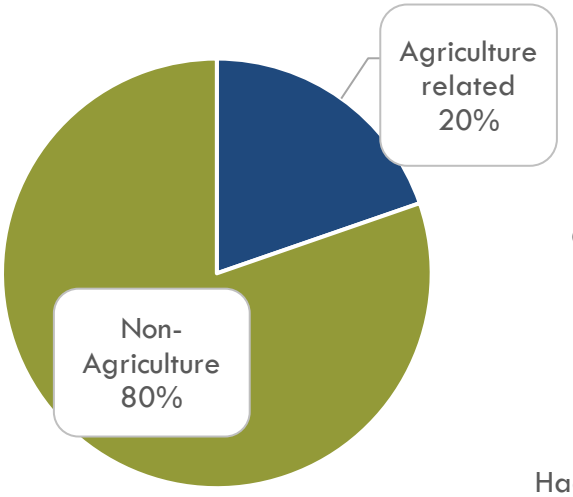
$2,000
MEDIAN Per Business Monthly Operating Cash Needed

$3,417
For Agriculture-related Businesses

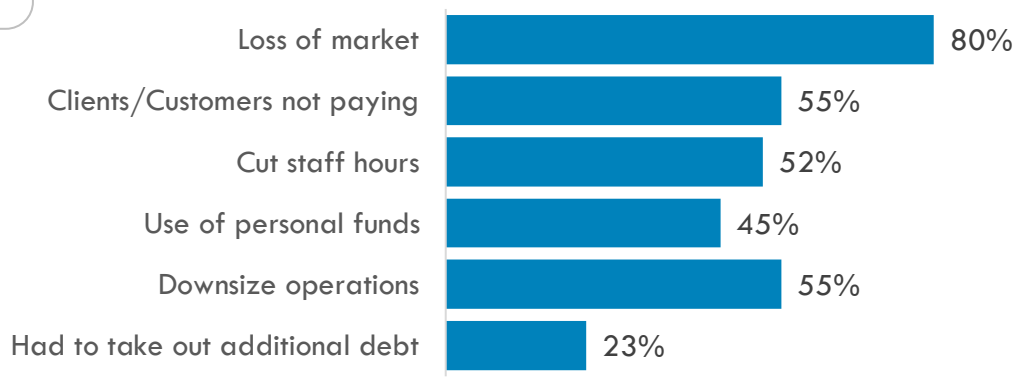
Total EXPENSE COVERAGE NEEDED THROUGH JUNE 30
$990,000
MINIMUM NEEDED
MAXIMUM NEEDED
$1,850,000

CURRENT WAGES LOST
OWNERS $586,555
EMPLOYEES
MIN **$277,632**
MAX **$1,386,811**

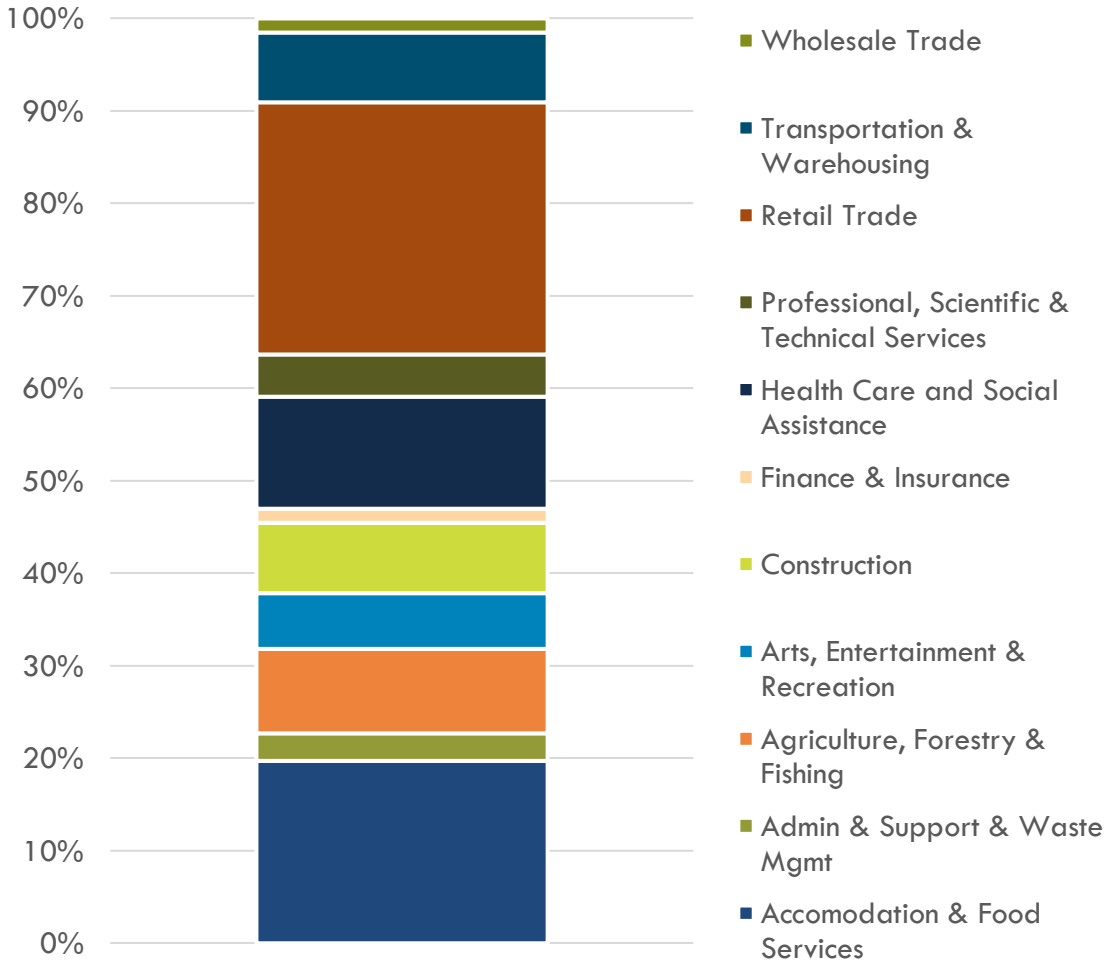
PROJECTED WAGES LOST in 6 MONTHS
OWNERS $1,459,610
EMPLOYEES
MIN **$3,505,164**
MAX **$8,284,201**

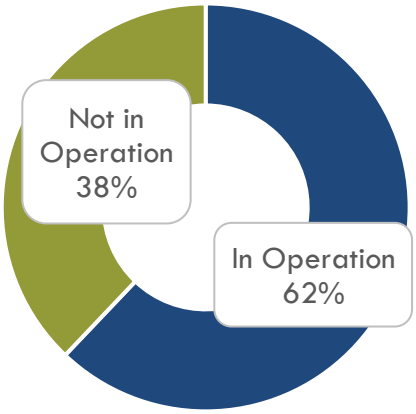


Impacts on business

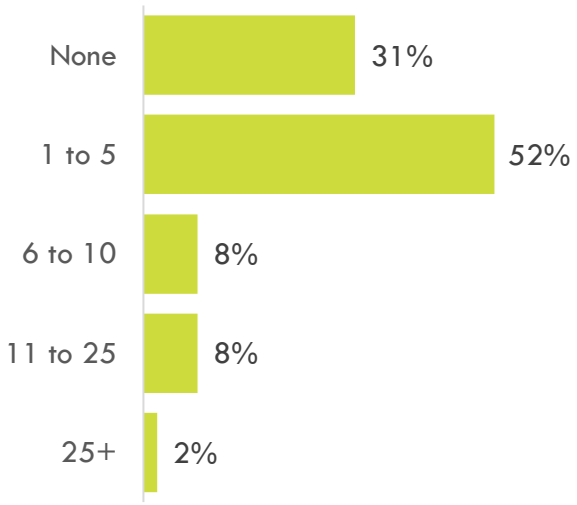


INDUSTRIES



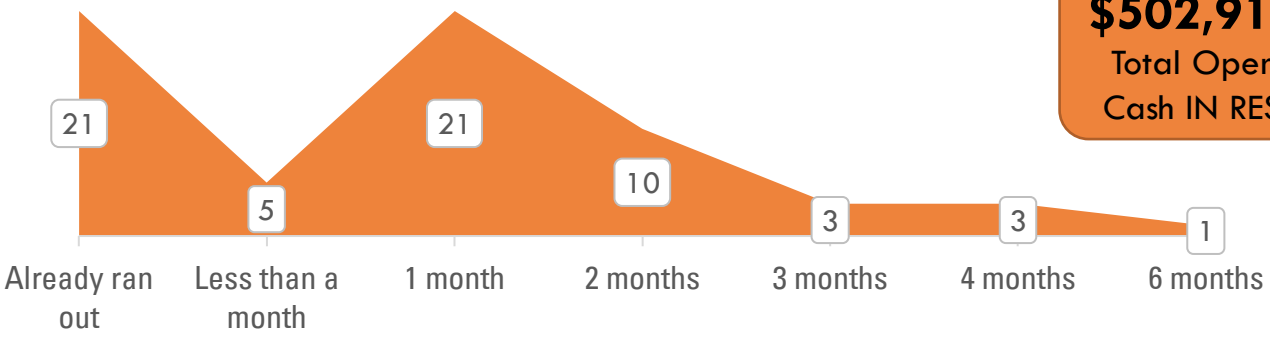


Number of Employees



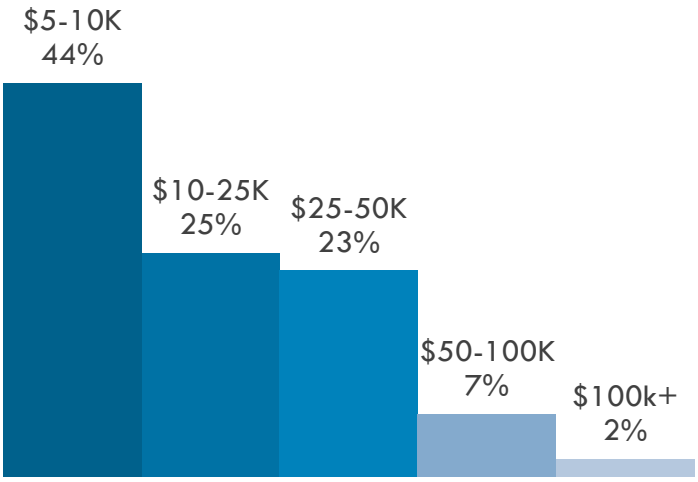
STATUS OF EMPLOYEES

How long will operating cash last?

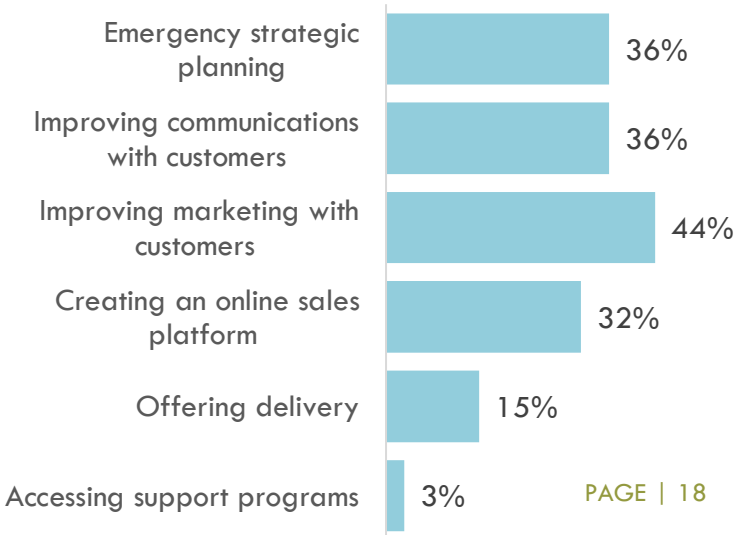


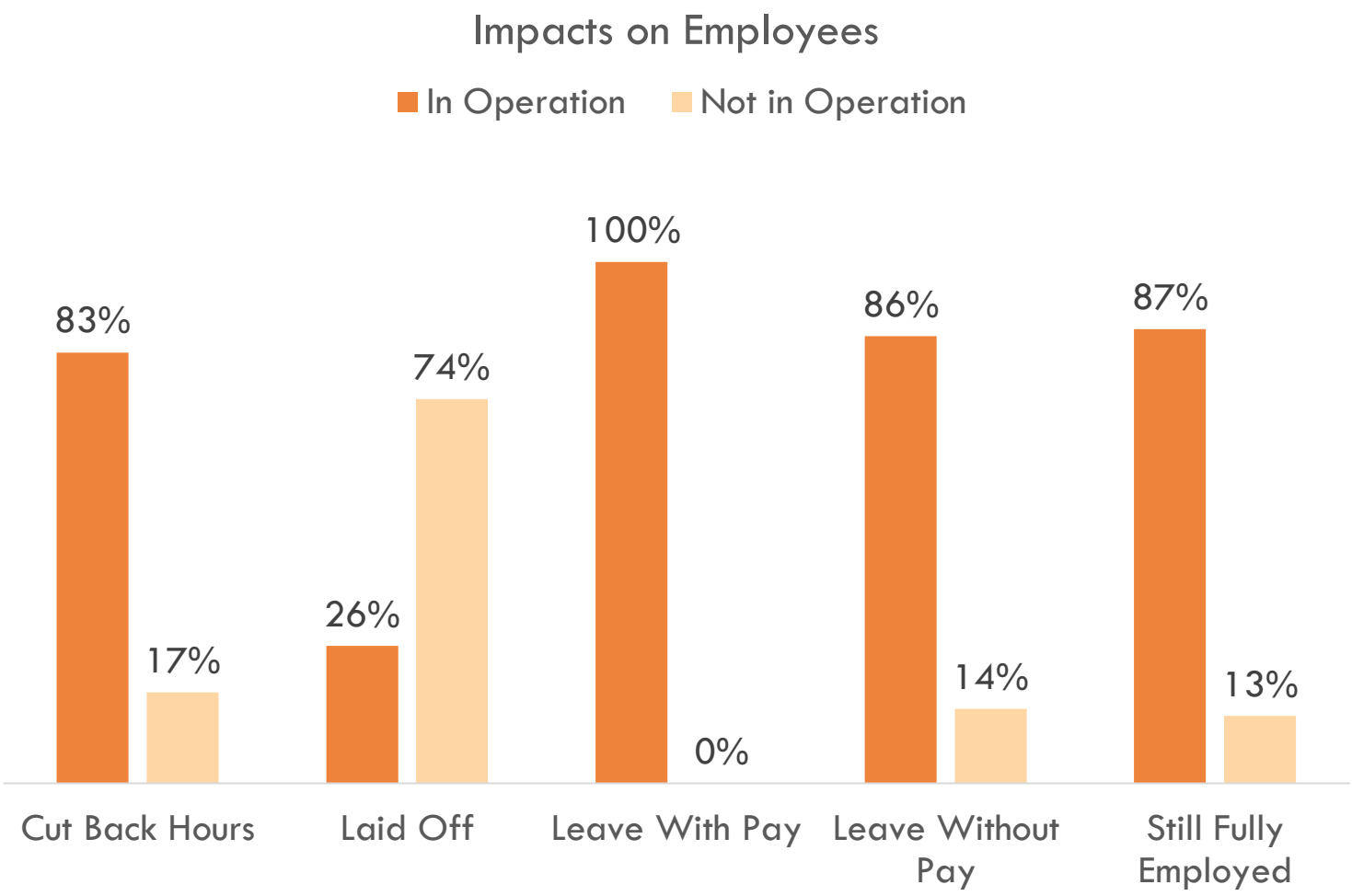
$502,916.00
Total Operating Cash IN RESERVE

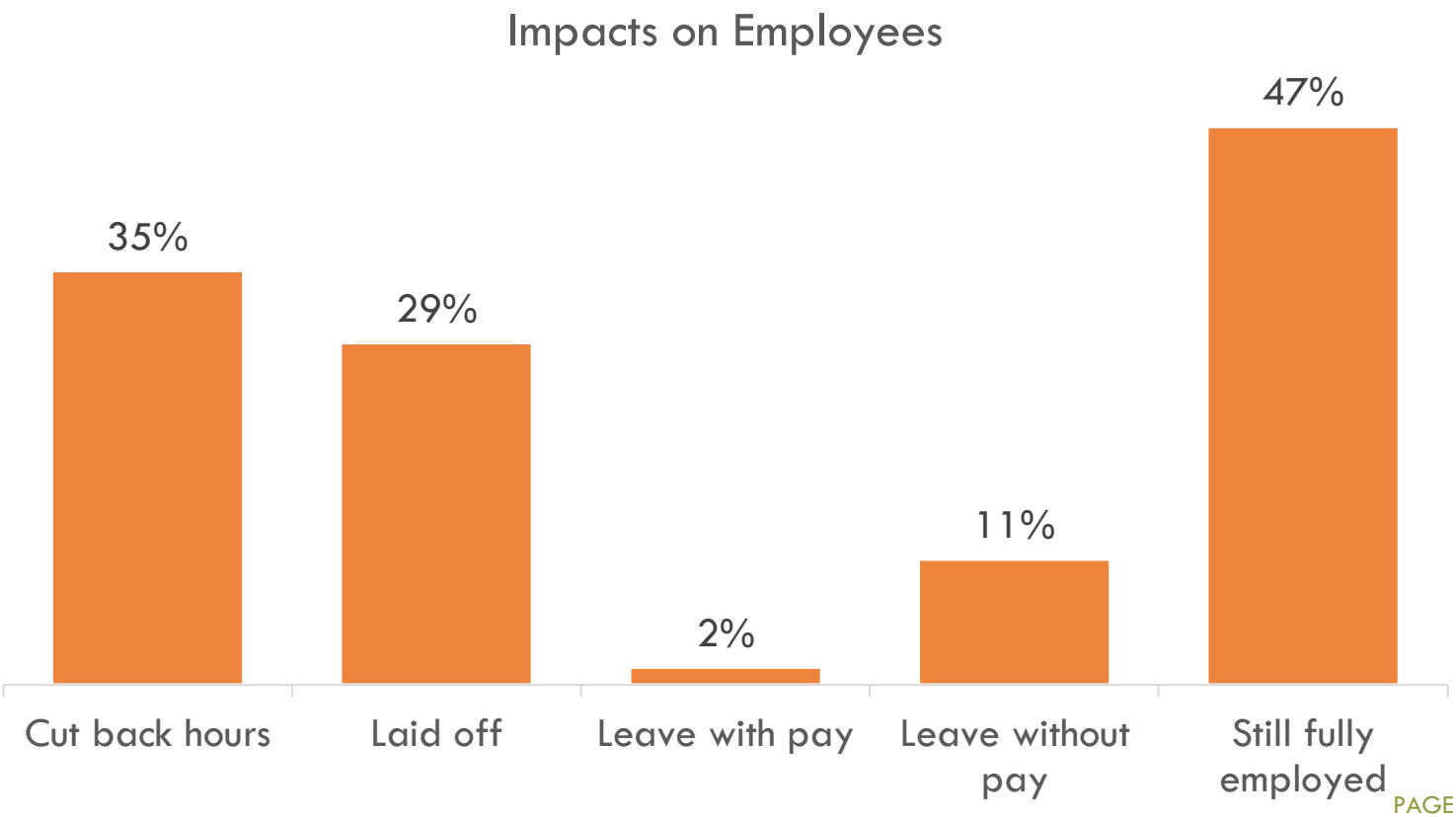
Capital needed to meet expenses



Technical assistance needed




Impacts on Employees
In Operation
Not in Operation
83%
17%
26%
74%
100%
0%
86%
14%
87%
13%
Cut Back Hours
Laid Off
Leave With Pay
Leave Without Pay
Still Fully Employed


Impacts on Employees
35%
29%
2%
11%
47%
Cut back hours
Laid off
Leave with pay
Leave without pay
Still fully employed