



January 25, 2022

Acting National Director and Deputy Director Miguel Esti3n  
Minority Business Development Agency  
U.S. Department of Commerce  
1401 Constitution Ave NW  
Washington, DC 20230

RE: Minority Business Development Agency Rural Business Center Program (2021-28331)

Dear Director Esti3n:

The Local Initiatives Support Corporation (LISC) thanks the Minority Business Development Agency (MBDA) for the opportunity to provide comments on the [Rural Business Center Program](#) to enhance the entrepreneurial support available to rural areas and rural minority businesses as authorized by the [Infrastructure Investment and Jobs Act](#). LISC appreciates the MBDA's ongoing efforts to promote the growth and global competitiveness of minority business enterprises (MBEs) and encourages the MBDA to continue its engagement with small business stakeholders as it develops rules and guidance.

#### **Background on LISC**

LISC is a nonprofit housing and community organization and certified Community Development Financial Institution (CDFI) with offices in 38 cities throughout the country and a rural network encompassing 95 partners serving 45 different states and Puerto Rico. LISC's work supports a wide range of activities, including affordable housing, economic development, building family wealth and incomes, education, community safety, and community health. LISC mobilizes corporate, government, and philanthropic support to provide local community development and business development organizations with loans, grants, equity investments, capacity building, and technical assistance.

For more than 25 years, [Rural LISC](#) has provided dedicated support to rural communities and today partners with 91 rural community-based organizations in more than 2,200 counties across 44 states. A key pillar of Rural LISC's community and economic development toolkit is the provision of high-quality small business technical assistance and access to capital as it enhances the ability of people, places, and businesses to achieve shared prosperity in rural areas. Rural LISC, in partnership with [51 business development organizations](#), supports the development of extensive coordinated assistance networks for rural enterprises overlooked by conventional financing channels, such as businesses in low- and moderate-income communities and businesses owned by veterans, women, and minority entrepreneurs.

LISC supports job growth in underserved communities in urban and rural areas by helping equip local businesses with the resources they need to grow. A LISC affiliate, immito, specializes in SBA 7a lending and provided over \$50 million of Paycheck Protection Program (PPP) loans to 366 small businesses and nonprofits during the pandemic. LISC Strategic Investments, LISC's national fund management business group, leads our managed impact investment funds, community investment accelerators, and equity investments focused on supporting underserved businesses. LISC and its affiliates collectively provided \$400 million in loans, grants, and technical assistance funding to over 26,000 small businesses in 2020, the vast majority of which supported minority-owned companies.

With four decades of experience investing in communities' social and economic infrastructure, LISC recognizes the promise of Rural Business Centers to help meet the needs of historically underserved entrepreneurs and communities.

### **Specific Comments**

We are pleased to offer comments to questions in the [Federal Register Notice](#). We offer these comments informed by our experience driving inclusive economic development initiatives in rural communities and supporting small businesses and the organizations that serve them through our Rural LISC program.

Implemented strategically, we believe that the Rural Business Center program will help close longstanding disparities for rural businesses by providing access to capital and high-quality technical assistance to entrepreneurs of color. The MBDA's leadership in significantly increasing the resources available to support rural areas and rural minority business enterprises will expand entrepreneurial opportunities while strengthening local economies.

### *Characteristics of Rural Businesses*

The COVID-19 pandemic has disproportionately impacted minority-owned businesses and heightened the longstanding challenges faced by businesses in our nation's most [rural and isolated areas](#), many of which are persistent poverty counties. While rural communities contain almost 20 percent of the country's population, many of these communities and businesses within them are struggling due to job loss, limited access to financial services, substandard housing stock, and a lack of infrastructure investment, including investments needed to expand rural access to broadband. These factors hinder the growth of rural businesses and contribute to population loss, higher poverty rates, and basic capacity needs that shape the characteristics of small businesses.

To better support new and existing small businesses and aid recovery from the economic effects of the pandemic, programs must be responsive to the types of businesses that tend to operate in rural communities. While businesses within rural areas are incredibly varied, similar to urban markets, there are distinct sectors that primarily are housed in rural communities, including agriculture and mining industries. These industries contribute significantly to local rural economies and regional employment. But increasingly, other sectors are becoming a large part of the rural economy, including professional and technology services, tourism and hospitality, manufacturing, health care, retail, logistics, and warehousing. In addition to sector-driven investments in businesses, there is also a need for place-based economic development to revitalize the historic commercial corridors and main streets that can foster the entrepreneurial development of retail and food-based businesses within rural areas.

Small businesses thrive when they have access to capital and technical assistance. With this in mind, LISC encourages MBDA to consider flexible resources for nonprofit organizations to meet the [varied needs of rural business enterprises](#). While requirements vary by business sector and size, LISC believes the following are consistent gaps within rural areas that present an opportunity for MBDA to address:

- Access to flexible capital with extended terms, particularly for minority entrepreneurs and start-ups;
- Availability of high-quality technical assistance and knowledge sharing opportunities;
- Accessibility of procurement training and support, particularly public opportunities at the local, state, and federal level;
- Securing public and private capital resources, including equity investments; and
- Strengthening accounting, logistics, and e-commerce presence.

### *Serving Rural Minority Businesses Enterprises*

LISC appreciates the MBDA's attention to the unique challenges faced by minority business enterprises (MBEs) in rural and remote areas of the United States. Advancing an inclusive economic development framework requires equitable access to capital and technical assistance for MBEs. We know that providing entrepreneurs with financing, resources, and technical support grows businesses, expands employment and asset-building opportunities, and strengthens rural economies. The inequitable access to small business resources that have been well documented across the nation extends to rural areas and regularly limits the growth of MBEs in remote areas.

Rural MBEs are challenged by a lack of hyper-localized resources, non-inclusive small business ecosystems, and sparse resource availability in many communities. A lack of accessible technical assistance and free business counseling providers leaves many disconnected from federal resources. MBEs who can undertake long commutes to urban resource providers are often faced with disconnected and inapplicable advice to the rural context. These businesses also face infrastructure challenges and gaps in high-speed internet connectivity that limit e-commerce growth potential.

Addressing these barriers to success requires advancing policies and increasing the MBDA's support of alternative financing and technical assistance that is readily available, affordable, culturally relevant, and linguistically accessible. Rural MBEs must have access to industry-based training and are positioned to be competitive for public and private procurement awards. Yet, these types of supportive services are often limited to urban areas. To assist in closing this gap, LISC encourages the MBDA to continue to explore non-traditional partnerships that leverage [rural community assets](#) and build on community-based partnerships alongside Minority Serving Institutions (MSIs) to improve access to necessary resources.

LISC believes fostering broader and inclusive rural small business ecosystems is critical to creating greater connectivity and close longstanding divides. A vital component of this work requires partnerships with existing community-based business development organizations that provide one-on-one technical assistance, convene stakeholders, and build connections for MBEs across disparate areas. This requires undertaking a comprehensive landscape analysis and expanding federal support for these types of resources that often have longstanding relationships and community trust. The MBDA should consider how best to balance the needs of locally-informed assistance with technical expertise that may benefit from broader engagement, such as federal procurement opportunities.

LISC recommends that the MBDA build on the existing resources and invest in the capacity of local partners dedicated to serving their rural communities through small-cohort learning models. We also urge the MBDA to avoid an over-reliance on virtual resources, which may have the unintended consequence of further alienating those lacking access or the skills to utilize digital resources successfully. Integrating [Digital Navigator](#) services into MBDA and other resource providers could serve as valuable support services for entrepreneurs facing connectivity and other web-based challenges.

### *Stories of Success and Collaboration*

Rural communities offer our local and national economies extraordinary talent, businesses, and assets. Yet rural areas and MBEs are often shortchanged of the private and federal investments needed to broaden pathways to opportunity meaningfully. To meet the distinctive challenges of rural communities, LISC has directed resources and capacity-building expertise to foster inclusive economic development, innovation, and infrastructure improvements in rural communities across the nation. We believe that these programs can provide insights for the MBDA to consider in structuring the Rural Business Center Program. LISC believes that MBDA can build on its critical leadership role by fostering partnerships and increasing collaboration between that MSIs and other organizations to leverage, connect and amplify opportunities for MBEs.

LISC recommends that MBDA consider how enhanced coordination and collaboration with the International Trade Administration can increase access to international markets for rural businesses, particularly MBEs. We encourage MBDA to consider aligning MSI degree and academic programs with regional economic development plans as the Rural Business Centers sites are selected, as undertaken by the [University of Ponce](#) in Puerto Rico. This innovative approach provides a holistic approach to supporting small business ecosystems to better serve MBEs in rural areas and strengthens relationships between MBEs and workforce systems. We also recommend leveraging existing innovation centers and aligning with universities at the [National Center for Advanced Manufacturing](#) where possible.

LISC believes that the MBDA and MSIs can build on the existing infrastructure of community-rooted business development organizations (BDOs). These organizations provide direct support to address disparities in opportunity by connecting MBEs to training, resources, and capital they might not access otherwise; thereby investing in the resiliency and recovery of MBEs in rural communities. LISC recommends that the MBDA consider incentivizing MSIs to partner with rural BDOs, as we have found investments in these groups often afford transformative impacts for rural areas and MBEs. LISC's partnership with [AgLaunch](#) is an example of this work; strengthening connections for minority entrepreneurs and Black farmers within the agriculture industry while deepening relationships between community-based organizations and MSIs.

We believe that [LISC's response](#) to the pandemic and aftermath of a series of devastating hurricanes in Louisiana provides another example of an integrated approach that delivers results. LISC provided \$3.2 million in relief grants to entrepreneurs and support for business development organizations, including Iberia Development Foundation, Project Hope, the Center for Disaster Philanthropy, and the Foundation for Louisiana. These efforts helped buoy a critical rural sector, Louisiana Gulf fisheries, and ensured impacted MBEs could adapt to new challenges and overcome prior structural obstacles to success.

## *Measuring Success of Rural Business Centers*

MBDA can help ensure MBDA Rural Business Centers meet legislative intent by providing resources to support established best practices and evidence-based outcomes. LISC encourages the MBDA to consider evaluating participating organizations' commitment to the expanding support for MBEs and evaluations, including through consultations with or surveying other community stakeholders. These stakeholders can consist of many different types of organizations, including local governments, nonprofit organizations, and financing entities such as community banks, investment organizations, venture capital firms, community development financial institutions, and philanthropy.

LISC encourages MBDA to consider the adoption of specific benchmarks of success to evaluate and measure the progress that the eligible entity has made toward the strategic objectives identified in the application for the grant. LISC recommends that MBDA emphasize the following high impact metrics: the creation and retention of high-wage jobs, including self-employment and part-time employment; private and public investment leveraged; businesses established or improved; companies attracted or retained; new products or services commercialized; increased regional collaboration; the number and dollar amount of new loans; the number and dollar amount of procurement contracts secured; improvement of income of participating workers and sales of participating businesses; and the amount of training and education activities related to innovation. We also encourage MBDA to consider opportunities to incentivize grantees to collect longitudinal data on MBEs supported and gather insights on the specific industries and business sizes served.

LISC recommends that MBDA leverage qualitative and quantitative measures and provide greater flexibility for regional areas with higher degrees of economic distress. We understand and greatly value the role of microbusinesses, defined as those with less than ten employees, in supporting rural economies and meeting the needs of local communities. For this reason, we encourage MBDA to consider the adoption of qualitative metrics that prioritize community benefits and develop qualitative review criteria for factors that cannot easily be quantified, such as a region's connections to markets, networks, industry clusters, and assets. This is necessary since our experience has shown that rural communities are diverse. Many underserved rural areas may not have an existing concentration of sectors or industries, although they may be developing them.

## **Conclusion**

LISC appreciates the opportunity to provide these comments to the MBDA. We strongly support the MBDA's mission and look forward to continued engagement as the Rural Business Center Program moves towards implementation. Please contact Michelle Harati ([mharati@lisc.org](mailto:mharati@lisc.org)), LISC Senior Policy Officer, if you need additional clarification on the letter's recommendations.

Sincerely,



Matt Josephs

Senior Vice President for Policy