

e² ENTREPRENEURIAL ECOSYSTEMSSM



Restart Kansas County Loan Fund New emergency assistance for businesses

June 2020

Restart – Recovery – Resiliency

America and the world are now facing a severe crisis only ten years after the Great Recession. This crisis is driven by the COVID-19 world health pandemic, the corresponding shutdown of parts of the economy to manage the pandemic, the associated economic recession, and now rising civil unrest. At e2 we are refocusing our efforts on how communities can **restart** their economies, pursue economic **recovery**, and grow more **resilient** economies and societies through entrepreneur-focused development. We are curating a collection of stories focused on how communities, regions and states are responding to the COVID-19 Pandemic and Recession through entrepreneur-focused development. We are particularly focusing our story capture on NetWork Kansas and how this mature and robust entrepreneurial ecosystem is enabling smart and impactful responses throughout the state. We published our first story in May 2020, [Spotlight on the Hospitality Industry Relief Emergency \(HIRE\) Fund in Kansas](#), which detailed the remarkable statewide support for Kansas’s hospitality businesses.

HIRE Story’s Inspiration

NetWork Kansas’s role with the HIRE Initiative and associated media coverage raised awareness of [NetWork Kansas](#) and what it could do within the Kansas entrepreneurial ecosystem. The story demonstrated how Network Kansas and its network of relationships could enable folks who wanted to address business challenges caused by the COVID-19 crisis. Like any other infrastructure (e.g., imagine our highway system), the Kansas entrepreneurial ecosystem represents critical infrastructure and the capacity to make things happen smartly and quickly.

Our second story focuses on **Restart Kansas**, a new initiative aimed at mobilizing bridge capital for Kansas businesses to support their survival during the current Pandemic crisis until consumer demand rebuilds. The initiative will also provide critical infrastructure to better meet the long-term needs of counties with additional loan programs to address future emergency situations. We believe this approach is foundational to (1) minimize the loss of businesses and jobs due to the Pandemic Recession and (2) optimize the potential for a more robust restart and recovery as the Kansas economy reopens and consumer demand rebuilds.

Bridge Capital

Bridge capital is a form of gap business financing. Bridge capital provides liquidity to businesses during times of stress like the current Pandemic shutdown and recession to strengthening the position of businesses to restart and successfully recovery from the crisis.

Origins and Motivations for Restart Kansas

NetWork Kansas’ mission is to stimulate and support entrepreneurs across the Sunflower State. There was a desire by Fidelity Bank (the 2nd largest bank in Kansas), and ultimately other Kansas banks and funders, to get bridge capital out to all kinds of Kansas businesses quickly. Fidelity Bank had participated in NetWork Kansas’ entrepreneurship tax credit program previously and was aware of NetWork Kansas’s experience and infrastructure to pool and deploy capital efficiently, effectively, and prudently. A hallmark of the Kansas entrepreneurial ecosystem rooted with NetWork Kansas is its capacity to not only act quickly, but soundly to ensure the appropriate deployment of capital based on funder goals e.g., available to all Kansas businesses regardless of location, targeting under-served business owners, etc.

Robust Entrepreneurial Ecosystems

Capacity is the ability to do something. **Resiliency** is the ability to recover when there is crisis. Restart Kansas speaks to the inherent capacity and resilience embedded in the state's robust entrepreneurial ecosystem curated by NetWork Kansas. By mobilizing its relationships, capitalization tools and organizational talent, NetWork Kansas has energized the Sunflower State's entrepreneurial ecosystem to introduce Restart Kansas during this challenging crisis.

Timeline for Restart Kansas

In a crisis it is essential to act quickly. The following is an overview of the timeline for Restart Kansas:

- Late March - Aaron Bastian, President and CEO, Fidelity Bank, emails Steve Radley, President and CEO, NetWork Kansas, with an idea.
- April 1st –Bastian and Radley talk by phone and begin concepts.
- Between April 1st and the 8th NetWork Kansas gains its Board of Directors approval and input and develops a strategy for Restart Kansas.
- April 8th –Bastian and Radley have a second call and the Restart Kansas program is proposed.
- Between April 8th and early May the Restart Kansas initiative is designed, vetted, capitalized, and deployed across the state.
- May 13th – First loan is made to the Wooden Spoke in Baldwin City.
- News Release May 29 - <https://www.networkkansas.com/blog/ntks-blog/2020/05/29/network-kansas-establishes-restart-kansas-county-loan-fund>
- June 8th release – Mid America Bank - <https://www.networkkansas.com/blog/ntks-blog/2020/06/08/mid-america-bank-commits-to-the-network-kansas-restart-kansas-loan-fund>
- By Mid-June:
 - Funder commitments of \$1.53 million have been made by 12 banks, one corporation and 17 individuals
 - 41 Restart Kansas loans are made deploying \$380,000

From the first email and phone call in early April, Restart Kansas moved from idea to deploying nearly \$400,000 in loans to Kansas businesses. In time over \$1.5 million will be deployed through this initiative. Later in this story we will talk about how Restart Kansas is foundational to a much larger vision for business and community resiliency.

Demand Disruption and Collapse – Need for Survival Bridge Capital

Unlike other economic crises and recessions, within a very short time period, the Pandemic caused dramatic demand disruptions and in many cases demand collapse (e.g., 90%+ decline in commercial air travel) due to health mandated and advised stay-at-home orders, closures of non-essential businesses and now consumer reluctance to spend due to both health and economic security concerns. Longer-term serious economic activity contraction is driving further demand erosion impacting certain parts of the economy hard (e.g., travel, entertainment, hospitality, retail, gatherings, etc.) and is spreading to other parts of the economy not previously impacted.

Central to minimizing economic damage (e.g., business and job losses, lost revenues to government and education, and the potential for a deeper and longer running economic recession) is the provision of sufficient (e.g., both amount and duration) bridge capital to buy time until consumer activity and

demand returns enabling a new normal and economic recovery. Restart Kansas is a tool to move bridge capital to Kansas businesses to buy more time as the economy restarts and demand increases.

Restart Kansas Loan Program Details

Purpose. The need for Kansas counties and local communities to create new resources to assist small businesses has never been greater than during the midst of this worldwide crisis. Overnight, small businesses in every community encountered situations they've never dealt with before. Additionally, cities and counties struggled to identify ways they can best assist. It is in these times that the seeds of opportunity for a better future can emerge. It is this intersection of crisis and opportunity that prompted NetWork Kansas to introduce the Restart Kansas County Loan Fund.

Loan Fund Leadership. The Restart Kansas County Loan Fund is led by local leadership teams and NetWork Kansas administrative support organizations. NetWork Kansas currently has more than 40 administrative support organizations and 64 Entrepreneurship (E)-Communities.

How Funds Are Raised? Initial funds will be raised utilizing the Entrepreneurship Tax Credit. Sixty percent of all donations utilizing the tax credit will be dedicated to the participating county. Additional funds may also be raised through charitable donations. Forty percent of the funds will be dedicated to statewide efforts including entrepreneurship programming, statewide loan funds, and NetWork Kansas operations.

Loan Fund Parameters. For participating counties, Restart Kansas will provide loans up to \$20,000 to businesses located in those counties seeking emergency assistance to maintain or restart their business because of some type of disaster. The Restart Kansas loans will have terms of 2% interest for 48 months with the payments deferred for four months, as outlined in the table below:

Loan Amount Terms

- Loans up to \$20,000
- 48 months, 2% interest
- 4 months deferred payments

Requirements for the Fund. Restart Kansas loan applicants must reside in one of the participating counties, complete a Restart Kansas application, be approved by the local leadership team, and complete a promissory note, personal guarantee, marketing release, and ACH form.

Impacts of Restart Kansas

Restart Kansas is a very new response to the Pandemic Recession on Kansas businesses, economy, and communities. The public [announcement](#) for Restart Kansas was released on May 29, 2020, just two weeks from the writing of this story. Demonstrated impacts will emerge over time, but the following key outcomes or impacts have already occurred.

Program Development and Deployment. Within roughly six weeks, Restart Kansas was envisioned, designed, initially capitalized, and deployed. This quick, efficient, and effective response speaks to the value of a robust entrepreneurial ecosystem and its capacity to mobilize solutions and resources when need and opportunity spark.

Initial Capitalization. More than \$1.5 million in initial capitalization has been mobilized employing the pre-existing Entrepreneurship Tax Credit. In a relatively short period of time this State of Kansas funding mechanism was fully deployed through the sale of state tax credits, mobilizing funding for Restart Kansas.

Kansas Tax Credits Mechanisms

Not all states utilize state tax credits to provide funding for state sanctioned programs and initiatives. The State of Kansas employs this public policy tool quite extensively and it has been foundational to the funding of NetWork Kansas supporting both operations and the capitalization of gap financing funds. NetWork Kansas is organized as a quasi-public organization and by state law provided an allocation of state tax credits that can be sold to capitalize its works. NetWork Kansas, given changes to federal tax law enacted in recent years, worked with the Kansas Legislature to change (pre-Pandemic) the parameters of how it can sell its tax credit allocations. This directly enhanced its capacity to capitalize Restart Kansas.

No Match Requirement. Unlike most other NetWork Kansas gap loan programs, Restart Kansas does **not** require a match. The reasoning is clear – requiring a match from entrepreneurs and their ventures that are in trouble due to factors beyond their control (i.e., Pandemic Recession) does not provide as much assistance as a loan without match requirements. This provision is particularly relevant to entrepreneurs on the margin or entrepreneurs of color. This topic is explored further on page 8 of this paper in the Creating Equal Opportunity section.

Restart Wichita – Helping Underserved Communities

Christina M. Long, Wichita Urban E-Community Manager, NetWork Kansas, in her May 2020 Blog, [Restart Kansas: A Proven Demonstration of Inclusion in Entrepreneurship](#), shared how 100% of the Restart Kansas loans made in metropolitan Wichita were to African Americans. Previous to Restart Kansas, the Wichita Urban E-Community approved one loan to an African American owned company. The ability to qualify for matching funds to secure an E-Community loan has proved challenging for some applicants. Long’s blog post is particularly relevant given the civil unrest in the United States sparked by continuing racism and violence on people of color, but more deeply rooted in economic and social inequality and injustice dating centuries in the United States. As the blog title suggests the Restart Kansas initiative, as deployed in Wichita, has focused on supporting people of color and their ventures creating meaningful help, hope, and a strong message that intentional inclusion must be part of our Pandemic Recession recovery strategy.

Restart Kansas Loan Deployment Over the Last 30 Days. The following provides of summary of the loan activity for the first 30 operational days of Restart Kansas:

Restart Kansas Capitalization

- | | |
|---|-------------|
| • Total Capital Commitments | \$1,530,491 |
| • Tax Credits Used | \$1,147,968 |
| • Capital Commitments without Tax Credits | \$383,523* |

*Some funders did not require the State Tax Credit to contribute funds to capitalize Restart Kansas.

Loan Deployment

• Loans Made	41
• Participating Businesses	41
• Total Loans Made	\$380,000
• Capital Deployed	25% within 30 days
• Business Retention Loans	100%
• Loans by Industry:	
○ Manufacturing	1
○ Retail	10
○ Restaurant	13
○ Service	17
• Loans by Geography:	
○ Under 1,000 Residents	2
○ 1,000 to 5,000	23
○ 5,000 to 10,000	3
○ 10,000 to 25,000	4
○ 25,000 to 50,000	1
○ Greater than 50,000	6
○ Urban/Distressed	2

Deployment Opportunity for Federal and State Funds?

The CARES Act provided billions of dollars of bridge capital (both loans and grants) to America's businesses, nonprofits, and governmental agencies. Deployment of this much needed capital quickly challenged our systems and in some cases overwhelmed them. States also received Federal assistance through this legislation and are now deploying additional assistance to instate businesses. Discussions are now emerging in Kansas about how the Kansas entrepreneurial ecosystem and NetWork Kansas could assist in deploying this capital. Within our Federal systems we have mechanisms to move assistance to communities, regions and states experiencing a crisis like a natural disaster or economic shock. However, because of the lack of robust entrepreneurial ecosystems in most states, these programs must be deployed nationally in cooperation with state administrations. The Kansas entrepreneurial ecosystem highlights the potential for a more efficient, effective, and timely resource deployment to businesses experiencing stress.

Future of Restart Kansas

The need for business capital is huge with the Pandemic Recession given the magnitude of business disruptions. \$1.5 million in additional loan capital is an impressive start for Restart Kansas. But the underlying vision for Restart Kansas is far greater and rooted in increased business and community resiliency. NetWork Kansas believes in doing its work where initiatives like Restart Kansas build community and venture capacity. By devolving loan discussions to local and area groups, the capacity of these organizations and communities are increased. Like the HIRE Initiative, Restart Kansas is exercising the Kansas entrepreneurial ecosystem to respond to both needs and opportunities strengthening its capacity to do more -- better.

Within the vision for Restart Kansas is the idea of growing locally directed pools of business capital organized into **portfolios** shaped by the needs and opportunities of each community and region. But

within each portfolio is the emerging idea of **emergency loan funds** that can be quickly mobilized and deployed in times of crisis caused by a natural disaster, downturn in the economy or other shock to local, regional, and state economies. Building responses to disasters while they are happening is problematic. Building response systems like Restart Kansas before they occur is a promising investment into the resiliency of Kansas. None of us can predict when the next crisis will hit our communities. But we can prepare and ensure we have the resources and programs to respond quickly and effectively. Restart Kansas and the capital deployed across the state is an important step in this direction.

Timing and Long-Term Success

Long-term success for Restart Kansas and other similar federal, state, and private efforts across the Country to provide bridge capital to both ventures and employees will depend in large part on the duration of demand contraction and in some cases collapse. Bridge capital buys time for both ventures and their employees. If consumer demand rebuilds quickly, these programs will prove highly valuable in both minimizing permanent business and job losses and optimizing recovery. However, should demand remain depressed (e.g., due to health concerns) or recession drives weaker consumer spending, additional bridge capital will be required. Only time will tell how the Pandemic Recession and our responses will impact restart, recovery, and resiliency.

Restart Kansas represents a promising response for deploying capital to Kansas businesses, particularly smaller businesses. At e2 we will continue to track this developing story and periodically update it. There are of course similar initiatives across the United States and world. The U.S. Federal Government's [CARES Act](#) is supporting work from the national level. We also want our readers to consider an important new initiative supported by the [Ewing Marion Kauffman Foundation](#) based in Kansas City called [START US UP, America's New Business Plan](#). By becoming involved in this initiative, you and your community can not only support restarting your economy through entrepreneurship, but lend your voice to this important national movement. At e2 we strongly believe that entrepreneur-focused development is foundational to restarting our economies, ensuring a stronger recovery from the Pandemic Recession and ultimately our ability to grow more a resilient economy, society, and community. For more on our thoughts about restart – recovery – resiliency, check our paper, [Planning for a Post Pandemic World, Lessons from the Great Recession, and other Economic Crises](#).

Finally, we want to hear from you. Share your feedback and your own stories of how your community, region or state is planning to rebuild from the Pandemic Recession. Contact Don Macke at don@e2mail.org.

Creating Equal Opportunity

Since the 1980s income and wealth inequality in the U.S. has increased dramatically creating classes of “have” and “have nots.” Underlying the recent peaceful protests and civil unrest is a deeper issue of economic inequality. Central to the American dream is a land where anyone can achieve personal dreams and success is possible. We call this “upward mobility.” Unfortunately, in the U.S. upward mobility has eroded over the past 50 years undermining this American dream.

We believe entrepreneurship can enable personal mobility and greater economic opportunity and equality. We encourage you to check out [Building Entrepreneurship Ecosystems in Communities of Color](#), written by Dell Gines, Senior Community Development Adviser, Federal Reserve Bank of Kansas City and Rodney Sampson, CEO, Opportunity Hub.

Another resource that might be helpful is our June 2020 paper [Planning for a Post Pandemic World, Lessons from the Great Recession, and other Economic Crises](#). We also recommend two books that can help us understand persistent racism, social and economic inequality:

- [The Color of Law, A Forgotten History of How Our Government Segregated America](#) by Richard Rothstein. 2017. Liveright Publishing Corporation. ISBN: 978-1-63149-285-3.
- [The Color of Wealth, The Story Behind the U.S. Racial Wealth Divide](#) by Meizhu Lui, Barbara Robles, Betsy Leondar-Wright, Rose Brewer, and Rebecca Adamson, with United for a Fair Economy. The New Press. www.thenewpress.com.

How e2 Can Help



e2 Entrepreneurial Ecosystems helps communities increase prosperity through entrepreneur-focused economic development and ecosystem building. Led by [Don Macke](#), e2 has a national team of practitioners who bring research, coaching, incubation, market intelligence and other expertise to this work.

What We Do

- ✓ **Mentoring.** We mentor and coach new practitioners seeking to pursue entrepreneur-led development. We provide advice and support for building eEcosystem strategies that work.
- ✓ **Analytics Support.** e2 helps communities and regions understand their entrepreneurial potential through research and data. Explore some of our research tools and reports [here](#).
- ✓ **e2 University (e2U)** is our platform for sharing guides, papers, stories, tools, and resources with communities wanting a deep dive into eEcosystem building. Don Macke leads the e2U team with analytics support from **Cathy Kottwitz** and report preparation from **Ann Chaffin**. Special recognition for their e2U legacy contributions goes to **Dana Williams** and **Deb Markley**, LOCUS Impacting Investing.
- ✓ **Fostering the eMovement.** We support the national entrepreneurship movement along with our partners including the **Federal Reserve Bank of Kansas City**, **SourceLink**, **Edward Lowe Foundation**, **Kauffman Foundation**, and **NetWork Kansas**. We are a founding member of [Start Us Up: America's New Business Plan](#), a coalition dedicated to strengthening entrepreneurship across America. Together, we continue to advance the foundational ideas of building entrepreneurial ecosystems and entrepreneurship-led economic development.

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[NetWork Kansas](#), a 501c3 nonprofit organization dedicated to developing an entrepreneurial ecosystem in Kansas, is the home for e2 Entrepreneurial Ecosystems. NetWork Kansas connects aspiring entrepreneurs, emerging and established businesses, to a deep network of business building resource organizations across the state.

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