

RUNWAY

INVESTOR: Builders Initiative, Souls Grown Deep Foundation
AMOUNT: Builders Initiative \$2.7 million grant commitment in 2022; Souls Grown Deep Foundation \$100,000 grant commitment in 2022, \$500,000-\$1 million investment commitment (TBD)
INVESTMENT: Blended Capital
CREATIVE ECONOMY SECTOR: Sustainable Food, Ethical Fashion, Other Creative Businesses
ASSET CLASS: Private Debt

RUNWAY is addressing the “friends and family” funding gap for Black entrepreneurs by providing seed funding plus holistic business support. Entrepreneurs typically rely on personal networks for initial capital to launch a new business venture which on average requires \$30,000, according to Berkshire Bank. Black median household wealth is \$11,000 compared to \$141,900 for non-Hispanic White Americans, suggesting access to capital holds back Black entrepreneurs.

With Uptima Entrepreneur Cooperative, a business accelerator that provides technical assistance and mentorship, RUNWAY couples entrepreneur training with access to capital. RUNWAY has deployed \$820,000 into 36 businesses led by Black entrepreneurs in Oakland (starting in 2017) and 8 in Boston (starting in 2020). These 3-5 year loans of \$5,000-\$20,000 carry a 4% interest rate, including an 18-24 month interest-only payment period at the start of the loan.

Now RUNWAY is planning a national expansion that combines a training program for bank lenders designed to increase lending to Black entrepreneurs with its technical assistance program and patient investment for entrepreneurs. Over 80% of the businesses that RUNWAY has funded have been in the creative economy as defined by Upstart Co-Lab.

Impact Strategy

RUNWAY teaches bank lenders a relationship-based approach to underwriting eliminating the historical barriers to capital experienced by entrepreneurs due to over-reliance on credit scores, personal collateral, or tax and financial reporting as an indicator for future success. The goal is to create a banking system that will be equitable and responsive to Black entrepreneurs.

RUNWAY is deeply responsive to the needs of their entrepreneurs. During COVID, RUNWAY focused their efforts on supporting current RUNWAY entrepreneurs and paused new lending. Nationally, 40% of Black-owned businesses closed due to COVID, but all of RUNWAY’s businesses were able to survive the pandemic.

ACCESS TO CAPITAL FOR BIPOC & WOMEN ENTREPRENEURS	✓
QUALITY JOBS	✓
VIBRANT COMMUNITIES	✓
SUSTAINABLE CREATIVE LIVES	✓
AN INCLUSIVE CREATIVE ECONOMY	✓
ENVIRONMENTAL SUSTAINABILITY	—

✓ PRIMARY IMPACT
✓ SECONDARY IMPACT
— NOT AN EXPLICIT IMPACT PRIORITY

Impact Metrics

As of December 2022

Women-owned businesses 68%
 Hours of business advising provided 542 hours

As of December 2021*

Jobs provided in the local community 186
 Growth in revenues over the past 12 months 30%
 Additional capital unlocked \$1,981,337

* These figures are scheduled to be updated in Spring 2023

Upstart Co-Lab’s Role

Upstart learned about RUNWAY through the impact investing news platform ImpactAlpha. After reviewing the strong creative economy exposure of RUNWAY’s Oakland portfolio, Upstart began a dialogue with the RUNWAY team in 2020 to understand how they determined to expand to new geographies, and if Alabama, Chicago or other priority regions where Upstart Members focused were under consideration. Upstart worked closely with RUNWAY, the Souls Grown Deep Foundation and Builders Initiative over two years resulting in commitments from these foundations to support RUNWAY’s expansion into Alabama and Chicago, respectively.