

## Selection of Ideas Submitted through the Inclusive Innovation Fund Request for Information (RFI)

- Explore structuring the fund as evergreen fund that would allow for a structured reinvestment of gains made back into the fund.
- A traditional VC fund manager or investor would bring the capability to raise capital from traditional sources such as institutional investors and high net worth individual angel investors. A democratized partner would bring the capability to raise capital from individual members of the community through fundraising campaigns, workplace/corporate partnerships, foundation grants or impact investments, and more. Taken together, this blended financing model can raise capital from any conceivable source and create a fund that is inclusive of diverse groups of entrepreneurs and investors/stakeholders...These avenues are in many ways compatible with DC's broader economic landscape which includes a high density of social impact organizations such as NGOs, multilateral/government institutions, and foundation sitting alongside private entities.
- In addition to the standard fund, the District could establish a donor advised fund that allows private donors/investors to invest in minority and underserved entrepreneurs. This would expand the fund's capacity and offer a tax incentive to the donors/investors.
- Provide tax incentives for those who invest in the IIF (ex. allowing pre-tax dollars to be invested without paying income tax). Create an online portal that allows "equity crowdfunding. With the passing of the Jumpstart Our Business Startups ("JOBS") Act by Congress, small, local businesses are able to raise capital by selling equity shares online like public companies now do with such online platforms as e-trade and Scottrade. The creation of such an online, low-cost platform could permit local residents to purchase shares for local business and residential developments for as low as \$20 a share.
- Use crowdfunding to improve efficiencies associated with the process of deployment of capital and due diligence.
- Amplify the stories of entrepreneurs to increase brand awareness to attract external investment dollars. Highlighting the founders and services/products of startups and small businesses will help build support for the fund.
- Ultimately we have found that early-stage investing is based on trust and relationships – both amongst potential investors and between investors and entrepreneurs. We suggest attending to some community-building elements as you consider building your fund, and embedding this element directly into a future RFP. Doing so will both contribute to the short-term and longer-term development of an impact ecosystem in DC, and will also organically identify a potential pool of LPs for the fund.
- Invest some funds – it could be less than \$1M over the life of the program – to connect the recipients of capital with new business opportunities. The 18 universities and hospitals in Washington DC alone spend approximately \$2BN a year on goods and services. That money could be directed towards local small businesses. Outreach and networking events to connect entrepreneurs and small business owners with these institutions in pursuit of specific contract opportunities could unlock a lot of growth potential. If the profile of businesses runs more along products or retail, similar partnerships could be developed with major retailers.
- The Fund could focus its investments on pollinator businesses, those that seed and strengthen the local economy, so that the multiple impacts on local economies are stronger. The Fund could consider creating a portfolio of local businesses that are buy and sell to one another, so that the success of each generates multipliers that propel the others. There is a need to encourage the

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community and government to buy from the supported businesses, as a way of increasing their chances of success.

- In addition to ensuring cultural competence among fund leadership, a truly inclusive fund would also consider access barriers at the application process. Policies such as a flexible deadline structure, standardized and simplified applications, and removal of application fees could be more favorable for underrepresented entrepreneurs. Fund managers could also host virtual or in-person informational sessions to allow underrepresented founders to connect with potential investors and better prepare for application submission.”
- “The “do no harm” principle should set a floor but not a ceiling for the impact of funded ventures. Given D.C.’s nascent development as an inclusive entrepreneurial ecosystem, this fund should require high-growth companies that received investment to re-invest in the ecosystem to some degree. This reinvestment could be materialized through earned capital invested into budding companies, mentorship opportunities between funded companies and applicants, and/or a consistent feedback mechanism that informs strategies to expand the fund.
- Consider anchoring a DC-based accelerator program with either Techstars or StartupBootcamp (the two top global accelerator programs that work with private and public sector partners). You could anchor a vertical program that’s themed around one of DC’s sector strengths: we recommend hospitality (working with Marriott, Hilton, Choice, etc.) or possibly something with BAH. Consider engaging an organization like HBCU.vc (which runs a training program for aspiring VCs of color). Perhaps you could facilitate a partnership with Howard University students and this organization, and participating students could work with the DC Innovation Fund as associates during their program.
- Create a start-up accelerator rather than a venture capital fund. The start-up accelerator will use resources to help more start-ups than a venture capital fund, it will facilitate the inflow of more investment capital from outside the district than a venture capital fund, and it has easier to obtain success metrics.
- We recommend the Fund utilize the B Impact Assessment Tool and rubric for measuring the positive impact of fund recipients and, for that matter, any fund applicant.
- Create a non-profit Venture Capital Community Development Financial Institution (CDFI) or Community Development Entity. The benefits include fund longevity, alignment with Treasury standards for socio-economic requirements, and access to federal funding.