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Rebooting the American Dream: Challenge Grants for Emerging Innovation Ecosystems

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“The benefits of science and technology remain unevenly distributed across racial, gender, economic, and geographic lines. How can we ensure that Americans of all backgrounds are drawn into both the creation and the rewards of science and technology? How can we ensure that science and technology hubs flourish in every part of the country, driving economic development in every American hometown?”

- President-elect Joseph R. Biden, Jr. to Dr. Eric S. Lander, January 15, 2021

Summary

Rebooting the American Dream (RAD) is a proposed national challenge-grant program that funds “Regional Centers for Shared Prosperity” in emerging innovation ecosystems, with the intent of (1) accelerating startup creation, (2) developing the next-generation of talent, and (3) providing alternative capitalization models. It is expected that initially funding the program to award six regional challenge grants of \$25 million each will yield at least a 3:1 return in private-dollar investments—for a total of \$500 million—and create at least 21,000 jobs in underserved areas of the country. In light of the massive job losses induced by the COVID-19 pandemic, RAD grants will build momentum behind existing place-based initiatives and help surface the wealth of diverse human potential and innovation that exists across the United States.

The RAD proposal aims to revive entrepreneurship across America by helping give every American, regardless of geography, race, gender, or socioeconomic status, the opportunity to build a competitive company. Advancements in internet capabilities, communication tools, and information technology have made entrepreneurship accessible to more people in more places than ever before. Yet massive job losses related to COVID-19 and ever-growing global competition require the United States to discover new ways to create sustainable jobs. Over the past decade, initiatives led by the federal government in partnership with academics and nonprofits have given policymakers a markedly better understanding of the issues facing entrepreneurs. RAD is directly informed by this body of knowledge. By supporting bottom-up, place-based investment and building a network of new ideas through RAD, the Biden-Harris Administration can simultaneously foster American dynamism and strengthen American economic competitiveness.

Challenge and Opportunity

American economic competitiveness is threatened by a closed innovation economy and pandemic-induced job loss.

The American economic landscape has become dominated by “winner-take-all” business models. Wealth is increasingly concentrated in the hands of a tiny fraction of the American population while highly skilled talent and capital cluster around largely coastal technology

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hubs¹—to the detriment of the vast majority of Americans. Economic disparities across gender, race, socioeconomic status, and geography are stark and well documented. Although new and young companies (i.e., startups) are important in driving economic growth and productivity, these benefits have gone largely unrealized outside of a few superstar cities in the United States. For the United States to compete globally at its peak potential, the innovation economy and startup culture must expand across far more of the country.

The need for a broader and more inclusive innovation economy is particularly acute in the wake of the COVID-19 pandemic. COVID-19 permanently eliminated an estimated 10 million jobs in the United States.² The American Rescue Plan—while laudable for its efforts to provide immediate capital for small businesses and grants for existing corporations facing extreme hardship—does not contain a roadmap for replacing lost jobs. Bipartisan efforts in Congress have indicated strong support for more to be done. These efforts have revolved around concepts including a national infusion of venture capital, immigration reform for technical entrepreneurs, and an entrepreneur corps program targeting distressed census tracts. These are worthy initiatives that the Administration should support. However, no serious proposal advanced to date either leverages existing entrepreneurial networks or builds on successful Obama-era initiatives (Box 1) to foster startup creation, innovation, and workforce development at the regional level.

The federal government has a track record of success in fostering entrepreneurship.

Entrepreneurship is at the fore of many federal agency agendas. Two existing, entrepreneurship-focused federal programs are especially relevant to this proposal: (1) the Build To Scale (B2S) Program run by the Economic Development Administration (EDA)'s Office of Entrepreneurship and Innovation, and (2) the Smart City Challenge run by the Department of Transportation (DOT).

Box 1. Efforts to build regional innovation ecosystems during the Obama Administration. Entrepreneurship has a consequential place on the national agenda and in the ethos of American culture. Yet entrepreneurs don't live in a vacuum: they thrive in dense networks of connected resources and support. As part of the nation's economic recovery from the Great Recession, the Obama Administration in 2011 called on the private sector to work with the federal government to dramatically increase the prevalence and success of entrepreneurs nationwide. The resulting Startup America partnership created a network of 30 regional leaders already coalescing efforts to support entrepreneurs and high-growth, innovation-led startups in communities across the United States. This network built social cohesion among participants, facilitated peer-to-peer learning, and helped direct national resources into harder-to-reach parts of the country. Organizations such as the Kauffman Foundation, Rise of the Rest, Startup Champions Network, InBIA, EDA, and SBA have continued to support leaders fostering local innovation networks, a practice more commonly called *entrepreneurial ecosystem building*. For entrepreneurs to thrive across America, active policy support for such ecosystem building is crucial.

¹ Eesley, C.E.; Miller, W.F. (2012). [Impact: Stanford University's Economic Impact via Innovation and Entrepreneurship](#). Stanford University, October 2012.

² Bartash, J. (2020). [The U.S. has only regained 42% of the jobs lost in the pandemic. Here's where they are](#). MarketWatch, August 7.

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B2S supports entrepreneurship by funding grants of up to \$1.5 million each to accelerators, universities, and nonprofits that help startups scale and commercialize technologies. Since 2014, B2S has issued over 200 grants totaling over \$100 million, a sum that has been matched by \$115 million in private dollars. The program has also helped create more than 14,200 jobs distributed across almost every state.³ A recent independent evaluation of B2S found that the program is “demonstrating promising results in increasing access to risk capital” and is a cost-effective job creator.⁴ In light of this success, funding for the program was increased in 2021 to support an additional \$38 million in new grants.

Rather than issue many small grants, the DOT’s Smart City Challenge offers a single \$40 million award to a mid-sized city to develop and implement ideas around next-generation mobility. In 2016, 78 cities competed and seven finalists were awarded \$100,000 each to develop a final proposal. Finalists worked within their region to source project ideas and seek private investment, providing tremendous local benefit. Columbus, OH was ultimately awarded the \$40 million contract, and leveraged an additional \$90 million of private-sector contributions and \$720 million of follow-on investments.⁵ This funding has been transformational for Columbus, spurring seventeen regional projects focused on priorities including autonomous vehicles, public health, and smart signaling.⁶

Both B2S and the Smart City Challenge encourage local networks of entrepreneurs to work alongside traditional economic-development professionals to build regional economies, spur innovation, attract talent, and create environments in which all entrepreneurs can thrive. While traditional models of economic development often emphasize top-down solutions, entrepreneur-driven development emphasizes bottom-up collaboration to devise solutions and build relationships across an often-fractured development ecosystem.

Federal challenge grants can do much to spur job growth, fast-track regional economic development, and build a more inclusive innovation economy.

The United States needs our local governments, universities, corporations, venture capitalists, family offices, and startups working together to convene capital sources and inspire them to invest in local economic opportunities. Building back better requires peer-to-peer learning across all regions, inclusive networks among change-makers, and forward-thinking cultures. The solutions to address our under-performing startup communities will come from local leaders empowered to make change. The federal government can help by giving local leaders the resources they need, including funding to launch innovation efforts and scale best practices.

³ U.S. Economic Development Administration. (n.d.). [Impacts](#).

⁴ Fourth Economy. (2019). [Technical Report: Evaluation of the EDA Regional Innovation Strategies Program 2014 to 2017: Seed Fund Support and i6 Challenge Program](#). July.

⁵ U.S. Department of Transportation. (2016). [Smart City Highlights](#).

⁶ Rouan, R.; Ferenchik, M. (2020). [Smart Columbus Deadline Looms, Some Projects Remain Unfinished](#). *Government Technology*, June 22.

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Today, challenge grants that leverage place-based initiatives fit into the framework of the American Rescue Plan and the American Jobs Plan. In the case of the American Rescue Plan, \$3 billion was allocated to the Economic Development Administration to provide community-based economic development efforts responding to the COVID pandemic. In the American Rescue Plan, the President is calling on Congress to invest \$20 billion into regional innovation hubs to advance technologies and promote American competitiveness. A majority of these funds will be allocated to the National Institute of Standards and Technology, which has past experience administering challenge grants. Building upon lessons from the Obama Administration, B2S, and DOT's Smart City Challenge, challenge grants provide an excellent tool to leverage private sector dollars and unlock localized economic development and innovation.

Challenge grants that leverage place-based initiatives fit nicely into the framework of the American Rescue Plan and can be incorporated into follow-on economic-development legislation. The American Rescue Plan provides the EDA with \$3 billion to support community-based economic-development efforts responding to the COVID-19 pandemic. Funneling some of this money into a regional challenge-grant program that builds on lessons from B2S, the Smart City Challenge, and the Obama Administration's entrepreneurship initiatives offers a timely and proven⁷ pathway to leverage private-sector dollars and unleash a new wave of localized economic development and innovation.

Plan of Action

The Biden-Harris Administration should focus on Rebooting the American Dream (RAD) by funding six regional challenge grants with \$25 million each to build industry clusters, develop next-generation and inclusive talent, and create new startup-financing models.

Structure

Agencies within the Department of Commerce provide a natural home for the RAD grant program. The EDA's BTS program maintains active relationships with economic-development organizations that support entrepreneurs across the United States. As stated above, some of the \$3 billion allocated to EDA for community-based economic development as part of the American Rescue Plan could be used to support the RAD program. Alternatively, the National Institute of Standards and Technology (NIST) has administered "smarter cities" grants in the past. NIST's mission to advance advanced communications and manufacturing, health and biosciences, and quantum computing could align well with the goals of the RAD program. The Department of Defense, the Department of the Treasury, and Small Business Administration, and Treasury Department each play a critical role in building prosperous local economies, and hence would be useful federal partners in designing, implementing, and evaluating the program.

⁷ Mazzucato, M.; Kattel, R.; Ryan-Collins, J. (2020). Challenge-Driven Innovation Policy: Towards a New Policy Toolkit. *Journal of Industry, Competition and Trade*, 20: 421–437.

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The program would be administered by the EDA, and funding would come from the \$3 billion already allocated to the EDA as part of the American Rescue Plan to support community-based economic-development efforts. The proposed RAD challenge-grant program is designed to catalyze large-scale change at the regional level. The program will follow a “by entrepreneurs, for entrepreneurs” philosophy, funding projects led by community leaders dedicated to building entrepreneurial ecosystems.

The RAD program will be structured in two phases, similar to the structure of the Smart Cities Challenge.

In **Phase One**, the EDA will solicit ideas for entrepreneurial ecosystem building from cities with populations between 200,000 and 1 million. The most populous city from each state below the minimum population threshold will also be eligible. Thirty cities will receive \$100,000 each in seed capital to jumpstart concepts over the course of a year. Throughout this phase, teams overseeing concepts chosen for funding will report their process to and interact with other awardees in the same region, thereby strengthening entrepreneurship networks across the United States.

In **Phase Two**, the EDA will identify the six most promising projects initiated in Phase One. Each of these six will receive an additional \$25 million grant for further development, implementation, and scaling. The goal of Phase 2 funding is to catalyze impacts across entire regions. Rules will be developed to ensure that grants are distributed to cities in different regions and with different population sizes.

Focus Areas

The RAD program will solicit project proposals to address any of three key prerequisites for a vibrant startup economy:

- (1) **Building industry clusters.** An “industry cluster” is a geographic concentration of startups, corporations, suppliers, and support institutions focused on a single industry, such as robotics. Proposals in this area will focus on building robust industry clusters that make it easy for entrepreneurs to collaborate on, refine, and scale their ideas (Box 2). Proposals in this area may also focus on reducing barriers for entrepreneurs and creating shared prosperity.
- (2) **Developing next-generation and inclusive talent.** Proposals in this area will focus on recruiting, training, and upskilling the tailored workforces needed in diverse sectors of the knowledge economy. Proposals in this area may also focus on enhancing the culture of innovation for all current and potential participants.
- (3) **Creating alternative startup-capital models.** Proposals in this area will focus on exploring and determining how to implement the wide array of financial instruments—including shared earnings agreements, revenue-based financing options, and venture debt—that

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can provide more equitable returns to founders, reward sustainable growth, and incentivize long-term risk. Proposals in this area may also focus on minimizing transaction costs for startups.

Appendix I further explains how fulfilling each of these prerequisites has worked for communities across the United States.

Box 2. Examples of potential local industry clusters resulting from RAD grants. The goal of these grants is to create local clusters in the United States—in areas ranging from biomedical-device manufacturing to quantum computing to xenotransplantation to microbiome product development. Here are six potential examples of cities projects that could be created:

- Ann Arbor, MI - Renewable Energy and Storage
- Huntsville, AL - Low Orbital and Space Technology
- Oklahoma City, OK - Climate Modeling
- Rochester, NY - Photonics
- Salt Lake City, UT - Machine Learning and Data Visualization
- Wichita, KS - Additive and Composite Manufacturing

Outcomes and Benefits

The RAD program is designed to be better at building regional entrepreneurial ecosystems than simply injecting a large amount of capital into an academic institution or new industry cluster. Project leads will be required to demonstrate partnerships with business founders, academic institutions, local government agencies, corporations, and philanthropic organizations in order to be eligible for RAD program funding. This criterion will cause community leaders to work across silos and build relationships as part of the proposal-crafting process, even if those proposals are not ultimately selected for funding. Teams searching for private-dollar matches also build local and regional relationships with corporations and large donors.

The RAD program is also designed to help entrepreneurs be more effective in their endeavors. Planning exercises built into Phase One of the RAD program will provide structured support to help budding entrepreneurs test market assumptions early and assess public support for a new concept.

Teams will be asked to craft proposals that focus on key ecosystem building elements, including, but not limited to, reducing barriers for entrepreneurs, minimizing transaction costs for startups, enhancing the culture of innovation, and creating shared prosperity. Even if these proposals are not funded, relationships are built across geographies. Secondary goals of the challenge grant will be to increase education of local capital sources, encourage more family offices and private corporations to engage with their local startup community, and connect entrepreneurs across regions. Overall, the vision is to lift people and projects with strong potential to improve American dynamism.

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Evaluation

The goal of the RAD program is to transform six regions into new innovation hubs: places where all people can participate in the opportunities that entrepreneurship has to offer and realize the economic benefits that entrepreneurship can generate. Imagine if Rochester became a go-to destination for ventures in advanced photonics, Oklahoma City the climate-science capital of the world, or Wichita the pioneer of new financing models for composite manufacturing. The RAD program will help raise the profile of overlooked and undervalued mid-sized cities, and will create generational economic prosperity for those living in them by challenging community leaders to hire and cultivate to home-grown talent, spread “growth mindset”⁸ thinking throughout their regions, and develop place-based, forward-looking economic roadmaps. Succinctly, each city funded by the RAD program will generate new jobs, new investments, and new companies across the region it anchors. These cities will in turn serve as anchors for a bottom-up national initiative to enhance U.S. dynamism and strengthen U.S. economic competitiveness.

As such, the RAD program should be evaluated based on how well it improves the entrepreneurial capabilities, capacities, and systems in each region it funds. Direct impacts can be assessed by measuring the number of new companies formed, activities such as symposium or events, the amount of outside capital invested by private sources, and the types of new products developed. Based on previous challenge grants and other investments in place-based economic development, it is expected that the RAD program will yield at least a 3:1 private-dollar match to the \$150 million in federal funding spread across the six cities: i.e., a \$500 million total investment. It is further expected that the RAD program will create at least 21,000 new jobs directly and 80,000 new jobs indirectly.⁹ Finally, it is expected that federal funding through the RAD program will assist more than 4,000 entrepreneurs in developing thousands of new inventions while increasing wages and generating internationally tradeable products.¹⁰

Conclusion

Every American deserves to live in a community where entrepreneurship can flourish. The National Science Foundation, the U.S. Department of Commerce, and the Small Business Administration have collectively invested billions of dollars to date to try to address regional disparities in access to the innovation economy. However, there is a wealth of evidence showing that such disparities have worsened—and will continue to worsen—in the absence of thriving and inclusive ecosystems needed to support entrepreneurial success.¹¹ The Rebooting the American Dream challenge grant program is designed to address this problem in the long term by creating good and high-paying jobs, expanding economic networks, and fostering the dynamism that our nation needs to build our economy back better in the wake of the COVID-19

⁸ Dweck, C. (2016). [What Having A “Growth Mindset” Actually Means](#). *Harvard Business Review*, January 13. What

⁹ Moretti, E. (2010). Local Multipliers. *The American Economic Review*, 100(2): 373–377.

¹⁰ Fourth Economy. (2019). *Technical Report*. Assumes that one job will be created for every \$23,500 leveraged between public and matched dollars.

¹¹ Samuelson, R.J. (2019). [Opinion: Have we lost our economic dynamism?](#) *The Washington Post*, September 1.

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pandemic. Our nation was built on the spirit of entrepreneurship. The RAD program will restore that spirit and make it shine.

The Biden-Harris Administration has made unity a central tenet of its governing philosophy. With its call for collective experimentation, local solutions, and cooperation among cities and counties, LIU is an initiative that Americans of all political stripes can get behind.



Frequently Asked Questions

Why \$25 million grants?

A goal of the RAD program is to encourage entrepreneurial leaders to work with family offices, local businesses, and institutional capital. As evidenced by other challenge-grant opportunities, large sums of money can act as convening agents. The DOT's Smart City Challenge used \$40 million in public grant dollars to leverage over \$800 million in direct and indirect investment from external stakeholders. RAD grants have the same potential. The America COMPETES Reauthorization Act of 2010 provides the statutory authority for all federal departments and agencies to run prize challenges and offers a fair amount of leeway on funding levels.¹² In sharing the concept for the RAD program with entrepreneurs, academics, mayors, venture capitalists, foundations, and economic-development professionals, \$10–\$25 million was found to be the “sweet spot” for grant amounts: enough to excite potential participants, but not so much as to be wasteful. The range was also correlated to the size of the community and the type of project. Proposals involving highly scientific and emerging technologies cost more.

How does the RAD program compare to other proposed place-based policies and initiatives?

Organizations such as the Brookings Institute and the Information Technology and Innovation Foundation, as well as individual academics such as Jonathan Gruber and Simon Johnson (authors of *Jump Starting America*) have advocated for a major (\$1 billion or more) concentrated investment into eight to ten emerging entrepreneurial ecosystems as part of the Endless Frontier Act. The RAD program is intended to complement, not necessarily preclude, such a major investment. As a smaller program, the RAD program could be funded and deployed quickly. The RAD program is designed to support projects that are large enough to make a difference, but not so enormous that regional impacts would be unmanageable. Finally, a large number of diverse, mid-size cities could compete for RAD program grants. A program offering much larger grants would realistically be suited to only a small number of large metropolitan areas.

RAD grants also build on the Opportunity Zones (OZ) structure created in 2017. OZs are identified distressed census tracts where tax deferments can be made in exchange for capital investments. RAD grants encourage leaders to convene around place-based initiatives. As such, RAD grants increase the potential success of OZs by encouraging the place-based clustering needed for investment opportunities to emerge, as well as by providing the programmatic and technical support needed for such investments to succeed.

¹² [H.R. 5116 – America Creating Opportunities to Meaningfully Promote Excellence in Technology, Education, and Science Reauthorization Act of 2020.](#)

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How does one measure the health of an entrepreneurial ecosystem?

Measuring the health of an entrepreneurial ecosystem is still an emerging field, one in which no standardized approaches yet exist. The Kauffman Foundation, Startup Genome, Revolution, M25, Brookings Institute, Center for American Entrepreneurship, and academics have created entrepreneurial-success indexes based on factors such as venture funding, startup activity, patent creation, new-business formation, business survival, and number of technology and STEM jobs. It will likely be necessary to assess some or all of these factors to determine how successful the RAD program is at fostering entrepreneurial ecosystems. However, it will be equally important to examine not just outputs (such as number of jobs or level of investments) or strength of individual parts (such as accelerators or universities) also how well those parts do or don't work together to achieve desired outcomes.



About the Author

Scott Resnick is a leader in the Wisconsin startup ecosystem. He is the former Executive Director, current Entrepreneur-in-Residence, and serves on the executive board of StartingBlock Madison, a 50,000-square-foot entrepreneurial hub that connects startups to capital clustered in healthcare, mobility, risk and insurance, and social impact. StartingBlock's motto is "Think big. Fear less. Listen deeply."

In 2008, Scott co-founded Hardin Design & Development. He currently serves as the company's Chief Operations Officer. Headquartered in Madison, the company has grown to an eight-figure revenue by building enterprise GIS and web applications for Fortune 500 clients. Resnick oversees business development, partnerships, and company operations.

Scott is a former two-term member of the City of Madison Common Council. He entered the Council with a pledge to make Madison a platform for innovation, specifically targeting social mobility. Resnick led efforts to close the digital divide by piloting free internet access for students on free and reduced lunch, created the first-of-its-kind \$1.5 million seed fund to spur women and minority entrepreneurship in the city, and legalized opportunities in the sharing economy. Scott strongly advocated for transit-oriented urban and sustainable development as a member of the Plan Commission and was instrumental in passing the City's annual \$300 million budget.

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About the Day One Project

The Day One Project is dedicated to democratizing the policymaking process by working with new and expert voices across the science and technology community, helping to develop actionable policies that can improve the lives of all Americans. For more about the Day One Project, visit dayoneproject.org

Appendix I

The paragraphs below provide more information on the three key prerequisites—industry clusters, talent development, and new startup-capital models—for building a vibrant startup economy that the RAD program will focus on.

Industry Clusters

Industry clusters are concentrated networks of companies, suppliers, service providers, and academic partners surrounding a specific industry. Throughout the country, people and organizations are taking initial steps to invest in industry-specific entrepreneurial clusters. Innovators in Fargo, ND, for instance, have created a moonshot called Grand Farm to develop a 100% autonomous farm by 2025. Experiments comprising the venture include unmanned aerial and ground systems, precision soil application and spraying, and advanced crop monitoring. Lidar technologies pioneered at local universities are discovering real-world applications in Grand Farm, and companies such as Microsoft, CHS, and Black and Veatch are making strategic investments in Fargo—positioning themselves at the forefront of a sustainable, next-generation U.S. agriculture.¹³

In Minnesota, Forge North, an economic development organization, has branded Minneapolis-St. Paul as the “place for problem solvers” and has been working to convene ecosystem builders, investors, state and local government, and larger corporations around various industries. One industry the organization focuses on is food processing, connecting Minneapolis’s largest agricultural producers and marketers like Land O’Lakes and General Mills with local startups and venture capital funds. In the last five years, new early-stage venture funds have formed around food processing in the Twin Cities, and the local community has launched a TechStars accelerator focused on food processing. This new network of local relationships has reduced transaction costs between innovators and corporations.

There are several things to keep in mind when considering the role that industry clusters can and do play in the innovation economy. First, thought leadership for a local industry cluster may come from elsewhere. A good example of this is NextFlex, is a leading public-private partnership accelerating development of flexible electronics manufacturing. NextFlex has three nodes: one each in San Jose, Boston, and Binghamton, NY. The New York node exists specifically to meet the supply chain and fabrication needs of the first two nodes.¹⁴ Second, many communities that house clusters around the same industry do not have strong ties to each other geographically. Local engineering expertise in aircraft fabrication in Wichita, KS, and in missile design in Huntsville, AL, are both critical for developing unmanned space vehicles. Yet the fact that two communities have few geographic, migration, or cultural connections prevents unmanned space exploration from progressing as quickly as it might.¹⁵

¹³ See <https://grandfarm.com/>.

¹⁴ See <https://www.nextflex.us/regional-nodes/>.

¹⁵ Statistical data on migration flows can be found in American Community Survey (ACS)

Challenge-grant funding amplifies corporate funding and connections, empowers and supports university partners to provide additional talent and applied research, and expands the reach of local organizations. All this leads to a more robust, resilient, and inclusive entrepreneurial ecosystem.

Talent Development

In the Southeast United States, Atlanta has become a hotbed for recruiting talent from traditionally underrepresented communities. Innovation hubs like Tech Square are creating a pipeline for talent from universities including Georgia Tech, Emory, Morehouse, and Spelman to enter the corporate and startup worlds. The organization Startup Runway focuses specifically on linking women and others underrepresented in entrepreneurship to those with capital. These efforts have led to an innovation economy in Atlanta that boasts one of the highest percentages of female and Black-led endeavors in the United States.¹⁶ Funding from the RAD program would allow programs like these to expand to other Southern communities.

In the Southwest, an entrepreneurial ecosystem centered on arts and film is emerging. Creative Startups, headquartered in Albuquerque, focuses on scaling companies in design, performance art, visualizations, gaming, and film. The startup Meow Wolf offers unique, immersive art experiences that incorporate the artisan culture and Indigenous history of the Southwest, and is blending traditional and novel forms of capital to expand. This ecosystem has attracted Netflix and NBC to locate studios in the region, and Central New Mexico Community College has shifted educational priorities to adapt to changing local workforce needs and job opportunities.¹⁷

It is also important to recognize the transformation in talent development that is now underway due to the COVID-19 pandemic. Virtual networks like Ureeka and Black Girl Ventures are pioneering online entrepreneur-mentoring opportunities in communities of color. The next wave of place-based talent initiatives will be different from initiatives of the present and past. Challenge-grant funding could allow nascent best practices to mature and reach a larger share of the population.

New Startup-capital Models

Traditional venture capital excels at supporting some types of innovation, but can fall short when it comes to funding the longer-term and/or less flashy solutions needed for community revitalization.¹⁸ The Kauffman Foundation has found that 83% of entrepreneurs do not access venture capital or debt financing for their businesses.¹⁹ Access to risk-capital sources that do not require a founder to create a near-term liquidity event (e.g., an IPO) are also critical.²⁰ Patient capital enables founders to tackle challenging societal problems in less lucrative markets. For

¹⁶ Stafford, L. (2020). [Atlanta fast becoming a mecca for African Americans in tech](#). *The Atlanta Journal-Constitution*, February 18.

¹⁷ See <https://www.creativestartups.org/>.

¹⁸ MacBride, E. (2020). [Why venture capital doesn't build the things we really need](#). *MIT Technology Review*, June 17.

¹⁹ Hwang, V. (2019). [Breaking down barriers to capital access](#). Ewing Marion Kauffman Foundation, May 23.

²⁰ Abt, W. (2018). [Almost Everything You Know About Impact Investing Is Wrong](#). *Stanford Social Innovation Review*, December 18.

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instance, patient capital might support a new financial technology (fintech) company offering banking for low-income families or an educational technology (edtech) startup providing resources for individuals with special needs.

Fortunately, alternative startup-capital models are emerging. Indie.vc took a novel approach to capital by encouraging companies to prioritize revenue growth over fundraising,²¹ basing returns on investment on gross revenues with a 2x to 5x cap. At the local level, funds like the Greater Colorado Venture Fund and Madison Development Corporation are shifting returns to the entrepreneur and funding social-impact startups outside the traditional verticals of software and life sciences. Results to date are promising.²² With additional funds, a community can pilot these more equitable models and mobilize additional local capital.

²¹ Indie.vc ended operations on March 4, 2021.

²² Williams, N. (2020). [Madison Development Corp. Raises \\$2.6M for Sixth Venture Debt Fund](#). American City Business Journals, March 26.