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# WNC Capital Landscape Assessment

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The opinions and views expressed herein are solely those of Shining Rock Ventures and the report's authors.

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Shining Rock Ventures, LLC delivers a value proposition that integrates delivery of hands-on strategic governance engagement, enabling access to transformative & agile capital, and building a reinforcing knowledge community and enterprise support network as essential drivers of enterprise success for the emerging next economy, globally as well as nationally and regionally.

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## Glossary of Terms & Acronyms

<b>Acronym</b>	<b>Meaning</b>
<b>AIA</b>	Appalachian Investors Alliance
<b>ARC</b>	Appalachian Regional Commission
<b>ARPA</b>	American Rescue Plan Act
<b>ARR</b>	Annual Recurring Revenue
<b>ASU</b>	Appalachian State University
<b>AVL</b>	Asheville
<b>B2B</b>	Business to Business service
<b>B2C</b>	Business to Consumer service
<b>BIPOC</b>	Black, Indigenous, People of Color
<b>BofA</b>	Bank of America
<b>CAGR</b>	Current Annual Growth Rate
<b>CAP</b>	Capital Access Program
<b>CARES</b>	Coronavirus Aid, Relief, and Economic Security Act
<b>CC</b>	Community College
<b>CDFI</b>	Community Development Financial Institution
<b>CEF</b>	Community Equity Fund (EMSDC)
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CRA</b>	Community Reinvestment Act
<b>CSBDF</b>	Carolina Small Business Development Fund
<b>CU</b>	Credit Union
<b>DHT</b>	Dogwood Health Trust
<b>EBCI</b>	Eastern Band of Cherokee Indians
<b>EBITDA</b>	Earnings before Interest, Taxes, Depreciation, Amortization
<b>ED</b>	Executive Director
<b>ED</b>	Economic Development
<b>EDA</b>	Economic Development Agency
<b>EMSDC</b>	Eagle Market Street Development Corporation
<b>FO</b>	Family Office
<b>FYE</b>	Fiscal Year End
<b>GP</b>	General Partner
<b>HBCUs</b>	Historically Black Colleges & Universities
<b>HC</b>	Healthcare
<b>HCIF</b>	High Country Impact Fund
<b>HIH</b>	Hatch Innovation Hub

<b>HNW / HNWI</b>	High Net Worth Individuals
<b>HQ</b>	Headquarters
<b>IA</b>	Invest Appalachia
<b>ICAP</b>	The Institute Capital
<b>KISS</b>	Keep it Simple Security
<b>LLC</b>	Limited Liability Corporation
<b>LMI</b>	Low-to-Moderate Income
<b>LOC</b>	Line of Credit
<b>LP</b>	Limited Partner
<b>LPO</b>	Limited Public Offering
<b>LPP</b>	Loan Protection Program
<b>LTV</b>	Loan to Value
<b>M&amp;A</b>	Mergers & Acquisitions
<b>MAHEC</b>	Mountain Area Health Education Center
<b>MO</b>	Minority-Owned
<b>MBW</b>	Mountain BizWorks
<b>NCIF</b>	Natural Capital Investment Fund (now PCAP)
<b>NMTC</b>	New Market Tax Credits
<b>OFN</b>	Opportunity Finance Network
<b>OZ</b>	Opportunity Zones
<b>PCAP</b>	Partner Community Capital
<b>PIE</b>	Partners in Equity
<b>POC</b>	People of Color
<b>PPP</b>	Public Private Partnership
<b>PPP</b>	Paycheck Protection Program
<b>Q#</b>	Quarter of the year; Q1,Q2,Q3,Q4
<b>R&amp;D</b>	Research & Development
<b>ReFi</b>	Re-finance
<b>REG</b>	Regulation
<b>RFP</b>	Request for Proposal
<b>RLF</b>	Revolving Loan Fund
<b>RTP</b>	Research Triangle Park
<b>SaaS</b>	Software as a Service
<b>SAFE</b>	Simple Agreement for Future Equity
<b>SBA</b>	Small Business Administration
<b>SBTDC</b>	Small Business and Technology Development Center
<b>SEC</b>	US Securities Division
<b>SME</b>	Small to Medium Enterprises
<b>SOAR</b>	Stabilization, Opportunity, and Resilience Loan Program

<b>SPV</b>	Special Purpose Vehicle
<b>SSBCI</b>	State Small Business Credit Initiative
<b>TA</b>	Technical Assistance
<b>UNCA</b>	University of North Carolina Asheville
<b>USDA</b>	United States Secretary of Agriculture
<b>VC</b>	Venture Capital
<b>VS</b>	Venture South
<b>WF</b>	Wells Fargo
<b>WNC</b>	Western North Carolina
<b>WNCIF</b>	Western North Carolina Impact Fund
<b>WO</b>	Women-Owned
<b>WWBC</b>	Western Women's Business Center
<b>YE</b>	Year End

# I. Executive Summary

The 18-County Region that Dogwood Health Trust defines as comprising their service area of Western North Carolina covers a geographically, demographically, and economically diverse region. Distances from Avery, Rutherford, or Burke County on the easternmost edge of this area to Cherokee, Clay, or Graham on the westernmost extend to well over 150 miles and require up to three hours of driving time point to point, due to the challenges of mountain geography and infrastructure.

The region includes one of the hottest U.S. small city markets for entrepreneurial activity in Asheville [see [fundingSage](#)], an accelerating inflow of wealthy East and West Coast part-time and full-time new residents, the small enclave of the Eastern Band of the Cherokee Indians within their Qualla Boundary and in surrounding areas, an enduring multi-generational African-American community, vibrant newer immigrant communities - including varied Hispanic, Asian, and eastern Europeans - as well as some of the more remote and distressed rural mountain communities in the southern Appalachians, all within the span of an afternoon drive.

This report endeavors to capture a snapshot of the emergent and quite vibrant community of funders, lenders, investors, and supporting service providers across this region, all focused on accelerating entrepreneurial activity at various stages of enterprise development, but until very recently, with limited coordination, communication, and resourcing. The creation of the Dogwood Health Trust, with its mission “to dramatically improve the health and wellbeing of all people and communities of Western North Carolina,” represents a powerful opportunity to enhance the consistency, collaboration, and access to appropriate capital, knowledge, and support services along every stage of enterprise development.

This has the potential to create an enduring foundation for a highly resilient, well-integrated, and vibrant regional economic ecosystem, built on sustainable local entrepreneurship. Such an ecosystem could well serve as the driving force for creating and sustaining the essential social determinants of health that are so critical to building and maintaining the multi-generational and equitable quality of life for all the region’s residents.

This vibrant enterprise community is supported (based on identified regional investors and lenders historic and/or **active current** portfolio) by over **\$65 million in regionally focused CDFI lending assets** for ventures that are viable but not serviced by commercial lenders, some **\$285,000 million in pre-seed ‘angel’ quasi-equity and equity funding**<sup>1</sup>, and over **\$10 million in seed and early-stage** equity and venture funding with some form of regional investment lens. It is worth noting that WNC is noted

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<sup>1</sup> Note that assumptions for this type of investment are the most difficult to assess, given that many accredited investors do not publicize their investment. It is likely that, including ‘friends and family’ rounds of investment, this number may be as much as 5x higher than this assumption for the region – but still far below the estimated demand-side need

as receiving **\$53.11 million in external venture capital investment in nine startup companies in 2021, placing the region 7<sup>th</sup> out of the thirteen Congressional districts in the State for venture funding.**<sup>2</sup>

In addition, we have identified **close to \$500,000 in start-up and pre-seed grant funding** support across the region, enabled by over a dozen county-level, regional and state-level incubators, accelerators, training, networking, mentoring, coaching organizations, programs, and initiatives of various types.

While this level of activity is encouraging, it still clearly is not reaching the level of consistent and coordinated funding support to enable the vibrant and sustainable level of economic activity the region aspires to achieve. Ultimately, these numbers break down to **less than 1,400<sup>3</sup> WNC small businesses** - start-ups, pre-seed, and seed-stage ventures – getting access to the capital they need each year to grow, thrive, generate jobs, improve quality of life and inform social determinants of health across the region. This implies that **roughly only 1 in every 30 existing small businesses in WNC, or just over 3%, are getting access to startup, operating and/or growth capital from formal sources.** While larger and more established businesses or those that have significant assets may be accessing commercial finance, the pandemic has shown us that this number is likely to be in the single digits, in terms of percentages.

This is highlighted through the inverted nature of the ‘WNC Enterprise Development and Capital Pyramids,’ following. This diagram shows that a very limited number of relatively successful ‘Early-stage to Growth’ ventures have access to the lion’s share of capital available in the WNC region, while the largest pool of ‘Start-up/Pre-Seed’ ventures that are in the pipeline for new investable venture opportunities, likely numbering in the thousands each year, have the most limited access to needed early capital.

This imbalance may enable existing ‘winners’ to continue to win – which is a desirable outcome for the region – but it does not create a pipeline of new and emerging winners to diversify, deepen and grow the regional economy. To be successful, the WNC region needs to simultaneously see its existing winning firms continue to grow and thrive, with a strong following tail-wind of up-and-coming ventures filling the future pipeline and creating a resilient and thriving enterprise value chain. This is currently not the case.

<sup>4</sup>For the purposes of this Taxonomy, we have focused on those funders, lenders, investors, and service providers who either currently actively provide, or have a stated intention to provide, access to resources within the defined 18-county Dogwood Health

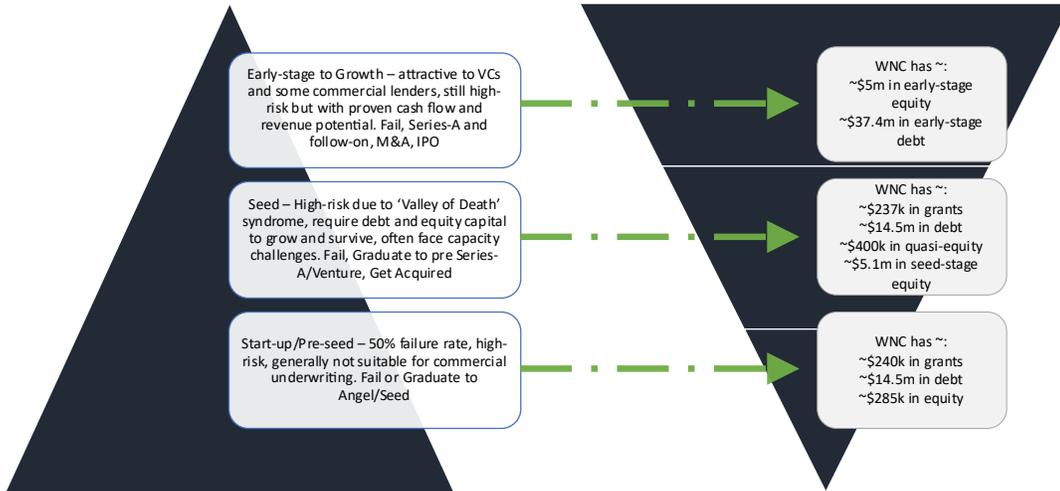
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<sup>2</sup> <https://nvca.org/wp-content/uploads/2022/08/North-Carolina.pdf>

<sup>3</sup> Assuming average of \$50-100,000 in loan size, \$75-100,000 in pre-seed equity investment, and \$500,000 - 1 million in seed investment, as well as an average of \$10,000 in start-up grant funding

<sup>4</sup> Estimated total sums based on conversations with individuals & public information where needed. This is an estimate mostly based on FY 21 statistics, and is a very high-level synopsis. There is an additional estimated category of capital; Agnostic stage & new commitments/not yet available: This adds ~\$13m in loans, and \$22.5m in equity in the region for small businesses.

Trust service area in WNC. Other critical partners at the State, Appalachian Regional Commission, and/or Federal level are referenced in the relevant sections and annexes.



This report reflects insights from over 40 direct interviews with key lenders, investors, and stakeholders active in the region, complemented with background research on publicly available information and summary data analysis.

## II. WNC Market Context

### Background

The Western North Carolina (WNC) Region as defined by Dogwood Health Trust covers the western-most 18 counties (Avery, Buncombe, Burke, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Swain, Transylvania, Yancey) and the Eastern Band of the Cherokee Indian (EBCI) Qualla Boundary. The overall population of the region totals just under 1 million residents for the entire region (911,542 in the 2020 projection<sup>5</sup>, plus the Qualla Boundary of 6,426 in the 2020 census<sup>6</sup>). The area includes one major metropolitan

<sup>5</sup> Source: North Carolina OSBM, Standard Population Estimates, Vintage 2020 and Population Projections, Vintage 2021. Downloaded 6/27/2022. <https://www.osbm.nc.gov/facts-figures/population-demographics/state-demographer/countystate-population-projections>

<sup>6</sup> Source: 2020 Decennial Census. Accessed 6/27/2022. [https://www.census.gov/search-results.html?q=qualla&page=1&stateGeo=none&searchtype=web&cssp=SERP&\\_charset\\_=UTF-8](https://www.census.gov/search-results.html?q=qualla&page=1&stateGeo=none&searchtype=web&cssp=SERP&_charset_=UTF-8)

statistical area, Asheville, NC with a population of about 459,344<sup>7</sup>. So, roughly half of the citizens in the region live in the Asheville metro area.



The WNC region is entirely in the Appalachian Mountain range and is part of the Appalachian Regional Commission (ARC) designated counties. The WNC region is largely economically disadvantaged as defined by the state of North Carolina with a mix of six tier 1 (most distressed), nine tier 2 (middle distress), and three-tier 3 (least distressed) counties as defined by the NC Department of Commerce<sup>8</sup>.

<sup>7</sup> Census Reporter. Accessed 6/27/2022. <https://censusreporter.org/profiles/31000US11700-asheville-nc-metro-area/>

<sup>8</sup> NC DOC County Distress Rankings (Tiers). Accessed 6/28/2022. <https://www.nccommerce.com/grants-incentives/county-distress-rankings-tiers>

## Population

The population is anticipated to expand in the 2020-2030 timeframe according to the NC Office of State Budget and Management (OSBM) standard population estimates by 6.2% or approximately 56,933 residents. Most of this growth will be due to in-migration as all counties in the area will experience negative net decreases in the natural (births-deaths) population.

Of note, the central county of Buncombe, with the Asheville metropolitan area, will account for over 42% of this net migration increase, with neighboring Henderson County accounting for 19.7% of the increase. All other counties are predicted to grow at ~10% or less, and most in the low single digits. Thus over 54% of the region’s growth will be in Asheville/Buncombe County, and nearly 2/3 of the growth is consolidated in two counties if Henderson is included.

County	Total Population		Population Change		Components of Change				Other Stats	
	July 2020 Projection	July 2030 Projection	Numeric	Percent	Births	Deaths	Natural Increase	Net Migration	PCT of Region's Growth	Pct of Net Migration
Avery	17,807	17,756	(51)	-0.3%	1,406	2,385	(979)	928	-0.1%	1.0%
Buncombe	270,224	301,057	30,833	11.4%	24,783	32,032	(7,249)	38,082	54.2%	41.4%
Burke	87,349	86,358	(991)	-1.1%	9,147	11,491	(2,344)	1,353	-1.7%	1.5%
Cherokee	28,708	30,813	2,105	7.3%	2,672	4,597	(1,925)	4,030	3.7%	4.4%
Clay	11,049	12,107	1,058	9.6%	1,010	1,808	(798)	1,856	1.9%	2.0%
Graham	8,013	7,857	(156)	-1.9%	876	1,172	(296)	140	-0.3%	0.2%
Haywood	62,114	65,988	3,874	6.2%	6,095	9,381	(3,286)	7,160	6.8%	7.8%
Henderson	116,495	129,310	12,815	11.0%	11,772	17,074	(5,302)	18,117	22.5%	19.7%
Jackson	43,109	44,164	1,055	2.4%	3,506	4,874	(1,368)	2,423	1.9%	2.6%
Macon	37,102	40,935	3,833	10.3%	3,856	5,744	(1,888)	5,721	6.7%	6.2%
Madison	21,173	21,823	650	3.1%	2,099	2,948	(849)	1,499	1.1%	1.6%
McDowell	44,511	44,207	(304)	-0.7%	4,571	5,873	(1,302)	998	-0.5%	1.1%
Mitchell	14,902	14,479	(423)	-2.8%	1,395	2,362	(967)	544	-0.7%	0.6%
Polk	19,219	18,413	(806)	-4.2%	1,555	2,983	(1,428)	622	-1.4%	0.7%
Rutherford	64,286	65,517	1,231	1.9%	7,138	9,122	(1,984)	3,215	2.2%	3.5%
Swain	14,082	14,228	146	1.0%	1,728	2,080	(352)	498	0.3%	0.5%
Transylvania	32,908	34,019	1,111	3.4%	2,857	5,002	(2,145)	3,256	2.0%	3.5%
Yancey	18,491	19,444	953	5.2%	2,003	2,696	(693)	1,646	1.7%	1.8%
Totals	911,542	968,475	56,933	6.2%	88,469	123,624	(35,155)	92,088	100.0%	100.0%

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Note: Does not include EBCI/Qualla Boundary - tracked separately.

It should be noted that much of the expected in-migration statistics are retirement-aged residents who seek the peace and tranquility of a small-town, mountain lifestyle in retirement. Quite often, these older residents are not necessarily contributing to the region’s tax base, as they are no longer participating in the labor force, and are seen by some county managers in the west as simultaneously increasing the pressure on publicly funded services and healthcare services/costs for the elderly.

Other contributing factors to the region’s growth (historically and projected) are a desirable mix of activities – both indoor and outdoor, a relaxed mountain-town lifestyle,

and more recently the ability of professionals to live where they wish due to the mobile workforce lifestyle and ability to work jobs remotely. The region has received several recent awards for best beer city<sup>9</sup>, most livable city<sup>10</sup>, best city to start a new business<sup>11</sup>, and other accolades that have increased attention for the region. As a result, younger and more career-minded residents are also part of the recent influx into the region.

The region benefits from a strong tourism and hospitality sector. Visitors often stay in the region's plentiful hotels, inns and Airbnb's during vacations to the area, and decide to seek out full-time or part-time residence in the region due to all it has to offer.

The region also faces significant education and "brain drain" challenges whereby young, high-potential residents elect to move out of the region for college or trade schools, and/or select a career outside the region due to a lack of existing and articulated opportunities and career pathways in Western North Carolina. Other challenges like the high cost of limited starter homes and workforce housing and lack of available land for new construction, conspire to create a high cost of living - relative to the low wages (see below) - a challenge to moving back to the area after college or trade school.

### Business in the WNC Region

Despite challenges, business in the region remains robust, and employment in the region is typically characterized by a tight labor market. Employment in the Asheville market typically runs ahead of state norms (2.8% unemployment rate vs. an NC 3.4% in April 2022).

However, wages are substantially below the national averages in all 22 major employment categories.

*"Workers in the Asheville, NC Metropolitan Statistical Area had an average (mean) hourly wage of \$22.82 in May 2021, about 19 percent below the nationwide average of \$28.01." according to the Bureau of Labor Statistics, and "after testing for statistical significance, wages in the local area were lower than their respective national averages in all of the 22 major occupational groups."<sup>12</sup>*

The region has seen the continued growth and expansion of businesses in the hospitality, food and beverage, breweries, and outdoor economy and has a surprisingly healthy entrepreneurial economy as evidenced both by a large number of small businesses (roughly 1 for every 6 regional residents) and by the number of organizations (Mountain BizWorks, Hatch Innovation Hub, Partner Community Capital,

<sup>9</sup> <https://www.seriousseats.com/asheville-best-beer-city>

<sup>10</sup> <https://livability.com/best-places/2021-top-100-best-places-to-live-in-america/top-100-2021-asheville-nc/>

<sup>11</sup> <https://www.citizen-times.com/story/news/local/2015/01/13/asheville-named-second-best-startup-city-america/21689617/>

<sup>12</sup> [https://www.bls.gov/regions/southeast/news-release/occupationalemploymentandwages\\_asheville.htm](https://www.bls.gov/regions/southeast/news-release/occupationalemploymentandwages_asheville.htm)

Eagle Market Streets Development Corporation, CSBDF and Western Women’s Business Center, to name a few) positioned to support start-up, pre-seed and seed stage ventures across the region.

### Early-Stage Businesses

This is commensurate with the state of North Carolina’s reputation as a healthy entrepreneurial ecosystem, and our startup economy is a key part of our Appalachian ecosystem. FundingSage recently published an article highlighting just how attractive our economy (primarily in Asheville, but the same applies to the entire WNC region) is to start a business:

*“Asheville, NC, sometimes known as the Land of the Sky, is the most populous city in the Western portion of North Carolina. Just the state’s 12th-biggest city, Asheville is still an entrepreneurial hotspot. Livability named the city on its top 50 list of the best cities for entrepreneurs in both 2016 and 2017. More recently, it ranked 63rd on WalletHub’s 2018 list of the best small cities for starting a business. WalletHub also ranked the state of North Carolina as a whole 12th overall on a list of the best states to start a business in 2018. Additionally, FitSmallBusiness ranked the state as the 22nd-best for starting a business, with top-10 rankings in both the “Startup Activity” and “Access to Capital” categories.”<sup>13</sup>*

In 2022, *Management Library* named North Carolina the “Best state for starting an LLC” among the top 10 for doing business, due to advantageous tax structures and a relaxed set of business compliance requirements.<sup>14</sup>

### Mid-Stage Businesses

Mid-stage and mid-sized businesses are located in the region – many being branches, franchise offices/locations, or regional operations related to national brands. However, the region has a smaller than typical “made here” business cohort due to the difficulty of raising capital in the region and exacerbated by the difficulty of finding appropriate facilities for manufacturing and service operations in outlying areas.

One example of a “grown here” business - Annie’s Bakery – started in Sylva, NC with strong funding and entrepreneurial support from the region’s capital and service providers, but could not find appropriate manufacturing space in the small western town. As a result, they relocated – fortunately to the Asheville market where they operate today in an Emma community facility. While they were able to stay in the region, other businesses who have scaled often find limited office space, manufacturing, and transportation facilities that require them to locate to other markets.

<sup>13</sup> FundingSage. Oct. 15, 2021. Accessed 6/30/2022. <https://fundingsage.com/entrepreneurial-ecosystem-spotlight-asheville-nc/>

<sup>14</sup> Management Library. Accessed 6/30/2022. <https://managementhelp.org/best-states-for-starting-a-business>

## Large/Late-Stage Businesses

While small business is thriving in western North Carolina, the region does not have many appropriate products (land tracts, coupled with readily available infrastructure, workforce housing, etc.) for attracting larger businesses. However, some recent large business relocation success stories do exist, like the Pratt and Whitney plant in Arden, NC a southern suburb of Buncombe County. This 1 million square foot facility opening now on over 100 acres of Arden land will make airfoils for the F-35 Joint Strike Fighter and several commercial airline manufacturers. The plant will employ over 800 highly skilled technical and administrative workers at full operations.

That said, announcements of large business relocations to the Asheville / WNC market are rare given the plethora of other more cost-effective location options in the piedmont and plains of North Carolina and adjacent states of South Carolina, Georgia, Tennessee, and Virginia.

Several long-standing businesses in the region exist and have grown and thrived here over the decades. Over 116,000 people are employed by about 450 businesses that have 100 or more employees and produce cumulatively over \$16 billion in sales in the 18-county WNC region.<sup>15</sup> These include entities like Ingles Markets, Inc., M.B. Haynes Corporation, Giles Chemical Division, Blue Ridge Paper, Evergreen Packaging and Gaia Herbs. Many of these companies started here, and are among many other large enterprises that have regional offices or branches in the area. Others, like Biltmore Estate, are engrained in the community as a matter of historical placemaking - initiated by the building of Biltmore Estate by George Washington Vanderbilt II, it has become a core tourism asset for both residents and visitors and employs thousands in support of its current mission. Biltmore Farms, the enterprising real estate investment arm managed by George H. V. and John F. A. V. Cecil - direct descendants of Vanderbilt<sup>16</sup> - makes real estate and economic development investments in the region.

## Capital availability and access in the region

New business start-up and/or follow-on funding in the region is widely thought to be difficult to identify and secure, or just not available in the region. However, our survey of the region's capital sources shows that a broad and increasing range of sources of capital exist for businesses in just about any stage of growth, though with a significant degree of 'lumpiness' of appropriate capital available for certain stages of business growth.

The challenge is that sources of capital for an appropriate stage of growth and specific circumstances (like minority/women-/or BIPOC-owned, or businesses with little credit or collateral) can be difficult to identify and engage. The good news is that our research

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<sup>15</sup> <https://www.data-axle.com/>. Accessed 09/16/2022.

<sup>16</sup> <https://www.biltmorefarms.com/>. Accessed 8/20/2022.

clearly shows that some level of consistent **funding is present for a variety of challenges and opportunities** across the region, including:

- Grant funding for pre-seed business research and development;
- Seed-stage funding for pre-revenue startups – including capital and “capital plus” advisory services;
- Funding “through the valley of death” – typically \$250,000 to \$5,000,000 and beyond;
- Growth capital for follow-on investments (Series A, B, C...);
- Bank and other forms of large-scale debt funding for expanding businesses (\$10 million plus);
- Support for housing, especially development funding for workforce housing – both soft and hard costs;
- Funds for ecosystem support growth infrastructure, including sewage, broadband, water, etc.;
- Capital for underserved specialized interest groups: LGBTQ+, BIPOCs, women, and minority-owned businesses;
- Redevelopment funds, i.e., downtown revitalization, main street funding, etc., and;
- Business startup, incubation, and acceleration services, and capacity for business at all stages of growth.

One challenge is that no organized convener and/or mechanism for finding and approaching stage/mission-appropriate capital sources exists in the WNC region. This Assessment is intended to identify these sources of capital and – as a byproduct of our efforts - to better inform a tool for public use that helps those in need of capital quickly identify and approach sources of funding that are aligned with the specific stage and needs of their project.

## III. Capital Taxonomy Framing – Enterprise Focus

### a. Start-up and Pre-Seed Stage Enterprises

The start-up ecosystem in WNC is variable in terms of availability of funding, with a finite number of grant opportunities available, concentrated either in a) support entities supporting BIPOC and distressed rural, or b) a very limited number of highly-specialized tech challenge providers that don't have a specifically WNC regional focus. Typically, core funding needs at this stage range between \$5,000-\$250,000 of grant and/or quasi/equity funding. Debt funding is typically not available at this stage, except through self-funding (i.e., primary 9-to-5 job, savings, credit cards, home equity lines of credit, etc.) and CDFI funding with specialized underwriting approaches.

Typically, start-up grants would have two distinct functions, a) providing de-risking support to entrepreneurs from historically disadvantaged communities to build confidence and provide a sufficient income buffer to allow them to shift from other full-time employment activities to focus on an entrepreneurial venture (thus requiring larger grants to be effective), and b) recognition grants, aimed at highly technical or specialized start-up ventures, often involving highly-skilled professionals who have the greater personal financial bandwidth to invest but need a confidence and visibility boost with prospective investors and partners.

The bulk of resources available to WNC start-up entrepreneurs in either category is focused on the provision of mentoring, coaching, and other forms of free or discounted business support services. Implicitly, this means new entrepreneurs in the region have to begin with a commitment and capability to self-fund their ventures through the seed stage, with an implication that those entrepreneurs who do not start with this capacity – either through their own or with ‘friends & family’ resources - may never have the opportunity to begin the journey of entrepreneurship.

## Start-Up & Pre-seed

	Grants	Loans	Quasi-Equity	Equity	Guarantees	Incubation, Acceleration	Training, Tech Svcs	Mentoring, Coaching	Convening, Networks	Capital Raising, Structuring	Governance, Strategy
Venture Asheville, Microgrants	Y	NA	NA	NA	See Mtn Community Capital Fund	Y	Y	Y	Y	Roadshows and referrals	N
EMSDC, IDA Match Program & Community Equity Fund	Y	N	Y	N	N	Y	Y	Y	Y	Referrals	N
Mountain BizWorks - ScaleUp, Catalyst Fund	Y*	Y	N	N	See Mtn Community Capital Fund	N	Y	Y	Y	Referrals	N
NC IDEA, MicroGrants	Y, <\$10k	N	N	N	N	N	N	N	Y	N	N
Black Wall Street, AVL/Grind	N	N	N	N	N	Y	Y	Y	Y	Referrals	N
Mtn Community Capital Fund	N*	N	N	N	Y*	N	N	N	N	N	N
Hatch Innovation Hub	N	N	Y, Cap Roundtable	Y, Cap Roundtable	N	Y	Y	Y	Y	Y, Cap Roundtable, Referrals	Y
Supportedly	N	N	N	N	N	N	Y	Y	Y	N	Y
Sequoyah Fund	N	Y	N	N	N	N	Y	N	Y	N	N
Community College Incubators (AB-Tech, HCC, SWCC)	N	N	N	N	N	Y	Y	N	N	N	N
WCU Corporation for Entrepreneurship & Innovation	N	N	N	N	N	N	Y	Y	Y	Y	Y
CSBDF/WWBC	Y	Y	N	N	N	N	Y	Y	Y	N	N
The Institute/ICAP	Y	Y	N	N	N	N	Y	Y	Y	N	N
Invest Appalachia	Y*	N	Y*	N	N	N	N	N	N	N	N
Self-Help Credit Union	N	Y	N	N	N	N	N	N	N	N	N

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<sup>17</sup> \*: the organization offers this type of support under certain demographic, geographic, business industry, or other variables. See organization website for further information.

## b. Seed Stage Entrepreneurs

The WNC seed-stage enterprise environment shows significant promise, especially with increasing resource focus on BIPOC and historically excluded entrepreneurs at this stage, including de-risking and other facilities that can enable them to be 'bankable' by regional CDFIs. In addition, while still limited, there is increasing appetite and interest from quasi/equity 'angel' and similar types of investors (including crowd-funding) in high-potential entrepreneurs and enterprises at this stage, though numbers are still in the low dozens of ventures, in terms of capital capacity to meet prospective demand. In the WNC capital landscape, at present this stage of need appears to be under-resourced relative to likely demand and opportunity.

Founders and entrepreneurs who survive their first 6-12 months of activity and are beginning to generate recurring revenue (i.e., are post-revenue, but pre-profit) are typically considered to have entered this stage of enterprise development.

This stage of enterprise is typically seeking quasi/equity in the \$250,000 up to \$3 million level but can benefit from access to debt financing for working capital, business assets, facilities, and other needs at anywhere from \$25,000 and up. Enterprises at this stage, however, typically cannot access debt from commercial sources, given limited track record and cash flow, lack of profitability, and limited collateral assets.

This stage, from 12-36 months from launch, is often termed 'death valley,' and many a promising enterprise meets its end here, starved by lack of access to financing to reach the next level.

Seed Stage<sup>18</sup>

	Grants	Loans	Quasi-Equity	Equity	Guarantees	Incubation, Acceleration	Training, Tech Svcs	Mentoring, Coaching	Convening, Networks	Capital Raising, Structuring	Governance, Strategy
Venture Asheville, MicroGrants	Y*	NA	NA	NA	See Mtn Community Capital Fund	Y	Y	Y	Y	Roadshows and referrals	N
EMSDC, IDA Match Program & Community Equity Fund	Y	N	Y	Y	N	Y	Y	Y	Y	Referrals	N
Mountain BizWorks – SBA, Financial Health, Small Biz	Y*	Y	N	N	See Mtn Community Capital Fund	N	Y	Y	Y	Referrals	N
CSBDF/WWB C	Y	Y	N	N	N	N	Y	Y	Y	N	N
The Institute/ICAP	Y	Y	N	N	N	N	Y	Y	Y	N	N
Self-Help Credit Union	N	Y	N	N	N	N	N	N	N	N	N
Southwestern Commission, Revolving Loan Fund	N	Y*	N	N	N	N	N	N	N	N	N
Partners in Equity (PIE)	N	Y*	Y*	N	N	N	N	Y	Y	Y	N
NC IDEA, Seed Grants	Y	N	N	N	N	N	N	N	Y	N	N
NC Biotech Center	Y*	N	N	N	N	N	N	Y	Y	Referrals	N
Black Wall Street, AVL/Grind	N	N	N	N	N	Y	Y	Y	Y	Referrals	N

<sup>18</sup> \*: the organization offers this type of support under certain demographic, geographic, business industry, or other variables. See organization website for further information.

	Grants	Loans	Quasi-Equity	Equity	Guarantees	Incubation, Acceleration	Training, Tech Svcs	Mentoring, Coaching	Convening, Networks	Capital Raising, Structuring	Governance, Strategy
<b>Hatch Innovation Hub</b>	N	N	Y, Cap Roundtable	Y, Cap Roundtable	N	Y	Y	Y	Y	Y, Cap Roundtable, Referrals	Y
<b>Supportedly</b>	N	N	N	N	N	N	Y	Y	Y	N	N
<b>Sequoyah Fund</b>	N	Y	N	N	N	N	Y	N	Y	N	N
<b>Community College Incubators (AB-Tech, HCC, SWCC)</b>	N	N	N	N	N	Y	Y	N	N	N	N
<b>WCU Corporation for Entrepreneurship &amp; Innovation</b>	N	N	N	N	N	N	Y	Y	Y	Y	Y
<b>ASBN/Investor Circle</b>	N	N	Y*	Y*	N	N	N	N	Y	Y	Y
<b>High Country Impact Fund II</b>	N	N	Y	Y	N	N	N	N	Y	Referrals	Y
<b>Venture South AVL (AVL Angels)</b>	N	N	N	Y*	N	N	N	N	N	N	Y
<b>Figure8 VC</b>	N	N	Y*	Y*	N	N	N	Y	N	Referral	Y
<b>Pinnacle Fund</b>	N	N	N	Y*	N	N	N	Y	N	Referral	Y
<b>Invest Appalachia</b>	Y*	Y*	Y*	Y*	Y	N	N	N	N	N	N
<b>Mountain BizWorks, Crowd-Funding w Incolo</b>	N	N	Y	Y	N	N	Y	Y*	N	Y	Y

## c. Early-Stage Entrepreneurs

The WNC environment for early-stage entrepreneurs appears to afford an increasing opportunity in terms of availability of capital focused on this stage of enterprise, though due to the ‘lumpiness’ of seed-stage capital available, the current pipeline of investable ventures does not appear to be aligned to availability of capital. This may be one reason that several WNC-focused investment vehicles, though with a stated appetite and intention to focus on local deal flow, look beyond the region for investable opportunities.

This level of entrepreneur is often close to or achieving break-even and even profitability, but may still be below the ~\$1 million in annual recurring revenue (ARR) that is typical for companies that are deemed ‘investible’ by venture capitalists and/or commercial banks. Ticket sizes can vary in this space, but typically range between \$1 million and \$5 million for equity and \$250,000 and up for debt.

**Early / Growth Stage<sup>19</sup>**

	Grants	Loans	Quasi-Equity	Equity	Guarantees	Incubation, Acceleration	Training, Tech Svcs	Mentoring, Coaching	Convening, Networks	Capital Raising, Structuring	Governance, Strategy
Mountain BizWorks	N	Y	N	N	N	N	Y	Y	Y	Referral	N
The Institute/ ICAP	Y	Y	N	N	N	N	Y	Y	Y	N	N
Self-Help Credit Union	N	Y	N	N	N	N	N	N	N	N	N
Partner Community Capital (former NCIF)	N	Y	N	N	N	N	Y	Y	Y	Y	N
Supportedly	N	N	N	N	N	N	Y	Y	Y	Y	Y
WCU Corporation for Entrepreneurship & Innovation	N	N	N	N	N	N	Y	Y	Y	Y	Y
ASBN/Investor Circle	N	N	Y*	Y*	N	N	N	N	Y	Y	Y
Venture South AVL (AVL Angels)	N	N	N	Y*	N	N	N	N	N	N	Y
Invest Appalachia	N	Y*	Y*	Y*	Y	N	N	N	N	N	N
Pisgah Fund	N	N	N	Y*	N	N	N	N	N	Y	Y

<sup>19</sup> \*: the organization offers this type of support under certain demographic, geographic, business industry, or other variables. See organization website for further information.

## IV. Capital Taxonomy Framing - Funder/Provider Focus

### a. Grants

In other regions in North Carolina, accelerators (such as the FlyWheel Foundation, American Underground, NewVenturesNC, and others) often include integrated challenge and opportunity grant access for partner founders/entrepreneurs. For example, NC IDEA runs twice-yearly challenge grants for 'micro' and 'seed' awards of up to \$10,000 and \$50,000, respectively, aimed at getting prospective entrepreneurs with good ideas but limited financial capacity into the market. While WNC lacks the strong university and innovation center networks that exist elsewhere in NC, the sheer scale of entrepreneurial activity in the region indicates that there may be fertile ground for an expansion of this approach, perhaps in concert with other venture-building strategies. Currently, the following grant-making organizations are active in the WNC region

**VentureAsheville (VA) MicroGrants** - available for start-ups with high-growth potential 'repeatable/scalable' business concepts based on a simple application, up to \$5,000 (not for founder stipends). Available to founders resident in Buncombe and Haywood Counties.

**Eagle Market Streets Development Corporation (EMSDC) IDA Match Program** - focused on BIPOC entrepreneurs, and low-moderate income founders, this unique grant program combines financial health training with a matched-savings program to build assets toward a business startup.

**Mountain BizWorks Catalyst Fund** – Mountain BizWorks (MBW) Catalyst Fund – provides Catalyst Microgrants (typically \$2500-5000) to early stage BIPOC Founders. The Catalyst loans program also includes 'Parachute Grants,' which are one-time grant to help founders transition more gracefully should their business fail.

**Carolina Small Business Development Fund/Western Women's Business Center** – through a range of partnerships, CSBDF and WWBC have been building a strong case for the critical role of disciplined grants to small businesses, especially those <\$5,000 for specific growth-oriented investments to business owners from historically excluded groups (BIPOC, women), in conjunction with CDFI and SBA lending.

**The Institute/ICAP** – has made \$600,000 in small business support grants in WNC since 2020, soon to follow with access to SBA lending facilities in Q4. As one of a small number of African-American-led CDFIs in NC and entering WNC, ICAP has a particular focus on BIPOC small business owners.

**NC IDEA** – a statewide business plan challenge and start-up seed grant program that includes WNC in its coverage area, offering a \$10,000 competitive ‘micro grant’ suitable for startups. This program also offers a competitive \$50,000 ‘seed grant’ opportunity statewide, including for WNC founders.

**NC Biotech** – piloted its first ‘NC Bioneers’ challenge this year and awarded \$50,000 to a limited number of WNC regional life sciences entrepreneurial ventures, in partnership with Hatch Innovation Hub mentoring and network support, to seed their business concepts. Part of a statewide program with a primary budget focus in the Research Triangle Park area.

## b. Debt

**Mountain BizWorks** – leading WNC term debt provider for small business, covering all 26 counties of the WNC region through physical offices in Asheville and Boone.

**Partner Community Capital (PCAP)** – WVA-based, but with an increasing focus on WNC, including the recent opening of a physical office in Asheville and a focus on rural value-adding enterprise, daycare facilities, and critical ‘niche’ quality of life and wellness-related sectors, as well as enterprises at the upper end of the small business segment, but still below the level considered ‘bankable’ by commercial banks.

**Sequoyah Fund (SF)**– Based inside the Eastern Band of Cherokee Indians Qualla Boundary, this small Tribal Lender also serves clients across the westernmost ‘COG Region A’ seven counties of WNC. Focus on financial health for both consumer and small business. Average loan size of \$35,000, can go as low as \$3,000, no set upper limit but prefer to cap at ~\$100,000 generally.

**Southwestern Commission, Revolving Loan Fund (RLF)** – patient capital small business fund, offering loan sizes between \$100 - \$200,000, focused on historically disadvantaged communities and/or entrepreneurs located in the COG Region A seven counties of WNC.

**Mountain Community Capital Fund (MCCF)** – guarantee fund exclusively available to support BIPOC owned business not eligible for SBA guarantees (due to lack of credit history or business track record), ticket sizes of \$30-50,000 supporting other small business lenders such as MBW Catalyst Fund. Only available to businesses in Asheville-Buncombe.

**Institute Capital (ICAP)** - is the CDFI arm of the National Institute for Economic Development (“The Institute”), a leading holistic economic development organization focused on racial equity and BIPOC community and entrepreneurial support. Their CDFI arm has recently expanded to include a dedicated business development officer for

WNC and WSC, starting with small business grants from 2020, soon to include lending through a regionally-focused business development team.

**Carolina Small Business Development Fund (CSBDF)** - is a Raleigh-based CDFI with a statewide footprint that has recently sharpened its lending focus on WNC in particular. CSBDF is affiliated with the Western Women's Business Development Center, which provides focused entrepreneurial and enterprise support, as well as access to small business loans to regional women-owned businesses.

**VEDIC** – is based in the Town of Valdese, in Burke County with a footprint of Burke and surrounding counties. It was organized by the Town of Valdese to support and promote economic growth in Burke County & the surrounding area. VEDIC offers a loan program and technical assistance for entrepreneurs in the area, as well as for existing businesses who cannot qualify for a bank loan. Lending up to \$50,000, their loans can cover up to 75% of a business' project, must be a community development project, create/retain jobs, and must be deployed in an area with a population less than 50,000. Businesses must also show they were turned down by a banking institution.

**May Coalition** – is a non-profit based in Spruce Pine that serves Yancey, Mitchell, and Avery Counties of NC. It offers two loan programs; one for any business that agrees to create new employment for the residents of the three counties (1 Job:\$20,000 of loan), and one for low-to-moderate income business owners. The job creation loans max out at \$250,000, and the LMI loans cap at \$25,000.

**Self-Help Credit Union** – while not staffed for small business lending in their seven-branch network in WNC, Self-Help has made a significant impact in the region, with over 600 business loans and >\$58 million in portfolio disbursed in WNC from their start in the region in the 1990's, through July 2022. Specific focus on social enterprises (including non-profit and childcare) as well as green enterprises, as well as BIPOC and women-owned businesses.

## c. Quasi-equity

**EMSDC, Community Equity Fund** – focused on supporting entrepreneurs of color in Asheville-Buncombe and McDowell County, this \$1.5 million revenue-based financing vehicle invests at an average ticket size of \$60-75,000, typically in graduates of their 'incubate to innovate' place-based start-up support initiatives.

**Partners In Equity (PIE)** – focused on Black entrepreneurs seeking to build assets through purchase and development of commercial real estate where they operate their business, PIE has a unique catalytic approach by taking deeply subordinated positions and/or bridge funding to tie together commercial lending, SBA and other resources, to intentionally build asset value for Black owner-entrepreneurs. Ticket sizes from \$150,000 up to \$2 million.

## d. Equity

**Asheville Angels/Venture South AVL (AA/VS)** – subordinated member-managed angel network that participates exclusively in larger deals led by Venture South. Over 100 accredited investors ‘members.’ Now part of the major southeast regional professionally managed angel network Venture South, with a focus on larger deals in the \$1 million - \$3 million range, focus on high-potential sectors (fintech, Healthtech, food & Bev, post-revenue tech-enabled companies). Focus on priced equity rounds.

**American Sustainable Business Network/Investor Circle (ASBN/IC)** - this nationally syndicated network of social-impact/ESG oriented accredited individual and small institutional investors places a premium on impact-first and/or founders from historically disadvantaged demographics. Typically makes investments in the \$200,000 to \$3 million range in pre-seed and seed, as well as series-A rounds. Several members are NC based, considers pitches on a monthly basis, online submission.

**High Country Impact Fund II (HCIF)** - following the successful deployment of the member-managed and AIA-supported Fund I, Fund II will include Asheville-Buncombe in their focus area, for initial investments in the \$25 - \$100,000 range, primarily in convertible or SAFE notes, with possibility for follow-on and/or sidecar investments. Based in Boone.

**Pinnacle Enterprise Fund (PEF)** – member-managed angel fund anchored geographically in WNC, and making most of its investments in the region. Target starting ticket size of \$65 – 85,000, though will go as low as \$5,000 to start, follow-ons and sidecars up to \$1.5 million. Preferred equity is main focus, will consider common, convertible, options/warrants on case-by-case basis.

**Figure 8 VC** – Family office based out of Asheville, not current investments in the WNC region but will consider it. Focused on seed-stage Edtech and Healthtech companies, life-cycle investors.

**Pisgah Fund (PF)**- incorporated Venture Capital Fund, focused on early-stage ventures in the health and wellness space, with an impact in WNC required on a prospective value-adding and/or jobs creation basis. \$50 million first fund making investments starting from \$1 million to \$3 million, with follow-on options.

**Mountain BizWorks Crowd-Funding** – established partnership with Incolo out of Raleigh, on 8<sup>th</sup> cohort of seed-stage companies, median crowd-fund raise is \$300,000, require a ‘sponsor’ accredited investor to launch campaign.

## V. Demand-Side Enterprise Enabling Support

The WNC region has a rich and expanding universe of mentoring, coaching, network, service provider, training and other related resources. In fact, the ecosystem in this area is possibly at risk of being overdeveloped, and founders and entrepreneurs may be challenged to discern which of the many offerings are suited to their stage and type of business or profile.

**Mountain BizWorks – ScaleUp** intensive business acceleration program, Catalyst Fund targeted mentoring/coaching, both for start-up stage entrepreneurs, with Catalyst a BIPOC-focused initiative now in its second year and cohort. For later-stage entrepreneurs, offer integrated coaching and professional support to borrowers through a robust network of low-bono paid business coaches and subject matter experts.

**VentureAsheville** – MIT-system-certified coaching and mentoring on a cohort basis, supports 16-24 entrepreneurs annually (small number of start-ups), linkages to angel and other investors. This program focuses primarily on founders moving out of the start-up/pre-seed stage, and matches them to a mentoring ‘team’ to support them in a structured advisory process.

**Hatch Innovation Hub (HIH)** – partnerships with NC IDEA and NC Biotech to provide start-up mentoring/coaching team to run pitch parties, pressure tests (peer reviews of business model design), Venture Asheville and Mountain BizWorks for ‘graduation’ support to high potential founders seeking additional support, general support. The stage of founder/enterprise development toward seed-stage investment-readiness, especially for ‘high growth’ potential enterprises, is the HIH focus. Typically includes coaching/mentoring, pressure-test for business plans and investor pitches, advisory support, investor networking, and community-building with peer entrepreneurs in the Hatch Coworking space.

**Community College, Small Business Centers (SBCs)** – run in all of the regional CC’s, providing basic business capacity-building services, training and service provider referrals. Some degree of sector specialization between and among the SBCs, depending on the County environment they are located in. Part of the NC Small Business Center Network.

**Supportedly** – this online resource connects entrepreneurs at various stages to localized resources organized into “locals” by metro area or region, helping to facilitate connections to resources that are closer to the entrepreneur.

**Sequoyah Fund (SF)** – offers REAL Entrepreneurship program, foundational applied entrepreneurship and business management skills, financial health and literacy, coaching and support (primary focus on ECBI, but also Region A).

**WCU Corporation for Entrepreneurship and Innovation (CEI)** – for-profit university-affiliated business services provider, includes a roster of technical experts available to support start-up business planning and execution.

**EMSDC Incubate to Innovate** - holistic training, mentoring and business advisory support, from start-up to investment-readiness, often hosted at their offices on South Market Street or soon in their new incubation facility in Old Fort.

**Black Wall Street Avl** - this initiative, hosted by The Grind, supports entrepreneurs emerging from start-up to seed stage and beyond with peer support, coaching and mentoring, and community-building.

**Partner Community Capital (PCAP)** – complementing their core CDFI lending activity, PCAP also provides complementary funding to acquire professional services from vetted specialists to borrowers in rural, distressed, and under-resourced communities.

**Western Women’s Business Center (WWBC)** – affiliated with the CSBDF CDFI, this Asheville-based center has a permanent staff focused on providing business coaching, workshops, and access to loan capital to women-owned businesses, including a particular focus on Hispanic female entrepreneurs, including through partnerships with the CSBDF Latino Program. Note that while affiliated with CSBDF, WWBC makes referrals to all regional CDFIs in line with SBA requirements.

**Small Business and Technology Development Center (SBTDC)** – a statewide network business counseling and support centers affiliated with the University of North Carolina, providing a no-cost-to-customer suite of basic business counseling services, as well as fee-based management education and in-depth market research. SBTDC has staffed offices in downtown Asheville, and within the Forsyth College of Business at Western Carolina University in Cullowhee.

**Waypoint Accelerator** - an accelerator for early-stage outdoor ventures. The only program of its type in the Eastern United States. A collaboration between Outdoor Gear Builders, SBTDC, and Mountain BizWorks.

## VI. Capital Taxonomy Framing – Community Finance

Small businesses cannot stand on their own - they rely on supporting infrastructure (roads, broadband access, etc.), qualified workforce, housing, healthcare, childcare, quality of life amenities, supporting services and expertise, and suitable real estate for various stages of development. While not the primary focus of this Taxonomy, the integrated nature of many of these elements demands some consideration. In particular, broader programs and initiatives designed to drive capital into underserved and underinvested communities represent strategic opportunity for partnership, leverage and multiplication of impact for private, philanthropic and public funders. Brief summaries of these areas follow here, and in Annex.

### a. Structured Finance & Participation Finance

Opportunities to blend various types, tenors, and terms of financing to achieve larger goals - including commercial and downtown real estate development, affordable housing, and other major projects - exist across the region, with some emerging examples of success in practice, as well as experience among institutional players active in WNC. With further catalytic support at a regional level, two key Federal programs could be more effectively used to accomplish high-impact goals.

- i. **New Markets Tax Credits (NMTC)** - the Federal NMTC program offers significant federal tax breaks for private individual and corporate investors placing capital into low-income communities through equity placement with designated Community Development Entities. The credit totals 39% of the original investment amount and is claimed over a period of seven years<sup>20</sup>. In WNC, Partner Community Capital has experience with NMTC's, and the soon to close Invest Appalachia also aims to leverage this resource across the broader ARC region, including WNC.
- ii. **Opportunity Zones (OZ)**<sup>21</sup> - this Federal program offers a series of benefits to qualified investors that reinvest capital gains into qualified low-income communities through designated Opportunity Funds. These benefits include temporary tax relief on reinvested capital gains, a step-up in benefits for reinvested capital, and permanent exclusion from taxable income of long-term capital gains<sup>22</sup>. Of the 252 designated Opportunity Zones across North

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<sup>20</sup> <https://www.cdfifund.gov/programs-training/programs/new-markets-tax-credit>

<sup>21</sup> As currently enacted, the OZ tax deferral program is scheduled to sunset on December 31st, 2026. [S.4065](#) - Opportunity Zones Transparency, Extension, and Improvement Act, currently in the Senate Committee on Finance, would extend this period by an additional two years, to December 31st, 2028.

<sup>22</sup> <https://public.nccommerce.com/oz/>

Carolina, some 28 fall within the 18-county Dogwood Health Trust service area of WNC<sup>23</sup>. Partners In Equity (PIE), an NC state-level fund focused on providing bridge-financing and quasi-equity to build assets of Black founders in the commercial real estate where they do business, is active in WNC and focused explicitly on OZ opportunities.

## b. Public-Private Partnerships

Aligning the interests, capabilities and investment capacity of public, private and philanthropic partners is another key area that is essential for focus in developing a vibrant regional economic ecosystem. Emergent coordinating structures attached to the Regional Councils of Government (COGs) include Mountain West Partnership and Carolina West, which could be activated as instruments to catalyze and facilitate these structured partnerships around critical opportunities.

- i. **Site Development** - identifying sites appropriate for private manufacturing and other activities is a major effort, and is generally well beyond the capacity of local governments to handle on their own. Regionalized support for a comprehensive mapping and planning effort could unlock tremendous potential for investment and economic activity.
- ii. **Pre-development** - often the high-risk aspects of initial project feasibility analysis, assessment, and design prevents otherwise viable projects from moving from idea to investible stage. While Federal, State and philanthropic resources exist to support this activity, the lack of capacity at the local government level often means these resources go untapped, and otherwise high-impact projects don't move forward.
- iii. **Bridge Finance** - bringing public-private partnerships to fruition often means aligning mismatched timelines of Federal, State, local government, private sector, and philanthropic funding and/or incentives in various parts of the capital stack. In these instances, flexible, short and mid-term capital that is designed to enable a project to move forward while approvals or other processes occur in parallel can mean the difference between success or failure of high-impact projects. This is especially true in real-estate related areas, such as affordable housing, commercial re/development, and related infrastructure (utilities, access infrastructure, etc.)

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<sup>23</sup> <https://public.nccommerce.com/oz/#section-zones>

## VII. Enabling Environment Considerations and Recommendations

### a. Network Organizations

#### **Regional Council of Government (COG) Public-Private Partnership organizations**

– the 18-county target area of WNC considered by Dogwood Health Trust cuts across five different COG (Council of Governments) areas – namely Region A (Southwestern Commission), Region B (Land of Sky Commission), Region C (Foothills Regional Commission), Region D (High Country Council of Governments), and one county (Burke) in Region E (Western Piedmont Council of Governments).

Only Region A and B are wholly within the 18-county target region under consideration, which align to the Carolina West Partnership (unincorporated) and the Mountain West Partnership (incorporated), respectively. Covering 10 of the 18 counties between them, these two PPP structures are built to facilitate collaboration and partnership in support of the broader enterprise and economic ecosystem.

### b. Demand-side Education, Decisioning, and Support

**Asheville-Buncombe Economic Development Commission (A-B EDC)** – as the leading economic opportunity ‘powerhouse’ of the region, the A-B EDC is a critical partner for engagement. Though limited geographically in scope, an intentional approach to considering downstream and/or value-chain opportunities and relationships with capital providers and enterprises in the surrounding area could transform the Asheville-Buncombe Metropolitan Service Area into a powerful engine of dynamism for the entire region.

### c. Regionalized/State-level Networks and Implementation Partnerships

**Invest Appalachia (IA)** – this emerging blended capital fund is based in WNC and has a broader service area of ARC-defined Appalachian counties in six states, focusing on projects and businesses representing underserved communities (rural, BIPOC, women, economically distressed). The fund aims to use agile approaches to structured finance around major projects including downtown redevelopment, commercial real estate, affordable housing and more. The Fund provides flexible large-scale debt (>\$100k), sometimes accompanied by guarantees or quasi-equity grants. A focus on leveraging New Markets Tax Credits and Opportunity Zone opportunities is part of IA’s strategy.

Co-investment and pipeline partnership with CDFIs and other ecosystem actors is core to the IA model.

**Appalachian Community Capital (ACC)** – this regional mezzanine debt and catalytic grant facilitation vehicle currently serves over 30 ARC-regional member CDFIs and loan funds. Mountain BizWorks and Partner Community Capital are both member CDFI institutions and represented on the ACC Board. ICAP and CSBDF are also relatively recent ACC member CDFI's expanding their service footprint into WNC. ACC is also the sponsoring organization for Opportunity Appalachia, a region-wide catalytic grant and capacity-building program focused on leveraging greater funding focus using NMTC and OZ instruments.

**NC Rural Center** – The Center manages the State Small Business Credit Initiative (SSBCI) 2.0, which includes significant new funding to CDFIs and Fund Managers focused on historically disadvantaged and/or under-invested demographics and geographies.

**Appalachian Investors Alliance (AIA)** – this ARC-supported organization operates using a 'fund of funds' type model to support development of member-managed angel funds across the broader region. Since 2018 they have catalyzed and supported fourteen different member-managed funds across the ARC region, with nearly a dozen new member-managed funds in scope for the near future, including the proposed WNC Impact Fund noted elsewhere in this report.

## e. Hubs, Centers of Excellence, Practice Groups

**Western NC Biotech Hub** – NC Biotech office provides research support for healthtech, biotech innovation, and medical. NC Bioneers attracts and seed fund life science innovations.

**NC IDEA** – At least 50% of NC IDEA grants are earmarked for marginalized groups. Microgrants up to \$10,000, and Seed Grants up to \$50,000.

## f. Other

There are numerous major investor and funder organizations, as well as capacity-builders, who are 'available to, but not focused on' partnerships in the WNC region. These include federal grant-making agencies, national and broader regional philanthropies, national and regional impact, private equity and venture capital investors, accelerators and incubators, and more. **An illustrative summary of some of the more directly relevant of these are included in Annex C.**

## VIII. Conclusions and Next Steps

As noted throughout the report of the findings of the Landscape Assessment process, the WNC region benefits from a robust and dynamic entrepreneurial environment, an increasingly attractive profile to attract not only new entrepreneurs, but also significant providers of capital and other resources.

The primary challenges that face the region from a capital and enterprise support perspective are 1) a fragmented and uncoordinated capital and enterprise enabling ecosystem and 2) a 'lumpy' capital taxonomy that is heavily skewed toward the venture capital end of the enterprise development spectrum, with under-funded start-up and early-stage segments that are critical to building a healthy long-term pipeline of successful ventures.

In order to address these challenges, the following recommended action steps might be considered by the stakeholders, partners and participants in the WNC capital ecosystem:

### CONVENE

- Co-host **regional convening(s) with participants of this Assessment** to present aggregated findings for validation and further feedback on prospective opportunities, gaps and solutions, creating opportunities for development of partnerships and/or broader solutions co-creation;
- Consider structuring **regional roundtables** focused on thematic areas (i.e., access to capital, access to technical/business support, access to networks, etc.), pursue and/or develop challenge/match grant opportunities to incentivize coalition-building and co-creative approaches to collaborative solutions;

### INFORM

- Consider a **quantitative and qualitative demand-side assessment** to better quantify and understand the exact nature of the funding needs landscape among both existing enterprises and entrepreneurs, as well as prospective entrepreneurs and future founders. This could include a deep-dive data analytics approach, as well as interviews with enterprise support organizations and critically, engagement directly with current and prospective entrepreneurs to ensure client-centered understanding;
- Create collaborative efforts to create new insights, refresh existing understanding, and build a data-driven approach to strategy, design and coordination of resource allocation and efforts;

## GROW

- Leverage relationships to further build capacity for research, grantmaking and entrepreneurship in the crucial healthcare technology and biotechnology sectors;
- Build-upon existing grant-making and enterprise 'on-boarding' expertise to create cross-cutting synergies and insights that can be leveraged by investors and lenders with limited bandwidth to ensure viable founders and ventures are identified and engaged in a timely fashion;
- Build upon existing virtual and online resources to create linkages with diverse, localized business support providers across the region;
- **Community College SBCs** might engage collectively to create standardized processes for attracting and supporting small businesses / startups to get "bankable."
- The multitude of business support, mentoring, acceleration and support organizations might create formal and informal partnerships and coordinated efforts for co-convening, resource-sharing, joint fundraising, and intentional graduation of successful entrepreneurs to ensure greater efficiencies, higher degree of specialization in support functions with minimum of duplication and overlap, and greater visibility and clarity of engagement for partner entrepreneurs. Keep "strings" limited and help the entrepreneurs continue to climb towards bankability/investability.

The Western North Carolina region, beyond its remarkable natural and cultural resources, benefits from a strong and enduring entrepreneurial dynamic, as evidenced by the tens of thousands of small enterprises that make up the majority of the workforce employers of the region, and drive a strong commitment to place and community. This dynamic reality has given rise to a diverse community of individuals, organizations and institutions dedicated to investing in the growth and success of these enterprises and the communities they are both grounded in and serve.

Through further intentional action, individually and collectively, informed by current insights and information, and guided by collaborative leadership there is a powerful long-term success outlook for the region. This outlook is one defined by equitable access to resources, sustainable growth and development, and an unparalleled quality of life.

It is our hope that this WNC Capital Landscape Assessment serves in some small way to inform, guide, and better connect the regional business support and investment community toward these outcomes.

# Annex A – Organization & Contact Info

**Ag TechInventures**

<http://www.agtechinv.com/>

**Alpha Vanguard – WNC Impact Fund**

<https://www.alphavanguard.com/>

**American Sustainable Business Network/Investor Circle**

<https://www.asbnetwork.org/>

**Appalachian Investors Alliance**

<https://appalachianinvestors.org/>

**Asheville Angels**

<https://ventureasheville.com/angel-investors/>

**Asheville Buncombe Economic Development Corporation**

<https://www.ashevillechamber.org/economic-development/>

**Big Path Impact Capital**

<https://www.bigpathcapital.com/>

**CornerSquare**

<https://www.cornersquare.org/>

**Carolina Small Business Development Fund**

<https://www.carolinasmallbusiness.org/>

**Dogwood Health Trust Impact**

<https://dogwoodhealthtrust.org/>

**Eagle Market Street Development Corp – Community Equity Fund**

<https://eaglemarketsts.org/emsdc-newsletter-november-2021>

**Figure 8 VC**

<https://www.figure8.vc>

**High Country Impact Fund**

<https://www.highcountryimpactfund.com/>

**The Institute Capital**

[www.TheInstituteNC.org](http://www.TheInstituteNC.org)

**Invest Appalachia**

<https://www.investappalachia.org/>

**Jackson County ED**

<https://www.jacksonthrive.jacksonnc.org/>

**Pappas Capital**

<https://www.pappas-capital.com/>

**Mountain BizWorks**

<https://www.mountainbizworks.org/>

**Mountain Community Capital Fund**

<https://www.ashevillenc.gov/departments/community-economic-development/business-inclusion/mountain-community-capital-fund-information-page/>

**NC Biotech center**

<https://www.ncbiotech.org/>

**NC IDEA**

<https://ncidea.org/>

**NC Rural Center**

<https://www.ncruralcenter.org/>

**Partner Community Capital**

<https://partnercap.org/>

**Partners in Equity**

<https://www.pie-nc.org/>

**Pisgah Fund**

<https://pisgahfund.com/>

**Revolve Capital**

<https://www.revolvecap.com/>

**Self-Help Credit Union**

[www.self-help.org](http://www.self-help.org)

**Sequoyah Fund**

<https://www.sequoyahfund.org/>

**Southwestern Commission – Revolving Loan Fund**

<https://regiona.org/covidloan/>

**Start 100 Fund**

<https://www.start100fund.com/>

**State Small Business Credit Initiative (SSBCI)**

<https://www.ncruralcenter.org/lending/ssbci/>

**Supportedly**

<https://supportedly.com/>

**Thread Capital**

<https://www.threadcap.org/>

## Annex B - Methodology and Approach

Approach: Given the fragmented nature of information available in the region, a mix of forensic inquiry as well as public data inquiry and analytics was used to produce the findings in this report, including but not limited to the following:

- 1) direct interviews with key representative members and other stakeholders and/or investors, as well as related institutional partners, of current or recently active investment initiatives;
- 2) Direct interviews with executive leadership and other stakeholders in major catalytic accelerator and debt funding initiatives;
- 3) Direct interviews with executive leadership and other stakeholders in related enabling categories with prospective insights into past, current and/or planned investment initiatives.

Outreach was conducted under two email introductions – one for investors/funders, and another for enterprise support organizations. Templates are shown below, and the questions included were transposed into the Interview Inquiry Matrix detailed in Annex B.

### Draft Outreach Language and Introductory Script

#### **Proposed Introductory Email Framing (to be included in initial outreach email):**

“ Dear X,

We are reaching out to you today as you are identified as a key stakeholder in the Western North Carolina capital ecosystem, as either a direct investor, lender, or value-adding service provider to local and regional entrepreneurs within Western NC’s 18-county footprint.

In the interest of informing a full and comprehensive ecosystem picture for all stakeholders, the Dogwood Health Trust has engaged Jesse Fripp and David Lilly to lead a series of conversations with stakeholder institutions like yours to gain a current understanding of your objectives and offering within this broader ecosystem.

We would ask for an opportunity to schedule a discussion of no more than an hour, virtual or in person at your preference and convenience, to gain insights into the following areas related to your institution and organization:

- a. Principals and/or key executives
- b. Segment, sector or market focus (i.e., small business, housing, commercial development, geographic area, demographic area, other). Any changes anticipated?

- c. Type of investor and mechanism (i.e., Private Equity Fund, VC Fund, Community Development Finance Institution, Commercial Bank, Broker/Dealer, Accredited Investor, other)
- d. Level of activity and balance sheet size or portfolio under management (dollar value outstanding, projected future investment levels, etc.),
- e. Nature of investment (i.e., debt, quasi-equity, equity, VC, bonds, guarantees, grants/blended, other). Any changes anticipated?
- f. Recent investment track-record/portfolio disbursement (last three years)
- g. Notable deals/transactions
- h. Funding sources/partners
- i. Type of deals being funded/sought (i.e., typical rounds, transaction/check amounts, etc.)
- j. Key participating partners you have worked with on successful deals in the region
- k. Partnership opportunities that would be valuable in your capital stack or pipeline
- l. “Capital Plus” aspects of your proposition if any - including direct technical assistance, mentoring, coaching, advisory, referral, and other capacity-building support to investees, beyond direct capital
- m. Other insights or considerations you would like to share related to gaps or opportunities you see in the WNC regional capital ecosystem, and the role that philanthropic actors like Dogwood Health Trust could or should play in complementing institutions like yours

The intention of the inquiry is to a) inform Dogwood Health Trust’s understanding of the WNC regional capital taxonomy as they design and implement a complementary impact capital strategy, and b) to provide transparency and informed insights to both capital providers and capital seekers to improve pipeline and successful deal-flow. The overarching objective is to capture insights that contribute to the creation of a richer and more vibrant entrepreneurial ecosystem that can better enable improved quality of life outcomes for our communities.

Any information you share beyond your publicly-available institutional profile and details will be treated as confidential, and used or included in any prospective industry or public-facing materials or briefings only with your express consent.

However, to the degree you are comfortable doing so, we are committed to sharing approved details of your profile and objectives related to pipeline, funders, and/or partners in a limited circulation industry brief to be made available at the conclusion of this exercise to those institutions who have participated in it.

We thank you in advance for your time, and look forward to the opportunity to speak with you.

Very best, etc.”

**Discussion Script, Introduction (to be followed as guidelines in virtual or in-person discussion to ensure consistency):**

Personal introductions, etc., followed by,

“We have been engaged by the Dogwood Health Trust, as noted in our initial email outreach to you, to lead a regional Western North Carolina capital taxonomy assessment. This entails identifying the fullest possible range of currently active and investing financial institutions, organizations, and actors that are actively pursuing or have committed funding to enterprise deals in the WNC region within the last three years.

We seek to understand the ‘who, what, where, when, why, and how of the collective actors in this regional ecosystem, to better inform a collective understanding of the types of capital available to entrepreneurs, partnership opportunities for investors, and gaps that may be constructively addressed by impact actors including but not limited to Dogwood Health Trust, either directly or through a partnership with existing capital providers.

We have a series of questions about your institution that we would appreciate your feedback on, as described in our email.

Once again, any information you share beyond your publicly-available institutional profile and details will be treated as confidential, and used or included in any prospective industry or public-facing materials or briefings only with your express consent.

We will revert to you at the conclusion of our assessment to confirm your interest in being included, and at what level of detail, in a limited circulation industry briefing note to be shared with participants in this taxonomy assessment.

Please provide us with all the details you can; related to the following areas:

- a. Principals and/or key executives
- b. Segment, sector, or market focus (i.e., small business, housing, commercial development, geographic area, demographic area, other). Any changes anticipated?
- c. Type of investor and mechanism (i.e., Private Equity Fund, VC Fund, Community Development Finance Institution, Commercial Bank, Broker/Dealer, Accredited Investor, other)
- d. Level of activity and balance sheet size or portfolio under management (dollar value outstanding). What level of investments do you anticipate deploying in the next X years?
- e. Nature of investment (i.e., debt, quasi-equity, equity, VC, bonds, guarantees, grants/blended, other)
- f. Recent investment track-record/portfolio disbursement (last three years)

- g. Notable deals/transactions
- h. Funding sources/partners
- i. Type of deals being funded/sought (i.e., typical rounds, transaction/check amounts, etc.). Any changes anticipated?
- j. Key participating partners you have worked with on successful deals in the region
- k. Partnership opportunities that would be valuable in your capital stack or pipeline
- l. “Capital Plus” aspects of your proposition if any - including direct technical assistance, mentoring, coaching, advisory, referral, and other capacity-building support to investees, beyond direct capital
- m. Other insights or considerations you would like to share related to gaps or opportunities you see in the WNC regional capital ecosystem, and the role that philanthropic actors like Dogwood Health Trust could or should play in complementing institutions like yours

Thank you for your time and insights, and we look forward to being in touch with further updates as we finalize this effort. “

#### Key Taxonomy Questions for Non-Investor, Ecosystem Stakeholders

- a. Principals and/or key executives, how should prospective partners get in touch?
- b. Year established and nature of incorporation (i.e., LLC, 501c3/4/6, other)
- c. Segment, sector, or market focus (i.e., small business, housing, commercial development, geographic area, demographic area, other). Any changes anticipated?
- d. Nature and duration of enabling support provided to segments, sectors, and or WNC markets noted above (i.e., network support, grants, acceleration/incubation, mentoring & capacity-building, project development, de-risking, other?)
- e. Level of financial commitment currently available and/or active in the WNC region? Anticipated level of commitment for the next 3-5 years?
- f. Notable recent commitments, initiatives, and/or partnerships developed and deployed in WNC
- g. How is your institution/organization funded, and what is the funding outlook for the next 3-5 years?
- h. What types of new commitments, initiatives, and/or partnerships are you seeking currently?
- i. Key participating partners you have worked with successfully in the region, and/or resources that have been leveraged successfully as a result of your activity (i.e., direct investment, additional grants or subsidies, matching/in-kind, other)

- j. How do you track the value of leveraged and/or catalyzed capital, if at all, and is this quantum meeting your targets, metrics and expectations for capital needs of your clients and partners in the region? Why or why not?
- k. Other insights or considerations you would like to share related to gaps or opportunities you see in the WNC regional capital ecosystem, and the role that philanthropic actors like Dogwood Health Trust could or should play in complementing institutions like yours

Particular questions for Peter Hille, Mountain Association (example of a regionalized community and economic implementing organization)

1. Mountain Association is known for its holistic approach to community and economic development across a broad geographic area covering many counties in Kentucky. What has enabled your success as a regional-level implementer and convener from the strategy, governance, management, partnership, and operational perspectives? Where do you still encounter challenges?
2. What methods and approaches have you adopted to break down barriers of capacity, risk perception, and coordination at local levels (particularly within local and/or county government partnerships) to bring investment into public-private partnership initiatives? Are you meeting your goals in this area, why or why not?
3. What lessons have you learned in efforts to leverage and catalyze broader Federal, State, private and philanthropic funding flows for areas such as site development, project investment, workforce development, and enterprise acceleration? Are these funding flows meeting the needs and objectives of MA and the communities you serve, in your opinion?
4. What are the top three enabling capacities that are required for MA to achieve long-term success? What are the top three blocking points to that success?

## Annex C – Additional Resources

Additional capital and/or small business-related services providers are available in the region, but not focused on the region specifically, and/or with no physical presence or dedicated staff in the region.

### Resources with Physical Locations, or dedicated staff in the WNC region

#### **VEDIC**

<https://vedicnc.com/>

Lender in the Town of Valdese, lends to surrounding counties

#### **The May Coalition**

<http://www.maycoalition.org/index.html>

#### **Town of Rutherfordton Community Development**

<https://www.rutherfordton.net/departments/community-economic-development/>

#### **City of Hendersonville**

<https://www.hendersonvillenc.gov/businesses>

#### **The Industrial Commons**

Morganton, NC

Business & Industry Incubator – Operates a Capital Loan Fund for cohort members

<https://theindustrialcommons.org/>

### Resources available to the WNC region, but do not have physical locations or dedicated staff/focus in the region

#### **Business Expansion Funding Corporation (BEFCOR)**

Charlotte, New Bern, & Raleigh office locations

<https://www.befcor.com/>

CDFI NC chartered state for small business lending

#### **Carolina Community Impact, Inc**

Raleigh, NC

<https://ccifund.org/>

CDFI chartered in NC providing small business loans & technical assistance

## Regional (Appalachian Region<sup>24</sup>) Resources available to WNC, but not specifically WNC

### **Appalachian Community Capital**

Virginia, VA

<https://appalachiancommunitycapitalcdfi.org>

CDFI Intermediary capital vehicle, who supplies member CDFIs with capital & grants to operate & grow impact.

### **Appalachian Regional Commission**

Washington DC, USA

<https://www.arc.gov>

The Appalachian Regional Commission (ARC) is an economic development partnership agency of the federal government and 13 state governments focusing on 423 counties across the Appalachian Region. ARC's mission is to innovate, partner, and invest to build community capacity and strengthen economic growth in Appalachia to help the Region achieve socioeconomic parity with the nation.

## National or Broader Regionally-focused Resources available to WNC, but not focused specifically on WNC

### **US Economic Development Administration**

<https://eda.gov/>

The US Federal Governments Bureau for Economic Development

### **United States Department of Agriculture**

<https://www.usda.gov/>

Provides some loans & grants dedicated for Small Business

The US Department of Agriculture provides leadership on food, agriculture, natural resources, rural development, nutrition, and related issues based on public policy, the best available science, and effective management.

### **Small Business Administration**

<https://www.sba.gov/>

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<sup>24</sup> As defined by the ARC Commission; consisting of 423 counties in 13 states.

**Truist (Formerly BB&T + SunTrust Bank)**<https://www.truist.com/>

Commercial Bank that offers small business lending

**Bank of America**<https://www.bankofamerica.com/>

Commercial Bank that offers small business lending

**TD Bank**<https://www.td.com/us/en/personal-banking>

Commercial Bank that offers small business lending

**PNC Bank**<https://www.pnc.com>

Commercial Bank that offers small business lending

**Wells Fargo**<https://www.wellsfargo.com/>

Commercial bank that offers small business lending

**United Community Bank**<https://www.ucbi.com/business-banking/lending/>

Community Bank that offers small business banking services

**First Citizens Bank**<https://www.firstcitizens.com/>

Bank that offers small business banking services &amp; loans

**Fifth Third Bank**<https://www.53.com/content/fifth-third/en.html>

Commercial Bank that offers small business banking services and SBA loans

**Home Trust Bank**<https://htb.com/>

Commercial bank that offers small business banking services and lending