Earl’s Cuts and Styles Makes a Move

Introduction

In October 2019, Earl’s Cuts and Styles opened its doors in its new location in the Liberty Bank Building. Earl Lancaster, Master Barber and small business owner, relocated and repositioned his business in Seattle’s Central District – the cultural home of the regional African-American community and a rapidly gentrifying neighborhood. This successful transition took place – with a lot of help over several years from a wide variety of people and organizations – in a real estate market and financing system stacked against businesses like his. This is the story of what it took to move a 460-square-foot barbershop and beloved community gathering place from one side of Union Street to the other.

This story matters because communities, such as Seattle’s African-American community, in cities all across the country are fighting for their survival against the forces of gentrification, undergirded by structural racism, that are tearing them apart. Small businesses such as Earl’s Cuts and Styles are visible expressions of their communities’ cultures and connections, the places where local residents can gather to socialize while meeting their particular needs. Without them, how can community survive?

The effort required to keep Earl’s Cuts and Styles open and thriving is instructive for policy makers, financial institutions, property owners, developers and investors, and community advocates concerned about community, diversity and equity.

This case study combines the insights and perspectives of individuals involved in the effort gathered in interviews, emails and group discussions with information gleaned from the written record. Each member of the coalition of allies – from the community, nonprofit organizations, the financial sector, educational institutions and government – encountered challenges that required them to stretch their practices in new and unexpected ways to make up for the shortcomings of a small business support ecosystem that is disjointed and chronically under-resourced. The challenges, lessons learned, systems gaps and policy implications are explored below.

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1Interviewees: Earl Lancaster, Earl’s Cuts and Styles; Evelyn Allen, Black Community Impact Alliance; Andrea Caupain, Byrd Barr Place; Dennis Comer, Central Area Collaborative; Jill Fleming, Capitol Hill Housing (now Community Roots Housing); Ken Takahashi, City of Seattle Office of Economic Development; Che Wong, Craft3; Inye Wokoma, Wa Na Wari; Walter Zisette, formerly with Capitol Hill Housing (now Community Roots Housing).
A note on timing of publication

The research for this report was winding up in spring of 2020 just as the COVID-19 pandemic struck. Rather than publish these findings in a period of such uncertainty, the authors chose to wait awhile. Little did we know that it would be more than a year before the community could begin to come through it! Earl’s Cuts and Styles had a rough year, but it’s still there, coming back slowly, in no small part because of the relationships with lenders and the technical support team that Earl established during the relocation. We are pleased to finally present this story, though we chose to stop our detailed research with the successful move. While the impact of COVID-19 may make a precise duplication of this success difficult, this analysis remains valid and can serve as a knowledge base for other projects. The lessons learned are even more important now than they were pre-pandemic, given the struggles small businesses have been through in this time and the new resources flowing into the region for small business recovery.

Neighborhood Context: Seattle’s Central District

Since European settlement and the occupation of Duwamish lands beginning in the 1850s, the Central District has been one of Seattle’s most ethnically and racially diverse neighborhoods. According to *The Evergrey*, “Whether you were black or Jewish or Japanese, the Central District was a place that locals who didn’t fit into the white Christian mold could call home.”

By the 1920s, a majority of Seattle’s 2,900 African-Americans lived in the Central District. Because of redlining in the 1930s and racially-restrictive covenants in many other parts of the city, the Central District was one of the only areas open to African-American residents and businesses. As Seattle’s African-American population swelled in ensuing decades with the Great Migration, the booming wartime economy and ongoing economic opportunity, the neighborhood took root and thrived.

By 1970, about 55% of Seattle’s African-American population lived in the Central District, about 21,000 out of 38,000 people, a number and concentration sufficient to support many barbershops. Earl’s Cuts and Styles is the most recent of a long line of barbershops catering to the African-American community at the corner of 23rd and Union since the early 1900s.

The importance of barbershops to the African-American community

Since the turn of the 19th century, beauty salons and barber shops have served as special places for African American communities, providing much more than hair care. As described by the National Museum of African American History and Culture, barbershops were, “locations where black people could be vulnerable and talk about issues of importance in the community. These were spaces where customers played games such as chess, cards, and dominoes, while having conversations about local gossip, politics, and community affairs. Over the years, beauty salons and barber shops have come to provide a unique social function. Scholars often cite these sites as ‘sanctuaries’ for black people.”

Barbershops were among the first African-American owned businesses to open in Seattle. Earl’s Cuts and Styles is the most recent of a long line of barbershops catering to the African-American community at the corner of 23rd and Union since the early 1900s.

Sources: Smithsonian Nat’l. Museum of African-American History and Culture. See also: Blackenterprise.com

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2 Sources: History Link: Central Area Thumbnail History
3 *The Evergrey*, "How did the Central District Become Seattle's historically-Black neighborhood?"
4 Ibid, *The Evergrey* article
African-American owned businesses catering to local needs. The Central District itself was over 60% African-American.

Since the 1970s, government policies to reshape low-income areas, and rising interest among a more affluent, white population in urban living, have wrought dramatic changes to the Central District.\(^5\) By the 2010 census, about 7,500 African-Americans remained in the Central District, constituting about 20% of the District’s almost 39,000 total population and about 15% of the city’s African-American population as a whole.\(^6\) Estimates indicate that the 2020 census will reveal an even lower percentage.

Nonetheless, the Central District remains an important cultural home of the African-American community in the region. Even though residents have moved on or been displaced, many remain connected to the businesses, churches and cultural institutions that are still there. Seattle’s African-American community has not sat silently by while its community fabric was torn apart. A long essay could be written on the ways that the African-American community has demonstrated its strength and resilience, but such detail is beyond our scope. Suffice it to say, that today, many African-Americans and their allies around the region are giving their time, vision, creativity, energy and determination to make sure that the Central District remains the place in the city that the African-American community can call home. This is the context that gives weight to this story and helps us understand it.

**Earl’s Cuts and Styles**

Earl Lancaster opened his 4-chair barbershop in the Midtown Plaza on the south side of Union at 23\(^{rd}\) Avenue in 1992. At the time, this intersection consisted of a cluster of legendary African-American owned businesses, including several iconic Seattle restaurants, including Thompson’s Point of View, Philly Street Sandwich, and Ms. Helen’s Soul Food.

According to Inye Wokoma, long-time local resident and founder of Wa Na Wari, “Earl’s had been a cultural center for decades in an ecosystem of African-American businesses at and around Midtown Plaza at 23\(^{rd}\) and Union. The plaza was an unofficial park, a public gathering space that the community chose. As other businesses left, Earl’s stood out more and more. People would come back to the neighborhood to see their friends there.”

Earl described how it felt to watch the other African-American businesses close one by one until his was the only one left, “I was part of a community for a long time, and then it got dark.”\(^7\)

Earl’s Cuts and Styles future became uncertain when the owners of the Midtown Plaza, the Bangasser family, sold the property in May 2018. When asked what he was going to do at that time, he said, “There were a lot of meetings at Midtown about displacement and changes in the

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\(^5\) These are summarized in this May 2016 Seattle Times article: [Central District's shrinking Black Community Wonders What's Next](https://www.thenewstimes.com/article/central-districts-shrinking-black-community-wonders-whats-next)

\(^6\) Census research done by the authors for tracts 76, 77, 78, 79, 86, 87, 88, 89, 90. (source: [Census data tables](https))

\(^7\) Zoom interview with Earl Lancaster, June 20, 2021.
neighborhood, but they couldn’t do much. I thought about moving south, but when I saw how hard people were working to save the Central District for the community, I wanted to try to stay and be a part of that.”

Two key factors tipped Earl’s decision toward staying. First, a right-sized space was to be built across the street at the Liberty Bank Building; Community Roots Housing, the project developer, intended to fill the commercial spaces with local small businesses. Second, over the years through his landlord, Tom Bangasser, Earl had established some relationships with people at Seattle University. As a result, he felt a general trust and respect for the expertise of people from that institution, and that “having the backing of the school would be good.” That was one of the reasons Earl chose to work with Seattle University’s RAMP-up program.

How the Community Moved the Barbershop
The relocation of Earl’s Cuts and Styles across Union Street to the new Liberty Bank Building on the corner of 24th and Union was a year and half long journey in uncharted territory with an uncertain outcome, requiring: iterations of identifying costs and developing pro formas, putting together the necessary financing, changing Earl’s business practices to meet financing requirements, managing a construction project, and more. Earl himself describes the process as “weathering the storm. A lot of the time I felt like I was out there in murky waters, but one day I heard the birds and saw the sunshine, and I knew I’d made it.”

What follows is a description of the project partners and their roles, and the issues encountered for the business, the space, and the financing, and how they were addressed.

Introducing project partners and their roles
Community Roots Housing (formerly Capitol Hill Housing): Developer and owner of the Liberty Bank Building, with 115 affordable housing units and three commercial spaces, Earl’s Cuts and Styles landlord. Community Roots provided a $50,000 tenant improvement allowance.8

Seattle University Resource Amplification and Management Program (RAMP-up): an Albers School of Business program that offers technical assistance to businesses in the neighborhoods around the university.9 RAMP-up worked intensively with Earl, to “convert his practical business experience into…a business plan, bank-ready financial projections and credit history.”10

Allies and Advocates
Africatown: Party to Liberty Bank Building Memorandum of Understanding (LBB MOU, described below). Africatown: helped Earl put together information for the business plan and raise money for the move; brought the community together to celebrate and support Earl; and advocated to policy makers and funders, communicating Earl’s shop’s importance to the African-American community.11

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8 Community Roots is a community-based, nonprofit, preservation and development authority with about 50 affordable housing buildings and over 1,400 units throughout Seattle. Website: communityrootshousing.org.
9 Begun in 2016 with a major grant from JPMorgan Chase, RAMP-up provides business coaching and consulting for local small businesses free of charge, pairing businesses with SU interns and subject matter experts. Website: seattleu.edu/RAMP.
11 Africatown’s mission is “to honor, preserve, promote and develop the legacy and presence of Black Americans and newly arrived Africans in Seattle’s Central District as a vibrant community and unique urban experience.”
Black Community Impact Alliance: As a party to LBB MOU, BCIA was instrumental in advocating for African-American owned businesses to occupy the LBB commercial spaces.\(^{12}\)

Byrd Barr Place: Party to the LBB MOU; with its deep connections in the Central District and other partners in this project, Byrd Barr Place made the initial connections that brought together Earl, Capitol Hill Housing and RAMP-up.\(^{13}\)

"Earl was a longtime friend of mine, I used to go to the hair salon next to his shop before they were forced to move. My male relatives got their hair cut at Earls. In fact, I take my 4 year old son there. Through my connection to Earl and after becoming aware of the LBB development, I asked Earl if he was interested in relocating across the street. He said yes, but was tentative about the ‘readiness’ test his business needed to go through to be considered. I then connected him with Sue Oliver and Randy Massengale at Seattle U. Seattle U got his plan and finances together. I then connected Earl with Chris Persons and his team [at Community Roots Housing] and the rest is history."\(^{14}\)

— Andrea Caupain, Byrd Barr Place Executive Director

**Funders**

Central Area Collaborative: a coalition of neighborhood organizations working on the economic vitality and environmental sustainability of the Central District. The CAC provided a $5,000 grant toward relocation costs.\(^{15}\)

Craft3: a regional nonprofit community development financial institution (CDFI) that, among many activities, makes loans to strengthen communities, including to businesses that don’t qualify for traditional loans. Craft3 provided a $45,000 working capital loan for the business and a $70,000 short-term bridge loan for tenant improvements.\(^{16}\)

Office of Arts and Culture (City of Seattle): manages the City’s arts and cultural partnerships grants programs. OAC awarded $70,000 Cultural Facilities Funds for tenant improvements.\(^{17}\)

Office of Economic Development (City of Seattle): manages the City’s economic development programs and partnerships. OED provided a $50,000 award for tenant improvements.\(^{18}\)

Website: africatownlandtrust.org; One example of how Africatown rallied the community to support Earl was this celebration hosted by Africatown in late 2018: "Africatown honors 30 years of Earl's Cuts and Styles".

BCIA is “a group of cooperating organizations serving the Black Community in Western Washington.” BCIA focuses on educating and empowering the Black Community and holding the public sector accountable, ensuring its investments in the Black Community are actually of benefit to the community. Website: bcia-intl.org. Evelyn Allen, BCIA described BCIA’s role in the relocation in a 2/24/2020 email.

Byrd Barr Place is a Community Action Agency founded in 1964 to provide a wide variety of services for those in poverty, serving more than 20,000 individuals per year. Website: byrbarrplace.org.

2/24/2020 e-mail from Andrea Caupain, Byrd Barr Place

The impetus for creation of the CAC was a 2015-2016 economic development plan for the commercial nodes in the Central District, including 23rd and Union. Dennis Comer, CAC Coordinator, described the CAC role in the relocation, in a telephone conversation, 2/25/2020. LBB MOU signatories Byrd Barr Place and BCIA are also active in the CAC. Website: cacseattle.org.

Craft3 website: craft3.org

The Cultural Facilities Fund is a competitive grant program “for Seattle arts, heritage, cultural and arts service organizations with facility projects that create greater access for those who have been (and are) inequitably excluded from owning, managing and leasing property. Communities of color have had the least access to controlling cultural space. This fund will prioritize projects that eliminate this disparity.” Website: seattle.gov/cultural-facilities-fund.

The Business: What Earl needed to make the move

Earl’s Cuts and Styles had always been a cash-only business with no employees and Earl Lancaster as sole proprietor. Other barbers in the shop were independent contractors renting their chairs. Earl had a bookkeeper and financial records, but had never had a reason to prepare financial statements, business plans or revenue projections that would meet a lender’s requirements. All of this had to be created in order to demonstrate to both Earl’s and Community Roots’ satisfaction that he could afford the new space, and to line up financing for the tenant improvements, the move and working capital for the business.

To convince lenders to invest in the shop:

- Financial projections would have to demonstrate the ability to pay back loans and still cover operating costs, including higher rent, and Earl’s livelihood.
- This led to the need for a marketing plan, something else Earl had never needed before, given his standing in the community and the importance of his shop in community life.¹⁹
- Going forward, the business would need to move from a cash-only model to accrual accounting with the increased technology and record-keeping that entails. One benefit of this transition for Earl’s customers—all forms of payment could be accepted.

RAMP-up brought in graduate and undergraduate business students to do the hard work of finding, assembling and interpreting the data and creating all these deliverables. The RAMP-up team worked closely with Craft3, the primary lender, to ensure that the documentation would meet Craft3’s underwriting needs. When that bar was achieved, other funders, notably the City’s Office of Economic Development, reported their confidence in the numbers. Achieving this bar was no small feat. Many hours of student time were devoted to poring over Earl’s records to prepare the most solid case possible.

The team also set up point of sale technology and a social media presence. They encouraged Earl to contract with a CPA to supplement the skills of his bookkeeper and meet more complex record-keeping requirements, which he did. All of these changes were a lot for Earl to absorb. He noted that Randy and the RAMP-up team gave him a lot of reassurance, “even when I was anxious, they helped me keep the faith that it would all work out in the end.”

The Space: Liberty Bank Building

Honoring the neighborhood’s legacy and vision for the future

Liberty Bank, the first primarily African-American-owned bank in the Pacific Northwest opened at the corner of 24th and Union in May 1968.²⁰ Community leaders founded the bank so African-American families could obtain home mortgages denied them by mainstream financial institutions. The building, designed by Mel Streeter, a talented and respected local African-American architect, became a symbol of community pride. Liberty Bank served the community for 20 years. Key Bank eventually bought the building and opened a branch there. “In 2015, Key Bank approached Capitol Hill Housing with an offer to sell the property below market value with the intention [that] it become affordable homes, as a way to honor the history of community involvement at the site.”²¹

¹⁹ This, in turn, led to the creation of a social media presence – Earl’s Cuts and Styles now has a facebook page.
²⁰ History of Liberty Bank: Seattle Times Liberty Bank history
²¹ libertybankbuilding.org, "The History of Liberty Bank"
As a result of this history, the Liberty Bank Building was a high visibility project. Community Roots was challenged from the start to meet high expectations. Upon purchasing the site, Community Roots conducted two years of community engagement to find the best ways to honor the legacy of this important institution.22

One outcome was a Memorandum of Understanding entitled, “Community Priorities Regarding Liberty Bank Building Development” and signed by Community Roots, Africatown, Black Community Impact Alliance and Byrd Barr Place (then known as Centerstone).23 The LBB MOU spells out numerous commitments from the project partners to ensure that the Liberty Bank Building benefits the African-American community and the Central District in design, construction, operations, and in the long-run, becomes an asset owned by the community.24

In the MOU requirement most relevant to Earl’s Cuts and Styles, the partners agreed to work together to “ensure the commercial space of the Liberty Bank project is designed and operated to prioritize affordability for small African-American owned businesses which meet minimum leasing criteria.”25 The MOU spells out other provisions to help make spaces affordable:

- Right-sized spaces. Earl would have had difficulty finding a 500 square foot space in any other new building, where commercial spaces are typically over 1000 square feet.
- Tenant improvement funding: LBB MOU partners committed to helping small business tenants find funding or subsidy.

Liberty Bank Building has three commercial spaces. Community Roots worked with two other African-American owned businesses to move into the other spaces, Café Avole and Communion (restaurant). Initially, the hope was that all three businesses would be able to assume financial responsibility for their spaces at about the same time. Early discussions explored the creation of three separate commercial condos for each business to purchase its space. This might have made it easier for the businesses to obtain financing, using the space as an asset on their books. Given the businesses’ individual situations, the timing just wasn’t right. As a result, the spaces are structured in a single commercial condominium unit including some common areas (e.g., shared restrooms). The potential for ownership was preserved through a right of first refusal clause in all the commercial leases should Community Roots ever sell the commercial condo.

22 The community engagement efforts culminated in this 2015 report from the Liberty Bank Building advisory board, providing design guidance for the building: Architectural Program Recommendations, May 2015.
23 Summary of the MOU elements.
24 Liberty Bank Building MOU specifies that at the end of the 15-year tax credit investment period, the building is to be turned over to community ownership, “at minimum cost to community partners.”
25 LBB MOU, pg. 2.
The Lease
Community Roots worked closely with Earl, supported by his real estate broker, RAMP-up and other partners, for over a year as all the details came together in the Letter of Intent to Lease (LOI) in October 2018. The LOI specified lease terms including:

- 564 raw square feet of commercial space in Liberty Bank Building, including about 460 square feet of shop space and the rest in Earl’s portion of the commercial common area.
- Rental rate of $20/sf/yr NNN, with annual 2% escalation, well-below the typical market rate rent in the neighborhood in new construction at the time of at least $35/sf/yr.
- Operating expenses: NNN of $6/sf/yr with annual 2% escalation.26
- A lease term of 84 months, with possibility of two five-year renewals for 17 years total.
- Community Roots commits to a $50,000 tenant improvement allowance.
- No rent for first four months while tenant improvements are built.
- No lease commission had to be paid.

From Community Roots’ perspective, the development of the LBB brought out a healthy tension between competing organizational goals: on the one hand, fiscal responsibility and risk management; and on the other, using its development projects in communities of color to advance social and economic equity. The lease negotiations were an example of this. The pro forma for the project used a standard underwriting approach with market rate lease terms for the commercial spaces. In its other buildings, Community Roots relies on the income from commercial spaces to support its affordable housing mission. Having once committed to a building that truly honored the legacy of Liberty Bank, Community Roots found itself having to adjust its own expectations about the building’s financial performance, including figuring out how to absorb foregone revenue from the commercial spaces.27

Even though Community Roots ultimately leased the space at well below market rate, the rent was about $1,280/month higher than that of Earl’s old space. While the two shops were about the same size, Earl needed to assume financial responsibility for his share of the common area; this added about 100 square feet to the payment calculation. It took a while for Community Roots on the one hand and Earl’s team, on the other to get clear with each other on this aspect of the deal and its implications for ongoing revenue needs.

Building the new shop
While the lease negotiations were underway, the parties were also working on designing and costing out the tenant improvements. Earl had no experience overseeing a design/construction project of this scale. RAMP-up helped Earl through this complex process. Construction project management represented an expansion of RAMP-up’s toolkit. Earl made all the executive decisions about the look and feel of his new shop, without having to get bogged down in the details of managing a major construction project. He

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26 Standard commercial leases usually require a 3% annual escalation.
27 Interview with Walter Zisette, former Liberty Bank Building Developer at Community Roots, May 12, 2020
reports that this part of the project was the most fun for him, “watching the new building come up out of the ground every day and all the people working on my space.”

One of the other prospective Liberty Bank Building commercial tenants had hired a consultant to help them find the right design and construction firms for their restaurant build-out. Both the design firm, Atelier Drome and construction company, Metis Construction, were identified through this work – a substantial savings in time and effort. Both firms had practices and missions consistent with the aims of this project – to build a barbershop that was also a community anchor.

Community Roots provided a “cold shell” – an unfinished interior with no infrastructure, heat or plumbing in mid-April 2019. Once under contract but before the shell was done, Atelier Drome and Metis Construction prepared estimates of about $214,000 (with contingency) for the tenant improvements for a 460-square-foot shop with several sinks. Preparation of detailed construction scopes and cost estimates had to wait until the shell was nearly complete.

This approach is standard practice in many mixed-use buildings, particularly in affordable housing where developers must ensure that public affordable housing funds are used exclusively for the residential portion of the building. However, it adds a significant increment to the construction cost (up to an estimated 40% in this and several other cases) compared to adding tenant improvements to a warm shell or allowing the project builder and tenant improvement builder to work in parallel. The sequencing of completing the cold shell followed by tenant improvements adds time to the overall project and often requires undoing newly-built elements of the cold shell to accommodate TIs. Higher costs and the timing uncertainties also proved challenging for lining up the financing.

The Financing: a $240,000 piece puzzle
All in all, some $240,000 from six public and private sources was assembled for the tenant improvements, the move itself, and a modest amount of working capital for the business. The total package was a mix of grants, grants structured as forgivable loans, bridge loans, ongoing loans, and community-based fundraising.

The tenant improvements were costly. No one funder could cover them entirely. Assembling the financing was the most difficult piece of the project. It was a chicken and egg problem; Earl’s team needed the chicken. After many inconclusive conversations with interested funders, progress was finally made when Community Roots provided a firm commitment of a $50,000 tenant improvement allowance to be paid at the end of the construction phase (first commitment, last pot of money used), as part of the Letter of Intent to Lease in October 2018.

After that, other funding commitments fell into place:

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28 Interview with Earl Lancaster, June 20, 2021
29 For more on Atelier Drome: Atelier Drome website; For more on Metis Construction: Metis Construction website.
30 A cold shell does not have HVAC systems, lighting, ceilings or walls, but usually has electrical closets, mechanical rooms, or restrooms. A warm shell is considered “ready to lease” with HVAC installed up to the point of TI needs as well as the core building system. Skyline Construction Dictionary
31 Source: Earl’s cut and Style Business Plan, May 20, 2018, Nayar, Shraddha
32 Earl reports that this was among the most stressful parts of the project for him. He had “money going out for permits and such knowing I’d be paid back, but not when.”
A Cultural Facilities Program award for $70,000 from the City of Seattle’s Office of Arts and Culture, (OAC award) was the next big piece of the puzzle. Community Roots’ TI allowance counted as confirmed leverage for this competitive program, which was one of the qualifying factors. These funds were made available on a reimbursement basis.

In April 2019, Craft3 was next in with a $45,000 loan, primarily for ongoing working capital. Craft3 also stepped up with an unsecured $70,000 short-term bridge loan for tenant improvement expenses to back stop the OAC award (see below).

In May 2019, the Central Area Collaborative provided $5,000, no strings attached, from a Community Equity Fund for economic development in the Central District established in the mid 1990s.

In June 2019, the City’s Office of Economic Development provided the final big piece of the puzzle with a $50,000 contribution structured as a loan, forgivable after one year. OED was able to use funds from the City’s New Market Tax Credit fees, which are not tax dollars and come with relatively few strings attached.

Also in June 2019, as the move date drew near, Africatown set up a gofundme campaign to cover relocation expenses. That campaign raised about $6,700 from the general public, surpassing its $5,000 goal.

Earl Lancaster put in about $10,000 of his own resources as cash and in-kind.

The securing of each one of the major fund sources is an informative story in and of itself.

**Community Roots Tenant Improvement Allowance**

Fundamentally, even given the provisions of the LBB MOU that might suggest otherwise, the Liberty Bank Building financing was typical of nonprofit affordable housing. The commercial spaces were penciled in assuming market rate rents, NNN and escalation, and therefore as a financial positive for ongoing agency operations. Construction budgets were based on a cold shell to meet affordable housing funding requirements. This meant virtually no money in the building capital or operating budgets for the commercial space. Or so it started out.

The $50,000 TI allowance represented a big commitment from Community Roots, another example of the way the Liberty Bank Building challenged business as usual. The allowance had to come from private fundraising. It is in the Rise Together campaign, a collaborative of six local nonprofits working together to raise funds for a variety of equitable development projects in the Central District, Capitol Hill and White Center neighborhoods.

**Office of Arts and Culture grant**

The Office of Arts and Culture Facilities Fund started in 2012 as part of a comprehensive cultural spaces strategy, to “help Seattle-based organizations build and improve their facilities in ways that will ultimately advance their missions and strengthen Seattle’s cultural scene.” In 2018, a City of Seattle Racial Equity Toolkit analysis led to an expansion of the Cultural Facilities Fund and changes to the eligibility requirements to “ensure that the benefits it creates

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33 These funds are from a competitive grant program. An application was submitted in in August 2018. Funds because available when a contract was signed December 1, 2018.

34 City ordinances 124630, 119224, 117729. In 2014, the City gave the CAC oversight of the last $130,000 from this fund and responsibility for distributing it to community economic development projects. The CAC has also contributed $5,000 each to the other two LBB commercial tenants.

35 Rise Together website

36 OAC agreement
are shared equitably with communities of color, and helping vulnerable organizations fight growing displacement pressures.”

2018 Cultural Facilities Fund Guidelines state that the fund, “seeks to reverse the City’s lack of investment in cultural organizations representing communities of color. The program awards funding to Seattle arts, heritage, cultural and arts service organizations with facility projects that address more racially equitable access for those who have been (and are) excluded from the City’s cultural infrastructure-building. Communities of color have had the least access to controlling cultural space. This fund will prioritize projects that eliminate this disparity.”

With support from Community Roots, Earl submitted a very persuasive case that Earl’s Cuts and Styles met the program guidelines, quoted at length here:

“Although I am not the most traditional applicant to this fund, I hope you’ll consider my business’s arts and cultural contributions to the community over the years, as well as the urgent need to preserve African American history and culture in Seattle before it goes extinct…

“Black arts space may not look like what most people imagine when they think of arts space. As your fund recognizes in its new guidelines, because communities of color have been systemically denied access to resources, Black cultural spaces are less likely to be museums or studios and more likely to be organic community hubs like Earl’s. …

“As part of the Liberty Bank Building, Earl’s status as a legacy cultural and artistic space will be elevated by becoming part of a project that celebrates Black heritage through design and programming.”

Ultimately, Earl’s was awarded $70,000 of the $100,000 requested. The funds awarded were not an outright grant. In exchange, Earl agreed to provide a commensurate level of public benefit, with free haircuts for children at Garfield Community Center and the elderly at Harborview Medical Center one day a month for 21 years, continuing his long-standing practice; free newspaper access for customers for 21 years; and making the shop available as a gathering space without requiring that people get a haircut.

Craft3 loans
Several of those interviewed for the article credit Craft3’s dedication to and advocacy for the project as one of the major factors leading to its success. As a nonprofit CDFI lender, Craft3 proved to be a good fit for Earl’s financing.

Craft3 is a patient lender. Che Wong, Craft3 loan officer on these loans, notes it takes time to get to know a business owner and understand the repayment capacity of the business. Typically, Craft3 can loan up to 90% of a project’s total cost. However in this case, it was clear to all from the start that repayment of such a big loan would be much too big a burden, given Earl’s modest goals of maintaining a small, community-oriented business. Craft3 ultimately underwrote a manageable loan of $45,000 (about $16,000 in construction contingency and $29,000 working

37 Art Beat Blog post announcing 2018 CFF awards
38 2018 Cultural Facilities Fund Guidelines
39 Earl’s Cultural Facilities Fund letter, August 2018
40 Particularly Ken Takahashi, OED, and Walter Zisette, Community Roots Housing.
capital) that filled the gap between the total project cost and the other non-loan sources of funds from Community Roots, OED, OAC and CAC, making the project possible.

Craft3 took care to ensure that even this modest loan would not be too much. This required an in-depth analysis of the revenue potential of the business in keeping with Earl’s vision. To supplement the standard financial statements, the RAMP-up team went through Earl’s appointment books for a two-year period to create a record of how many customers he had, allowing Craft3 to estimate a reliable cash flow.

Having established the credit-worthiness of the business to this extent, Craft3 was able to make an even bigger commitment to the project, not anticipated at the outset. Upon realizing that the OAC funds were awarded on a reimbursable basis, RAMP-up approached Craft3 about providing a bridge loan. The underwriting process for the $45,000 loan was far enough along that it was clear the project was a go. Craft3 took this risk, even though they could not secure an assignment on the OAC funds, which would have given them assurance as to the repayment source. They trusted that the bridge loan would be repaid as anticipated, and it was.

Craft3’s approach to lending to Earl’s Cuts and Styles differs from the standard financial institution approach in several ways:

- Less paperwork after the loan. For loans under $100,000 Craft3 waives a requirement for the business to provide ongoing financial statements.
- Flexible repayment terms: The loan is being paid back on a weekly, instead of monthly, basis, which makes overall cash flow easier to manage.
- Craft3 structured the loan with an interest only payment during the construction period, when the business might have no revenue coming in at all. Earl was operating out of a temporary store front, so did have some revenue during this period.
- When the pandemic forced temporary closures for many of its clients, Craft3 reached out to them to figure out deferments and other ways of helping the businesses preserve operating cash and avoid defaulting on their loans. This was especially challenging for all parties because of the uncertainty about re-opening and business cash flow returning. In Earl’s case, Craft3 set up deferment on loan payments for up to a year and reduced interest rates. They made the process as easy and efficient as possible, in part because of the relationships they already had with their borrowers and their in-depth understanding of each business.41

As a mission-driven organization, Craft3 has dozens of metrics for determining the social impact of its loans, for example, on job creation, environmental sustainability, or investing in underserved communities. One interesting challenge for Che was to match the metrics to Earl’s Cuts and Styles. Everyone who heard Earl’s story immediately recognized the importance to the broader community of investing in this particular business and its consistency with Craft3’s mission. Yet, when it came to the numbers, very few of the existing metrics applied. Che is taking this lesson learned back to Craft3 to discuss refinement of the metrics.

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41 Che Wong, June 2, 2021. Che also reports that Craft3 became a de facto pandemic resources navigator, helping their clients access emergency funding from various sources. JP Morgan Chase and some other funders provided grant funding for Craft3 to administer targeted to BIPOC-owned businesses and community-based business support organizations in King, Pierce and Snohomish counties. Earl received a grant of $10,000 from these sources.
City of Seattle Office of Economic Development grant

In the public sector, the source of funds governs how they can be spent. In the case of OED’s $50,000 to Earl’s Cuts and Styles, the funds came from a one-time pot with relatively few strings attached – developer fees from the City’s New Market Tax Credit allocation. OED’s other options for funding small business tenant improvements often include federal funds, such as Community Development Block Grant, which trigger federal requirements that can significantly increase costs. State funds and locally-collected tax revenues are constrained by a state constitutional limitation on the lending of credit to private businesses. Flexible funds like the NMTC fees are hard to come by, and once they’re spent, they’re gone.

Regardless of which pot of money is used, OED’s typical practice is to protect its investment by structuring it as a one-year forgivable loan, as opposed to an outright grant. The loan converts to a grant after a year as long as the business is still going. Otherwise, the loan must be paid back.

While there may be relatively few strings attached, there is oversight. OED had to obtain approval of the proposal from the Seattle Investment LLC, which is the legal holder of the City’s New Market Tax Credits.

Conclusions

"Without the community, there’d be no Earl’s Cuts and Styles... I’m blessed to be here... I want to show we can bring the community back and make it thriving and as beautiful as ever.”

— Earl Lancaster at the grand opening party

Earl’s Cuts and Styles opened in its new space in October, 2019.

What the authors hope the preceding narrative makes clear is just how complex a seemingly straightforward task – moving a very small business across the street into a new shop space – can be. It took a coalition of the willing, community advocacy, persistence, ongoing and in-depth technical assistance, and community-minded funders who made a commitment to getting it done. Why? Because behind all of this hard work was a shared vision that maintaining the Central District as the cultural home of the African-American community in Seattle is a worthy goal, and that this barbershop is a cornerstone of that community. And perhaps most importantly, all the partners in the project recognized that their contributions mattered, spurring them to work together, and be innovative and flexible.

Yet, Earl’s situation is far from unique. Small businesses serving cultural communities experiencing gentrification are at risk in many Seattle neighborhoods and other urban centers around the country. How can the coalition of the willing that came together to support Earl’s Cuts and Styles be scaled up to a sustainable, equitable system that is routinely accessible to and

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42 The developer on any tax credit deal is paid a fee for its efforts, which can be used as the developer sees fit.
43 Source: interview with Ken Takahashi, City of Seattle Office of Economic Development, 12/11/2019
44 Source: Africatown Spotlight On Business Video
works for small businesses and marginalized communities? Here are the takeaways the authors have identified based on the experiences described above.

**Necessary elements of a small business support system that works**

**Centering the business**

The system to ensure small businesses survive and thrive must center the needs of each individual business, rather than forcing businesses to meet the needs of the system. In this case, examples of partners centering the business include:

- **Craft3**’s approach to lending: right-sizing the loan based on a thorough analysis of the business’s earning potential, working with Earl to get to know him, his goals and his skill and experience running his business, negotiating terms with which both Earl and Craft3 were comfortable.
- **RAMP-up** stepping in to support Earl through the entire design and construction process for the new shop. RAMP-up’s role in construction management was not anticipated and proved essential. Yet this function is not the typical work of a small business technical assistance consultant, e.g., preparing financial documents, marketing plans, and the like.
- **Community Roots Housing**’s active participation in figuring out how to make the deal work, including flexing on deal terms and taking on a fundraising task beyond its typical approach to affordable housing development.

Centering the business also means understanding the business owner’s comfort level with risk and change. Just consider everything that Earl had to adapt to: paying back loans as well as paying a significantly higher rent while still bringing home enough income for his family, operating his business in new ways, and maintaining a higher standard of record-keeping, for example. Earl relied on his team to help him “keep the faith” that he could rise to meet all these new challenges. Almost two years after the move, he continues to express enormous gratitude for the team, especially the Seattle University students, hoping they will “keep their hearts open and keep helping people liked they help me.”

**The system itself needs to be comprehensive**

The partners that stepped up to support Earl’s relocation came from the nonprofit, public and private sectors. All of the players were necessary. If any had been absent the project would not have come together.

In the case of a business relocating, the system also needs to include the agencies granting building permits, architects, designers, construction companies and capacity to manage the construction project, whether that be a new space in a cold shell or revitalizing or repurposing an existing space.

**The elements of the system need to work well together**

Centering the business by itself will not ensure a functioning system. The various elements of the system – funders, property developers, technical assistance providers – need to understand each other and how they can work together. This requires attention to building mutual trust and day-to-day coordination. The business owner needs to understand and trust the parties that have come together in support of the business. In this example, one of RAMP-up’s most important contributions may have been as convener – bringing partners together and keeping them at the table through the resolution of difficult problems.
One of many challenges to achieving a coordinated system became apparent through this research. All the larger funders each had their own established criteria for use of the funds and some kind of oversight body to which program staff had to make the case to obtain the funds. Managing the timing, and providing the tailored documentation and justification for each fund source proved to be among the most challenging aspects of the whole project.

The small business niche
Small businesses are left out of mainstream property development and financial systems. It’s comparatively expensive for developers to build spaces small enough for small businesses and to make the time and effort to lease to them and manage more spaces on an ongoing basis. Even small businesses that have been successful for years often look risky on paper as potential tenants. Mainstream financial institutions can make a profit with large loans to bigger businesses, where they may not with small labor-intensive loans to small businesses. The ecosystem for small business needs to be willing to right-size spaces and financing products.

Resources
All the people consulted for this article named ongoing funding to support the various elements of the system as a challenge.

The resources to close the gap in TI funding between the amount a business can afford and the actual costs have to come from somewhere. In Washington State, the public sector is limited in its ability to invest directly in businesses; a constitutional amendment would be required to remove this limitation. Absent the political will to make such a change, local governments have to search for non-Washington state sources. At this time, the system is haphazard; sometimes a jurisdiction will have money, such as New Market Tax Credit fees, that can be used in this way, and often not. The OAC funds could be used because the commensurate public benefit requirement allowed the City to demonstrate that the public would get a return on the investment, and it was not a give-away to a private business. Federal flow-through funds: a) have been shrinking for many years, though we may have a short window of opportunity to take advantage of one-time federal pandemic recovery funds; and b) often bring in requirements that increase project costs.

The philanthropic sector or impact investors could be called upon to provide funding to fill the TI gap many businesses face. Impact investors, and, to a certain extent, philanthropists, would likely require a return on their investment. Funds set up for this purpose would have to be carefully structured to make them accessible to small businesses. If funds were offered as low-interest loans, for example, the total debt burden for a business would have to be manageable.

Funding for technical assistance often comes from philanthropy or government budgets, where it competes with other just as worthy priorities.

For Seattle consideration: what worked well and how can we do better going forward?

Walking the talk on equity
The momentum behind this project had been building well before the sale of Midtown Plaza required Earl’s business to move. Race and social justice is an explicitly stated core value underlying public policy in Seattle, with all that implies for doing business in a way that undoes structural inequality. In recent years, the African-American community has been using that core value to make a persuasive case on its own behalf, articulating a vision for its continued and
thriving presence in the Central District in the face of gentrifying market forces. Due largely to the persistence of partners like BCIA, Africatown and Byrd Barr Place, and the willingness of Community Roots Housing to walk the talk, the Liberty Bank Building project is an example of what can happen when the commitment to race and social justice is carried out.

Public sector role

All told, the City of Seattle played a large role in this project, providing about half the funding and participating in many other ways in the Liberty Bank Building project overall and with Earl’s Cuts and Styles. The Office of Arts and Culture award is a notable innovation in keeping with the core value of equity. The project was fortunate to come along at a time when the Office of Economic Development had funds from a low-strings source to contribute.

The public sector, especially local government, oversees and shapes much more than what happens in the commercial spaces in affordable housing buildings. To develop the Liberty Bank Building, Community Roots had to work with the City’s Office of Housing on financing the affordable housing portion of the building, as well departments involved in land use and construction permitting and oversight. Each department has its own priorities, timelines, and requirements which Community Roots and other project partners had to navigate. Calls for better internal coordination and alignment of goals across City departments are ever-present, but nonetheless desirable. From the outside, a system that fosters coordination across housing, economic development and permitting processes seems obvious and necessary, yet it has proven to be elusive. For example, the Office of Housing is responsible to the public to maximize the production of affordable housing units, leading to the cold shell approach and strict limitations on funding for commercial space construction out of affordable housing resources. Seattle’s zoning often requires mixed-use buildings in higher density residential zones where affordable housing projects are likely to be built, meaning affordable housing developers have to build commercial spaces even when that is not part of their mission. The Office of Economic Development’s focus is on supporting small businesses, but given the limits on its funding as described here, is not able to fill the funding gap the system creates.

Tenant improvements

To crack the problem of paying for tenant improvements, both sides of the costs and resources equation must be examined. For example, can the affordable housing system be changed to allow for construction of warm shells, or earlier access to the cold shell for tenant improvements to find construction efficiencies? On the financing side, are there sources that could be tapped in a systematic and predictable way, such as philanthropy or impact investors, who could help close the gap between the costs and the amounts businesses can afford to finance? Can different financing instruments be developed and deployed to help meet the gap?

Wrap-around technical assistance

While all the parties mentioned in this narrative had pivotal roles in Earl’s Cuts and Styles relocation, RAMP-up’s consistent presence, persistence in the face of challenges, and professional expertise held the effort together and moved it forward. RAMP-up’s university base has some built in advantages, including the availability of students to do a lot of the time-consuming leg work, and access to expertise from throughout the university. Not every technical assistant consultant has that depth. It is worth considering how to make such capacity more common. Can local governments, community development agencies, business groups (Chambers
of Commerce, Business Improvement Areas) partner with local anchor institutions to sustain and grow this kind of support?

**Looking ahead**

In many ways, for the partners involved in this endeavor, it could be considered a pilot or first phase in a larger effort to build an effective ecosystem of small business support. All of the people interviewed for this article mentioned ways in which working on this project challenged their typical practices and required innovative thinking and problem solving, as well as becoming familiar with each other.

Having been through this experience, RAMP-up, in particular, sees the opportunity to approach such projects in a more systematic way going forward. For example, RAMP-up has climbed its own learning curve. They know the players and have even identified additional compatible funders. They understand better the full scope of support a business might need. To scale the capacity though, these pieces have to be institutionalized. Systems need to be restructured to consistently and effectively address the prevalent issues that this project faced on an ad hoc, learn-as-you-go basis.

**Pandemic postscript**

The research for this report was winding up in spring 2020 just as the COVID-19 pandemic hit.

At that time, the authors decided to wait awhile before publishing, not knowing that it would take a year and more for the community to start emerging. Earl’s Cuts and Styles had a rough year, but so far has made it through with the support of the team that helped with the relocation.

Today, Earl is working on opening a second storefront in Belltown, a long-time dream of his.

The other businesses in the Liberty Bank Building continued to make progress, even during the pandemic.

- Communion Restaurant opened on December 5, 2020 after four years of hard work and an at least six-month delay because of COVID-19. In May 2021, Conde Nast Traveler named Communion as one of the 12 best new restaurants in the world. In May 2021, Conde Nast Traveler named Communion as one of the 12 best new restaurants in the world.45

- Café Avole, an Ethiopian coffee roaster set to open in 2021, “will emphasize single-source roasts … while offering a simplified version of the Ethiopian coffee ceremony and selling the spouted clay jebenas for people to use at home … to create a community hub and educational experience, where people can have an intellectual conversation while also learning about the cultural significance of Ethiopian coffee.”46

Here in Seattle, we have a critical opportunity to take advantage of the lessons learned from Earl’s relocation. In June 2021, the City of Seattle allocated $23 million in federal funding from the American Rescue Plan for small business recovery; another round of funding is anticipated in coming months. We hope these funds will be deployed strategically to support the BIPOC-owned businesses and communities disproportionately impacted by not only the pandemic, but also decades of systemic racism.

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45 [Seattle eater.com article on Communion opening](#)

46 Conde Nast Traveler, "Best new restaurants in the world: 2021 Hot List" [Seattle eater.com article on Cafe Avole anticipated opening](#)
About Crescent Collaborative
Crescent Collaborative is a multi-cultural coalition of equitable community development organizations in Chinatown/International District, Little Saigon, Yesler Terrace, the Central District, First Hill and Capitol Hill. Since 2014, first as Yesler Community Collaborative then Crescent Collaborative, our focus has been on a community-driven comprehensive anti-displacement agenda, to preserve and strengthen these historic economically- and culturally-diverse neighborhoods.

About Seattle University RAMP-up
Seattle University’s Resource Amplification & Management Program (RAMP-up) is a unique, experiential learning environment that brings together faculty experts and students to wrap-around business support services such as coaching, resource connections, business planning and other technical support, and project management assistance to BIPOC-owned and other underserved local businesses in Seattle’s Central District and surrounding neighborhoods.

About the authors
Ellen Kissman is part of the Crescent Collaborative Consultant Team, contributing 30 years of experience in research, writing, urban planning and policy analysis. She has a Master of Public Health in Environmental Health and a Master of Science in Urban Planning from Columbia University and a Bachelor of Arts from The Evergreen State College.

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APPENDIX

Seattle’s Central District

Since the advent of European settlement and occupation of Duwamish tribal lands beginning in the 1850s, the Central District has been one of Seattle’s most ethnically and racially diverse neighborhoods. According to The Evergrey, “Whether you were black or Jewish or Japanese, the Central District was a place that locals who didn’t fit into the white Christian mold could call home.”

Among the Central District’s earliest non-indigenous residents was William Grose, an African-American who arrived in Seattle with his family around 1860. In the early 1880s, he purchased 12 acres of land in the Central District around 23rd Avenue and East Madison Street [about ½ mile north of Earl’s shop] where he permitted other African-American families to build homes and settle. According to History Link, “the area attracted other African Americans and became one of the first black settlements in Seattle. A settlement of single black transient workers developed around Jackson Street [about one mile south of Earl’s shop], and middle-class black families settled near East Madison. Eventually, these two communities merged. Black-owned and -operated businesses that flourished along East Madison during the early 1900s included barber shops [emphasis added] and restaurants, a fuel yard, a drug store, a hotel, and a theater. Churches (First African Methodist Episcopal, Mount Zion Baptist Church) and cultural organizations were also established on and near the East Madison district.”

By the 1920s, a majority of Seattle’s 2,900 African-Americans lived in the Central District. As a result of federal redlining in the 1930s and racially-restrictive covenants in many other parts of the city, the Central District was one of the only areas open to African-American residents and businesses. As their population swelled in ensuing decades with the Great Migration, the booming wartime economy and ongoing economic opportunity, this African-American neighborhood took root and thrived.

By 1970, about 55% of Seattle’s African-American population lived in the Central District, about 21,000 out of 38,000 people. The Central District itself was over 60% African-American. This thriving cultural hub has changed dramatically since then. Public policies such as urban renewal and the model cities program, and market forces led to displacement and gentrification. By the 2010 census, about 7,500 African-Americans remained in the Central District, constituting about 20% of the District’s population and about 15% of the city’s African-American population as a whole.

23rd and Union
23rd and Union is the geographic center of the Central District. For decades, it was also the cultural and commercial hub of the neighborhood. “In the 2009 art installation and storytelling project The Corner, former and current residents described the intersection as having struggled over the years with crime and poverty, but also as being a hub of the city's black community.

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48 Sources: Historylink File 3079
49 The Evergrey: How Did the Central District Become Seattle's Historically Black Neighborhood
50 Mr. Grose had a long, varied and interesting life: History Link File 393
51 History Link File 3079
52 The Evergrey article, op. cit.
53 Census research done by the authors for tracts 76, 77, 78, 79, 86, 87, 88, 89, 90. Census data google sheet
They recalled the neighborhood as a place of thriving businesses and a lively social scene—a place of record stores, music clubs, Mardi Gras parades, and radio stations. It was also the center of the civil-rights movement in Seattle and continues to be the heart of the city's black community, the commercial center of a large neighborhood that also includes the Northwest African American Museum and the Langston Hughes Performing Arts Institute.  

One reason for this is Midtown Plaza, a 2.4 acre shopping center assembled from many smaller parcels by the Bangasser family starting in the 1940s. Businesses there addressed the community’s daily needs. Over the years, Midtown Plaza had a drug store, meat markets, grocers, a hardware store, a bookstore specializing in books about the African American experience, and beginning in 1992, Earl’s Cuts and Styles.

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54 The Stranger 2015. The corner is a fascinating multi-media art and history project documenting people’s experiences and memories of 23rd and Union. See The Corner website; click on the transcription buttons for Part One: The Hub, Part Two: The Movement; and Part Three: The movement to find transcripts of the stories that aired on KUOW.

55 Whidbey Institute, Stories from 23rd and Union