

Change Labs 2020 Annual Report

SUPPORTING AND ENABLING
NATIVE-OWNED SMALL BUSINESSES



CHANGE LABS

Yá'át'ééh!

There are two ways that we look back at 2020. On the one hand, we see the devastating impact of a global pandemic in our Navajo economy, which was already facing an economic crisis prior to 2020. On the other hand, we see our community uniting to ensure family members have food and supplies; we see an increase in support for Native entrepreneurship; we see rapid innovation by organizations, business owners, and government entities to respond to community needs.

In late February 2020 we hosted a successful "Digital Design & 3D Printing" workshop at our Tuba City Studio for Navajo silversmiths, taught by instructors from Stanford University and featuring delicious meals from a local Navajo-sushi food truck. It was difficult to imagine that just two weeks later our operations would come to a halt, that all tourism would cease, and that we'd be under strict stay-at-home orders and weekend lockdowns. Like many other organizations, we were forced to dramatically rethink our programs, each of which relied heavily on face-to-face interaction.

Our team was quick to respond. We immediately partnered with our peer organizations -- Native Women Lead, New Mexico Community Capital, and Native Community Capital -- to get input from the business community. Nearly everyone we spoke with was concerned about their ability to put food on the table. In response, we launched Kinship Lending, a character-based microloan program, within one week. Thanks to proactive donors, we were able to add more than \$100,000 to our loan fund, deploying 39 loans totaling \$190,000 in a matter of weeks.

Within the Change Labs community, we watched Chi'shie Farms (2020 graduate) ramp up its food production and food distribution. We saw \$10,000 in donated Grandma Baskets to Rocky Ridge Gas + Market (2019 graduate) to distribute to elders trapped in their homes. We saw Lotus & Layne (2020 graduate) dedicate a percentage of their proceeds to the Black Lives Matter movement. We saw Glenda Bags (2020 participant) pivot to deploying thousands of hand sewn masks to Navajo clinics and hospitals. In the face of so many unknowns, Native business owners used their strengths and their talents to respond to community needs.

We're hopeful that 2020 will stand as a testament to why investment in local Native American businesses is critical to economic growth and resilience in our communities. Thank you for joining us in this movement.



Heather Fleming

EXECUTIVE DIRECTOR



Change Labs Co-founders, from left, Heather Fleming and Jessica Stago.
Photograph by Raymond Chee.



THE IMPORTANCE OF FOSTERING INDIGENOUS ENTRENEURSHIP

While many people working to start a business leave the reservation for better access to financing and infrastructure, Summer Brown and her husband believed returning home to Cornfields, Arizona, on the Navajo Nation, was essential if they were going to take the leap. Getting back to the rez would cut down expenses and eliminate big-ticket costs like rent and childcare. After nearly two years of scrimping and saving, the couple took the plunge, quitting their jobs and moving back home to the rural community of Cornfields, where their leatherworking business, Lotus & Layne – a combination of the middle names of their two children – was born.

“A lot of people struggle on the rez, because there are no jobs,” Brown says. “So we made our own jobs.”

For this entrepreneurial husband and wife team, coming home to the rez was a business decision, but as they put in the

long hours cutting and stitching, they’re also stitching themselves more tightly into their community, including volunteering in their local Navajo Nation chapter house.

Despite the immense potential behind Indigenous entrepreneurship to create pathways for Native people to come home and prosper, there are intensely high barriers to starting a business on Native land and barriers that prohibit growth of businesses like Lotus & Layne. The barriers include the complex regulatory burdens, limitations on how entrepreneurs can access and develop land, and a lack of funding opportunities and credit access. The Navajo tribal government does little to lower these barriers. On the contrary, government structures constantly create and raise barriers to business ownership. These regulatory burdens can be quite discouraging for entrepreneurs – members of the Change Labs business incubator say that in order to operate their

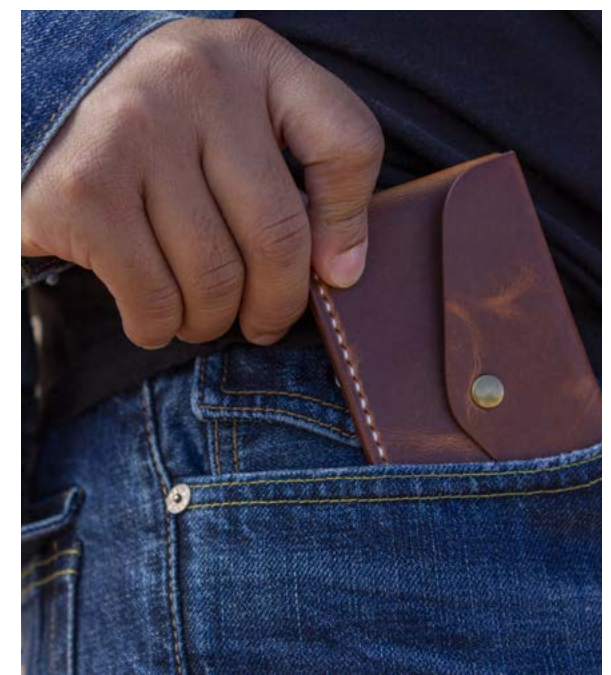


businesses, they feel like they’re “working against the tribe.”

There are additional cultural considerations that make business ownership even more complex on the Navajo Nation. There is a perception that business owners or entrepreneurs are greedy individuals that extract wealth from a community for their own personal gain. In order to overcome this, Native business owners must have an intense focus on business ethics and ensure that their business model serves the needs of their communities. Our incubator members are constantly harmonizing their traditional values with mainstream business practices. Every decision must consider not just how to generate profits, but how to do so without offending tribal elders, sacrificing sacred ways, or destroying sacred lands.

Native entrepreneurs “walk a fine line between progression and tradition,”

despite their potential to revitalize our communities. In the following pages, we detail the ways that we are fostering Indigenous entrepreneurs and building local economies.



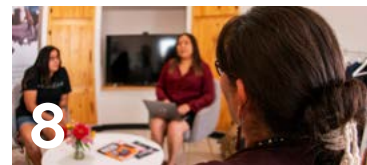
Overview

CHANGE LABS DESIGNED FIVE PROGRAMS TO BUILD SOCIAL, PHYSICAL, AND FINANCIAL CAPITAL AS WELL AS INCREASE ECONOMIC AGENCY OF NATIVE ENTREPRENEURS ACROSS THE SOUTHWEST.

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Doing Business on the Navajo Nation

REMOVING THE BARRIERS TO ENTREPRENEURSHIP

WHY CREATING A BETTER BUSINESS ENVIRONMENT MATTERS

An environment that enables business growth is important for creating sustainable economic growth and alleviating poverty. While a burdensome and complex business regulatory environment is by no means the only cause or perpetuator of poverty on the Navajo Nation,

Improving the business environment is one way to retain the 65% of money that flows off of the reservation every year and to grow a more vibrant, Native-owned economy.

ACCOMPLISHMENTS

Change Labs partnered with Causal Design, an independent economic evaluation firm, to create [Doing Business on the Navajo Nation](#), a research product that seeks to develop a nuanced understanding of the major constraints to starting a business on tribal lands. The final report was published in June 2020. In the fall of 2020, Change Labs and Causal Design co-hosted a series of [Doing Business virtual workshops](#), which presented the findings of the report and encouraged discussion among community members, tribal policy makers, Native entrepreneurs, and other stakeholders about the lived experiences of business owners, artisans, and vendors. Additionally, Change Labs and Causal Design presented

the report to a series of stakeholders, including partner entrepreneurship support organizations, tribal policymakers, and other researchers.

Our report establishes a baseline of our business regulatory environment, and allows us to compare the ease of doing business on Navajo relative to 190 countries around the world as well as nearby border towns. Five indicator sets--starting a business, accessing land, getting electricity, the credit environment, and enforcing contracts--are calibrated into Doing Business Scores. The most glaring comparisons come from accessing land, getting electricity, and enforcing contracts. Across these three areas, the Navajo Nation ranked in the bottom 15% of countries.

This means that it is more difficult to access land, get a new electrical connection, or enforce contracts on the Navajo Nation than almost anywhere else in the world.

We cannot change what we cannot measure. Going forward, our 2020 baseline report will serve as a guide for Change Labs' policy advocacy. At the conclusion of 2020, Change Labs made the first steps towards building a coalition of partner organizations focused on policy change to make it easier to be a Navajo business owner.

Coworking

CREATIVE WORKSPACE FOR NATIVE ENTREPRENEURS

WHY WORKSPACE MATTERS

According to our research, access to land on the Navajo Nation is a primary barrier to business startup and growth. More than 90% of Navajo land is held in trust by the U.S. government.



To access land for a home or a business, one must apply for either a home site lease or a business site lease. The business site leasing process is problematic. There is a lack of transparency on what land is available to lease and a lack of information on how to pursue a business site lease. The lease process itself is a complex, multi-step process that takes a minimum of one-year to navigate if there are no problems. Small business owners in the Change Labs network have waited years for a business site lease to process, sometimes with no resolution. As a result, the majority of business

owners in the Change Labs community operate from home.

Working from home perpetuates the lack of business registration, made difficult by the lack of physical addresses designated to most Navajo homes, and also makes business growth challenging, if not impossible.

ACCOMPLISHMENTS

Due to the Navajo Nation mandates, Change Labs' coworking facilities in Tuba City remained closed throughout most of 2020. We transitioned our business support services online, providing virtual business coaching services every Monday, virtual workshops every other Wednesday, and publishing resources and funding opportunities on a newly created [Resources page](#) on our website.

Despite the lack of physical facilities and in-person community building activity, we observed strong growth in our virtual business community.

Our social media following doubled through 2020, for example, and workshop attendance increased monthly.

Business Incubation

ENABLING HIGH-POTENTIAL ENTREPRENEURS

WHY A BUSINESS INCUBATOR FOR NATIVE AMERICA MATTERS

Native entrepreneurs in Change Labs' network often possess deep technical skills associated with their businesses, be it photography, media or other creative work, farming, or addressing community-specific needs with service delivery.

However, many of the entrepreneurs in our community lack access to opportunities to develop their business skills or build their technical knowledge into a sustainable business operation. Furthermore, operating a formal business on the reservation requires dealing with complex and opaque tribal policies that few know how to navigate. The Change Labs Incubator addresses this by conducting a coherent training curriculum designed to the needs and unique experiences of Native entrepreneurs.

A Native entrepreneur is always operating on a line of traditional values and a business mindset: how to derive a profit in a way that is not greedy or disrespectful, how to maintain a sales persona and still "act from the heart,"

and how to ensure that their businesses contribute to the social values of their communities. Change Labs entrepreneurs report how much energy Native business owners devote to making sure that their businesses are run in a culturally sensitive way. Incubator members are constantly harmonizing their traditional values with mainstream business practices. Every decision must consider not just how to generate profits, but how to do so without offending tribal elders, sacrificing sacred ways, or destroying sacred lands.

Native entrepreneurs "walk a fine line between progression and tradition."



ACCOMPLISHMENTS

Change Labs presents mainstream business ideas and contextualized them for their incubator members.

Business owners have repeatedly shared that learning how to navigate the nuances of tribal entrepreneurship was one of the most valuable aspects of the Change Labs programs.

In 2020, we graduated seven business owners from the business incubator in the

Summer and accepted 12 entrepreneurs to the program in the Fall.

Each graduate received peer cohort training, one-on-one coaching, and assistance developing their brand identity and marketing materials. One graduate successfully applied for a \$10,000 loan.

The Business Incubator Coaching team was able to transition the program online to a completely virtual environment by June 2020 and also secured a grant to conduct a Technology Assessment for each incubator member, improving their internet speeds and leasing them equipment so they could participate in bi-weekly virtual training.

Design Residency

INCREASING VISIBILITY OF NATIVE ENTREPRENEURS

WHY THE CREATIVE COMMUNITY MATTERS

While there are many positive associations with the words “entrepreneur” and “business owner” on the reservation, our qualitative research shows there are also many negative associations with both words, often associated with white culture.

In addition, there are no words or concepts in the Navajo, Hopi, or Zuni languages to describe either “entrepreneur” or “business.” As a result, to engage in business activity on the reservation often results in business owners feeling ostracized, fighting a perception that they are greedy individuals extracting wealth from a community for personal gain.

Native artists and craftsmen, on the other hand, are also innate entrepreneurs yet they are embraced and even celebrated for their work.

To improve the “legitimacy” of Native entrepreneurs, the Resident Designer, Native artist and creative, supports local entrepreneurs with developing their business aesthetics, including brand, logo, identity, etc.

In exchange for this service, Residents receive a monthly stipend in addition to the opportunity to build their client base.



ACCOMPLISHMENTS

Prior to COVID-19, the Resident Designer was available for in-person marketing support appointments at our Tuba City Studio. The Resident set 90-minute appointments and supported local and regional business owners with logo design and advised on website design.

The Resident Designer also provided 20 hours of creative work with each member of the Change Labs business incubator,

helping them translate their brand to improve customer experience. The Resident was able to transition appointments online by June 2020, however, we observed that the quality of

engagement diminished without the in-person interaction. The 2019 and 2020 Residents also each hosted workshops for the community. The 2019 Resident, Tommy Greyeyes, hosted a three-part series on “How to Build a Simple Squarespace Site” in the wake of COVID-19. The 2020 Resident, Mariah Ashley, hosted a workshop focused on building social media presence at the end of 2020. Both workshops continue to be popular topics on our YouTube channel.

In addition to providing creative support, both Residents were indirectly influenced by the entrepreneurs they helped. Tommy Greyeyes established Hundred Storms Creative LLC in November 2019 to continue his work Native businesses. Similarly, Mariah Ashley is retaining clients she is supporting as the Resident Designer.

Kinship Lending

CHARACTER-BASED COMMUNITY LENDING

WHY NON TRADITIONAL LENDING MATTERS

Access to capital has been a long reported challenge facing Native businesses on tribal lands. The Native American Lending Study, conducted by the US Treasury in 2001, was one of the first reports that drew national attention to the issue of capital and credit access in Native communities.

At the time of the survey, 61% percent of Native American and Native Hawaiian respondents reported that business loans were either "impossible" (24%) or difficult (37%) to obtain. Since 2001, capital and credit access in Native Communities has expanded, in part due to actions taken in response to the NALS. Yet, gaps in capital access continue to be a persistent challenge for Native entrepreneurs.

The Center for Indian Country Development at the Federal Reserve Bank of Minneapolis still esimated that \$48 million gap in financing needs among Native communities in 2017.

The negative consequences of this were further revealed and exacerbated by the COVID-19 pandemic. The need for financial capital to keep the lights on for businesses shuttered by lockdowns and to finance new ways to create sustainable revenue streams had never been more immediate.



ACCOMPLISHMENTS

In response to the COVID-19 pandemic, Change Labs launched Kinship Lending in early April 2020.

The Kinship Lending program administered 39 loans in 2020, averaging \$4,743 per borrower, and totaling \$190,000 in funding for Native business owners.

Borrowers reported using loans to support their existing business during COVID-19 (36%), funding new business opportunities for new business owners (36%), and to pivot to new opportunities in the wake of COVID-19 for existing business owners (27%).

The program offered a 0% interest relationship-based loan of up to \$5,000 to Native businesses who applied before July 30. Business owners who applied after July 30 were eligible for a 5% interest loan. Change Labs partners with Nusenda Federal

Credit Union's Co-Op Capital program to execute the program. Throughout the first 12-months of the repayment period, borrowers met with Change Labs business coaches monthly to receive guidance on their repayment process. By June 2020, Change Labs hired a Senior Business Coach, Kristine Laughter, who was dedicated to supporting Kinship lenders.

Kinship Lending is unique in that it offers a financial product that is tailored for Native businesses and Native borrowers. The relationship-based nature of the loan makes it both more accessible and more approachable to Native business owners. As the economy recovers and businesses can begin to focus on growth instead of survival – Kinship Lending has the potential to give businesses who would have been capital-deficient or growing slowly through bootstrapping funding the opportunity to grow and expand more competitively.



Art Advocacy

DILAPIDATED BUILDINGS LITTER THE NORTH END OF MAIN STREET IN TUBA CITY, ARIZONA ON THE NAVAJO NATION.

The vacant buildings are adjacent to the Quality Inn, AutoZone, and the Tuba City Regional Healthcare, occupying the best real estate in town. Owned and managed by the Bureau of Indian Affairs (BIA), the buildings are nearly untouchable by local residents despite the dire shortage of retail infrastructure in the community.

Although the Navajo Nation possesses the largest tribal landmass in the United States—roughly 27,000 square miles—most of that land is off-limits to Navajo people and businesses.

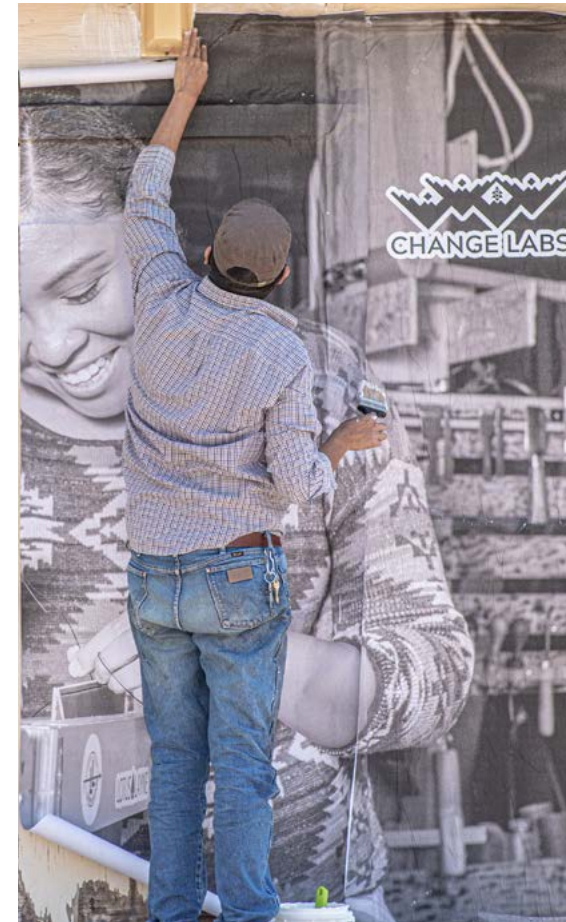
More than 90 percent of reservation land belongs to the U.S. government, held in trust by the BIA. Less than 1 percent is “fee land,” land owned by individuals who can freely sell it or build on it. Getting permission to access land or physical space to do business can take [months or even years](#) on the Navajo Nation. As a result, most Navajo business owners limit their dreams to roadside stands, flea-market stalls, or working from remote homes.

We partnered with Hundred Storms Creative, a Navajo-owned creative agency in Tuba City, to bring visibility to this injustice. In late July 2020 we put up two biodegradable installations on one of the largest BIA buildings on Main Street and the vacant Van’s Trading Post on Highway 160. Both installations featured black and white photography of Navajo and Hopi entrepreneurs working from home.

“The invisibility of Native American owned businesses who have to operate from their home has a detrimental impact on our economy,” says Heather Fleming, Executive Director at Change Labs.

According to published research, the Navajo Nation loses an estimated \$216 million annually in sales tax revenue to off-reservation spending.¹ “The invisibility of Native businesses also means that the 600,000+ tourists traveling across the reservation eat their meals at chain establishments, purchase Native American jewelry in border town galleries, and pay for tours led by non-Native people,” adds Fleming.

Tommy Greyeyes (Diné/Navajo), the founder of Hundred Storms Creative, only recently started his business on the Navajo Nation with support from Change Labs. “Supporting local Native



American owned businesses and using our dollars to help them grow in our community will make the biggest difference in the generations to come,” says Greyeyes.

The petition garnered nearly 1,900 signatures from local residents.

Change Labs and Hundred Storms Creative used the installation to garner support for a petition requesting congressional funds to clean up the asbestos from the BIA buildings on Main Street and repurpose them for local business owners.

1 http://navajobusiness.com/pdf/Ads/NavEconDataBulletin02Final_050412.pdf

2020 FINANCES

Income

Grant Contributions	905,746.64
Individual Donors	62,466.88
Earned Income	17,058.00
Total Income	\$ 985,271.52

Expenses

Salaries & Wages	265,475.07
Payroll Taxes	18,540.51
Employee Benefits	22,501.82
Total Payroll Expenses	\$306,517.40
Professional and Contract Services	154,140.89
Fees, Licenses, and Dues	155.86
Travel	2,108.45
Advertising	3,037.01
Grants Awarded	25,000.00
Professional Development	1,488.97
Workshop Series	7,500.08
Snacks and Beverages for Members	118.87
Meeting Expenses	5,494.21
Misc. Fees	3,985.44
Office Equipment	1,546.39
Supplies & Materials	1,726.58
Postage & Delivery	284.14
Printing	39.94
Software Subscriptions	2,851.26
Telephone & Internet	2,700.00
Equipment Rental & Maintenance	1,350.31
Total Expenses	\$ 521,169.80
Net Operating Income	\$ 464,101.72

Due to the continued delay in the construction of our planned headquarters, Change Labs did not spend money raised specifically for construction. We expect to rollover of unused funds from 2019 and 2020 to pay for planned construction in 2021.

Expenses by Program

Business Incubation	\$ 128,571.14
Creative Workspace	\$ 88,391.65
Artist Residency	\$ 57,718.86
Doing Business	\$ 69,547.24
Kinship Lending	\$ 22,882.63

FUNDERS & PARTNERS

We owe our successes in 2020 in part to the network of funders and partners who support our work. Our partners provided critical resources and capacity to our programs as well as their friendship and their expressed commitment to Native American entrepreneurship. **Ahéhee'!**



MEGAN MCCARTHY	ASHLEY CALL	BONNIE TAYLOR
HOLLY HOLTZ	JESSICA POTHERING	NIKITA GURNANI
JANET BRYAN	MICHELLE VOIGT	KENNEY FAMILY
FRANCIS THAYER	STEPHANIE ROMAN	FOUNDATION
MIKE BAUER	CHELSIE HALL	AERIN BLUE
JENNIFER & SOPHIE SHAW	KATHLEEN SCHROEDER	CHRIS HANLEY
ROYDEN JONES	JACQUELINE SHINE	BETSY MACLEAN & ERIC
HANUMAN FOUNDATION	ROBERT NEUWIRTH	MILES
PAIGE MARTIN	SHANNON POWERS	STEVE PAGET



NATIVESTARTUPS



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