

**transform
finance**



GRASSROOTS COMMUNITY ENGAGED INVESTMENT

**Redistributing power over investment processes
as the key to fostering equitable outcomes**

ANDREA ARMENI and CURT LYON
Transform Finance

APRIL 2021

ABOUT TRANSFORM FINANCE

Transform Finance is a non-profit organization that works to ensure that capital aligns with the three Transformative Finance Principles:

- 1) it meaningfully engages communities in the design and governance of investment processes;
- 2) it adds more value than it extracts; and
- 3) it fairly balances risk and return between investors and non-investors.

We provide investors with insights on how their activities affect non-investor stakeholders, advocate for more transformative practices, develop values-aligned fund and investment models, and convene a community of practice with the Transform Finance Investor Network. We support social justice actors and grassroots leaders through education that breaks down the financial landscape and inspires actions to reclaim it, hands-on learning journeys to develop strategies and organize around capital, and tailored support for investment projects that center the voices and priorities of community residents and grassroots organizations.

Together with both investors and social justice leaders, we advance financial innovations and movement building strategies that explicitly redress the issues with capital for BIPOC communities, working class people, and other oppressed communities.

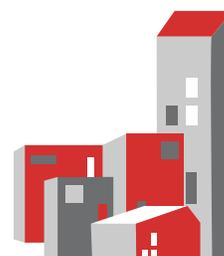
www.transformfinance.org

To contact the authors, please reach out at info@transformfinance.org



Table of Contents

PREFACE	I
PART 1: INTRODUCING GRASSROOTS COMMUNITY ENGAGED INVESTMENT	
Introduction.....	1
The Practice of Grassroots Community Engaged Investment.....	6
Featured GCEI Projects.....	12
Key Report Takeaways	22
PART 2: THE GOALS AND FEATURES OF GCEI	
Goals of GCEI Projects	25
Power Building Approaches.....	26
Wealth Building Approaches.....	28
Voice and Vote for Grassroots Stakeholders.....	34
Economic Participation	49
Scalability and Replication	51
Financing Needs of GCEI Projects	53
PART 3: TAKEAWAYS, RECOMMENDATIONS, AND CONCLUSION	
Synthesis of Takeaways	59
Recommendations.....	63
Conclusion.....	69
APPENDICES	
Appendix 1: Case Studies	73
The Ujima Fund.....	74
Invest Appalachia	79
Market Creek Plaza	83
ROC USA	88
Thunder Valley Community Development Corporation	92
Elevated Chicago (SPARCC).....	96
REAL People’s Fund.....	102
East Portland Community Investment Trust	108
Appendix 2: Overview of GCEI Funders	113
Appendix 3: List Of Interviewees and Supporters	120



Preface

Concerns about how investment capital gets allocated go back not years or decades but centuries, to the birth of modern investment markets. And the how question has always been closely coupled with a related question: by whom?

In general, though, and with the notable exception of crisis periods in our history - the period of Reconstruction that followed the Civil War, the Great Depression and its New Deal, and the upheaval of the 1960s that catalyzed so many things, including modern community development and community reinvestment - we have been much more attentive to the volumes and targets of capital investment than the question of governance. In other words, we are told, in ways both subtle and not, not to ask too many questions about who has a meaningful say in determining investment priorities and ensuring that the benefits of investment are widely shared and even restorative, not misdirected, extractive or exploitative.

Over the past year, the COVID-19 pandemic has laid bare many chronic disparities that American philanthropy claims to be committed to eliminating. At the same time, long-deferred conversations about racial equity and justice have sharpened attention to the extraordinary challenges facing Black, Indigenous and other people of color, (BIPOC) communities. Though inequality has deep historical roots in our economy, institutions, and culture, the stakes of these conversations are especially high now because over the past four decades, the nation has become much more economically unequal - at levels not seen in a century - and, at the same time, much more racially and ethnically diverse. Business as usual is not working, and it is morally wrong.

In this context, philanthropies and other mission-driven capital providers find themselves questioning their established practices and the “givens” that underlie those practices. Foundations, family offices, investment intermediaries, and other actors are looking in new ways to incorporate community knowledge and creativity but also the legitimacy that can only be conferred by everyday people - those most affected, at the grassroots - having a meaningful say over the goals, mechanisms and rewards of investment. As I have hinted above, that effort is not utterly new or unprecedented, but our history makes clear that it must be renewed with each generation, in fresh terms and on a much larger scale than we’ve ever accomplished.

Who gets to have a voice? Who makes decisions? Who has agency, and who has accountability? How exactly, with what rules? This timely report focuses on those questions and brings new lessons to light from investment models in use across the country.

Harvesting and usefully organizing knowledge from these kinds of models is much too rare, and we have paid a price for that. A little over twenty years ago, I was a political appointee serving in the federal government and trying to use policy reform to accelerate what would later be labeled impact investment by private for-profit and nonprofit investors. I can vividly recall how little we seemed to know, not just inside the government but across the field, about the best concrete mechanisms for structuring community engagement in the governance and ownership of investments. Best in a given context, I mean, built for purpose, built to succeed and to last. And more than that, as this report emphasizes, built to empower.

In lieu of that practical knowledge, much potentially transformative work has been short-circuited by narrow and inflexible concerns about rigor, professionalism, fiduciary duty, or other things. Our work to create a just society, and use investment to help achieve it, should be enhanced and sharpened, not compromised, by those considerations.

Over the years since that service in government, as a university educator and researcher, and later as a grant maker and impact investor working in philanthropy, I came to see just how much I needed to learn and still need to learn. But the case is clear that anyone seeking to deploy capital in communities ought to heed the principle so powerfully articulated by the disability rights movement: “Nothing about us without us.” Meaning, in the context of investment: not just the right goals but the best-designed projects, not just the best projects but the most fair and equitable process of decision making.

After all, disadvantaged urban and rural communities have too often been told that investments would benefit them, only to watch most of the benefits accrue to investors, for-profit developers or others. The consequences have been significant, from accelerated gentrification and displacement in “hot” urban markets, or intensified corporate concentration and extraction in struggling, commodity-dependent rural economies, to a more fundamental and lasting cost – the loss of control over a community’s future and who gets to belong.

For grantmakers and investors starting to wrestle with questions of power and self-determination, or to deepen their commitment to equitable investment – whether through grants, risk-bearing financial investments, and other tools, such as an investor’s reputation-based influence, or what diplomats call “soft power” – this report provides an actionable framework grounded in specific practices and opportunities to shift decision making. For those already involved in grassroots, community-led or community-driven approaches, the report illustrates the strikingly wide range of initiatives at the forefront of this movement and offers inspiring new ideas.

To paraphrase a well-known political figure in Latin America, if sharing power in the economy were easy, someone would have done it already. But in one sense, of course, someone has. At its heart, this report is a reminder that our task now is to understand the lessons of their important work and build on it in ways that are big, lasting, and transformative. Moreover, we must embed this commitment, and the determination to see it through, in all of the great collective problem solving projects of our age, from expanding economic opportunity to improving human health, tackling climate risk and resilience, making technology a consistent force for good, and more.

This report is a roadmap for that investment, too, of hearts and minds – an investment for which we are all responsible and accountable.

Xavier de Souza Briggs

April 2021

Xav Briggs is a Nonresident Senior Fellow at The Brookings Institution. Previously, he served as vice president of inclusive economies and markets at the Ford Foundation and as a senior policy official in The White House and U.S. Department of Housing and Urban Development. He was also professor and head of the Housing, Community & Economic Development group at the Massachusetts Institute of Technology and is the author of several award-winning books.

PART 1
**Introducing
Grassroots Community
Engaged Investment**



Introduction

The availability and use of investment capital is a main factor in driving disparate levels of well-being across different communities. Black, Indigenous, and People of Color (BIPOC) communities in particular have long suffered from under-investment, leading to disparities in wealth, jobs, education, and health, as compared to white communities.

Over the past several decades, capital providers concerned with the well-being of communities, especially mission-aligned investors and community developers, have sought to fill gaps in capital that address these issues. They invest in enterprises for job creation, affordable housing for cheaper living options, and infrastructure like real estate projects and beautification efforts for functional and recreational purposes.

While lack of capital for community needs is a major issue to be resolved, the disparities in outcomes across racial and geographical lines cannot be resolved simply by injecting more capital into communities. Indeed, too much capital can lead to value extraction, gentrification, displacement, and other disruptions.

Even mission-driven capital, by itself, has fallen short of addressing major, systemic issues facing many communities. The continuing disparities are not fully addressed when investors focus on what the capital goes towards, as opposed to focusing on the process of engagement and on decision-making around investments. In particular, the growth and professionalization of community development and its financial institutions has led to a deference to outside expertise; the quest for scale has led to a move away from the particularities that give community investment its richness.

The reliance on outside expertise may be disempowering the communities these investors seek to support, rather than empowering them. Many are asking the question: what would investment into communities look like if those very communities were part of the process?

Taking such an approach addresses the interests of mission-aligned investors and developers in three distinct ways. Practically, investments that do not adequately engage communities are more likely to fail. On a values basis, better aligning investments with the goals of communities can advance funders'

What would investment into communities look like if those very communities were part of the process?

and investors' commitments to social justice and equity. From a goals perspective, the process of community engagement can be an outcome in and of itself, through the process of lifting up voices and forging relationships.

This approach reflects a strengthening trend in community development and investment, with projects across the country developing new models of investment that provide meaningful input and governance roles for grassroots stakeholders. Some seek to build wealth in BIPOC communities; some go further to build financial institutions that leverage community power in non-financial areas. Some invest in entrepreneurs and small businesses, some in housing, and some in commercial real estate. Some projects emerge from the grassroots and out of organizing activity, turning to capital as one tool for change out of many, and others from institutional partners who then bring in grassroots stakeholders to participate in the investment. They are unified by the notion that investment efforts should not happen "to" communities with mere consultation; they should respond to, address, and be accountable to the visions, needs, and aspirations of the community itself.

This is not a novel concept or approach. In fact, it is rooted in a long and distinguished tradition of developing an economy based on cooperativism, democracy, and autonomy. Cooperatives, particularly worker-owned co-ops, and community land trusts emerged out of this tradition, as have savings circles and credit unions that allow members of a financial body to collectively manage assets. In the international context, activists have called for development agencies to incorporate communities and be accountable to them in their resource deployment, and localities across the globe have implemented participatory practices in budgeting at city- and state-wide levels. The current trend toward deep community engagement, and the renewed emphasis on addressing notions of power, agency, and accountability, builds on these traditions and practices.

Funders and intermediaries are taking note of this strengthening trend, particularly in response to the call from communities to wrestle with structural racism, decolonize their practices, and cede decision-making power over resources to the grassroots. They are also looking for ways to address the dire needs of BIPOC and working class communities in the context of the COVID-19 pandemic and demands for racial injustice in the wake of the murders of George Floyd and Breonna Taylor. This context underscores both the need and the opportunity to rethink some widely held assumptions around investments and the processes that govern the flow of resources.

This approach reflects a strengthening trend in community development and investment, with projects across the country developing new models of investment that provide meaningful input and governance roles for grassroots stakeholders. They are unified by the notion that investment efforts should not happen "to" communities with mere consultation; they should respond to, address, and be accountable to the visions, needs, and aspirations of the community itself.

It is in this context that this report offers an analysis of the current state of community engagement in investment and provides insights and recommendations for its continued growth. Now is the moment to make explicit the case for deep community engagement in investments, define the space, highlight the existing projects, and offer guidance to the stakeholders who want to explore or pursue this approach.

May this moment of crisis give rise to an equally strong moment of intentional effort to rethink practices and create alternatives that truly address the needs and aspirations of communities, in particular BIPOC communities. With this report we aim to inspire, to convey a realistic sense of possibility, and to start charting a path for the entire field of mission-aligned community investments to reckon with and experiment with the sharing of power and the intentional re-centering of communities.

GUIDE TO THE REPORT

This report is the first attempt to synthesize details of projects around the United States that are implementing grassroots input and governance in investment processes. It acts as a guide and resource on this budding practice for those engaged in community development and mission-aligned investment work. In doing so, we aim to garner widespread support from funders and investors for existing projects taking this approach and for the conditions that allow for their replication.

In particular, the report is geared towards philanthropic funders, financial intermediaries like Community Development Financial Institutions (CDFIs) and investment funds, and community development practitioners. However, we hope that in lifting up the work of grassroots stakeholders in investment, this report can serve to inspire other grassroots actors, like activists, organizers, and community-based organizations, to challenge and engage with their financial ecosystems.

This report builds on an approach that is rooted in principles of social justice and community autonomy. In the spirit of aligning investment activity with this approach, some of the positions taken in this report challenge the dominant logic of community development and mission-aligned investment, including standard impact investing practices. This is meant not to call out practitioners, but to invite all to consider ways in which investment can best lead to transformative, equitable shifts in the conditions for equity. In particular,

- We believe that building grassroots power is paramount for long-standing social change, and that investment without wider support for and involvement of the grassroots does not do enough.
- We believe that exploring new investment models that are based in a social justice approach to finance is necessary even if it is not more profitable for investors to do so.

- We believe that practitioners who use finance for social good should listen to and be subservient to the needs of grassroots movements.
- We believe that funders and investors need to take big risks in order to advance new paradigms, and that it is their responsibility to do so.
- We believe that communities have knowledge that can and should complement technical expertise and valuable experience of funders, investors, and community development practitioners.

ROADMAP OF THE REPORT

1

We define the term for the processes featured in this report, Grassroots Community Engaged Investment (GCEI), and detail the need and context for this practice.

2

We introduce the projects that are referenced and analyzed in this report.

3

We outline the specific power- and wealth-building goals of GCEI projects.

4

We then lay out the key features of GCEI and unpack what they look like in practice.

5

We present the lessons learned and recommendations for funders and investors.

6

Following the conclusion of the report, we share a series of case studies that provide a deeper look at selected GCEI projects.

7

We provide an overview of philanthropic involvement in GCEI and discuss the various roles that funders play across projects.

METHODOLOGY

This research set out with the objectives of finding and detailing examples of investment with grass-roots input and governance, exploring the hypothesis that these processes lead to more equitable outcomes, understanding the necessary criteria and capital products for their success, and determining the greatest needs of the field. To do so, we collected data through prior knowledge, online sources, and conversations with experts who are well connected in the field of community development, philanthropy, investment, economic democracy, and the solidarity economy. We expected to find more examples of such projects, but ultimately the practice is still emerging and the most exemplary projects are in their early stages. While the sample size is small, these projects form an impressive range of scale, goals, geographies, and engagement and governance structures. They are introduced in **Featured GCEI Projects** on page 19.

The analysis in this report is largely built off of these featured projects. We interviewed key leaders for each and tracked their core features, isolating these components to analyze which strategies, models, and features are best suited for which contexts. We initially sought to compile and analyze evidence of outcomes, but that proved unfeasible due to the lack of extensive data on these projects' outcomes. This issue similarly is the result of their nascency, so there is little investment history upon which to analyze. Therefore, the analysis and findings are based off of the largely anecdotal evidence of practitioners familiar with the projects studied.

The Practice of Grassroots Community Engaged Investment

Grassroots Community Engaged Investment (GCEI) is the process and practice of investing with meaningful input, decision-making power, and/or ownership from grassroots stakeholders.

Grassroots stakeholders in the context of GCEI can be the residents of the community being served, grassroots organizations, businesses, or other non-investors with significantly deep ties to the communities the project serves. **Grassroots organizations** refers to community-based organizations that center the struggles of the communities being served, such as tenants rights organizations, racial justice organizations, or associations for workers. We refer to grassroots stakeholders and grassroots organizations throughout the report.

GCEI is not a field; it is rather a set of practices and processes that can be overlaid on top of all mission-aligned investments in communities. Investors who participate in GCEI come from the fields of community development, community investment, and impact investing. In philanthropy, funders who support GCEI initiatives are social justice funders, community development funders, and health equity funders. This report builds on contributions from all of those fields to establish Grassroots Community Engaged Investment as a strategy for using capital to build power, build wealth, and create equitable outcomes in BIPOC and working class communities.

Projects that implement Grassroots Community Engaged Investment, which we call **GCEI Projects**, are each unique. They include enterprise investment funds, housing developers, commercial real estate projects, intermediary funds, and multi-purpose investment vehicles. Similarly, the ways in which grassroots stakeholders make decisions differ widely across projects, with community-wide assemblies, governing boards, decisions by small groups and community tables, and other arrangements serving as models that we discuss in this report. What binds the projects under the wide umbrella of GCEI is that they involve grassroots stakeholders in the design and governance of the investment. In doing so, they advance the well-being of communities in a way that goes beyond the project output itself, redefining notions of power, agency, and accountability.

Grassroots Community Engaged Investment (GCEI) is the process and practice of investing with meaningful input, decision-making power, and/or ownership from grassroots stakeholders.

In this report, we center the ability for GCEI to serve BIPOC and working class communities. We do so to acknowledge the generational wealth extraction from these communities and the disempowerment in our economic and political system that accompanies that extraction. As we discuss later, centering communities most excluded from financial processes builds power and infrastructure to right the wrongs of our economy, of which finance is central. While we highlight the importance of GCEI for BIPOC and working class communities, GCEI is relevant for strategies to build wealth and power among many other disinvested and oppressed communities, including differently-abled, immigrant, LGBTQ, and rural and non-coastal communities.

In defining Grassroots Community Engaged Investment, we invite the reader to think of what other practices and processes could fall under this rubric, what practices could fit this definition but have not yet been developed, and what the economy could look like if GCEI was widespread and adopted to new areas of investment.

THE NEED AND BASIS FOR GCEI

The failure of our economic and financial system to benefit BIPOC and working class communities is clear. Entrepreneurs of color have a harder time finding capital and receive generally more costly terms than wealthier, white businesses. In the housing market, homeowners of color are discriminated against for mortgages, tend to pay more for them, and have their properties appraised at a lower value. These communities are more likely to bear the brunt of economic consolidation and corporatization, which closes brick and mortar stores and leads to the influx of big box chains and more extractive industries like check cashers, predatory lenders, and pawn shops. Not only do capital flows lead to the extraction of wealth from communities, but it threatens the ability for self-determination and empowerment.

The fields of community development, community investment, and impact investment have been evolving and steadily working to address these issues through capital. Actors like Community Development Financial Institutions (CDFIs), credit unions, and Community Development Corporations (CDCs) have driven billions of dollars into communities for projects like affordable housing, infrastructure development, and small to medium loans for businesses. Philanthropic actors like foundations have engaged a range of supporting organizations, like technical assistance providers, as well as the development of funds for entrepreneurs of color and disinvested sectors. The result is a strong infrastructure for mission-aligned investment for the benefit of communities, albeit one that pales in comparison to the size of traditional, profit-first players that are actively disrupting and extracting from communities.

The efforts of the mission-driven financial actors have achieved much, but their shortcomings underscore the need to continue advancing the field. In particular, there are several issues that traditional approaches are not well-equipped to address:

It is not always possible to do well by doing good. Some projects, many of those prioritized by grassroots organizations and residents of communities targeted for assistance, cannot achieve market rates of financial return. Positive change may not be profitable at all – and most likely ought not to be measured against other investments that are by their nature extractive. Yet many mission-driven actors still seek to achieve market-level returns, or near that. For example, Opportunity Zones, a program under the 2017 tax reform bill, provide an opportunity for investors, both impact-oriented and traditional, to increase returns on investing into low-income zip codes through a tax deduction mechanism. Most Opportunity Zone funds to date have not shown an effort to create wealth and keep it locally. On the contrary, often focusing on real estate, these investments threaten historically working-class communities with gentrification, at a cost to the government via the tax deduction, solely for the benefit of the investor.

Investments can crowd out the public sector and grassroots efforts. Private investments are not the only source of capital for social change, nor should they be. Government plays an important role in driving health equity, as does the work of grassroots organizers and civil society. Mission-driven investments can “crowd out” those efforts by stealing attention and resources and taking on tasks that may be best left to others. For example, charter schools represent an industry that has seized the attention of some impact-oriented investors, but data shows that charter schools divert funds from public school students and put financing repayment at odds with spending on students – all with mixed results on educational outcomes.

Cut-and-paste business lending practices leave impact on the table. A major strategy of local lenders and other mission-oriented investors is to move capital to small businesses, particularly those owned by BIPOC entrepreneurs. This is a critically important facet of overall wealth redistribution and helps build a class of BIPOC business owners. But these investments are not always beneficial if they are not provided on terms favorable for the entrepreneur, and without additional support. This idea is not lost on the more innovative lenders who apply revenue-based financing structures and technical assistance for the borrower. But in the majority of cases, these investments stick with traditional debt structures, and even more rarely equity investments, thereby risking extraction from the business or leaving the impact potential of the investment underutilized. In short, additional capital doesn’t necessarily drive the scaled solutions these lenders are seeking.

Decisions made without the direct involvement and leadership of grassroots stakeholders risk a project failing to meet community needs. The majority of mission-aligned investors and community developers deploy their capital without providing grassroots stakeholders the option to weigh in on the goals of the project. This increases the likelihood of some measures going wrong, or capital not going to projects that community leaders and residents identify as priorities. For example, a post-mortem

analysis of a \$130 million development project in Baltimore’s Sandtown-Winchester neighborhood, which ultimately failed to create lasting change in the community, cited the failure to “acknowledge and navigate the underlying power disparities, and to build residents’ long-term capacity” as key reasons for the project’s shortcomings and subsequent criticisms from residents and grassroots leaders.¹

Decisions that are made without grassroots input, feedback loops, or co-governance mechanisms fail to address fundamental gaps of agency and power in communities. When investors move forward with a project based solely on their own analysis of what will benefit the community, even when those investments are mission-aligned, they emulate the same kind of absenteeism that the less impact-oriented investors have. When an investment doesn’t go as planned, or misses the mark with a particular community goal, or at its worst, exacerbates issues that community is already facing, residents and grassroots organizations feel the same sense of disempowerment and frustration as with the more traditional investors.

These shortcomings underscore the need for an approach that maintains the technical practice and expertise of community development, community investment, and impact investment professionals with the assets of grassroots stakeholders: knowledge, agendas, and political power. Grassroots Community Engaged Investment fulfills both the need to bring the right kind of capital to communities who need it most and the need for capacity, agency, and power among grassroots stakeholders.

ADDRESSING AND BUILDING POWER

We call Grassroots Community Engaged Investment a power-building approach to investment. As we will see, many projects that take on GCEI do so with the explicit goal to build power, with the investment process and investment recipient as a secondary goal.

But what do we mean by power building? The Lead Local Collaborative, a multi-stakeholder initiative that examines the nexus of power, health, and development, defines community power as “the ability of communities most impacted by structural inequity to develop, sustain and grow an organized base of people who act together through democratic structures to set agendas, shift public discourse, influence who makes decisions, and cultivate ongoing relationships of mutual accountability with decision makers that change systems and advance health equity.”² While the theory of community power building is built around traditional organizing that focuses on policy goals, we apply this framework to GCEI as a means of establishing the potential for GCEI to create lasting change.

GCEI builds power by using the process of investment as an arena for grassroots stakeholders to advance their long term agendas.

1 Kacy Rohn, [Rebuilding Baltimore. From Urban Renewal to Project C.O.R.E.](#), 2017.

2 See [Lead Local - Glossary](#).

Capital has often been left out of power-building work, due to its extractive tendencies and the difficulty that unsupported grassroots stakeholders have when approaching such a technical topic. But capital is such an important force in any community. The input, governance, and control over capital by grassroots stakeholders is a key linkage between grassroots efforts for power – including social justice, advocacy, and policy work – and transformative change in communities.

GCEI builds power by using the process of investment as an arena for grassroots stakeholders to advance their long term agendas. It looks like bringing in existing social justice movements into conversations around capital where they were previously excluded, forging productive connections between grassroots and institutional stakeholders, building community knowledge around local finance and economic development ecosystems, and funding projects that are supported by and reciprocally support existing movements in the community. This fundamental feature of GCEI sets it apart from investments into communities that do not take a GCEI approach.

TABLE: COMPARING GCEI TO NON-GCEI PROJECTS

	GCEI	NON-GCEI
GOALS	Build wealth and power	Build wealth through outputs
VOICE AND VOTE	Decisions made by grassroots	Decisions made by outsiders
VISION	Tied to community’s own priorities	Tied to outside project promoters
FOCUS	Process matters	Outcomes matter
POLITICAL STANCE	Participation in investment is a political act	No political stance
LOCAL WEALTH BUILDING	Aims to keep wealth local and avoid leakage	Wealth and returns accrue principally to outsider investors
ECONOMIC PARTICIPATION	Residents may invest and/or become owners	Ownership rests outside of the community
RACIAL JUSTICE	Always explicit	Sometimes explicit
TECHNICAL CAPACITY	Builds grassroots knowledge and experience	Does not explicitly try to build technical capacity
COMMUNITY BUY-IN	Buy-in ensured by engagement	Buy-in not ensured
ACCOUNTABILITY	Outsiders are accountable	No direct accountability mechanism
PRINCIPAL STAKEHOLDERS	Grassroots stakeholders	Project proponents like funders and investors



SPOTLIGHT

Other Examples of Power Building through Grassroots Participation

Most of the GCEI projects featured in this report are nascent or young, and therefore there is not yet conclusive evidence of their effectiveness.

Community-Driven Development (CDD) is a style of deploying funds and executing projects in international development which draws on the strengths of community knowledge and relationships. It typically involves community-based organizations or community members themselves in the design of projects and/or the implementation of those projects; a major example being the reconstruction of homes after the 2004 tsunami in Indonesia.³ Meta-level studies on CDD indicate that it builds the capacity of community organizations through new relationships with government entities and intermediaries, creating opportunities for new community leadership. These connections, as well as the skills built through project execution, make communities more self-sufficient after the project fact. GCEI seeks to embody this practice similarly in the community development context, but providing even stronger long-term governance capacity for the community members as a way of using the investment as a tool for broader community goals.

Participatory Budgeting (PB) is a community engagement process used in cities around the world, particularly in Brazil and North America, that involves communities in allocating public sector money. Residents and community-based organizations assemble to discuss community needs, negotiate with public officials, and direct funds towards projects identified by the communities as priorities. Like CDD, there is a body of literature that suggests that PB can drive resources to where it is needed most and therefore drive better outcomes for those communities. Projects executed through a PB process have been found to be more cost efficient and take on less debt, strengthen the work of community-based organizations involved, increase the political engagement of individuals, direct more funds towards poor communities, increase accountability of government entities, and incorporate funding priorities identified in PB processes into long-term municipal strategies.

Community-Driven Development and Participatory Budgeting are not the only practices that engage the grassroots in resource deployment. Foundations have been more and more interested in participatory grantmaking practices, businesses are more interested in cooperative ownership, and mutual aid networks have seen intensified activity in the post-COVID world. GCEI symbolizes this push for democratization in the field of finance. Like these other contexts, we expect that the engagement of grassroots stakeholders in the process of resource mobilization and deployment will lead to long term gains for the communities that serve as newly developed power.

³ The World Bank, [“Indonesia: A Reconstruction Chapter Ends Eight Years after the Tsunami”](#), 2012.

Featured GCEI Projects

Dozens of projects across the country exhibit meaningful elements of a Grassroots Community Engaged Investment approach. Each of these projects feature meaningful input, decision-making power, and/or ownership from grassroots stakeholders.

We introduce the projects and key feature(s) that make the project fall under the umbrella of GCEI. The report refers back to these projects throughout the report; we encourage the reader to use this section as a reference. Several projects have case studies in the Appendix starting on page 71; these projects are marked with *.

Boston Impact Initiative Fund

The Boston Impact Initiative Fund is an impact investment fund that seeks to combat structural inequity in Eastern Massachusetts by investing in women- and BIPOC-led enterprises that support community resilience, economic justice, and enterprise health. BII has established a close relationship with the 25 impact-focused enterprises in the BII portfolio and collaborates with them on efforts to advance BII's goals. In 2019, BII launched a national cohort to develop similar models across the country.

- **Grassroots Governance:** A majority of BII's board is comprised of borrowers and community organizations such as City Life/Vida Urbana, a housing rights organization.
-

Co-Op Capital

Co-Op Capital is a lending program housed at Nusenda, a New Mexico-based credit union. It aims to fill the lending gap for local underserved communities, particularly Native and immigrant borrowers, many of whom are small entrepreneurs. The program has raised a loan-loss pool, largely of philanthropic dollars and Program Related Investments, to cover possible loan defaults.

- **Grassroots Governance:** Co-Op Capital partners with community organizations, business centers, and other lenders to develop application and underwriting criteria based on a relational basis rather than traditional measures of creditworthiness. Lending is outsourced to organizations with deeper ties to the community than the credit union itself.
-

Downtown Crenshaw

Downtown Crenshaw is a nascent campaign to compete with outside developers in purchasing and redeveloping a 40-acre mall in the historically Black Crenshaw neighborhood of Los Angeles. The activist coalition leading the campaign seeks to own the mall collectively and redevelop the iconic Black commercial space as a community wealth building urban village. Ultimately, Downtown Crenshaw aims to be a model for community controlled and community wealth building projects.

- **Grassroots Initiation:** Broad-based organizing that arose from a potential sale; Downtown Crenshaw earned the support of over 300 among local organizations, business leaders, neighborhood associations and civil rights groups, including Black Lives Matter-Los Angeles, and 12,000 individuals.
 - **Grassroots Design and Governance:** If successful, grassroots stakeholders will determine the use of the property and maintain it.
-

East Bay Permanent Real Estate Cooperative

East Bay Permanent Real Estate Cooperative is a pooled capital vehicle that helps BIPOC and allied communities gain ownership and control of housing in the East Bay region of California. EBPREC fundraises from outside investors and community members, purchases properties, and converts them to cooperative ownership. In doing so, they remove properties from the speculative market, enabling current residents to remain at affordable cost and to have an ownership stake in the properties.

- **Grassroots Initiation:** EBPREC was founded by local grassroots housing justice entities.
 - **Grassroots Governance:** EBPREC's governance model is centered on democracy, with decision-making power weighted for all of the grassroots stakeholders involved. All members of the cooperative (community investors, staff, community members, and residents) are given a vote in choosing the governing body and over major decisions. Residents are prioritized over community investors in the voting mechanism.
 - **Grassroots Investment:** EBPREC allows residents of California to invest in the project at a low minimum, which comes with a voting stake in most project decisions.
-

East Portland Community Investment Trust *

East Portland CIT purchased a commercial lot to establish accessible real estate investment opportunities for low-income individuals in East Portland, Oregon. The initiative was launched by Mercy Corps Northwest, the CDFI arm of an international NGO.

- **Grassroots Design:** East Portland CIT emerged from a two-year research effort to identify the needs of the surrounding community. Once the project is stabilized, the board will expand to 12 members, with co-governance by community organizations.
 - **Grassroots Investment:** Resident investment and community wealth building is a key feature of the project, as community members have the option to invest as little as \$10 per month, which earns a mandatory minimum dividend of 2% and has delivered upwards of 9% over the first three years.
-

Elevated Chicago *

Elevated Chicago is a multi-organization collaboration that seeks to implement transit-oriented development projects and programs with authentic resident engagement that build community power and ownership, contribute to resident retention, and result in more equitable communities. Elevated Chicago is part of SPARCC, a funding initiative that uses grants and investments through CDFIs to support racial equity, health, and climate efforts in Atlanta, Chicago, Denver, Los Angeles, Memphis, and the San Francisco Bay Area.

- **Grassroots Governance:** Community governance happens through community tables and a Steering Committee. Each community table, made up of a wide mix of grassroots and grassroots organizations, determines project priorities and presents the chosen investment opportunities for its area to the SPARCC Steering Committee.
-

Invest Appalachia *

Invest Appalachia is a multi-stakeholder-led investment fund that seeks to strengthen ecosystems, support market development, and reduce capital inequities in Appalachia. IA uses two funds to accelerate business ventures: the Catalytic Capital fund, which seeks to increase the number of investment-ready businesses and projects, especially those that have underwriting hurdles; and the Invest Appalachia Fund (IAF), which offers loans to enterprises, intermediaries, and community facilities to advance communities toward their impact goals.

- **Grassroots Design:** Grassroots stakeholders were among the many actors who designed the fund, through a series of regional convenings. Given the large scale of operation, care was taken to ensure that participants had deep ties to their communities.
 - **Grassroots Governance:** IA's volunteer board members have deep roots in their communities. IA's Community Advisory Council is designed to have real influence and power in how funds get distributed, setting the annual priorities and parameters for the Catalytic Capital pool.
-

Kensington Corridor Trust

Kensington Corridor Trust is a mission-driven real estate development organization focused on the Kensington neighborhood of Philadelphia. KCT seeks to decommodify the neighborhood's central commercial corridor by acquiring vacant properties, holding them long-term through a trust model, and developing them with and for the benefit of the community. Through its trust model, KCT aims to keep wealth from being extracted by outside landowners. KCT was formed by Shift Capital, Impact Services, and the Philadelphia Industrial Development Corporation.

- **Grassroots Design:** KCT plans to engage the broader community before purchasing new properties and in determining the use for a given property.
 - **Grassroots Governance:** Since inception, KCT has added board members to reflect individuals and businesses in the community and is developing processes for resident decision-making, with a plan to shift towards majority board representation of residents and business owners. The board makes major decisions for KCT, such as specific developments and uses for vacant properties.
-

Market Creek Plaza *

Market Creek Plaza is a partly resident-owned commercial and cultural center in San Diego that has incorporated the values and needs of residents of the low-income Diamond Neighborhoods. The project was initiated in 1999 by the Jacobs Family Foundation as a way to build wealth in the community and provide opportunities for residents to have a say in their neighborhood's development.

- **Grassroots Design and Governance:** The foundation engaged community residents through surveys and interviews while designing the plaza. In the project's implementation, residents were organized into working teams that governed the planning, design, and evaluation of the project.
 - **Grassroots Investment:** The project offered investment shares at affordable rates for resident investors, starting at \$50 per month. Because of a strong risk protection feature, resident investors were paid dividends even during periods of economic downturn.
-

Olamina Fund

The Olamina Fund was launched in 2019 by Candide Group, a progressive investment advisor, to bolster economic opportunities in communities that have historically lacked access to capital, particularly Black and Native communities. The Olamina Fund provides loans to women- and BIPOC-led lenders, such as CDFIs and non-profit loan funds that invest in small business development, worker cooperatives, and low-income housing.

- **Grassroots Governance:** After launch, Candide Group set out to involve the constituents they intend to serve via a community advisory board made up of five members that reflect the broad constituency served by the fund. The community advisory board members participate in the investment committee and have veto power over investments.
-

The REAL People's Fund *

The REAL People's Fund is a \$10 million fund that invests in BIPOC-owned businesses in the East Bay of California. Community Vision, a CDFI, underwrites and administers larger loans; Uptima Entrepreneurship Cooperative provides technical assistance to businesses; and the Runway Project gives access to early-stage financing. With community-based and BIPOC-focused leadership, RPF is incorporating the expertise and perspective needed to maximize the empowerment of marginalized communities.

- **Grassroots Design:** The fund was initiated by the Solidago Foundation, but direction of the project was quickly passed to a coalition of six grassroots organizations. These organizations designed most aspects of the fund, including the decisions to bring on core partners for loan underwriting and business assistance.
 - **Grassroots Governance:** The fund's governing board is controlled by the founding grassroots organizations, along with one seat for non-founder community organizations and one for community investors.
 - **Grassroots Investment:** The wider community has an opportunity to invest in the fund at a minimum of \$100, at 3% interest. Community investors elect a member to the board.
-

Resident Owned Communities USA (ROC USA) *

ROC USA, a combination of a robust network of nonprofits and a CDFI, focuses on converting manufactured home parks to resident ownership. In doing so, they prevent property value from leaving the community. After conversion, residents control lot fees; any surplus, rather than accruing to an outside investor, goes toward improvements. The ROC USA network represents 264 co-op communities and 18,000 member-owners in 18 states.

- **Grassroots Initiation:** The conversion of the park starts with a vote by the current residents.
 - **Grassroots Investment:** Once converted to cooperative ownership, resident owners participate in decision-making on a one-person, one-vote basis. At the national level, residents from communities serve on the board of ROC USA.
-

Seed Commons

Seed Commons, a CDFI, works as a national network of loan funds with deep ties to solidarity economy movements and the worker cooperatives it serves. It is structured as a single fund that shares expertise and capital for local deployment by its 25 cooperative members.

- **Grassroots Governance:** Seed Commons is governed by a federated body of place-based lenders and grassroots partners; for example the Baltimore Roundtable for Economic Democracy. Each Seed Commons member, as a cooperative, has one-member, one-vote governance and is accountable to its community.
-

Thunder Valley CDC *

Thunder Valley CDC is a Community Development Corporation run by the Oglala Lakota Tribe on the Pine Ridge Reservation in South Dakota. The project began as community members met repeatedly in the early 2000s to forge a vision and a strategy for change, choosing a CDC form due to the wide range of development efforts the structure allows. For its largest development, the Thunder Valley CDC seeks to construct a regenerative, sustainable community on a 34-acre property that supports businesses, single-family housing, and community spaces.

- **Grassroots Initiation:** Thunder Valley CDC was founded by a group of youth organizers seeking to develop housing and community.
 - **Grassroots Design:** Generally, the community is convened for major developments and Thunder Valley CDC maintains a strong presence in community life, such as through youth engagement, a radio show, and other programs. For its largest development, the Regenerative Community, over 50 community participants, architects, engineers, planners and investors finalized the design.
 - **Grassroots Governance:** Thunder Valley CDC's board is composed of Oglala and Sicangu Tribe members who understand and uphold the needs of the community.
-

The Tribune Building Project

The Tribune Building Project was initiated in 2012 by Incourage, a community foundation, to preserve the historical and community-relevant Tribune building in Wisconsin Rapids. When development is complete, the Tribune Building will include residential space and cater to the needs of residents with a makers kitchen, café, creative workshop, and other resident-desired services.

- **Grassroots Design:** The project directly incorporates community members in design and planning: since its initial planning stage, the project has engaged over 2000 residents for public meetings, community activities, and other events to help design the space.
 - **Grassroots Governance:** The project has a community advisory board of more grassroots participants, which complements a steering committee of national, regional, and local leaders.
-

The Ujima Fund (by the Boston Ujima Project) *

The Ujima Fund aims to empower and finance Boston's BIPOC entrepreneurs, where there is a severe racial wealth gap. It uses the Fund as a locus for broader organizing and popular education and seeks to demonstrate a vision of a community-controlled economy. It pools investments from institutional investors, Boston residents, and individuals living outside the city.

- **Grassroots Initiation:** The Ujima Fund started out as part of a broader economic democracy effort led by local grassroots organizations.
 - **Grassroots Design:** The design process took place via assemblies at the neighborhood and citywide scales that engaged residents to develop community-created plans for the fund.
 - **Grassroots Governance:** The Ujima Fund has two governing bodies that oversee investment activity: the Community Standards Committee, responsible for setting investment priorities, and the Investment Committee, which prepares recommendations to present to the voting members (current and displaced working-class residents of the neighborhoods served; grassroots partner organizations; community business owners; and their employees). Each voting member has one vote they can cast on fund allocation options, regardless of the amount they invested.
 - **Grassroots Investment:** Local residents can invest as little as \$50, receive a 3% coupon, and are protected by a risk pool.
-

MAP: GCEI PROJECTS HIGHLIGHTED IN THIS REPORT





SPOTLIGHT

Projects Excluded from the GCEI Review

There are many areas of economic development efforts that are centering grassroots decision making, but that do not aggregate and deploy investment capital. While these are important, we do not consider these examples of GCEI. The following participatory fields are worth studying in the context of equitable development, but remained outside our review.

Crowdfunding: Crowdfunding, or crowdsourced investment, is typically characterized by small businesses offering low-minimum shares to non-accredited investors. In doing so, businesses are able to create financial ties to customers and community members. However, the typical crowdfunding example leaves decision-making at the individual level, which is a more limited scope of decision making than many grassroots stakeholders. In cases where the shares come with voting rights, decisions are typically made around business operations rather than the allocation of capital. Notably, some GCEI projects do have community investment shares, but at the fund or project level, and typically alongside decision-making power for how capital is deployed. The lack of focus on pooled capital prevents crowdfunding at the business fundraising level from being considered GCEI.

Participatory Grantmaking and Participatory Budgeting: GCEI focuses on investment capital; that is, return-seeking capital that must be at least partially paid back. There are parallel efforts to democratize decision-making over philanthropic and governmental funds, which often incorporate the same principles behind GCEI initiatives. In philanthropy, this takes the form of participatory grantmaking, where grantees or community members decide on grant dollar allocations. For example, Justice Funders is a proponent of participatory grantmaking and other practices that shift philanthropy away from an approach in which “foundations maintain power, accumulate wealth and grow their endowments indefinitely to exist in perpetuity.”⁴ Similarly, efforts to democratize municipal and state funds – often called Participatory Budgeting – engage grassroots groups and residents in deploying city funds. These contexts are relevant in the broader effort to shift power towards the grassroots, but since they are not working with investment capital, they are not the core focus of this report.

Community development efforts without investment capital: There are many community-engaged initiatives that develop autonomous entities doing community development or shifting resources, but that do not actually deploy return-seeking investment capital. For example, PUSH Buffalo is a nonprofit that seeks to provide community control over housing development and other community needs, but works primarily with grant dollars. Some Community Development Corporations, such as Pueblo Unido in the Coachella Valley of California, are also developing housing and businesses with deep community engagement but are working with non-investment capital. Fresno DRIVE is a multi-stakeholder development initiative that brings together local NGOs, government officials, funders, business leaders, and others to establish priorities for public and private initiatives. At the time of writing, Fresno DRIVE is not working with private investment capital but may do so in the future.

⁴ Justice Funders, [What is a Just Transition for Philanthropy?](#), 2020. .

Key Report Takeaways

Throughout the report, we present takeaways for the different features of GCEI. These are compiled in **Part 3: Takeaways, Recommendations, and Conclusion** on page 58. The core takeaways summarized below serve as a guide to the discussion of the goals and features of GCEI projects.

- > **GCEI is an evolving practice that provides a more equitable model for community development and mission-aligned investment.** It is capable of addressing many needs and goals in communities, including racial equity.
- > **GCEI is a layer of process that can be implemented across a variety of investment structures and project types.** GCEI is seen in business, real estate, and housing investments, with goals that range from democratizing an entire local economy to developing the infrastructure to direct capital towards underfunded lenders.
- > **GCEI represents a paradigm shift from focusing just on wealth building and the outputs of investment, to power building and the processes of investment.** The engagement of grassroots stakeholders has added benefits to support broader organizing movements through the process of investment.
- > **The projects that succeed at building the most power are those that have strong community organizing attached to them.** While broad and deep organizing is key, so is the presence of some leadership tied to the community that is committed to get the project off the ground.
- > **There is a key role for funders to play in initiating and supporting early-stage GCEI projects, even though they don't necessarily have the broad relationships and trust with communities.** Funders have key experience and expertise to offer. To maintain community control, early input from communities can shape the project, and accountability measures can ensure that institutional partners don't push their goals onto communities.

- > **GCEI Projects require a complex balance of grassroots voice and vote, but also outside expertise, particularly in designing and managing legal and financial elements of the projects.** Even the most successful grassroots-led projects have a form of financial expertise, whether through outsourcing underwriting roles, investment committees, or in multi-stakeholder governance that includes grassroots voices and financial professionals.
- > **There is a tradeoff between complexity of a governance structure and the speed and ease of investments being made.** Compromises have to be made to ensure that community needs are met, there is a fair balance of power, and that investment partners can actually get capital out the door.
- > **On the investment side, GCEI projects have a multitude of capital needs, and investors need to take a needs-first approach to determine how they can support.** That means using grants when that's what communities need, rather than forcing investments or PRIs, and vice versa. It also means that sometimes, projects are actually better off without a given investment if the terms don't match.
- > **GCEI should be seen as a de-risking factor for investors.** Community engagement and accountability creates buy-in, and communities will be more likely to shop at businesses, frequent physical spaces, and build support projects.
- > **More GCEI projects are interested in replication than scale.** In particular, the investment funds we explore in this report are generally not equipped to take on large stores of capital; on the other hand, several projects are working with other communities to replicate and build off of projects. Funders play a role in sharing these experiences.
- > **There is good reason to suggest that engagement of grassroots stakeholders leads to unique and powerful outcomes for communities compared to traditional development methods.** Community engagement fosters increased civic engagement, strengthens relationships between grassroots organizations and powerful institutions, helps transform those institutions, and unlocks new sources of capital for movement work.

PART 2
**The Goals and
Features of GCEI**



Goals of GCEI Projects

Two central themes run throughout GCEI project goals: wealth building and power building.

Wealth building is already a common goal of traditional community development projects such as enterprise, housing, and real estate investments. Investing in businesses, particularly those owned by and employing workers of color, can support wages and employment levels in a community and increase circulation of money within that community. In housing, investments that create affordable living spaces enable residents to remain in their communities at a lower cost, where the alternative can sometimes be displacement or homelessness. Commercial real estate projects create the environment for businesses and commercial districts to thrive, growing a community's economic activity (and hopefully letting them capture that value). All of these goals are present in the work and output of GCEI projects - after all, GCEI is a layer of community input and governance that can be applied to community development and mission-driven investment. Some GCEI projects additionally have a unique feature of allowing resident investors to invest into the project and benefit from its economic value. We discuss this further in **Economic Participation** on page 49.

Power building is fundamentally different from wealth building, although some of the same practices can lead to both. GCEI projects achieve power building by using the process of investment as an arena for grassroots stakeholders to advance their long term agendas. Doing so goes beyond just the wealth gained for the workers of a business, tenants of a building, or the increased economic activity that may come from a development project. It looks like bringing in existing social justice movements into conversations around capital where they were previously excluded, forging productive connections between grassroots and institutional stakeholders, building community knowledge around local finance and economic development ecosystems, and funding projects that are supported by and reciprocally support existing movements in the community.

Building power is the key to long lasting, transformative change in communities. Building wealth is necessary, but not sufficient. In the GCEI projects that directly address power imbalances in communities, it is not the product - enterprise, housing, real estate, or other - that is the only goal, but the capacity, relationships, and knowledge built through the process of engagement.

GCEI projects achieve power building by using the process of investment as an arena for grassroots stakeholders to advance their long term agendas.

Several approaches to building power and building wealth stand out among GCEI projects.

POWER BUILDING APPROACHES

Power building by using GCEI to bolster community organizing efforts

Several projects are using the process of investment not as simply an end in itself but also centrally as a conduit for broader organizing in their communities. We see this especially with the Ujima Fund, EBPREC, RPF, Thunder Valley CDC, and Downtown Crenshaw. Efforts that aim at broader organizing goals tend to be either initiated by or fully designed by residents, activists, and other grassroots stakeholders.

What does it look like to build presence and knowledge in the financial sphere in the context of community organizing? At the individual level, convening residents repeatedly in fund activities like workshops politicizes a wide swath of the community and puts individuals in contact with other community members, grassroots organizations, local officials, anchor institutions, funders, and other actors. This practice is embodied by the Ujima Fund. At the organizational level, power can be built through leading organizations, like the group of six organizations behind RPF. They use the process of attracting and deploying capital to mobilize local funders and investors, leverage new types of capital for existing organizing work and their constituents, and increase the name recognition within the local investment ecosystem. Lastly, at the community level, power can be built through grassroots mobilization that shows force in competitive investment settings. We see this with Downtown Crenshaw in its bid for purchasing a shopping mall, and with EBPREC in its efforts to democratize housing. These two efforts constitute the entire community as a force in the local capital ecosystem that can no longer be ignored by developers and investors in that community.

Projects that explicitly bolster community organizing efforts are the gold standard of Grassroots Community Engaged Investment.

Projects that explicitly bolster community organizing efforts are the gold standard of Grassroots Community Engaged Investment. It builds channels for grassroots voices to continually contest power in their ecosystem, and sets precedents that can be built around for long-term financial alignment with grassroots movements. Funders, intermediaries, and other supporters should seek to help further this goal for existing projects, like those mentioned here, and for communities seeking to emulate these efforts elsewhere. In particular, they can support broad community organizing efforts centering around economic democracy and community ownership. That support can look like technical assistance for grassroots stakeholders seeking expertise, fostering connections to supporting organizations like CDFIs (Community Vision, a CDFI, serves a key role as Fund Administrator for RPF), and helping find opportunities to begin projects. These are the preconditions for this type of power building.

It is important to note that by centering power building, these projects are not ignoring issues of wealth in their communities. They are addressing core and fundamental issues, particularly the racial wealth gap and gentrification, through the businesses and projects they fund and control. Furthermore, the quest for a stronger force in local investment settings and the integration of grassroots organizing and capital ultimately helps grassroots stakeholders define and challenge the root causes of these problems of wealth and access to resources.

Power building by preserving community ownership of real estate

Many GCEI project initiators and proponents seek to build power through the preservation and protection of land. They purchase property, like commercial spaces or housing units, and transfer ownership to residents, tenants, and the broader community. Doing so has a natural wealth-building component to it, as it tends to keep rates affordable for those tenants.

It also builds power by establishing these community stakeholders as players to be reckoned with by more traditional developers and investors. This goal is seen in the above examples of EBPREC and Downtown Crenshaw, in addition to their support for community organizing infrastructure.

Projects that preserve real estate ownership don't have to emerge directly from community organizing efforts, they can be initiated from non-grassroots stakeholders like foundations or trusted community developers. KCT was primarily led by Shift Capital and Impact Services, two Philadelphia-based developers, with the goal of purchasing assets and keeping them in perpetuity. In doing so, they instilled a model of co-governance with local community partners and business owners to guide the use of the properties. The idea that the central commercial corridor in the neighborhood was not for sale, and that businesses and other residents could shape what it looks like, in and of itself lifts up grassroots voices in the face of speculative investment.

When outside institutions meaningfully hand off decision-making power, they enhance the opportunity for grassroots stakeholders to build long-term power in their communities.

Preserving community ownership over assets like real estate allows more community members to remain rooted in place. This is a precursor to power. When families and businesses are struggling to pay rent, or are forced to move outside the community, it is difficult to build a grassroots organizing front.

Funders supporting power building by deepening commitment to GCEI

Like Shift Capital and Impact Services in the case of KCT, more and more funders and intermediaries seek to adjust their practices to align their efforts with the needs of communities. They bring in grassroots stakeholders to steer capital, inform the funders' practices, and, in the deeper modes of engagement, control the entire process.

When outside institutions meaningfully hand off decision-making power, they enhance the opportunity for grassroots stakeholders to build long-term power in their communities. Supporting the hand-off requires ensuring that communities are well supported with technical assistance and institution-level support.

We see several projects in the report that were initiated from the outside but did manage to meaningfully pass decisions off to grassroots stakeholders in a way that builds power. The Market Creek Plaza development was led by the Jacobs Family Foundation, a community-based funder. The foundation purchased a commercial lot and immediately began operating through existing community organizing channels to develop long-standing working groups for residents to design most aspects of the project. This process provided many participants their first opportunity to engage with funders and investors that were crucial in shaping their local environment - and an opportunity to enter that space and decide how this investment was to be made.

However, not all engagement is created equally, and this determines whether or not true power is being developed. The engagement seen in Market Creek Plaza ceded more control over the project to residents than, say, the East Portland CIT, a similar commercial redevelopment initiated from an outside institution. East Portland CIT surveyed and met with community members informally before implementing the project; the community was given input but not control over the process. East Portland CIT is laudable for many reasons, particularly around its wealth building goals, but we expect that deeper, more regular processes like that of Market Creek Plaza that capture the most grassroots voices will do more for existing movements in terms of power. We discuss methods of community engagement in the **Voice and Vote for Grassroots Stakeholders** section on page 34.

WEALTH BUILDING APPROACHES

Wealth building by using grassroots input to allocate capital to its best use

GCEI is not just about building power. It is also about providing a way to achieve traditional community development and mission-aligned investment goals - which center around investment outputs like businesses and housing - in ways that build wealth more effectively.

GCEI projects seek to leverage the knowledge of grassroots stakeholders to allocate capital to its best use, thereby capitalizing projects that should build more wealth in communities. For projects both grassroots-initiated and institution-initiated, this manifests in investments for entrepreneurs of color. The Boston Impact Initiative explicitly seeks to eliminate the racial wealth gap in Eastern Massachusetts; the majority of its governing board are investees and allied grassroots organizations. The Ujima Fund and RPF go further, with grassroots stakeholders designing a multitude of business standards that guide their enterprise investments. These community-vetted businesses are more likely to hire

within the community, pay good wages and offer benefits, and work with other local businesses, thereby circulating more money within a community ecosystem.

Similarly, real estate GCEI projects offer rates to commercial and residential tenants that tend to be more affordable than those of, allowing BIPOC and working class communities to save more money. These projects follow the traditional logic of community development, but grassroots input helps ensure that the right people, businesses, and neighborhoods are benefitting.

Sometimes institutions and the grassroots stakeholders they serve do not share an understanding on what is the highest priority for capital deployment. In such instances, GCEI as a process can help funders and investors align with the community. For example, in the case of Elevated Chicago (and the national SPARCC initiative of which it is a part), grassroots input made the strong case to project initiators that their broader focus on climate and health was less important than racial equity. The initiators, a coalition of national funders and intermediaries, followed suit and changed the investment priorities in response.

These projects follow the traditional logic of community development, but grassroots input helps ensure that the right people, businesses, and neighborhoods are benefitting.

Wealth building by creating a community-owned asset

A goal particular to several GCEI projects is the creation of wealth through dividends on community investment notes for funds or real estate investments.

East Portland CIT was created by Mercy Corps Northwest, a CDFI arm of a Portland-based NGO, as a means of developing a community asset that serves and is owned by community investors. This model was partially inspired by the earlier Market Creek Plaza development, which, through complex design meetings from communities, determined that communities should be able to invest in the project and receive dividends. The dividends in these two projects provided real wealth building opportunities, with Market Creek Plaza dividends equaling 10% of shareholders' initial investment and East Portland CIT providing short- and long-term returns through an annual dividend which has averaged 9.3% over the first three years of activity.

The idea of community wealth building through investments also manifests in some community investment funds, where the Ujima Fund and RPF provide investment offerings into the fund for community members with a low minimum investment and at a rate that bears less risk. The returns tend to be quite low, however, and wealth building is secondary to the power-building component to these funds.

Some other GCEI projects seek to create community ownership over the end products of their investments, via cooperatively owned structures. Seed Commons is an intermediary for lenders who invest

into worker-owned cooperatives, and ROC USA converts manufactured home parks into cooperative ownership. These strategies allow workers and residents, respectively, to participate in the value of the ultimate investment and thereby grow their assets over time.

For more discussion on community economic participation, see **Economic Participation** on page 49.

Wealth building by building the infrastructure for new investments

In several cases of GCEI, institutional partners are using community input to help establish new infrastructure for capital deployment for disinvested communities and undercapitalized sectors.

At the sector level, Seed Commons saw that place-based lenders for cooperatives are often short on capital. These lenders, which make up the Seed Commons network, are often small with low deal sizes, making it difficult for larger investors to park their capital with them. Seeing an opportunity for scale and support, Seed Commons was created as an intermediary between investors and the local lenders, creating the infrastructure for capital to flow to local lenders from a large, national scale. Seed Commons is held accountable to these local partners by virtue of it being governed by organizations closer to the grassroots in those communities.

Invest Appalachia similarly emerged to fill a core infrastructure gap for capital at the regional level. There are a plethora of CDFIs, CDCs, and other developers in the region, but they often act separately. Invest Appalachia is a fund that builds connective tissue for these actors, brings new capital to the region, and helps communication from the bottom up dictate where capital is most needed.

At the scale of individual borrowers, Co-Op Capital is helping an existing lender, Nusenda, reach underserved borrowers by having grassroots organizations, nonprofits, and other community-based organizations vet and approve borrowers on a relational basis. This effort is creating a pipeline of small-scale lending capital for individuals and entrepreneurs who typically don't meet traditional measures of creditworthiness, particularly Native and immigrant communities in New Mexico.

These projects demonstrate that in building new markets or connecting existing ones, GCEI can ensure that new capital flows are accountable and benefit from the insights of the ultimate beneficiaries. Projects with this goal typically have more of a traditional output driven lens that places premium on building wealth by reaching underserved markets.

Takeaways: Goals of GCEI Projects

- > **Focusing on wealth building is necessary when investing in communities, but there needs to be a power building component too.** Building power, like projects that center grassroots organizers, projects that compete in real estate markets, and funder-initiated projects that cede the majority of decision making power to communities do both and should expect more long term change in those communities.
- > **Process matters in power building more than the output of the investment itself.** The investment model is important, but only to the extent that it is serving the goals of grassroots stakeholders. As a corollary finding, this means that there are projects with deep power building strategies tied to community organizing across a variety of projects: funds that invest in businesses (Ujima Fund and RPF), funds that invest in housing (EBPREC), single development projects (Downtown Crenshaw), and multi-purpose development pools (Thunder Valley CDC).
- > **For projects initiated by outside institutions, developing deep engagement with grassroots stakeholders is critical to advise, revise, and ratify the project goal.** Funders and intermediaries will not be able to replicate the grassroots organizing necessary to start community organizing projects like the Ujima Fund and Downtown Crenshaw. But that doesn't mean they can't initiate GCEI projects with meaningful power building - it just requires that the grassroots are the main actors deciding the purpose and form of the project.
- > **Projects that build grassroots presence in financial systems tend to be place-based.** It is difficult for national actors to effectively identify key partners, convene relevant stakeholders, and distribute decision making effectively. SPARCC, a national initiative that operates at the local level, encountered difficulties establishing grassroots governance due to the unfamiliarity of the national CDFI partners, Low Income Investment Fund and Enterprise Community Partners. There is a role for national funders and investors to play, but successful projects (particularly those that build power) decentralize decision making to the local level.

- > **Some GCEI projects build power at the individual level, and some at the grassroots organization level.** At the individual level, convening residents repeatedly in fund activities, holding workshops to understand investment processes, and participating in widespread democratic practices helps build skills and politicize a wide group of neighbors. The Ujima Fund models this strategy. Building new institutions for power can also strengthen the role of leading grassroots organizations in the local ecosystem: RPF is able to use capital to mobilize local funders and investors, support their existing organizing work and their constituents, and increase the name recognition within the local investment ecosystem.

- > **Some projects seek to build wealth through investable assets for community investors, and others seek to preserve wealth at the community level.** East Portland CIT and KCT are putting commercial real estate into the hands of grassroots stakeholders, but in different ways. East Portland CIT came at it from a community wealth building angle, focusing more on communities benefiting from the appreciation in real estate value, whereas KCT prioritizes decommodification – it cycles profit back into the trust to buy more properties and therefore grow the portfolio. KCT’s approach doesn’t make individual community investors grow their wealth, but buying more properties eventually leads to less wealth extraction by external landlords. This community-level strategy lends itself better to grassroots governance, as grassroots stakeholders can help the portfolio evolve over time.

- > **Across a variety of goals, several projects are seeking explicitly to replicate and inspire new projects.** East Portland CIT has developed a patented legal structure and implementation toolkit and is seeking interest from other cities to replicate the model elsewhere. Co-Op Capital is seeking to demonstrate alternative methods of assessing credit for small-scale borrowers for other communities. The Boston Ujima Project is hoping to inspire similar projects elsewhere by demonstrating that a complete grassroots economic ecosystem, anchored by a fund, is possible. We discuss these in **Scalability and Replicability of GCEI Projects** on page 51.



SPOTLIGHT

The Goals of GCEI and Health Equity

An increasingly popular and useful framework in community development is health equity. Many developers, funders, and investors already use health equity as a framework for measuring the outcomes of investment, as spearheaded by the field builder Build Healthy Places Network.⁵ The GCEI framework fits into existing work centering health in investment and development and can play a critical role in those efforts.

What is health equity? Health equity is defined by the Robert Wood Johnson Foundation as meaning that “everyone has a fair and just opportunity to be as healthy as possible. This requires removing obstacles to health such as poverty, discrimination, and their consequences, including powerlessness and lack of access to good jobs with fair pay, quality education and housing, safe environments, and health care.”⁶ These obstacles are often referred to as the “social determinants of health.”

The goals of GCEI projects can be framed as positive effects on the social determinants of health. Many of the GCEI projects we study in this report are directly addressing them: housing stability, jobs for entrepreneurs of color, security of land and businesses via ownership, and wealth building opportunities for neighbors. Furthermore, a power building approach, like that which emerges from deep community engagement in investment, is crucial to achieving health equity, as framed by the Lead Local Collaborative.⁷

While the analysis of this report does not focus specifically on health, we state the alignment between this work and the work of health equity practitioners as a means of advocating for the potential adoption of GCEI as a main driver of health equity.

5 See Build Healthy Places Network - [About Us](#).

6 Robert Wood Johnson Foundation, [What is Health Equity?](#) 2017.

7 USC Dornsife Equity Research Institute, [Story of Place: Community Power and Healthy Communities](#), 2020.

Voice and Vote for Grassroots Stakeholders

The most important element of GCEI - what separates these projects from other community development efforts - is the Voice and Vote given to grassroots stakeholders in the investment process.

Having a "Voice" means being meaningfully involved, so that the ultimate result of a project is shaped or changed by the voices of the community. In GCEI projects, Voice goes beyond mere consultation, borne of the experience that consultation has been used as a tool of appeasement and exclusion ("we have heard you, now we'll decide").

"Vote" is an extension of Voice: it is not up to an external party to decide whether and how to incorporate the views of the community, and instead the community itself has decision-making power over at least some aspects of the project. In some cases this role may amount to a yes/no on whether a project should go ahead in the first place, in others it may be a community agreement on the mission criteria that undergird a project.

Voice and Vote matter most because they help ensure that a project truly aligns with community wishes and incorporates their knowledge, and because they are a precursor to the creation of real power in the community. In particular, engaging grassroots stakeholders in these processes is requisite for the goals of building power, and the deeper the engagement the more impactful and transformative the change.

There are two critical stages for this Voice and Vote: in the design stage, and in the ongoing governance of the project. In the design stage, actors determine the structure of the project, the governance roles for various stakeholders, the goals of the project, and other core project features. In the ongoing governance stage, leaders make decisions on investments, attract investors and funders, make core strategic decisions, manage investments, and cover logistics for the project.

We break the core elements of Voice and Vote in design of projects by:

- **Method:** What is the actual process of gathering community input in the design stage?
- **Scope of Decisions:** What are the decisions the grassroots stakeholders are actually making?
- **Grassroots Representation:** Who represents the “community” in this case; how close to the grassroots are they?

VOICE AND VOTE IN THE DESIGN STAGE

Engagement of grassroots stakeholders is most common in the design stage; most projects in this study have some form of community design.

Having community input in the design of a project is important to ensure that the project is structured in a way that addresses the core need of the community. Even if communities are involved in ongoing governance after the project is functional, if there is no engagement in the design stage, the powers assigned to grassroots stakeholders in governing roles might not be what that community actually wants.

The design of projects varies depending on the focus of the project (is it a one-off development project or a recurring capital investment pool?), the scale of the project (is it local, regional, or national?), the degree of community involvement in the project’s creation (was it founded by grassroots stakeholders or institutional partners?), and the project’s goal.

Method

There are several recurring methods of engaging communities in the design stage.

Community assemblies convene a wide range of organizations and residents in large gatherings of a given membership base. It is a well-known tool for community organizers, who call community assemblies for policy agendas and neighborhood issues like housing and public health. In the GCEI context, community assemblies can be used for widespread input from residents. For example, the Boston Ujima Project used community assemblies to develop and ratify business standards for the Ujima Fund, which was in development at the time. Input from community members around which businesses they want to support, such as a local nonprofit cafe, and which types they didn’t want more of, like liquor stores, was identified and baked into the DNA of the fund’s investment process. Ujima used these assemblies to develop several aspects of the fund, and continues to use them after the fund’s launch.

Notably, in order to have a wide reach, community assemblies are most successful when done in partnership with existing organizing and neighborhood networks: business associations, churches, local grassroots partners like tenant associations can all help bring people to the table. They are also more successful when held in familiar spaces used regularly for community use; community residents are wary when a funder partner holds meetings in their offices.

Working groups are a system of community engagement in project design that was spearheaded by the Market Creek Plaza development. It is characterized by having volunteer (potentially paid) resident-led committees assigned to specialized tasks, such as architecture, partnerships, business standards, or investment structure. Compared to community assemblies, working groups assign more concrete roles to grassroots stakeholders and meet more regularly. The commitment required for participants is greater, and more responsibility is placed on the individuals involved than assemblies, where ideas are generated and only major decisions go to a vote. However, the specialization can be useful; Ujima also features community-led working groups for different aspects of the fund.

Gathering participants for working groups can be difficult, and retaining them is a challenge particularly over long periods. Projects with working groups should try to minimize fatigue, or “decision paralysis.”

Planning meetings are often used by projects that are spearheaded by a smaller group of organizations. Compared to community assemblies, this design method is more “behind closed doors,” but is necessary for leaders to make significant strides. Even the Boston Ujima Project had lead organizations, including the Center for Economic Democracy and City Life / Vida Urbana, making key fund design decisions outside of community assemblies. RPF, being piloted by a small group of grassroots organizations, had its major fund design decisions made in small planning meetings. They often brought in outside expertise to help educate members of future aspects of the fund.

Multi-stakeholder input sessions, also referred to as town halls, charettes, or convenings, are single or a series of meetings that convene a wide variety of actors in order to work on a specific plan. Invest Appalachia, under the Appalachian Funders Network, convened philanthropy, universities, government agencies, CDFIs, and grassroots organizations in the several meetings that defined the fund’s practices, partnerships, and governance. Similarly, Incourage hosted public meetings with various community and economic development professionals, business leaders, workforce development practitioners, government officials, academics, foundations and nonprofits to inform the Tribune Building Project’s development process. Thunder Valley CDC brought together more than 50 community participants, architects, engineers, planners and investors in a charette for their Regenerative Community development.

These are especially appropriate for projects that are connecting capital with a broad set of existing actors closer to the ground, like Invest Appalachia. In cases of place-based community development, as in Incourage and Thunder Valley CDC, this method of Voice and Vote in designing projects serves a similar purpose as community assemblies, but brings institutional expertise into the room in addition to grassroots stakeholders. This can be done efficiently, but requires that facilitators address power dynamics.

Community surveys and listening sessions are the last method of Voice and Vote in design, and are the least deep forms of engagement. This method was used by the East Portland CIT, where Mercy Corps Northwest, a CDFI, had previously determined that they wanted to build a community investment opportunity in the neighborhood. Administering a survey, they determined residents' interests, family goals, and investment knowledge. This process informed their decision to provide a real estate investment opportunity to community members. Compared to other methods of grassroots design, surveys and listening sessions provide the least decision making power to communities, but can be a precursor to deeper GCEI.

Scope of Decisions

Regardless of how the Voice and Vote of grassroots stakeholders are captured in the design of a GCEI project, there is a range of decisions those communities can make. Are they deliberating on actual financial components of the fund, such as the investment structure? Are they determining what the ongoing governance will look like by those same grassroots stakeholders?

Communities can structure the entity itself. At the most grassroots level, the Ujima Fund, RPF, and Thunder Valley CDC had complete control over the design of the funds being created, from the partnerships made to the legal designation. The major fund structure decisions were made largely by the small groups project organizers; for the Ujima Fund, it would have been hard to determine nuanced differences, like the difference between a charitable loan fund and a venture capital-like fund, in a community assembly. But project structure isn't limited to these grassroots-initiated projects; Invest Appalachia had grassroots stakeholders guide key elements, including the structuring of the fund in two distinct pools that serve separate capital needs. Importantly, even projects with strong elements of grassroots Voice and Vote have outside institutions help establish the structure.

Communities can give approval for an outside-initiated project. East Portland CIT conducted a feasibility study to determine whether or not East Portland residents were interested in an opportunity to invest in their community, and through this process determined that there was most interest in investment in commercial real estate. This led to the decision by Mercy Corps Northwest to develop Plaza 122. In a very different context, ROC USA, which converts manufactured home communities to resident ownership, requires approval by the community to proceed with an investment at all. This gives the community complete power to say no if they don't want the model to happen to them. This model is a much stronger "veto power" than that seen in East Portland CIT's input, but rarely even in GCEI are communities given opportunities to approve a project initiated from the outside.

Communities often develop business standards for fund investments and commercial real estate tenants. This is one of the most common design elements, as funds want to ensure that they are investing in businesses that communities truly believe in, and development projects want communities to use and patronize the commercial tenants. For the Ujima Fund, RPF, Market Creek Plaza, and the Tribune Building development, there were robust processes for designing these business practices. KCT plans to have community Voice and Vote on business standards as a part of governance. WithSeed Commons, the business standards are built into the design of the intermediary fund, as its borrowers are all funds that in turn lend to worker-owned cooperatives.

Communities can weigh in on the investment instruments of the project. This is the rarest of all design features, given that it requires technical know-how in order to make decisions on finance. With the Boston Ujima Project, convening business leaders and developing a network of “community-approved” businesses helped gather information about the financing needs in the community as a means of influencing investment tools. Organizers of EBPREC worked with the Sustainable Economies Law Center to develop the investment model for the cooperative. In the Market Creek Plaza development, the resident working groups worked with outside experts in order to structure the community investment opportunity. These very different examples demonstrate the ability for grassroots stakeholders to engage with complex design features, when given enough outside support.

Grassroots Representation

The last component of Voice and Vote in the design stage is the important idea that it matters who is representing the community in design. No single individual, organization, or group can speak for an entire community, but some are more trusted and tied to movements within the community than others.

Some GCEI projects have made participation in designing the project open to any member of the community served. Community assemblies focused on residents and the most grassroots organizations, like those of the Ujima Fund, are the most emblematic of this approach, but we also see broad participation in Market Creek Plaza’s working groups. Having open participation is critical, and these projects are emblematic of spaces where the communities are in complete control. Interestingly, these examples demonstrate that open spaces for all community members to participate in can be constructed by community organizers, as in the case of the Ujima Fund, or by institutions, as in the case of the Jacobs Family Foundation’s leadership in the Market Creek Plaza development.

Some GCEI projects have small groups of grassroots organizations lead the design. This is seen in projects with small planning meetings, like RPF. Important for projects with small groups is the idea of gathering help from outside experts, particularly in terms of legal structuring and financing. Many grassroots stakeholders, like those who founded the Ujima Fund, RPF, and EBPREC, relied on outside expertise. The leaders of RPF brought in technical assistance providers, including Transform Finance, for education around financial topics, and worked early on with the CDFI Community Vision to develop underwriting terms (Community Vision is still a core partner which underwrites larger loans).

Some GCEI projects design the project in a multi-stakeholder fashion. Sometimes, open invitations for projects via town halls and other input sessions, like those of the Tribune Building development, can result in a “natural” multi-stakeholder session, with residents and community organizations showing up alongside local development agencies like nonprofit developers and CDCs. Other projects are more carefully constructed, as with Thunder Valley CDC’s charrettes. These charrettes welcomed open invitation from community members, but also invited legal, financial, and philanthropic expertise to help guide the conversations. Since Thunder Valley CDC is led and governed by grassroots organizers, the invitation served as an extra element of control over who was able to participate.

Takeaways: Voice and Vote in Design

- > **The design process is a critical step for ensuring that grassroots stakeholders have their goals reflected in the project.** Projects that emerge from the work of grassroots stakeholders tend to have broader, deeper, and more organic design processes that incorporate trusted voices in the community it serves. Projects can also be created by funders, investors, or developers before bringing in grassroots stakeholders to design and govern the project. These institutions need to build trust with existing grassroots networks in order to capture grassroots Voice and Vote. This is not always an easy process, but is critical to ensure the project is serving the needs of its community.
- > **Design of the project starts before breaking ground.** Providing grassroots stakeholders the option to say “yes” to a project is simple, but transformative. This is simpler for a one-off investment, like a real estate redevelopment, as opposed to a recurring capital fund. ROC USA requires a majority vote from a community to approve an investment before starting the conversion process. This “veto power” provides agency.
- > **Convening grassroots stakeholders for periods that are too long can create fatigue.** This was seen with the working groups of Market Creek Plaza, as the robust design process took up a lot of time for participants. To alleviate this issue, some projects, like Thunder Valley CDC, convene the community for individual project decisions and leave many “back-end” decisions for project leaders and institutional partners.
- > **Who is brought in for design decisions, and how they are convened, matters in ensuring that community voices are broadly represented in design.** Community assemblies of a broad membership base, as with the Boston Ujima Project, or small coalitions of grassroots organizations, as with RPF, work best in a place-based context. Institutional partners, like the Jacobs Family Foundation in the development of Market Creek Plaza, have been successful planning projects through ongoing, community-led working groups, but this method runs the risk of generating fatigue over long periods of time or having non-grassroots stakeholders take up too much space in meetings. Surveying communities before embarking on a project is not enough to constitute strong community Voice and Vote in design.

- > **Outside expertise is still needed to help grassroots stakeholders design projects.** EBPREC received significant legal support from the Sustainable Economies Law Center in structuring the complex governance of the multi-stakeholder cooperative. East Portland CIT also required legal consultation for the development of a new community-owned trust model for residential lots. The design for Thunder Valley CDC's major development project, the Regenerative Community, required community leaders to invite lawyers, developers, investors, and other experts to help design the process. This can be done without limiting the grassroots Voice and Vote.

- > **Institutions who are hosting open convenings to design projects must center the most affected residents, grassroots organizations, and other non-institutional stakeholders.** Since Thunder Valley CDC is led and governed by grassroots organizers, the invitation served as an extra element of control over who was able to participate. But when projects are open and hosted by an institution like a community foundation, there is a risk that the spaces get taken up by other institutions. The Jacobs Family Foundation was diligent in ensuring that it was truly residents participating, but that wasn't as much the case with In courage.

- > **Sometimes, outside institutions have logistical limitations to implementing Voice and Vote in design, and for good reason.** For projects with a broad geographic scope, like Invest Appalachia, it can be difficult to reach grassroots actors or ensure that they are speaking for communities. Invest Appalachia's fund was designed by a wide variety of stakeholders: grassroots organizations, funders, intermediaries, and government officials. Other times, there may be a need to deploy capital before community approval while it is still on the market, especially in real estate developments.

Summary of Elements of Voice and Vote in Design

The elements of Voice and Vote in design are loosely ordered from “more community engaged” to “less community engaged.” This is not meant to dismiss projects with elements on the right hand side of the table – every project feature listed here goes beyond traditional community development and investment practice. There are also logistical reasons for why some methods are less possible, including the fact that the deepest elements of grassroots design require deep prior relationships with grassroots organizing efforts.



ELEMENTS OF VOICE AND VOTE IN DESIGN

	More community engaged		Less community engaged		
 METHOD	Community Assemblies (Ujima)	Planning Meetings (RPF)	Working groups (Market Creek Plaza)	Multi-stakeholder Input sessions (Invest Appalachia)	Community surveys and listening sessions (East Portland CIT)
 SCOPE OF DECISIONS	Structure and goals of entity (RPF)	Investment instruments (MCP)	Veto Power for project go-ahead (ROC USA)	Business Standards (Ujima)	Input on type of project to pursue (East Portland CIT)
 GRASSROOTS REPRESENTATION	Open to many grassroots stakeholders (Ujima)	Small group of grassroots stakeholders (RPF)	Multi-stakeholder, convened by grassroots (Thunder Valley CDC)	Multi-stakeholder, convened by institutions (Invest Appalachia)	

VOICE AND VOTE IN THE ONGOING GOVERNANCE STAGE

Voice and Vote tends to look a bit different after the project is launched, although many of the same principles apply.

Ongoing governance is critical for grassroots stakeholders to continue to keep the project on track with the priorities of the communities, and to hold non-community institutions who are key partners in implementing the project accountable. This kind of decision making is equally as important as Voice and Vote in design, as it ensures that the project is flexible to remain true to the original goals of the community. It also allows continuing accountability over partners and oversight over the growth of a project.

Because the goals of the GCEI projects featured in this report are so multifaceted, the governance structures are as well.

Method

Grassroots assemblies and community tables are governance mechanisms that bring grassroots stakeholders together to make core decisions about the project. The Ujima Fund convenes its membership for specific decisions to be made, such as investment approval or committee formation, in large group settings. Their votes require a quorum. Assemblies are convened to address major decisions of The Ujima Fund, including approving individual investments, forming committees, and making major partnership decisions. To do this successfully, significant resources need to be allocated towards membership growth, and it cannot be done without significant ties to existing community organizing channels.

Working groups, like in the design stage, are used in ongoing governance to convene volunteer grassroots stakeholders who maintain oversight of the project. Elevated Chicago has two categories of working groups, which they call Community Tables and Steering Committees. The Community Tables prioritize which projects should be funded and the Steering Committee manages the project's affairs and engages with the Program Director, the principal executive officer, who works under the committee's direction. Similarly, with Market Creek Plaza, working groups that designed the project continued oversight over aspects of the fund, with groups meeting recurrently.

Governing boards span a wide range of projects, from those focusing on enterprise development to real estate, and from community-initiated projects to intermediary- and funder-initiated projects. These entities serve a wide range of purposes, but in most instances govern most, if not all, decisions made by the project. In some instances, like the Olamina Fund, a community advisory board serves as an outside entity to weigh in on key decisions made by the fund managers. Some governing boards have extra layers of accountability by having members elected from a broader base of grassroots stakeholders, as

with RPF which lets grassroots organizations who weren't a part of the project's founding elect a board member.

Decentralized decision-making occurs in models where organizations participate in a broader intermediary or lending program and manage their own investments. Seed Commons is governed by the local lenders who receive capital from the overall intermediary fund. On a local scale, Co-Op Capital decentralizes the decisions around lending criteria, application process, and borrower approval to community-based organizations.

Multi-stakeholder cooperatives provide a governance method that portions voting off to stakeholders depending on a particular membership class they belong to. This is the model used by EBPREC. It is governed by community investors, EBPREC staff, community members and residents, with decision making power weighted for each of the various stakeholders. By designating different voting rights for different members, it is able to place more value on those it is seeking to serve the most; the tenant owners receive more scope of decision making than the community investors who don't live in the units.

Scope of Decisions

Many projects have grassroots stakeholders weighing in on all major decisions. This is seen across most methods of governance, especially grassroots assemblies, working groups, and governing boards. Below, we cover some of the key specific decisions that grassroots stakeholders make.

Grassroots stakeholders in governance roles hold investment partners accountable. The membership of the Boston Ujima Project has the ability to elect the investment committee and replace them as needed. Similarly, RPF administers loans through two investment partners, the Runway Project and Community Vision. The board of RPF, which consists of the founding grassroots organizations and other grassroots stakeholders, is able to replace these investment partners if they are not meeting the criteria set by the founders.

Some GCEI projects require each investment to be approved by the grassroots stakeholders involved. This is seen in the Ujima Fund, where the membership has to approve investment, but also in the Olamina Fund, where the community advisory board can veto any particular investment proposed by the fund managers. This kind of veto is generally predicated on the investment not meeting the community standards set in the design phase or otherwise, but could also be in response to the investment being on unfair terms. In a very different context, the community partners who participate in Co-Op Capital develop their own process for accepting, vetting, and approving applications for loans, which are housed in Nusenda Credit Union. This gives the loan approval process completely in the hands of organizations closer to the community.

Some grassroots stakeholders involved in the governance of GCEI projects help develop the pipeline of deals. This is most emblematic in the case of Elevated Chicago, where community tables made up of a variety of grassroots organizations, developers, and other community-based organizations bring opportunities to the Steering Committee. The Steering Committee then conveys lending opportunities to their CDFI partner, Enterprise. In projects with multi-stakeholder advisory boards, this can be a core role for grassroots participants, who may be closer to the investments than institutional partners.

Grassroots Representation

Projects with the most democratized grassroots governance allow residents to participate in decision making. As with the design phase, the Ujima Fund brings in residents through community assemblies and working groups. Market Creek Plaza also had open participation from community members. For projects that have resident participation in governance, it is critical that there is a low barrier to entry. The Ujima Fund provides voting rights to investing members, but the minimum investment is low enough to ensure that they are involving the target community.

Grassroots Founders often play a key role in the governance of the fund. In RPF the founding organizations designed the governance structure, which continues to center these groups as the locus for power within the fund. They offer board seats for other peer organizations working in the community as well.

Multi-stakeholder coalitions of grassroots organizations and institutional partners are the most common combination of actors governing GCEI projects. Elevated Chicago's Steering Committees are comprised of grassroots organizations and institutional partners like developers and lenders. The governing boards of KCT, Boston Impact Initiative, and Invest Appalachia are all majority grassroots organizations. The Olamina Fund has a different form of multi-stakeholder governance: a separate community advisory board was created alongside the fund's existing staff, which gives them input and veto power over the fund's investments.

Lastly, some projects feature governance by the recipients of investment. Seed Commons is governed by the local lenders who receive capital from the overall intermediary fund. On a local scale, Co-Op Capital decentralizes the decisions around lending criteria, application process, and borrower approval to community-based organizations. EBPREC includes tenants of its buildings as the primary voter on its key decisions, and KCT seeks to have significant representation of commercial tenants on its governing board.

Takeaways: Voice and Vote in Governance

- > **Direct democracy (votes by many community members) requires deep ties to pre-existing community organizing networks.** Otherwise, the project will not have legitimacy to convene community members in designing the project, in growing membership, and in bringing membership to votes. In the case of the Ujima Fund, the main drivers behind the project had these ties with local organizing and the commitment to dedicate many resources to membership engagement. This process was worthwhile given the goal of building power through widespread education, politicization, and experience-building.
- > **Representative democracy (votes by a smaller group of grassroots organizations on a governing board) works only if there is complete buy-in from and support for the founding organizations.** It takes a lot of work to design, structure, and implement an investment fund, even when there are core partners holding the investment components and philanthropic capital to support. In models like RPF, where a handful of grassroots organizations led the way, it required commitments from all of them to carry out the process, a steady stream of funding for operating support, and technical assistance.
- > **Governance by a smaller group of organizations will lead to decisions faster than governance models with many entities involved.** Elevated Chicago had delays getting capital deployed in its first few years, largely due to the unanticipated needs to get the many grassroots partners familiar with the investment process. Similarly, the Ujima Fund has only made one investment in the community to date, and has experienced difficulties getting the necessary level of community attendance to make decisions.
- > **Providing grassroots stakeholders veto power over investments is a simple but powerful way to give grassroots stakeholders Voice and Vote.** This is a particularly useful tool for funds that are not place-based or when the institution does not have the deep ties necessary to work through broader organizing networks. The Olamina Fund provides this power to their community advisory board. However, in place-based investments, veto power is best complemented by more decision making roles for grassroots stakeholders.
- > **Outside legal and financial expertise can counter the high learning curve for grassroots stakeholders in the governance stage.** RPF does this well by outsourcing the underwriting to two different lenders with more experience than the founders. Doing so makes process-

es faster and more technically workable, builds up knowledge in the community through the learnings from the outside expert; and provides the outside partner with opportunities to learn how to make their practices more equitable and apply their GCEI experience elsewhere. Such relationships should come with accountability: RPF is able to replace the fund administrator at any time.

- > **It is important for projects led by national funders and intermediaries to distribute decision making to place-based actors, rather than taking too much control themselves.** Seed Commons, a national intermediary fund that invests in place-based lenders that focus on worker-owned cooperatives, uses their national scale to attract capital and share back end support among lenders and their community partners. SPARCC, an initiative of several national foundations and CDFIs, works in several sites around the country that combines local governance with the lending capacity of CDFIs. SPARCC is able to share experiences across sites to support each individual project.
- > **Just because a project has grassroots stakeholders involved in governance doesn't mean it is beholden to the broader community.** Especially in multi-stakeholder spaces, it is possible for grassroots voices to remain a minority. One solution to this is to have forms of outside accountability; RPF offers one board seat to be elected by a broader membership of grassroots organizations and another by community investors. Sometimes it can be helpful in large decision-making bodies to have a "grassroots champion" take the lead. This often happens naturally in participatory spaces open to many community members. But funders should be wary of relying on a singular voice at the expense of the many.
- > **Grassroots governance does not protect from mismanagement.** People – even leaders from the grassroots who know their communities well – make mistakes. This was seen in the Village Financial Cooperative, a community-initiated credit union that emerged from racial justice organizing. As of this writing, the project is delayed due to financial misconduct from leadership.
- > **Voice and Vote in the governance stage can deepen over time.** While some of the deepest GCEI projects emerged from grassroots efforts and baked in community control from even before initiation, other projects have shown the willingness and the ability to deepen the degree of community control over the life of the project. For example, KCT is moving from minority to majority board control by grassroots stakeholders. SPARCC added more elements of community governance and shifted their core project goals due to feedback from the community to better center racial equity.

Summary of Elements of Voice and Vote in Ongoing Governance

As with the design stage, the elements of Voice and Vote in the governance stage are loosely ordered below from “more community engaged” to “less community engaged.” This is not meant to dismiss projects with elements on the right hand side of the table - every project feature listed here goes beyond traditional community development and investment practice. There are also logistical reasons for why some methods are less possible, including the fact that the deepest elements of grassroots design require deep prior relationships with grassroots organizing efforts.



ELEMENTS OF VOICE AND VOTE IN GOVERNANCE

	More community engaged		Less community engaged		
 METHOD	Community assemblies (The Ujima Fund) Cooperative of multiple grassroots stakeholders (EBPREC)	Working groups (Market Creek Plaza) All-grassroots board (Thunder Valley CDC)	Separate community advisory board (Olamina Fund) Multi-stakeholder board, grassroots majority (Boston Impact Initiative)	Decentralized decision making (Co-Op Capital)	Multi-stakeholder board, grassroots minority (Invest Appalachia)
 SCOPE	All major decisions (The Ujima Fund)	Elect and replace investment partners (RPF)	Pipeline development (Elevated Chicago)	Approve each individual investment (Olamina Fund)	Who gets to receive investments (Co-Op Capital)
 GRASSROOTS REPRESENTATION	Any resident of a community, low barrier to entry (The Ujima Fund)	Small group of grassroots organizations (RPF) All grassroots participants of project (EBPREC)	Multi-stakeholder, grassroots orgs and institutions (Elevated Chicago)	Recipients of investments (Seed Commons)	

Economic Participation

One of the most persistent issues in communities is the lack of opportunities to build up assets and wealth, including through investments. Investment activity is generally not within the purview of lower-wealth residents given the need for savings, which many families don't have. Additionally, there are cultural and technical barriers, with access to investment information reserved for wealthier communities. An additional barrier is the risk that comes with all investments, which lower-wealth residents are not as well positioned to bear as their wealthier counterparts.

That said, several GCEI projects seek to overcome these investment barriers and allow community investors to invest savings into the project. This comes with additional barriers, especially the need to structure investment offerings so that non-accredited investors can participate at low minimum requirements. The projects that offer some sort of community investment are the Ujima Fund, RPF, Market Creek Plaza, East Portland CIT, and EBPREC.

The ability for community members to invest is what we refer to as Economic Participation. In each GCEI project with this feature, the intention is that local community members are able to benefit from appreciation of project assets or the well being of the project. Due to securities law, ability to invest is typically confined to the state level, rather than local level - for example, EBPREC allows any California resident to invest.

Why implement economic participation? The decision ties back to the two main goals of wealth building and power building. Some projects, particularly Market Creek Plaza and East Portland CIT, explicitly offer high dividends to community members as a method of wealth building for these investors. Other projects seek to foster connection and engagement between residents and the project, as an additional layer to Voice and Vote. This may foster accountability over the project, by virtue of actual voting rights that attach to the investment. But even when economic participation does not come with explicit voting rights, it adds accountability by signaling local interest and by increasing the cost - reputational or otherwise - of making decisions that are not aligned with community priorities.

Takeaways: Economic Participation

- > **Having low investment minimums and low risk is important to engage low-income communities.** The Ujima Fund's investment minimum is as low as \$50 for Boston residents. They also developed investment tranches that track risk and return: community investment shares receive a higher dividend and are secured through philanthropic dollars, compared to investment notes for institutions and accredited investors, which receive a lower return and bear more of the risk. This protects community investors' wealth and allows more members to invest. Comparatively, if funds have investment minimums over \$500, many individuals in the community served may not be able to take part. This feature is more important for projects where governance rights are tied to investment.
- > **Economic participation is most prominent in GCEI projects that have the deepest levels of community governance.** The Ujima Fund, EBPREC, RPF, and Market Creek Plaza – all featuring different but deep forms of Voice and Vote in governance – all implemented community investment (and some form of accompanying governance rights). For these projects, the dividends are generally quite low, however. Wealth building is secondary to the power-building components to these projects. Comparatively, East Portland CIT has a high dividend, but no accompanying governance rights for community investors. Mercy Corps Northwest, the founder of East Portland CIT, is focused primarily on wealth building.
- > **For commercial real estate projects, community ownership may encourage participants to shop and dine in the commercial space more.** For East Portland CIT, retail tenants of the commercial plaza reported more foot traffic from the community after transfer to community ownership. This thesis makes economic participation a risk mitigant because of the buy-in from the community and the commitment, as owners, to see the projects thrive. However, as a cautionary note, community ownership doesn't mean that the businesses remain popular; after the financial crisis of 2008, many of the businesses within Market Creek Plaza failed. This led to vacancies that were replaced by chains, to the dismay of the community members who helped design Market Creek Plaza.
- > **Projects with community investment may be sacrificing reinvestments back into the project.** KCT, which purchases commercial properties and holds them in perpetuity for the benefit of the community, specifically did not implement a community investment share because they wanted proceeds going towards adding new properties to their portfolio. This difference reflects a fundamental difference in the goals of preventing asset leakage at the community level, rather than build individual accounts for residents of the neighborhood.

Scalability and Replicability

Dealing with notions of power in communities is not intrinsically scalable or replicable. Nonetheless, there are efforts in the GCEI space that aim at increasing scale, providing a blueprint for replication, or at the very least inspiring others to pursue the approach.

SCALE AND SCALABILITY

Most of the current GCEI projects are quite small, with funds hovering in the \$5-10 million range.

For the most grassroots-oriented of GCEI projects, those that have the strongest connections to community organizing and a power building lens, scale is not a determining factor. Projects like the Ujima Fund and RPF aim to serve a specific community at its own scale. The small scale is made up for by their serving a broader purpose than the capital they are deploying - they are building organizing efforts and inspiring a new model of finance.

For other projects, it often makes sense to keep a small scale for more practical considerations. There may be a limited pipeline of potential investments to be made, particularly where the funds have strict mission criteria on top of the financial considerations. In fact, some GCEI-oriented funds have found it challenging to develop a healthy pipeline. But even if there were a broader pipeline of entities ready to absorb the capital, it is not so clear that there are yet enough investors to suggest that funds like the Ujima Fund and RPF could attract \$50 million, particularly as first-time funds (they would also not want to rely too heavily on a single major investor). In order to absorb larger amounts, the organizations would also need to strengthen their operations and management, which can run the risk of putting too much emphasis on the investment activity to the detriment of the overall organizational goals.

There is some evidence to suggest that the models of GCEI real estate investment projects can happen at a larger scale. At the single-investment level, Downtown Crenshaw is raising \$100 million for their bid. If successful, they will demonstrate that GCEI can work at the bigger end of real estate projects. At the recurring investment level, KCT is seeking to build a \$40 million portfolio, with the limiting factor not being the ability to purchase more properties, but the speed at which they can acquire and put the buildings to use (avoiding the warehousing strategies that have been criticized by communities).

REPLICABILITY

The teams behind GCEI projects have shown more significant interest in replication. However, as in the case of scale, there is something about replicability that is not a natural fit with a GCEI approach. The notion of communities, rooted in place, gaining agency over investments is by its nature a local, place-based affair, contingent on dynamics, histories, relationships among stakeholders, and organizing efforts that are unlikely to be comparable elsewhere. A project like the Ujima Fund, which emerged from years of organizing in the very specific context of Boston, could not be replicated wholesale at the behest of a funder.

That said, there have been some promising developments in terms of replicability. The East Portland CIT has developed a patented legal structure and implementation toolkit and is seeking interest from other cities to replicate the model of the community investment trust. Several communities have expressed interest in replicating their model or have been inspired to start similar trust models, from Los Angeles to Atlanta to Tulsa.⁸ And a model with longstanding, proven ability to replicate is that of ROC USA, which implements a similar process through local partner CDFIs across the country.

Yet another approach to replication is that of jointly embarking on a journey that features grassroots leadership from different communities. The Boston Impact Initiative, for example, has developed a learning cohort for communities across the country to learn about developing their own community-centered capital funds. At the national level, SPARCC is in a position to leverage learnings from its site projects, like Elevated Chicago, and help replicate successes across sites.

At the grassroots level, several projects explicitly seek to inspire others to do similar projects, even if the conditions that led to their onset were unique to that project. Co-Op Capital wants to change the logic of assessing credit for underserved borrowers like Native and immigrant communities. The Ujima Fund is hoping to inspire similar projects elsewhere by demonstrating that a complete grassroots economic ecosystem, anchored by a fund, is possible. Downtown Crenshaw, while being a large project, will likely inspire other communities to compete in real estate bidding processes if the model proves successful.

Lastly, there is not enough of a track record yet for explicit replication, though many are watching these projects carefully to see how goals are met, and what learnings can be adapted to new locations.

⁸ ImpactAlpha, [Neighborhood trusts are taking on speculators and building community wealth](#), 2021.

Financing Needs of GCEI Projects

Financing community investments requires special attention and the adaptation of several instruments to the local circumstances. They often require just the right mix of design and development capital, debt, and equity, often in varying tranches of returns and duration. While more traditional investments in communities can reach significant profitability by achieving larger scale, many others benefit from subsidies such as tax abatements and New Market Tax Credits.

GCEI projects add the complexity of involving a significant commitment of resources for engagement and education and by their nature, especially where they seek to create local wealth, can tend to offer investors lower rates of return as conventionally understood. Successful GCEI projects match the right kind of financing to the projects that communities need by combining several capital tools.

CAPITAL TOOLS

Grant Capital

Even though GCEI projects are ultimately about investment, grants are crucial for operating support so that project staff is paid, technical assistance for grassroots stakeholders governing projects and potentially for support for businesses being invested in, and legal and licensing fees. Projects with broader organizing goals, particularly those initiated from the grassroots like the Ujima Fund, RPF, and Thunder Valley CDC, use grant capital for broader movement building work. For many developments, the first money in, which can finance the conceptualization, design, and development phase, is the hardest to obtain, and thus has the highest leverage for philanthropic investors supporting GCEI projects.

De-risking Instruments

The aversion of many investors to smaller, community-driven projects is due to the understanding, or perception, of risk. New projects with minimal track record and a strong focus on mission, as GCEI projects are, necessitate an instrument that reduces an investor's risk perception. These tools include guarantees against loss for outside investors. For example, the Jacobs Family Foundation, and the principal behind the foundation, offered guarantees for the Market Creek Plaza development, which helped assuage the risk perception of other investors and facilitated their commitment to the project.

Where an investment tranche for residents is contemplated, GCEI projects generally also seek to ensure that local residents, who are least able to bear the risk, have some kind of protection. In the Ujima Fund, for example, resident investments are protected by investors who elect to bear the first tranche of risk. As is often said in the impact investing space, when one thinks about a grant as a negative one hundred percent return of capital, providing potential loss coverage that can unlock significant impact suddenly appears to be a fairly good financial proposition.

Another form of protection comes from a guaranteed return to the community investors. In the EPCIT project, Mercy Corps Northwest was able to guarantee that investors could redeem their shares at any time without loss of capital, plus a guaranteed minimum 2% annual dividend, by obtaining a direct pay letter of credit from the property's primary mortgage holder, Northwest Bank.

Lastly, funders and investors can provide an interest rate subsidy that help reduce the interest rate charged to loan recipients, for whom higher rates can be prohibitive. RPF, for example, has such an instrument in place, supported by a \$100,000 earmark from Wells Fargo.

Investment Capital

Investments in GCEI projects feature as much variation, from a technical perspective, as conventional investments. What they do require is a new outlook on the part of the investor: while returns are to be expected, they are not the foremost driver of the project; as such, they ought to be subsumed to the impact. Realistically, investors by and large still need to obtain a certain rate of return; this consideration is especially salient where purely mission-aligned capital that is willing to take lower returns is not sufficient to finance the entire project.

One way to address this issue is to redefine the risk of the investment, as happens for example where community involvement in itself helps drive the success of a project, or those involved seek to ensure the existence of a market for the project's offerings. Similarly, ceding governance rights to community actors can be seen by investors as a feature that makes the investment profile stronger (in juxtaposition to the traditional stance where investors require additional financial compensation for relinquishing decision-making rights).

Generally speaking, investment capital for GCEI projects needs to be patient, as processes can take longer. It needs also to be aware that whatever return is being provided to the investor comes from funds that would otherwise remain in the community.

One feature that concerns investors generally, and is certainly present in GCEI projects, is size. Smaller deals are less attractive for investors and intermediaries, since they require a similar amount of capacity and effort for a lower return – it is more convenient to deploy \$5 million in one investment rather than \$1 million, if both take roughly the same amount of diligence and underwriting work. CDFIs have been

encouraged to engage in smaller deal sizes, and this may itself require a subsidy or a contribution to the CDFIs, which are often leanly staffed and thus unable to spread their capital too thinly. The smaller investments of GCEI projects, however, are often too large for traditional grants, which creates a “missing middle” for the ideal investments many communities need.

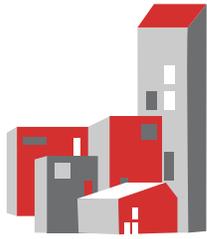
For these reasons, GCEI-minded investors need to be especially attuned to issues of size, risk allocation, and timing of the contribution.

GCEI projects need to be backed by investors who share the values of the grassroots leadership and are willing to match the risk and return profile needed to make the financial aspect work. What is suggested in these pages is a questioning of the assumptions behind certain investment decisions, not their wholesale discarding. Specifically, investments that aim to be “mission first” can achieve their goals without compromising on their intents and without yielding to the limits that are imposed by a notion of market rates of return that has shown to be inherently misaligned with equitable communities.



Takeaways: Financing Needs of GCEI Projects

- > **GCEI projects require a range of capital, from grants to loans to equity to revenue-based financing.** They often have difficulty finding the right investors for different capital buckets. Many don't have the ability to take on debt, necessitating more flexible forms of capital, including grants.
- > **Intermediaries often don't have the right financial products for the projects communities want.** In the case of SPARCC, which assumed that it could solve problems with a capital cocktail of grants, guarantees, and PRIs, it found that its toolkit could not address all the problems due to particular challenges to the projects, such as entrepreneurs who hadn't done projects before, no appropriate balance sheets, and problems with land value. Capital grants were envisioned to become part of the capital stack in a blended capital approach but instead needed to be used for early-stage predevelopment.
- > **Funders and investors are not as risk tolerant as they need to be in supporting GCEI projects.** Fundamentally, foundations are less inclined to take risks on projects with little track record or prior examples. This is a key roadblock that needs to be overcome to support GCEI.
- > **Funders and investors do not typically calculate the risk of project failure for communities into investment calculus.** There is a real risk if an investment doesn't work out, and the brunt of that effect is felt more on communities than the investor.
- > **Communities often seek deals in the size range that is too small for most intermediaries, but higher than what philanthropies are willing to give as grants.** This creates a "missing middle" for the ideal investments many communities need.
- > **Some projects, particularly housing projects, require long-term investment** in order to ensure stability and affordability for residents, which may go beyond PRI allotments.



SPOTLIGHT

Benefits of GCEI in an Investment Portfolio

While the capitalization needs of GCEI projects are particular, they can be easily addressed by investors for whom the achievement of equity in the communities they serve is paramount. In many cases, this requires chiefly a shift in perspective around risk.

A GCEI process is viewed by community practitioners as a way to reduce risk, even though not in ways that most traditional investors would feature in their calculus. This makes GCEI projects strong investments for philanthropic or otherwise mission-driven investors that are willing to entertain innovative approaches to risk calculation. For example, when residents of the community determine that a business is worth funding, or that an investment project needs to be implemented a certain way in order to be fully utilized, the risk for an investor is lessened by virtue of the community's input and buy-in. Indeed, the failures of past mission-driven investments that did not involve community partners illustrate some of the risk of not doing so. This means that while the absolute financial returns on GCEI projects may be lower than other mission-aligned investments, on a risk-adjusted basis, the return is enhanced by the lower levels of risk. This makes GCEI projects as suitable as more traditional ones for a mission-driven portfolio.

Mission-aligned Investors in GCEI initiatives that combine a quest for returns with a quest for impact also understand that whatever increase in risk may be feared on the financial side, the non-financial risks are being significantly reduced, such as the risk that an investment would succeed financially but be at cross purposes with the same entity's mission, or the risk that a project leave impact on the table for the program side because it fails to support the community as intended.

PART 3:
**TAKEAWAYS,
RECOMMENDATIONS,
AND CONCLUSION**



Synthesis of Takeaways

TAKEAWAYS: GOALS OF GCEI PROJECTS

- > Focusing on wealth building is necessary when investing in communities, but there needs to be a power building component too.
- > Process matters in power building more than the output of the investment itself.
- > For projects initiated by outside institutions, developing deep engagement with grassroots stakeholders is critical to advise, revise, and ratify the project goal.
- > Projects that build grassroots presence in financial systems tend to be place-based.
- > Some GCEI projects build power at the individual level, and some at the grassroots organization level.
- > There are two main wealth-building strategies: creating investable assets for community investors, or preserving wealth at the community level.
- > Across a variety of goals, several projects are seeking explicitly to replicate and inspire new projects.

TAKEAWAYS: VOICE AND VOTE IN DESIGN

- > The design process is a critical step for ensuring that grassroots stakeholders have their goals reflected in the project.
- > Design of the project starts before breaking ground.
- > Convening grassroots stakeholders for periods that are too long can create fatigue.
- > Who is brought in for design decisions, and how they are convened, matters in ensuring that community voices are broadly represented in design.
- > Outside expertise is still needed to help grassroots stakeholders design projects.
- > Institutions who are hosting open convenings to design projects must center the most affected residents, grassroots organizations, and other non-institutional stakeholders.

- > Sometimes, outside institutions have logistical limitations to implementing Voice and Vote in design, and for good reason.

TAKEAWAYS: VOICE AND VOTE IN GOVERNANCE

- > Direct democracy (votes by many community members) requires deep ties to pre-existing community organizing networks.
- > Representative democracy (votes by a smaller group of grassroots organizations on a governing board) works only if there is complete buy-in from (and support for) the founding organizations.
- > Governance by a smaller group of organizations will lead to decisions faster than governance models with many entities involved.
- > Providing grassroots stakeholders veto power over investments is a simple but powerful way to give grassroots stakeholders Voice and Vote.
- > Outside legal and financial expertise can counter the high learning curve for grassroots stakeholders in the governance stage.
- > It is important for projects led by national funders and intermediaries to distribute decision making to place-based actors, rather than taking too much control themselves.
- > Just because a project has grassroots stakeholders involved in governance doesn't mean it is beholden to the broader community.
- > Grassroots governance does not protect from mismanagement.
- > Voice and Vote in the governance stage can deepen over time.

TAKEAWAYS: ECONOMIC PARTICIPATION

- > Having low investment minimums and low risk is important to engage low-income communities.
- > Economic participation is most prominent in GCEI projects that have the deepest levels of community governance.
- > For commercial real estate projects, community ownership may encourage participants to shop and dine in the commercial space more.
- > Projects with community investment may be sacrificing reinvestments back into the project.

TAKEAWAYS: SCALABILITY AND REPLICABILITY

- > In terms of scale, most GCEI projects are quite small.
- > Funds have fairly restricted pipelines given the strict mission criteria of the grassroots stakeholders leading them.
- > While the market is growing, there are not enough investors to capitalize funds at a larger scale.
- > Furthermore, most of the funds and recurring projects would not be able to absorb a large investment.
- > There is some evidence to suggest that the models of GCEI real estate investment projects can happen at a higher scale.
- > For the most grassroots-oriented of GCEI projects, those that have the strongest connections to community organizing and a power building lens, the issue of scale is sometimes less important.
- > The conditions for success for each project featured in this report are unique to each project, making uniform statements about replicability difficult.
- > National institutions can use their scope to help replicate models and share experience across similar projects.
- > Many grassroots-initiated projects seek replicability and inspiration for others over scale of their project.

TAKEAWAYS: FINANCING NEEDS OF GCEI PROJECTS

- > GCEI projects require a range of capital, from grants to loans to equity to revenue-based financing.
- > Intermediaries often don't have the right financial products for the projects communities want.
- > Funders and investors are not as risk tolerant as they need to be in supporting GCEI projects.
- > Funders and investors do not typically calculate the risk of project failure for communities into investment calculus.
- > Communities often seek deals in the size range that is too small for most intermediaries, but are higher than what philanthropies are willing to give as grants. Some projects, particularly housing projects, require long-term investment.



SPOTLIGHT

Outcomes of GCEI Projects

While most of the projects featured in this report are in their early stages, there is still anecdotal evidence to suggest that the engagement of grassroots stakeholders in investment leads to unique outcomes that demonstrates the power and wealth building potential of GCEI.

GCEI can be transformative for the participants and grassroots organizations involved. With Elevated Chicago, several participants in governance roles for the project went on to work for the mayor's office. Across projects, individuals engaged in governance and design processes had never been included in such important decisions in their community, and felt invested in the project's success.

GCEI represents an opportunity to transform the institutions that are a part of the project. Community Vision, the CDFI partner of RPF, applied for the role of Fund Administrator as a means of exploring new ways of driving equity in their investment practices. If the fund is successful in doing so, they can take the learnings from this project and implement elements of GCEI in other investments.

GCEI can have spillover effects in civic participation. Members of the Boston Ujima Project and East Portland CIT reported being more engaged in local political campaigns after participating in the engagement process.

GCEI can be good for business. East Portland CIT, one of the only projects that has undergone an impact evaluation process, has reported increased foot traffic for businesses housed in the community-owned commercial space. Other projects that invest in and provide retail space for businesses see grassroots stakeholders pledge to shop at those businesses because of the engagement process. This makes businesses invested in through GCEI more attractive for an investor.

GCEI helps grassroots stakeholders unlock new sources of funding that advance their goals. By creating an institutional force such as a new fund or a community-owned real estate development, grassroots organizations involved in the project actually can attract more capital. The organizing coalition behind RPF was able to secure additional movement building grant dollars because of the "multiplier effect" those dollars would have by helping the organizations attract investment capital and further funding. Institutional partnerships with reputable lenders like CDFIs help leverage these additional dollars.

Recommendations

FOR FUNDERS AND INVESTORS INITIATING A PROJECT

- > **Build on existing community assets.** Before initiating, take stock of what is or isn't already in the community, such as strong organizing, a CDFI or community foundation, and prior relationships of trust.
- > **Engage grassroots organizations and instill grassroots governance as early as feasible.** The early phase is critical in shaping the goal and structure of the project, which needs to work in alignment with the community's vision in order for it to achieve their wealth and power building goals. If you lead with your own ideas, there is a risk of push-back from key grassroots leaders later on. This happened in the case of SPARCC, which shifted its initial priorities based on community input.
- > **State your goals and constraints.** At the initiation phase, the "why" of the project – and of each entity involved – needs to be articulated clearly, especially given that different goals may coexist. Explain your motivations in pursuing deeper community engagement and be clear about your own constraints. Keep your theory of change simple and understandable, ensuring that it aligns with that of the community.
- > **Fund grassroots stakeholders for their time in developing projects, and direct resources towards education and other necessary technical assistance.** Grassroots organizers and nonprofits need to learn many technical aspects of investment in order to meaningfully lead projects; this often requires knowledge on terminology, the experiences of other GCEI projects, legal advice, and partnership advice. This takes time and resources, which is a key offering of funders.
- > **Make sure that projects have majority governance by grassroots stakeholders.** Projects with minority grassroots governance, or projects where the grassroots stakeholders are not as tied to the real needs of the community, will not be able to capture the power building elements of deeper engagement.

- > **Recognize that engagement takes effort.** While communities want to be involved in projects, don't assume that engagement will happen by itself, especially where people may be exhausted by prior consultations. Give people a reason to engage and build that engagement by ensuring that there are periodically some concrete wins and a sense of advancement.
- > **Help grassroots stakeholders bring in outside expertise for investment aspects of the project.** Back end financing support from CDFIs and other lenders can reduce the load for grassroots leaders, as Community Vision did for RPF.
- > **Ensure that there are accountability measures in place for external partners in the project governance stage.** Veto power, as with the Olamina Fund, is a strong form of accountability to community goals. Even stronger are cases where the grassroots stakeholders can decide to end the relationship if the partner is no longer adhering to the original vision.
- > **Act in the service to grassroots goals and build trust, but still offer your expertise.** Funders have knowledge and experience that can be a real resource for projects when offered as a tool, not a guiding force. Heed the community's preferences on what you are asked to be involved in and what you are not.
- > **National funders initiating a project should seek local grassroots partners and local financial intermediaries to whom to distribute governance and project management.** It is difficult for large national institutions to have the reach needed to corral the necessary partners.
- > **Do not create a bidding war among grassroots stakeholders.** Allocate resources fairly to avoid perpetuating unhealthy power dynamics and creating strife and competition for limited resources among local actors.
- > **If you are the anchor funder for a project, make sure you have long-term resources committed but avoid over-reliance on you as sole funder.** Consider funding projects as a consortium of funders, as with the group of funders behind Invest Appalachia.
- > **National funders should share experience between local partners across sites.** This is possible for projects like SPARCC, where the leading funders and financial intermediaries can help share lessons and successes from one of their sites to another.

- > **Don't replicate a model just because it worked elsewhere, but do learn and adapt.** Each GCEI project has its own preconditions for success. Sometimes there is capital waiting to be deployed but no grassroots leaders willing to take on projects, and other times there is a strong base of grassroots organizing but no investors or funders ready to commit. Talk with grassroots leaders to understand the landscape and determine the best role to play.
- > **Honor your commitment to a GCEI practice.** Many communities have rightfully grown wary of claims of engagement by funders, in light of negative past experiences. Weak forms of engagement are often seen as appeasement and have too often been used as an insulant by funders against potential criticism. While doing inauthentic engagement can create further strain, authentic engagement can start healing rifts and rebuilding trust.

FOR FUNDERS AND INVESTORS SUPPORTING EXISTING GCEI PROJECTS

- > **Support and invest in projects initiated, designed by, and governed by grassroots stakeholders.** These projects are more likely to be deeply tied with existing movements in that community, and will therefore seek to lift up individuals, organizations, and ideas within those movements in new areas of power. Examples of such projects in this report are the Ujima Fund, RPF, EBPREC, Downtown Crenshaw, and Thunder Valley CDC.
- > **Help projects deepen their grassroots governance over time.** Not all projects capture grassroots movements from the beginning, but it is possible for institutional leaders to cede more power and bring more grassroots stakeholders in after it begins. KCT is doing so.
- > **Look for projects that have strong elements of GCEI in every bucket of community development that you are funding or invested in.** There are place-based funds like Ujima and RPF, national intermediaries like Seed Commons and ROC USA, real estate development projects like Downtown Crenshaw, and housing projects like EBPREC. Across these categories, it is possible to find projects to support that push for strong GCEI.
- > **Help your existing portfolio adopt more GCEI practices.** Simple first steps could be talking with grassroots leaders, implementing a separate community advisory board like the Olamina Fund, inviting grassroots stakeholders to serve in the existing governing board as East Portland CIT plans to do. Commit to feasibility studies before investments and engage grassroots stakeholders on an investment-by-investment basis. Deepen this commitment over time.

- > **Make GCEI a precondition for investment.** Ask project leaders if and how they are engaging with local grassroots organizations and the residents of the communities they serve. Support gaps they may have.
- > **Fund operations and organizing work of grassroots organizations leading GCEI projects.** Grassroots-initiated projects need this support both to be prepared to undertake the project and to carry it out successfully.
- > **Value what communities have to bring to the table.** For funders and investors new to GCEI, there is a tendency to agree with the value and mission of grassroots leadership but not expect “good ideas” to come from the grassroots. Understand that their knowledge is as complementary to institutional expertise as the other way around.
- > **Be patient with the process of working with grassroots organizations in the context of capital and respect a community’s need for time.** Transformative investment doesn’t happen overnight; persistence and patience is key for both funders and grassroots stakeholders.

FOR FUNDERS BUILDING INFRASTRUCTURE FOR GCEI

- > **Fund technical assistance providers that provide critical insights for grassroots stakeholders, funders, and intermediaries involved in GCEI projects.** The availability of legal support is also key for early-stage projects. Popular educators for grassroots stakeholders, like Transform Finance and Center for Economic Democracy, play a key role in building the capacity of communities to engage with capital.
- > **Fund research into legal structures and models that can be developed and adapted for GCEI projects.** A key barrier to replication is that much of the legal structuring for projects in this report was tailored for that project; finding commonalities in legal structuring was outside the scope of this research but critical for the field.
- > **Fund replicability studies and programs that work with communities to develop capital vehicles.** Mercy Corps Northwest has packaged their model for the East Portland CIT for other communities. Boston Impact Initiative has developed a cohort to teach grassroots stakeholders about community capital funds. Transform Finance has a curriculum for community members to understand the basics of place-based funds. These programs can help with replicability.

- > **Consider the funding needs of the entire ecosystem within a given community.** It takes many organizations, and meaningful grassroots leadership, to make a GCEI project happen. A funder hoping to see more GCEI projects flourish should consider nurturing the entire ecosystem.
- > **Fund research to strengthen the evidence that outcomes from GCEI projects are superior to investments without community engagement.** Conduct measurement and analysis for GCEI projects starting to develop a track record and to make the case for fellow funders via evidence of success.
- > **Fund grassroots organizing.** The precondition for strong engagement that is hardest to fund is a strong base of organizations, networks, and individuals who will show up for meetings and commit to a new area of work. Racial justice organizations, housing and tenants rights organizations, worker representatives, business support nonprofits, mutual aid networks, and other community-based actors are the foundation of GCEI; help them move deeper into capital.
- > **Strengthen the potential for success by advancing policies.** Funders' and investors' clout can be usefully deployed to help a community secure policy wins and governmental support. Funders can make their power and relationships available to grassroots stakeholders beyond just funding them.

FOR INSTITUTIONS SEEKING TO INVEST

- > **Investors should be willing to take a less advantaged financial position.** Of all the players involved, an institutional partner may be better situated to be patient, or take on a layer of risk, or forego some returns.
- > **Investors should not hide behind traditional but avoidable tropes of finance.** Considerations such as fiduciary duty and prudent investment have a place, but should not be used as an easy shield against trying worthwhile new approaches.
- > **Investors should dig lower into minimum transaction sizes.** High tickets are often a barrier for entrepreneurs and smaller projects. While this increases transaction costs in the short run, it can also lead to larger investments down the road.

- > **Help grassroots stakeholders understand their ability to absorb capital through a capital absorption review.** The fact that capital is needed does not mean that a fund will be able to provide it, or that the conditions are in place to absorb it. Do a realistic assessment of what is needed and how that need may be met under current constraints.
- > **Provide capital on terms compatible with uses, including the duration of an investment, the type of capital, and the terms the project needs.** The terms of the investment product must match the capital needs. This includes matching the duration of the investment (for example, avoid lending short-term to an intermediary that is expected to make longer-term loans).
- > **Because structuring PRIs can be challenging and time-consuming, rely on others who have expertise, or consider faster support via a grant.** Smaller foundations, in particular community foundations, may lack the expertise or resources to make PRIs. Rather than making a one-off PRI or investing significant resources to build up PRI capacity, it may be more efficient and impactful to use grant capital and rely on others for PRIs.
- > **Think from a solutions-first perspective, deploying capital in response to community need.** Don't start with an idea that a particular kind of capital is the right one, but develop products and structures that are most needed to solve issues. Be mindful that stakeholders in a situation of scarcity may try to make their project fit the capital that seems available without explicitly saying so.
- > **Combine different types of capital, especially integrating investments and grants into the same project financing.** Projects need both types of capital and funders who are able to provide both can and should do so. Wells Fargo supports several aspects of RPF, including operations support, grants for interest subsidies, and capital for a loan loss reserve.
- > **Investors can act as an anchor investor to attract and de-risk capital from others.** Many investors, even among philanthropic investors and mission-aligned intermediaries, are hesitant to be the first investor in a fund or project; foundations who believe in a project should make a point to make anchor investments. At the same time, make sure that the entire project does not depend on one funder, as that concentrates risk.
- > **Investors and funders should be reasonable with due diligence.** Most community organizations are unlikely to have the paperwork or investor materials ready or polished. Help them understand the importance of due diligence and guide them through it.

Conclusion

The orientation towards the role of investors and funders in driving social justice is shifting. This is due in part to the COVID-19 crisis and 2020 uprisings for racial justice, which have led to conversations among progressive institutions – and more importantly, among frontline activists, BIPOC communities, and others most affected by economic crises – about how to center the voices of people harmed by systems in changing those systems.

This shift has been seen in philanthropy, with activists continuing calls for decolonization and giving more power, flexibility, and decision making power to grantees. It has been seen in the increased calls for BIPOC media and heightened rhetoric around listening to frontline journalists and influencers. It has been seen in neighborhoods across the country in response to inadequate government responses to massive unemployment and food insecurity, where mutual aid organizations emerged to create peer-to-peer avenues for resource sharing and power building.

There is another flank towards shifting power towards communities: investments that have historically fallen within the purview of community development, but have been detached from considerations around power and agency. This is not a new idea, and indeed it builds on a distinguished history of community self-determination, but it is one that is increasingly catching the eye of funders, intermediaries, and the grassroots due to its potential to finally reckon with capital as an expression of power.

Grassroots Community Engaged Investment projects place that power into the hands of grassroots stakeholders as a means of shifting this dynamic and building an economy that works for communities, not at their expense.

Most Grassroots Community Engaged Investment projects have been built within the past decade, and are only now beginning to bear fruit. We are now entering a critical phase in the history of these efforts, one that requires treating them as pioneering efforts deserving of attention and support. It is time for funders and investment practitioners to pay attention and learn from these efforts.

And while the ultimate outcomes will manifest in years if not decades, the early indication is that Grassroots Community Engaged Investments can change the landscape of investing into communities. It is more than just a better way of investing or of creating long-lasting change: it is a model that allows mission-driven funders and investors to achieve their potential as true allies in social justice movements, as drivers of racial equity, and as supporters of a fundamentally different economy that works for communities.

Building out this budding field will require patience, continued innovation, and open-minded distillation of the body of knowledge that is taking shape via the projects featured here. What investment structures work best? How can one reconcile the tensions between power shifting and more traditional investment decisions? How can grassroots leaders be supported and resourced to build? What is the best way to share the experiences from one effort to another, to replicate models in new geographies and with new institutional partners?

These questions will not get answered on their own. We hope this report sets the stage for others to help answer them.



Acknowledgments

This work builds on the work of so many individuals and organizations fighting for justice in the economy. In particular, this report was inspired by grassroots organizations and individuals who decided to build something new. In that spirit we hope that this report strengthens their work.

Thank you to the many individuals who contributed to this project, particularly Emily Sladek and Cliff Rosenthal for leading interviews and moving the research along with grace and dedication; Oscar Perry Abello and Emily Whitfield for their contributions to editing drafts of the report; and Shante Little for her many universal contributions to project management, research, and writing. We would also like to thank contributors to the project at various phases: Darien Acero, Kat Vang, and Jake Gehrung.

We would like to thank our advisors on the project: Cathy Albisa, Margot Brandenburg, Kate Danaher, Steve Dubb, Farhad Ebrahimi, Rodney Foxworth, Patrick Horvath, Sayer Jones, Neha Kapur, Tori Kuper, Stephanie Randolph, Jeff Rosen, Aaron Tanaka, and Ed Whitfield.

Lastly, thank you to the Robert Wood Johnson Foundation for their support. In particular, the leadership of Aditi Vaidya and Ashley Starck was tremendously helpful in guiding this work. While some of the projects described in this report received funding from the Robert Wood Johnson Foundation, the views expressed are those of the authors and do not necessarily reflect the views of the Foundation.

APPENDICES



Appendix 1: Case Studies

CASE STUDIES NOTE

The following case studies detail several of the GCEI projects featured in this report. The projects chosen for case studies were not selected as the “deepest” forms of GCEI, but rather those that demonstrate a range of approaches to engaging grassroots stakeholders. For each project below, we discuss the background of the project, provide a description of the project and its version of grassroots Voice and Vote, and discuss any findings or conclusions drawn from the project.

CASE STUDIES

- 74** THE UJIMA FUND
- 79** INVEST APPALACHIA
- 83** MARKET CREEK PLAZA
- 88** ROC USA
- 92** THUNDER VALLEY COMMUNITY DEVELOPMENT CORPORATION
- 96** ELEVATED CHICAGO
- 102** REAL PEOPLE’S FUND
- 108** EAST PORTLAND COMMUNITY INVESTMENT TRUST

CASE STUDY: **The Ujima Fund**

The Boston Ujima Project – from the Swahili-language Kwanzaa principle meaning “collective work and responsibility” – was conceived as a response to the wealth gap in Boston produced by structural racism. The project aims to create a community-controlled economy that centers working class communities and Black, Indigenous, and People of Color (BIPOC) communities, featuring democratic participation of neighborhood residents, workers, business owners, and investors. Central to this effort is the Ujima Fund, an investment fund that is owned and controlled by the residents of Boston it serves. The Boston Ujima Project is a project of the Center for Economic Democracy, a Massachusetts 501(c)(3) organization.

The Ujima Fund’s model aims to reduce the racial wealth gap and poverty that is rooted in systemic racism. This goal is a natural byproduct of the project’s belief that racial equity and capital are inseparable – that racism directly influences the very nature of capital and vice versa. Equitable investment will not be achieved by adhering to the constraints of conventional standards like credit scores, which bear the imprint of discrimination. The Ujima Fund’s capital deployment decision-making relies heavily on the knowledge of community members about the businesses in their communities, in addition to financial and quantitative information, in order to obtain a more comprehensive investment picture. The democratic, participatory process is as important as the goal of providing equitable access to capital, building skills, knowledge, and power among members.

PROJECT DESCRIPTION

The Boston Ujima Project traces its origins to 2014, with the Boston Community Finance Study group, a collaborative effort of organizers, grassroots organizations, and aligned investors, including City Life / Vida Urbana, Boston Impact Initiative, and Center for Economic Democracy. The group began meeting with neighbors to determine which of the many potential avenues to explore first – a list including not just investment but also time banking, community currencies, skill sharing and educational workshops, and more. They are also exploring government partnerships in order to promote policy that supports worker ownership, participatory planning, and other aspects that aid the Boston Ujima Project’s mission.

In 2016, the Boston Ujima Project held a “Solidarity Summit” at the Hibernian Hall in the neighborhood of Roxbury to demonstrate the concept of democratic investment. They raised \$10,000 from 175 small

lenders, matched by \$10,000 from local investors, and provided 0% interest loans to five local Black & immigrant-owned businesses through a democratic voting process. In 2017, the Boston Ujima Project was officially founded and named its first executive director, Nia Evans, and launched the Ujima Fund officially at the end of 2018. Throughout this process, the Boston Ujima Project convened neighborhood and citywide planning assemblies to grow their membership, which reached more than 600 by late 2020.

The Boston Ujima Project describes itself as “a democratic investment vehicle raising capital to finance small businesses, real estate and infrastructure projects in Boston’s working-class and BIPOC communities, as part of the larger Boston Ujima Project.”⁹ Its activities extend beyond financing, to include creation of a “Good Business and Real Estate” certification, a worker empowerment network, and an alternative local currency. As a public charity, the Ujima Fund is exempt from federal and state securities registration requirements.

“Capital In” and Economic Participation

The Ujima Fund’s stated target is to raise \$5 million: \$4.5 million by issuing three classes of limited-recourse promissory notes to investors, and the remaining \$500,000, which is not part of the offering, is for loan loss reserves. The offering structure bears similarity to the Boston Impact Initiative’s fund, which includes investment tranches with varying levels of risk and return based on the demographics and risk tolerance of the investor.

The notes are as follows:

- **Kujichagulia Notes** (“Self-Determination”) are designed for smaller, less prosperous “non-accredited” investors – those below defined assets and income levels. Actualizing redistributive and reparative principles, these bear the least risk and earn the highest returns. The notes are offered only to non-accredited investors in Massachusetts, in amounts from \$50 to \$10,000, with a 3-year term and a 3% interest rate, paid annually. The Fund’s target for Kujichagulia notes is \$500,000.
- **Umoja Notes** (“Unity”) are offered to more prosperous accredited and non-accredited investors in CT, MA, ME, NY and RI in amounts from \$1,000 to \$1,000,000, with a choice of terms: 3-years at 2% interest per year paid at maturity, or 7-years at 3%, paid at maturity. The target is \$3,250,000.
- **Nia Notes** (“Purpose”) are the lowest tier, with the lowest yield and highest risk. These notes are offered to accredited investors in amounts ranging from \$5,000 to \$250,000 with a 7-year term at 1.5% paid annually. The target is \$750,000, and it is expected that these notes will be a vehicle for Program-Related Investments (PRIs) from foundations.

⁹ See [Boston Ujima Project - Finance](#).

Investment risk is stratified by seniority—that is, priority in payout. For the Kujichagulia notes, 50% are senior obligations (which bear the least risk) and 50% are junior (subordinated) notes. For the Umoja notes, 10% are senior; 90% are junior. For the Nia notes, 50% are junior obligations; 50% are “first-loss philanthropic obligations.”

The Ujima Fund emphasizes the importance of “non-repayable capital” in mitigating the risk for its least prosperous investors. For working and middle class investors who are less able and willing to risk capital losses, the Ujima Fund uses a portion of donation and grant capital to secure the investments in the fund. The Fund’s target for loan loss reserves is 15% of its invested assets. If the reserves fall short, the proceeds of the Nia Notes are the first to be applied to recapitalizing the reserves. If the Fund’s net losses exceed its reserves, Ujima may apply the proceeds of the notes, from least to most senior, to replenish the reserves. In addition to risk from loss of capital, investors incur interest-rate risk: The Fund retains the right to reduce its projected annual interest payments by up to 1% to investors if it needs to cover operating expenses. Lastly, philanthropic donations cover loan losses and enhance the Fund’s ability to repay its promissory note holders in the event that the Fund’s underlying investments fail.

In terms of the Fund’s investment strategy, it is focusing its initial investments on small businesses in five underserved market segments: microfinance; working capital; growth capital; real estate acquisition financing; and community infrastructure. It employs an “integrated capital approach,” using debt, equity, credit enhancements, guarantees, and other products to flexibly meet the needs of its borrowers. Loans may take a variety of forms: senior debt, mezzanine debt, subordinated debt, convertible debt, first-lien debt, second-lien debt, or unsecured debt. The Fund projects loan rates of 5% to 7% per annum, with terms ranging from three to seven years, amortizing or non-amortizing. The Fund’s equity investments will not have a specified interest rate or maturity; the target is an annualized return of 10% to 20%.

By May of 2020, the Ujima Fund had enrolled nearly 600 members, attracted 222 investors, and raised \$2.067 million in investments, chiefly through Umoja and Nia Notes. In addition, the Fund’s pool of donations totaled \$103,560 – essential to building the Fund’s reserves. To date, the Ujima Fund has made one loan to the CERO (Cooperative Energy, Recycling, and Organics) cooperative, an award-winning commercial composting company based in Dorchester and made one allocation of undeployed cash into CFNE (Cooperative Fund of New England). The COVID-19 pandemic significantly disrupted the Fund’s pipeline, and The Fund is now in the process of expanding its management team to diversify its pipeline.

Voice and Vote in Design Stage

Deep community engagement is fundamental to the Ujima Fund, with the planning and surrounding Boston Ujima Project activities like finance and political educational workshops serving goals broader than the investments itself. Much of the thought behind the design involves thinking through participatory processes, not just finance and investment.

A primary mechanism for resident engagement is the Neighborhood Assembly, which brings together Boston Ujima Project members, neighborhood residents who are not Ujima members, and local grassroots organizational partners, including those involved at the Boston Ujima Project's conception. The Fund also holds Business-to-Business Assemblies to gather input from businesses and entrepreneurs, and at the highest level they convene Citywide Assemblies to capture their entire base. Assemblies are participatory and seek to include the voices of all attendees, especially new members. Assemblies are a space to hold decisions for members as well, from developing a list of "community approved" businesses and a set of Good Business Standards to selecting artists who receive mini-grants.

Through these various assemblies, the Ujima Fund strives to develop shared values and plans for the local economy. Neighborhood assemblies, citywide assemblies, and business-to-business assemblies determine the Collective Investment Priorities and formulate and update the Fund's Community Standards. The Community Standards Committee conducts an annual review to ensure investments meet the Good Business Standards established for the Fund. In addition, there are more than a half-dozen Member Teams, which meet regularly and which address issues and relationships focusing on everything from outreach to anchor institutions, to arts and culture, to business support. An evaluation team is charged with measuring the Fund's progress in meeting its goals and maintaining accountability to its values.

Lastly, members are engaged online through frequent online communication and opportunities to take surveys that inform the standards and practices of the fund.

Voice and Vote in Governance Stage

Voting Members are current and displaced Boston residents who identify as working-class and/or BI-POC, grassroots partner organizations, community business owners and their employees. Similar to a credit union, each voting member gets one vote, regardless of the size of their investment into the Fund, or if they've invested at all.

Voting Members elected a Community Standards Committee which sets investment criteria and monitors the progress of the Ujima Fund's businesses. The Investment Committee, an appointed body, which includes representatives from the Fund's Community Standards Committee, Business Alliance, and Grassroots Partners, reviews the recommendations of the assemblies, conducts due diligence, and prepares recommendations. It presents its findings to Voting Members, who then vet the proposed

investment and request more information if they wish over a two-week period. Feedback is provided to the business, which may make a second presentation to the Investment Committee to resolve any questions.

A majority vote by the duly constituted quorum of the Voting Members is required to approve any investment. Once the Voting Members have approved an investment proposal, it is sent for final approval to the board of directors of the Center for Economic Democracy (CED), which is the Boston Ujima Project's fiscal sponsor and thus bears ultimate fiduciary and oversight responsibility, which serves as a backstop to ensure that decisions are in line with the Fund's mission. The Boston Ujima Project does not expect CED to overturn many, if any, investment decisions by Ujima members.

Apart from the governing structure, the Ujima Fund also has an Advisory Committee which offers guidance on vision and strategy.

CONCLUSION

The Boston Ujima Project is demonstrating and paving the way for Grassroots Community Engaged Investing at its deepest form. It was initiated from the grassroots and involved everyday residents in the communities it serves from the beginning. It seeks to build not just wealth, but power, and transform the local ecosystem to meet the needs of the BIPOC and working class people who make up its membership.

Their experience is not without its warnings and learnings, and there is a lot to learn from this case study. It took a lot of work and time to get to the point of launching the Ujima Fund, and because of the unfamiliarity with investment and the complex structure, they had to build up the familiarity and knowledge of its members. The level of design and governance they provide to its membership means that individual decisions can take weeks to come to. Nia Evans, the Executive Director, reflected that membership and community engagement design should have come before fund design.

Even with those learnings, there has been warm reception and momentum from the membership. On the investment side, the Ujima Fund has received more individual donations than it had expected, even if they are often small. It has also served as a model for "the democratization of place-based impact investing for social and economic justice in the US," according to its offering memorandum. In a post-pandemic world where inequities in wealth and housing, particularly along racial lines, are growing, direct participatory models like the Boston Ujima Project demonstrate a vision for how a community-controlled version of GCEI works in practice.

CASE STUDY: **Invest Appalachia**

Central Appalachia touches more than 423 rural counties in six states: West Virginia, Virginia, Kentucky, North Carolina, Ohio, and Tennessee. Long dominated by extractive industries, the region has faced a century of chronic underdevelopment, dysfunctional political institutions, lack of economic diversification, and broken markets. The decline of coal over the last decade eviscerated the already-fragile economy in much of the region, exacerbating environmental, health, and social welfare challenges. In recent years, the region has been a hotbed for the opioid abuse crisis. The region also suffers from disproportionately low investment of all kinds, with Appalachia overall receiving less than 1% of all venture capital since 1990, while the hardest hit areas of the region receive 1/10th of the national average of per capital philanthropic grantmaking.¹⁰

Numerous nonprofits, foundations, and a major federal-state partnership (the Appalachian Regional Commission) have worked for decades to address the complex of challenges impacting the region. One regional nonprofit is Fahe, which celebrated its fortieth anniversary in 2020. More than 50 local, regional, and international funders make up the Appalachia Funders Network. Multiple Community Development Financial Institutions (CDFIs) are located in or focus on the region. The Central Appalachian Network (CAN) connects dozens of community economic development non-profits for peer learning and strategy development.

There is no shortage of talent and organizational resources dedicated to addressing disinvestment in Appalachia. In 2017, the Appalachia Funders Network convened these stakeholders to develop a new initiative to leverage these resources: Invest Appalachia.

PROJECT DESCRIPTION

Invest Appalachia describes itself as a “new social impact collective that provides integrated investment and philanthropic capital to strengthen business, build local wealth, advance critical sectors, and increase quality jobs in Central Appalachia.”¹¹

¹⁰ National Committee on Responsive Philanthropy, [As the South Grows: Strong Roots](#), 2017.

¹¹ See [Invest Appalachia - Home](#).

It is structured as twin pools of capital, operating side-by-side in a nonprofit 501(c)(3) structure. The larger pool is the \$40-million Invest Appalachia Fund, LLC, which provides loans to enterprises, intermediaries, and community facilities. The \$17-million Catalytic Capital fund aims to increase the number of investment-ready businesses and projects, especially those that have underwriting hurdles or are perceived as high-risk but offer significant social impact or equity outcomes.

The tool sets of the two pools are different; utilized together, they make “blended capital,” which is the central strategy of Invest Appalachia. The catalytic pool builds capacity and removes barriers to investment; it may be used to provide grants, subsidies, loan loss reserves, equity-like loans, interest-rate buydowns, and other forms of credit enhancement which can “unlock” or catalyze transactions that otherwise could not be financed. The Invest Appalachia Fund makes repayable loans in the form of low-cost, patient debt, subordinated loans, loan participations, and bridge loans. It lends directly for community facilities, affordable housing, commercial real estate, health care, social enterprises, and to intermediaries like CDFIs.

Like efforts before it, Invest Appalachia seeks to increase the volume of capital flowing into Central Appalachia to projects and organizations that are already effective, such as those investing in housing and community facilities. But its broader, transformative goal is to build markets, removing or resolving barriers that have impeded investment. For example, in the real estate sector, properties in Central Appalachia are not appraised for their potential value due to the lack of established markets to provide “comps”. The appraisal gap makes it difficult to obtain adequate financing for affordable housing or downtown revitalization projects. Business lending is constrained by high transaction costs, collateral requirements, limited entrepreneurial support resource, and other underwriting considerations. These barriers mean that the region lacks the “shovel ready” and market-rate projects typically sought by programs like the Opportunity Zones.

Invest Appalachia was part of a cohort of six organizations assembled by the inaugural Connect Capital program by the Center for Community Investment. To maximize and properly deploy capital flows, CCI emphasizes the need to develop a pipeline rather than focus on single deals. Three sets of players help develop the pipeline: deal spotters, framers, and packagers. As a rural, multistate effort, Invest Appalachia faced different and, in some ways, greater challenges than those of cities. The participating organizations were very capable, but they had a limited number of staff with specific framing and packaging experience. It was challenging to create common expectations among the various actors engaged in pipeline development.

Consequently, in order to build an investment pipeline, Invest Appalachia is adopting a cross-region sectoral approach. It will seek packages or clusters of similar investments for which it can tailor “custom” financing deals that it can carry out in tandem. As Invest Appalachia envisions the process, CDFIs and place-based organizations will bring deals to Invest Appalachia that are beyond their respective scope or can benefit from co-investment partners. Invest Appalachia’s leadership will analyze the deals and fashion and review the appropriate blended package utilizing the two capital pools.

Early design support for Invest Appalachia has come from the Connect Capital Initiative (funded by Robert Wood Johnson Foundation), the Cassiopeia Foundation, and a handful of other regional philanthropies. Invest Appalachia has also secured a commitment of \$2 million from the Appalachian Regional Commission, which will provide start-up capital and first-loss funding of \$1.7 million.

Voice and Vote in Design Stage

As Andrew Crosson, CEO of Invest Appalachia and formerly the lead coordinator for Invest Appalachia's design and planning explains, "community engagement and participation have been core to the initiative. We've seen a lot of top-down initiatives in regions like Appalachia, and then they [national actors] flee—you never have any measure of control by the people who are actually impacted." Not only the product, but also the process of developing Invest Appalachia were to be democratic, transparent, and regionally representative, oriented to local control. After the initial gathering hosted by the Appalachia Funders Network, additional research and convenings brought together dozens of organizations – philanthropy, universities, government agencies, CDFIs, and grassroots organizations. Most of the organizations had long standing connections with communities on the ground or were extensive grassroots networks, like Fahe. Given that the project operates on the regional level, rather than a city or even neighborhood level, this mix of organizations met the desired balance of proximity to the grassroots while maintaining a level of experience and reach.

These gatherings were critical to developing the structure and aims of the project as a whole. Priorities emerged, such as the need for making capital flows more accessible, stable, and predictable for needs on the ground – solving an issue of unpredictable and shifting funding priorities from developers and funders in the region. They also determined that centralizing the demand for capital at a regional scale, vis a vis the inclusion of many regional partners, could bring in more capital from outside Appalachia. Input from grassroots stakeholders even helped determine the split between the \$17 million Catalytic Capital fund and the \$40 million Invest Appalachia Fund, a targeted 30%/70% split based on overall funding needs on the ground.

Voice and Vote in Governance Stage

As the plan for Invest Appalachia began to take shape, participating organizations formed a transition team, aided by an external consultant, which sought to develop the board of directors for the project. They developed a slate of potential board members diversified by experience, race, gender, and geography; fundamentally, the board was to consist of members of diverse organizations with deep roots in their communities. The Appalachia Funders network and a working group of local partners approved the board, which began meeting in September 2019.

The board of directors is not the only vehicle for community governance: Invest Appalachia includes a Community Advisory Council of locally-rooted members that represent diverse geographical, sectoral, and organizational perspectives. It sets annual priorities and parameters for the \$17-million Catalytic Capital pool. For example, it may recommend a credit enhancement for a project or a plan to address a particular sector, like energy or food. The Advisory Council is not responsible for grantmaking as such, because of the specific skills required, the workload, and the need to avoid conflicts of interest; final decisions are made by the board of directors. The council also makes recommendations about sector priorities, investment criteria, and desired impacts to the Investment Committee, which approves loans made through the \$40-million Invest Appalachia Fund.

CONCLUSION

Invest Appalachia represents the convergence of expertise and experience of practitioners who have been working on investment, community development, and other forms of support for Appalachia's chronically disinvested communities. As with many funding environments, these practitioners are often in competition for funding from philanthropy or governmental services - Invest Appalachia seeks to relieve this tension by joining forces and involving the grassroots in the deployment of their capital. The project doesn't replace what CDFIs, foundations, and other place-based organizations are doing, but rather takes on risk on their behalf and provides communities a stake in the development of their region. This innovative model is still young, but demonstrates a way of centralizing demand for capital from regional CDFIs and developers that serves as a model for both regional and national funders.

CASE STUDY: **Market Creek Plaza**

The ten Diamond neighborhoods of southeastern San Diego – so named because of their geographic configuration in the Diamond Business Improvement District – had a long history of disinvestment, inadequate and neglected infrastructure, poverty, and crime such that by the 1990s, the area was disparaged as the “Four Corners of Death.” At the heart of the area was a 20-acre, toxic-ridden factory site. Revitalization initiatives had come and gone, leaving a legacy of cynicism and civic powerlessness among the residents. In the late 1990s, this neighborhood became the site of one of the riskiest, most ambitious efforts at community transformation in the country: Market Creek Plaza.

PROJECT DESCRIPTION

The effort was catalyzed by the Jacobs Family Foundation and the Jacobs Center for Neighborhood Innovation (JCNI), a sister operating foundation, which purchased and revitalized the property in a major community-building effort with residents and community leaders. The project sought to host local businesses, keep wealth circulating within the community, and demonstrate a model for community-engaged development. The vision and the plan for a commercial hub and community center was broad, as was the process of community engagement and governance. Fundamentally, the Jacobs Foundations wanted the redevelopment to be done in the way that local residents – those who would be enjoying the results of the project – thought would serve their needs and priorities.

Financing the project required a complex set of capital sources, despite eligibility of CRA funding from banks and the clear impact potential of the project. Most government sources were too small to work, and local intermediaries were unwilling to foot the \$23.7 million bill alone. Therefore they cobbled together the capital from financial institutions, the public sector, and philanthropy:

- The Jacobs Family Foundation itself provided \$2 million in equity through a PRI and JCNI provided another \$2.35 million.
- Other foundations provided \$3.25 million in PRIs. These included national foundations (The Heron Foundation, The Rockefeller Foundation, The Annie E. Casey Foundation) and a local foundation, The Legler Benbough Foundation.
- New Markets Tax Credits triggered a \$15 million loan at 3%, arranged by the Clearinghouse CDFI with Wells Fargo Bank as the investor.

Securing the investment capital or grant dollars needed to support the project's ambitious community engagement efforts proved to be difficult. To secure some of the PRIs, the Jacobs Family Foundation had to provide a guarantee, as foundations were wary of using a PRI for a commercial project due to the possibility of incurring Unrelated Business Income Tax. Moreover, to secure a line of credit for working capital, Joe Jacobs had to move personal stock to serve as collateral. The Foundation paid for Market Creek Plaza to be included in a redevelopment district, in exchange for 60% of the tax increment resulting from development. For grant dollars, the Foundation was instrumental in catalyzing the San Diego Neighborhood Funders collaborative, which created a pool of mini-grants and program grants that supported specific, "soft" elements of the redevelopment efforts such as youth development, cross-cultural learning, and arts and culture. JCNI paid for much of the technical expertise required to develop the eventual community investment offerings and facilitate the community engagement process.

Voice and Vote in Design Stage

While gathering sources of funding for the project, JCNI simultaneously developed a process by which grassroots stakeholders could shape the entire project. The JCNI team, led by its president Jennifer Vanica, drew upon lessons from the Institute of Cultural Affairs' Technology of Participation to engage hundreds of local residents in every aspect of making Market Creek Plaza a reality.

The project had its roots in a community meeting of city and state planners alongside neighborhood residents. Community members expressed concerns about the blight surrounding the former factory site that preceded Market Creek Plaza. From there, JCNI hired a community organizer, Roque Barros, to conduct surveys, door-to-door outreach, living room meetings, and numerous neighborhood gatherings. Bringing a supermarket into the neighborhood emerged as the community's top goal.

Over the course of the project, hundreds of residents from all of the many cultural and ethnic groups in the neighborhood were engaged. Ensuring participation required removing any barriers that prevented residents from participating in meetings, looking closely at child care, food, location, and language. Meetings were held in residents' living rooms, community spaces throughout the community, and as the size of meetings grew into the hundreds, a large venue named in honor of Joe and Vi Jacobs (although some community members reflected that too many meetings were held at the Jacobs Center later on in the project, preventing some from voicing criticism of management). Residents were provided stipends as consultants to conduct outreach to specific cultural groups and to provide language support.

The Market Creek Plaza process, while wholly dedicated to resident empowerment, did not negate the need to marshal specialized expertise in legal, financial, and design matters. The key was to match outside expertise with local expertise to ensure satisfaction of the primary beneficiaries and ensure information flows and decision-making between key stakeholders.

Community members, through resident working teams, were able to shape most, if not all, aspects of the project. They helped determine the businesses to be brought into the Plaza, starting with an affordable supermarket. They designed the look of the Plaza, selecting the architecture firm and approving the design. They even helped design the specifics of the community investment strategies. Evaluation of the project involved training a community research team in survey techniques and data collection, which then worked alongside outside academic and nonprofit expertise to conduct workshops, interviews, and conversations to assess impact.

Voice and Vote in Governance Stage

Wary of past efforts to engage communities in similar contexts that didn't have a clear purpose and were unnecessarily lengthy, Jcni developed an extensive structure of working teams as the primary governance mechanism for grassroots stakeholders. Jennifer Vanica describes the working teams in her book, *Courageous Philanthropy: Going Public in a Closely Held World*, which largely reflects on the community engagement elements of the Market Creek Plaza experience: "A working team was initiated by an open invitation to residents for a specific area of work. After all those interested set goals and established plans, a smaller team of residents volunteered to guide the work and make sure it stayed accountable to the larger group's goals. These teams were the platform for ongoing shared decision-making and trust-building."¹²

The teams were dynamic, fluid, open, and time-limited. They proceeded in cycles of 90-120 days, generally following a methodology described as LADDERing Action – Listen, Activate, Design, Do, Evaluate, Refine. The process was action-oriented: by defining and attacking barriers and problems, developing solutions, and implementing plans, they were able to see the results of their work, which helped maintain a high level of motivation.

Economic Participation

Market Creek Plaza was predicated on the belief that community ownership was fundamental to empowerment; planning and decision-making would benefit if residents had "skin in the game," and with it, responsibility for outcomes. In 1999, early in planning for the plaza, residents approached foundation staff to ask whether they could invest in the effort. Through a series of workshops, many residents indicated interest, and a resident Ownership Design Team began to take shape. In consultation with attorneys, securities experts, and developers, a tripartite scheme of ownership was developed: Diamond Community Investors (for individual shareowners; 20% ownership), the Neighborhood Unity Foundation (shares to be held by a community-owned foundation; 20% ownership), and Jcni & Diamond Management, Inc., an asset and property management company created with the goal of becoming a

¹² Jennifer Vanica, *Courageous Philanthropy: Going Public in a Closely Held World* (2018).

community-owned enterprise (60% ownership). This structure enabled both individual asset-building and community-wide ownership. The Ownership Design Team established the goals and parameters for ownership:

- Broad access for residents of all income levels,
- Low minimums for cost per share,
- Caps on what any individual person could own,
- Ability to buy out the Jacobs Family Foundation and JCNF out, but not too soon, and
- Training in the theory of investment along the way

These parameters shaped the innovative Community Development Initial Public Offering (IPO), which allowed more than 400 community members to buy shares in the economic development of the community.

Through years-long successive applications for approval from the California Department of Corporations, the resident Ownership Design Team worked on revisions that addressed the Department's concern to protect people who couldn't meet the financial qualifications to be considered sophisticated or accredited investors. These included setting limits on an individual's level of investment, which would be capped at 10% of income, or 10% of net worth (excluding home and car), and would not exceed \$10,000. Further, the team restricted investment eligibility to those who lived, had lived, worked, volunteered, or otherwise were directly connected to the neighborhoods. Once the State approved the permit for the offering in January 2006, a team of three residents were hired and trained to conduct the offering and recruit investors. By the closing date of October 31, 2006, 415 investors had invested \$500,000, with an average investment of \$1,176. The demographics were heavily people of color: 78% percent African American, 11% Latino, and 5% white. The majority were women, and investment was significantly correlated with church networks.

This ownership mechanism triggered a second collective investment tool, known as the Community Investment Fund (CIF), to be created. Over 190 investors in Market Creek pooled their profits from the projects over two years for a total of \$77,000 for other community ownership opportunities.

CONCLUSION

The Market Creek Plaza experiment was a bold experiment in Grassroots Community Engaged Investment, which set a standard for financial innovation, community ownership and investment, and broad, holistic design and governance for a neighborhood development project. However, the project was not as long-lasting in its original intent as the early contributors had hoped. The Great Recession took a heavy toll on businesses in the Market Creek Plaza, especially locally-owned restaurants and other enterprises. Businesses began to fail despite continued technical assistance from JCNI. Some owners reflected that the Plaza did not do enough to combat consumer habits, placing the blame on the lack of a broader effort to make the Plaza a shopping destination for those outside the surrounding neighborhoods. The State of California eliminated its redevelopment agencies, banks pulled back financing, and construction on the next phases of the planned Village at Market Creek stalled. Leadership changes at the Jacobs Family Foundation came with shifting funding priorities, including stopping its small business lending programs. As a result, many small businesses in the Plaza were replaced by chain stores, minimizing the recirculation of money from the community owners to local entrepreneurs.

That said, there were plenty of outcomes from the project that indicate impact of the project, and the experiment paved the way for future GCEI efforts like many of those discussed in this report. Market Creek Plaza still remains community-owned to this day via two of the original resident ownership structures: the Diamond Community Investors¹³ and the Neighborhood Unity Foundation. This demonstrates the longevity of community ownership. Perhaps more importantly, the project set the stage for other development efforts that were spearheaded by funders or intermediaries and centered the ownership and design of the communities. Before the economic downturn, there was evidence from the community-led evaluation work that the development did significantly boost economic activity: by 2010 it had created 215 jobs, majority POC and from the community, and \$47.8 million of economic activity, considerably above its original projection of \$31 million. Of the workforce, 65% were from the community and 84% people of color. In addition to Market Creek Plaza itself, the project boosted the surrounding community economic activity by \$47 million and provided over 500 jobs. The recidivism rate of returning citizens in the area also dropped. Overall the Market Creek project was well received by the community, especially before the recession when community engagement was still being invested in. The project provides a glimpse of how commercial real estate investments can be done differently.

13

See [Jacobs Center for Neighborhood Innovation – Diamond Community Investors](#).

CASE STUDY: **ROC USA**

The supply of affordable housing is insufficient and declining in the United States. About 2.7 million U.S. homeowners - two-thirds of which are low-income live in communities of manufactured housing (sometimes called mobile homes). Manufactured housing is often described as the largest stock of unsubsidized affordable housing in the United States. Until recently, these communities have been owned primarily by local or small-scale owners. But increasingly, corporate investors, including private equity and hedge funds, have purchased manufactured-housing communities, attracted by high returns, achieved by raising rents and fees; deferring maintenance; selling off the land for other uses; and sometimes engaging in predatory practices such as “rent-to-own” and aggressive repossessions.

The New Hampshire Community Loan Fund (NHCLF), one of the earliest Community Development Financial Institutions (CDFIs), was founded in 1984 with a pioneering approach to preserving affordable housing by financing conversion to cooperative, resident-owned communities (ROCs). Cooperative ownership of communities makes housing permanently affordable, since shares in the co-op are fixed in value and do not appreciate, and the land is preserved forever as a community.

The ROC Association was established in 2013 to increase customer involvement in the governance of ROC USA. A separate nonprofit organization, the ROC Association consists of co-op communities that are or have been under contract with ROC USA Network affiliates. The co-ops elect three representatives to serve on the national 15-member ROC USA board of directors.

PROJECT DESCRIPTION

Rare if not unique among CDFIs, ROC USA was launched in 2008 with \$500,000 in equity investments from each of the New Hampshire Community Loan Fund; Prosperity Now (formerly, the Corporation for Enterprise Development); and Capital Impact Partners. These three organizations became members of the LLC. Other sources of equity have included the Ford Foundation (\$3 million in 2007); NeighborWorks America (\$500,000 in 2008); JP Morgan Chase & Co. Foundation (\$1.75 million in 2014); and an anonymous donor (\$750,000 in 2020).

ROC USA has the mission of making “quality resident ownership viable nationwide and to expand economic opportunities for homeowners in manufactured (mobile) home communities.” ROC USA is a nonprofit social venture that operates with two wholly owned subsidiaries:

- ROC USA Capital provides financing to cooperatively owned and governed communities.
- ROC USA Network includes twelve regional and statewide nonprofit affiliates that are certified to provide pre- and post-purchase training and technical assistance to local communities and to assist in developing local partners in 21 states.

ROC USA Capital is a federally certified CDFI. It received \$5.1 million in grants from the U.S. Treasury Department’s CDFI Fund. ROC USA Capital has been profitable since 2011. In 2019, the three nonprofits that made original equity investments in the LLC each made second-round investments of \$750,000. Beginning in 2019, ROC USA is paying 5% dividends on both rounds of LLC member investments.

Voice and Vote in Design Stage

The community design of a ROC USA manufactured home community conversion looks different from the design of other GCEI efforts: the residents themselves determine whether they should approve the loan and which partners to take on in the conversion process.

Manufactured housing communities considering conversion to resident ownership typically must assess potential interest from residents and study legal, financial, environmental and other issues. If and when 40% of prospective owners express interest in cooperative conversion, they may apply to ROC USA Capital for a forgivable loan to cover legal and due diligence costs and may contract with one of the Network affiliates that provides technical assistance. ROC USA has standardized the ownership model so all co-ops in the Network function the same, providing ROC USA with the ability to scale training and development services.

Only after receiving full due diligence and financing commitments do the member-owners of the co-op vote to purchase the community. If they vote no, ROC USA Capital forgives its loan and absorbs the cost; if there is a majority approval, the pre-purchase loan is folded into the acquisition financing package. The loan is then participated with banks, insurers and housing finance authorities. ROC USA Capital retains the B tranche and services the loan. In some cases, communities may secure other sub-debt or grants to fund the purchase or community improvements.

Voice and Vote in Governance Stage

The community governance of Resident-Owned Communities happens at two levels: the individual ROC that results from the conversion process, which is democratically governed by its members, and at the national level via the governance of ROC USA itself.

For an individual co-op community, members elect a board to lead the purchase process and oversee management. The co-op assumes governance from the start and eventually selects a management company. Members vote on the annual budget, including site-fees, capital improvements, financing, bylaws and community rules.

At the national level, ROC USA is governed by members of individual communities and provides services for leaders within the system. They created the ROC Association, a nonprofit cooperative, in 2013 to facilitate governance of ROC USA by co-op members. Members of the ROC Association are elected by their respective communities and elect directors to the national board of directors of ROC USA. ROC USA divides the country into three regions, each of which elects one representative for a two-year term. In addition to governing the board, ROC USA has established the ROC Leadership Institute, a three-day national training program to build the skills and voices of co-op leaders. They encourage empowerment and education at the co-op level as well: the New Hampshire Community Loan Fund has developed a Community Leadership Program and a Policy Academy for ROC members.

LESSONS LEARNED

Conversions like those of ROC USA require equity investments. CDFIs – like other financial institutions – grow their balance sheets by increasing their equity, thus enabling them to raise additional debt to fund their growing loan volume. While all CDFIs need equity, ROC USA is distinctive in that it incurs potential costs when it must forgive loans to communities that decide not to convert after borrowing for initial feasibility studies. The CDFI Fund has been a key source of substantial equity grants for ROC USA as for hundreds of other CDFIs, but the fund’s equity grants must be matched with non-federal equity. However, the sources and supply of equity donations are limited.

Cost of funds is an important concern for CDFIs, which pass on their own cost of capital to borrowers. In order to keep ROCs as affordable as possible for residents, ROC USA needs access to loan capital at concessionary rates. Donors can maximize their impact on communities by providing loans to CDFIs at the lowest possible cost and, where possible, coupling loans with equity donations.

Long-term financing is a challenge for ROC USA and for other CDFIs engaged in housing finance.

Financing typically available to and through ROC USA typically has a ten-year term, after which loans must be refinanced. By providing loans with terms of 15 years or longer, investors can reduce administrative burdens on CDFIs and communities; help ensure stable, favorable rates; and enhance the stability of tenure for residents.

Real estate investment projects must compete with profit-driven investors. The drive to expand community ownership faces aggressive competition from private equity and hedge funds, which currently control a significant market share, have vast resources, and in some cases, are aggressively seeking to expand. Opportunity to Purchase (or, Right of First Refusal) laws help level the playing field, since they provide manufactured housing communities with notice of pending sales and the right to match investors' purchase offers. These laws make it possible for ROC USA to present homeowners with a viable opportunity to choose resident ownership, but they have been adopted in only five states. Otherwise, ROC USA undertakes market development to find local community owners interested in offering their community to the homeowners. Donors can advance the cause of resident ownership by supporting advocacy efforts to change the laws. Moreover, they can support organizing and educational campaigns of ROC USA, its affiliates, and other allies.

CONCLUSION

The scale and growth of ROC USA's model is one of the most evident among Grassroots Community Engaged Investment initiatives, due in part to its unique status as a national lender with a federated lending model but also due to its focus on an area of the economy with clear demand and clear impact. The outcomes of ROC USA's model are clear: by 2020, ROC USA Network represents 264 co-op communities and 18,000 Member-owners in 18 states. They have collected data that demonstrates that their conversion model reduces living costs for residents, increases the values of the homes and individual assets of the co-op members, provides housing security, and improves health and safety conditions when compared to commercial owners of manufactured home communities.

But more so than the impact, ROC USA provides clues as to the multi-faceted approach needed to empower communities and generate broad-based ownership over capital decision making. They sought funding from many national funders and mission-aligned lenders, established a strategy for partnerships with local lenders and developers, built a nonprofit and CDFI to most efficiently channel resources to communities that needed it most, while maintaining avenues for governance from those closest to the ground. These components are mirrored in other GCEI initiatives, but ROC USA demonstrates what it looks like on a national scale.

CASE STUDY: **Thunder Valley CDC**

The Pine Ridge reservation in southwestern South Dakota is home to the Oglala Lakota People. Numbering 40,000 strong and living in more than 50 small communities, their sovereign government is the Oglala Sioux Tribe. The reservation covers 2.8 million acres, larger than the state of Delaware and Rhode Island combined. The reservation faces numerous challenges: a huge housing shortage, a scarcity of local jobs, an inadequate infrastructure.

Faced with these challenges, Oglala Lakota community members in Porcupine, South Dakota met repeatedly in the early 2000s to forge a vision and a strategy for change. A group of some 20 or 30 young professionals decided to act on the many challenges they were faced with in their community. The group emerged as community organizers and began asking big questions about their vision for the community and its people. The vision they shaped was holistic, of a community that was both sustainable and equitable. Even more than that, they envisioned a community that is liberated. Thunder Valley CDC's theory of change was founded on the "three P's": People (social needs), Planet (environmental responsibility), and Prosperity (economic vitality).

The vehicle they chose to organize was a Community Development Corporation (CDC), which allowed them flexibility in determining their focus. Over the course of 2006-07, founding meetings were held at the Porcupine Clinic. Nick Tilsen, who then was heading the Lakota Action Network, became Thunder Valley CDC's first executive director in March 2007.

The barriers and challenges facing the community were interconnected; the typical siloed programs had repeatedly failed. Thunder Valley CDC embraced a power-shifting paradigm to counteract the negative effects of a top-down approach and "solutions" that perpetuated problems in the community.

PROJECT DESCRIPTION

Thunder Valley CDC's community-driven plan for Porcupine was the exact opposite of the siloed, externally driven interventions of the past. The plan was multifaceted, multigenerational, and holistic, addressing the physical as well as social, cultural, and spiritual dimensions of community-building.

The CDC works holistically on a wide range of projects for the community. Its earliest projects reflected its youth-driven origin, with a Youth Leadership Development Program and Youth Entrepreneurship

Project launched in its early years. Soon after, the youth-run Thunder Valley E-Tanka Café had its grand opening. Over the next decade, Thunder Valley CDC developed has offered a wide range of activities: social enterprise development, construction workforce training, affordable housing development and homeownership programs, food sovereignty through an enhanced local food system, Lakota language revitalization, youth leadership programs, and arts and culture programs.

Central to these efforts is the co-creation of a plan for a Regenerative Community: a 34-acre development that provides affordable housing, spaces for retail businesses, and community and childcare centers. Physical development is based on sustainable principles, with a net-zero energy goal including 100% water reclamation and homes built with passive and active solar energy systems. It includes new construction of 21 single-family homes, a community building costing several million dollars, a 12-unit apartment building, and several millions of dollars of infrastructure. Thunder Valley CDC broke ground on the housing units in 2015 and in 2020 a subsequent phase of the project included additional infrastructure and mixed-use commercial development.

By 2018, with seven individual houses built and more on the way, and its nine programs in full operation, Thunder Valley CDC employed a staff of one-hundred, and operating income total exceeding \$10 million, of which grants accounted for \$5.967 million. The Northwest Area Foundation, in particular, was a major, ongoing funder: Over the course of 2012-2018, it provided Thunder Valley CDC with more than \$4 million in grants, the largest of which was \$1.12 million, for capacity-building, sustainable enterprise, workforce training, and more.

Building a new community required more than the available sources of grant funds. Local banks were not the answer due to barriers of trust and unfamiliarity lending on Reservation land, leading Thunder Valley CDC to seek other sources of capital. They received government loans from federal sources (USDA, the Administration for Native Americans, and the National Endowment for the Arts) and statewide sources (South Dakota Housing Finance Authority). Intermediary capital came from a variety of mission-aligned sources, such as the nonprofit Minnesota Housing Partnership and the CDFI Propel Nonprofits. Foundations were also critical to the capitalization of the Regenerative Community, with the Kalliopeia Foundation, Tamalpais Trust, and Swift Foundation each providing mortgage-secured non revolving lines of credit at 1%. Lastly, faith-based investors (Adrian Dominican Sisters, Mercy Investment Services, Religious Communities Investment Fund, and Seton Enablement Fund) all provided loans.

Voice and Vote in Design Stage

Thunder Valley CDC has positioned community engagement at the center of all of their work and has ensured that building trust with Thunder Valley community members is an integral part of their design. They have created space for both large-scale listening and visioning sessions, as well as hands-on action through the implementation of their programs, initiatives and solutions – a welcome departure

from customary “check-the-box” community engagement which has left many in the community wary of such projects.

Thunder Valley CDC’s plan for the Regenerative Community emerged out of many conversations with the community. In 2011, it conducted a charrette to come up with the vision and basic design for a new community. In 2013, it brought together more than 50 community participants, architects, engineers, planners and investors in a charrette to finalize the design for the 34-acre site. Thunder Valley CDC was also a catalyst for broader reservation planning: It helped drive the Oglala Lakota Regional Plan for Sustainable Development, which engaged nearly 3,000 people and was officially adopted by the Oglala Sioux Tribe.

The community engagement was explicitly multigenerational, convening elders and even small children. The commitment to youth input and programming especially shaped the early programs around youth entrepreneurship and the physical design of the developments. Beyond the design of the Regenerative Community, Thunder Valley CDC maintains a strong presence in the daily lives of Reservation residents, appearing at school activities, hosting a weekly radio show, and engaging residents through social media.

Voice and Vote in Governance Stage

Thunder Valley’s seven-person governing board is entirely Lakota. They are responsible for approving loans and other financing for the organization. Board members include a CPA, a trained lawyer, educational administrator, and importantly, a second-year college student who represents the youth voice and maintains a multigenerational approach for Thunder Valley CDC. The executive director can nominate individuals to the board who express their interest and submit supporting information to the board, with the essential criterion being from and tied to the community.

LESSONS LEARNED

Equity capital, or grants, are needed. Loans and Program-Related Investments have been essential to the work of Thunder Valley CDC. But given the mission orientation of the non-profit developer, it also requires equity investments in order to avoid taking on too much of a debt burden.

Be comprehensive, patient, and flexible. Like most other community development projects, Thunder Valley CDC benefits most from flexible, low-cost loans for as long a term as possible. But there are special challenges in a rural area like the Pine Ridge Reservation. Much of Thunder Valley CDC’s work has two- or three-year benchmarks, but unexpected events happen – funding priorities from other funders change, projects get disrupted by weather events, or otherwise. Flexibility is essential.

Complex, multi-funder projects strain nonprofit capacity. Thunder Valley CDC's project includes building 21 single-family homes. There are eight or nine investors in those homes, with different loan terms. For understaffed organizations, managing different loans takes time and resources, and patience on the behalf of those investors.

Innovation requires mutual learning. A project like Thunder Valley CDC had never been done on the Pine Ridge Reservation, nor on many other reservations. Funders were hesitant that the project would work and needed to be patient as the organizers overcame the learning curve. For the project leaders, they also learned lessons from the community, particularly that they had to go slower than they had anticipated in order to meet the community where they were.

CONCLUSION

Thunder Valley CDC works to create opportunity and improve lives in one of the most neglected and disinvested communities in the United States. But more than that, they view the community engagement and control over their development as an avenue for liberation and power building. Nick Tilsen, former executive director of the CDC, describes it as "a powerful healing process, too."

The successes of the project are not going unnoticed. Indigenous communities across the country have sought to learn from Thunder Valley CDC and implement similar self-determined models. Nick Tilsen left Thunder Valley CDC in 2018 to launch the Indigenous-led NDN Collective, which seeks "to drive an increase of philanthropic investment into Indigenous-led organizations, drive increased social impact investment in the form of equity investments and loans into communities, with the idea of building capacity, of building stronger Indigenous-led organizations." Their emerging NDN Fund intends to take Grassroots Community Engaged Investing to other Native communities, building on the lessons and successes of Thunder Valley CDC.

CASE STUDY: **Elevated Chicago**

Elevated Chicago is a multi-organization collaboration that seeks to implement transit-oriented development projects and programs with authentic resident engagement that build community power and ownership, contribute to resident retention, and result in more equitable, healthier, climate resilient and culturally/artistically vibrant communities. Elevated Chicago is one of the six localities that are part of SPARCC, a funding initiative and collaboration that also includes Bay Area for All (BA4A), a regional partnership of nationally recognized collaboratives to advance a shared vision of community-driven development, and the TransFormation Alliance (TFA), a partnership of more than 30 Atlanta-based government agencies, businesses, and nonprofits working to change how transit and community development investments shape the future of their community.

Elevated Chicago has a strong focus on building the capacity of communities to participate in built environment decision-making, including influencing decision-makers, attracting and deploying capital, and managing the ongoing ownership and maintenance of community assets.

ABOUT SPARCC

SPARCC, or Strong, Prosperous, And Resilient Communities Challenge, was developed in six regions across the country in response to the demand for community-engaged development efforts, aiming to integrate racial equity, health equity, and climate resiliency into community development with a cross-sector approach to benefit low-income people and BIPOC.

SPARCC was conceived as a three-year, \$90-million initiative by a collaboration of four organizations: two Community Development Financial Institutions (CDFIs) (Enterprise Community Partners and the Low Income Investment Fund); an environmental nonprofit (Natural Resources Defense Council); and the San Francisco branch of the Federal Reserve Bank. The initiative has received funding and capital from philanthropic players including the Ford Foundation, California Endowment, MacArthur Foundation, Kresge Foundation, Robert Wood Johnson Foundation, JPMorgan Chase Foundation, JPB Foundation, and Ballmer Group. The two CDFI partners, Enterprise and LIIF, serve as the conduits for investment and receive capital requests from the several site Steering Committees.

PROJECT DESCRIPTION

Elevated Chicago built an Equitable Transit-Oriented Development (eTOD) strategy. It focuses on equitable development in the “eHubs,” the half-mile radius around 7 stations of the Chicago Transit Authority’s “El.” In all, there are four Community Tables covering the seven transit stations. The project has expanded its scope beyond these stations in an initiative called Elevated Chicago “Plus.”

Like all the SPARCC sites, Elevated Chicago receives a pool of flexible grant funds that it may use for feasibility studies, capacity building, project equity, or other locally defined purposes – in particular, those defined by the Community Tables. Over 2017-19, Elevated Chicago utilized its grant pool to address a wide range of locally and neighborhood-defined needs for each of its four eHubs.

In 2017, it awarded \$330,000 to 14 community-based nonprofits in various eHubs to build their capacity and advance transit-oriented development, affordable housing, and business incubation efforts. One of its larger grant actions (\$100,000) provided funds to nonprofits for projects ranging from music performance and other cultural activities, to tree-planting and conservation, to programming for the social and emotional wellness of Black women and girls.

In 2019, grants assumed a different format. They were disbursed in three categories: CDPH, Climate and Cultural Resilience, and Equity Forward.

CDPH grants were deployed in collaboration with the Chicago Department of Public Health (CDPH) and the Public Health Institute of Metropolitan Chicago. Under the Healthy Chicago 2.0 Community Seed Grants initiative, \$150,000 was awarded to six community-based organizations to support locally-driven activities and solutions aimed at improving the built environment to promote community walkability in connection to public transit.

The second category of grants were made for Climate and Cultural Resilience. These projects installed green infrastructure demonstration projects with complementary, community-driven public art.

The Equity Forward grants provided a revolving recoverable grant pool for early pre-development activities. Repayment of these grants was voluntary, based on recipients making their “best efforts” to recycle funds for future capital projects. One initiative on the Green Line included a “branding initiative” – plaques, markers, and beautified plots to enhance development strategies for capital pipeline projects, to include a technology incubator and arts block. Other projects include repurposing a vacant building into an office and community space; a pop-up retail project with public art; and the creation of a scalable Here to Stay Land Trust to preserve affordable housing.

In 2020, SPARCC provided a \$500,000 loan and \$100,000 grant through Elevated Chicago to Esperanza Health Centers towards the expansion of their headquarters which includes transforming a 15,000 square foot vacant building into modern offices for administrative employees.¹⁴ The initiative is also providing funding towards Latinos Progresando's \$2.5 million redevelopment plan in Chicago's Little Village neighborhood. The nonprofit will purchase an abandoned library from the city and redevelop it into a community center that will house legal aid services for immigrants, mental health and counseling services for students as well as a nature-based educational program.¹⁵ SPARCC is providing a loan of approximately \$1.2 million and a grant of \$133,000 to the project.

Voice and Vote in Design Stage

Design of site activities is largely decentralized to "community tables," which are closest to the neighborhoods that sites work with. In some cities, tables pre-existed SPARCC's involvement, but have been enlarged and reorganized with the access to capital through SPARCC has brought. In Chicago, these tables may have up to 20 members and include a mix of nonprofits, NGOs, and local officials: neighborhood and grassroots organizations, nonprofit agencies, community development corporations, CDFIs, philanthropy, mission-driven for-profits, and public-sector representatives. Participants are stipended. The community tables' primary role is to determine projects they would like to see funded and inform the Steering Committees, which govern the projects.

Voice and Vote in Governance Stage

While the capital composition and underwriting is left to Enterprise, the primary community governance is held through Steering Committees. For Elevated Chicago, the Steering Committee consists of 15-20 members who represent organizations headquartered in or serving one of Elevated Chicago's sites, or of a citywide organization. The Steering Committee is unsalaried, meets quarterly, and members have renewable two-year terms. It manages the project's affairs, including allocation of grants, and engages the Program Director, the principal executive officer, who works under the committee's direction. The Community Tables prioritize which projects would be funded and the Steering Committee conveys lending opportunities to Enterprise.

The Steering Committee of Elevated Chicago has several working groups. A working group on Capital and Programs develops the criteria and guidelines to select projects, develop a project pipeline, coordinate capital streams, and deploy capital and grants. The Systems Change group develops and advances a policy platform and recruits and engages a Leadership Council. The Knowledge Sharing working group has diverse functions, including developing an evaluation framework and designing

¹⁴ Block Club Chicago, [Esperanza Health Centers Gets \\$100k Grant For Headquarters In Little Village](#), Nov. 4, 2020.

¹⁵ *Chicago Tribune*, "[Latinos Progresando, a Little Village nonprofit, plans to buy...](#)", Feb. 20, 2020.

community profiles. The working group is also responsible for developing new narratives that are essential in combating and counteracting negative and false perceptions. Fundraising for Elevated Chicago is led by an ad hoc group within the Operations Committee. The committee's members are instructed to recuse themselves from activities that present a conflict of interest. In general, Elevated Chicago is to avoid competing for funding with its partner organizations.

The Leadership Council is composed of government, business, and civic leaders who meet regularly to hear from Elevated Chicago leadership and staff. As stated in Elevated Chicago's Policies and Practices, the Leadership Council works collaboratively to create Elevated Chicago's policy and narrative platform.

The community governance of SPARCC translates to the national level as well: the national team and its partner organizations convene groups of eight representatives from each of the six regions to share learning and develop common strategies and work plans.

LESSONS LEARNED

SPARCC, the national program supporting Elevated Chicago, accumulated numerous lessons from its first years. A mid-term assessment report by the Federal Reserve Bank of San Francisco, which was an early participant in the project, highlighted areas of improvement.¹⁶ It is to the credit of SPARCC that these recommendations were taken to heart and led to real change. The following lessons learned derive from SPARCC's experience, including that of Elevated Chicago.

Community engagement helped shape the project design. SPARCC began with a triple lens: racial equity, health, and climate. Sites found this both "too theoretical" and the triple goals too difficult to pursue simultaneously, especially the climate-centered approach. Consequently, racial equity emerged as the primary lens, and displacement as a central common concern.

There are different needs of the institutions that initiated the project and the grassroots stakeholders. From the standpoint of the sites, "community engagement" as conventionally conceived fell short of the kind of "community partnership" they sought. SPARCC leadership's view was that SPARCC had aspired to go beyond "community engagement" to "community leadership," a major leap. Both stances imply a lengthier and harder challenge than was envisioned: 1) Communities want to be part of the *ownership* structure of projects, not merely on advisory boards; and 2) Communities themselves are valuable sources of data and should be utilized as such.

¹⁶ Federal Reserve Bank of San Francisco, [Testing Our Hypotheses on Equitable Development: Midcourse Learning and Adapting Through SPARCC](#), 2019.

Developing meaningful community engagement required intentionality from the outside institutions starting the project. Sites encountered barriers to power-sharing, with instances of the existing power structure co-opting “just enough” community engagement. Sites reported that discussions of race with city and state government were difficult, because of implications for resources and decision-making. It is important to emphasize leadership of organizations by BIPOC and provide financial support. In the early stages of the project, the national team’s emphasis on “capacity building” of local organizations lent itself to a “top-down” dynamic. Sites argued that “capacity building” also needed to take place at the level of the national SPARCC leadership, especially on the issue of racial equity.

There were a variety of unexpected capitalization issues. SPARCC found the challenges faced by communities to be multifold, complex, and far-reaching. SPARCC’s strategy is based on a combination of grants, guarantees, and PRIs that allow the initiative to be effective on small, workable deals. However, SPARCC’s toolkit was still unable to address all of the known problems.

Communities especially needed and sought grants, in part because they had long been victimized by predatory practices. There was a reluctance to assume debt for projects. In practice, capital grants which SPARCC conceived as ideally going to build the “capital stack” of a project, were commonly used for early-stage development. While this may limit or delay progress on capital deployment, SPARCC leadership believes the grants are nonetheless very valuable: Communities often lack the few tens of thousands of dollars of discretionary funds to assess feasibility. Access to this money helps develop a favorable environment for ideation.

Community capacity has constrained large-scale deployment, in part because at the local level, community groups commonly lack the expertise and experience both to assess feasibility and to undertake development projects. Community members and representatives of the community tables encountered a steep curb in learning the technicalities of finance. Although there are experienced developers, especially in the field of housing, as Devin Culbertson of Enterprise puts it, to seek a “quick win” through this approach would be to do “to the communities, not *with* the communities.”

At several levels, there is a disconnect between community-identified needs, SPARCC’s resources, and the scale of a project:

- The “sweet spot” for SPARCC’s own investment ranges from \$1 to \$3 million.
- Projects of \$100,000 – \$200,000 fall in a difficult in-between spot: These are large for grants, large for communities, but small for structuring as a CDFI loan.
- At the other end of the spectrum, some infrastructure projects – for example, floodwaters and sewers – require funding at scale that must involve the public sector. In such cases, SPARCC’s role is to assist communities by “crafting a vision.”

Sites found that the capital available through the project, including capital provided by CDFIs, was only marginally more flexible than other sources. Because of the pace of urban development – for example, to gain control of a site for development – it is important to be able to deploy capital quickly. As SPARCC enters its second round – “2-0” – it has modified its strategy: Rather than “slivering” the funds out, it will respond to the needs of the group as projects become ready.

Some foundations involved in SPARCC were limited in their tolerance for risk. No single foundation will take all the risks in projects like these; more participants and collaboration are necessary. One foundation response has been to off-load risk to participating CDFIs, relying on the CDFIs’ balance sheets. It would be “game-changing” for foundations to assume greater project risk or create a pool of guarantees that doesn’t increase the funding cost – for example, reducing the cost of capital from 4% to 1%.

CONCLUSION

Elevated Chicago, and SPARCC as a national program, demonstrate many of the realities of ambitious Grassroots Community Engaged Investment efforts, as well as some of the difficulties of ensuring that community representatives are properly supported to participate meaningfully. Being a national program sponsored by several large foundations and intermediaries means that SPARCC has much to teach national funders interested in creating new GCEI initiatives. Perhaps most importantly, the flexibility of SPARCC – particularly changing its impact priorities and shifting the initial capital deployment strategy towards smaller, early stage grants – provides a positive model for institutions engaging with communities to be open minded and to cede real governing power to grassroots stakeholders. The lessons learned, especially in the earlier stages, however, provide important guidance for some of the issues of these institutions coming into communities, even with a GCEI lens, without proper planning and support.

CASE STUDY:

The REAL People's Fund

The San Francisco Bay area, and especially the East Bay, which includes Oakland, has the third highest level of inequality in the country. The area has experienced intense gentrification and the displacement of the Black community; the escalation of housing prices has put home ownership all but out of reach for much of the population. Although Black, Indigenous and People of Color (BIPOC) represent about one-third of business owners in California and the Bay area, they have had limited access to capital. For all its challenges, the East Bay is strengthened by a dense network of established grassroots, advocacy, and community-based organizations working to address racial equity, environmental, employment and other issues, as well as a large philanthropic community.

For the historically marginalized East Bay residents of Alameda and Contra Costa counties, local, BIPOC-owned small businesses are important to the lifeblood of their communities. Despite this, these businesses face disproportionate difficulties in obtaining capital. This was known intuitively by community members and was confirmed by a capital absorption study, commissioned by the Solidago Foundation, which spurred the foundation to convene local grassroots leaders to determine a way forward that helped resolve these major and systemic issues.

The convening brought together the Alliance of Californians for Community Empowerment Action, Asia Pacific Environmental Network (APEN), Communities for a Better Environment, Oakland Rising, Restore Oakland, and Restaurant Opportunities Center (ROC) United. From this group emerged the idea of a community-controlled capital fund that could to power for historically disinvested communities in the East Bay. The fund, originally called Democratizing Capital East Bay and then renamed the REAL People's Fund (RPF),¹⁷ would provide a secure position for community organizing groups to contest for power while supporting anchor businesses in the community as a means of building wealth and economic security in the community. Their solution, as described in a draft private offering memorandum, was to be "a community-controlled capital fund, conceived and governed by a network of democratically-managed community organizing groups [as] a means to build economic power for historically disinvested communities in the East Bay." Instead of employing a conventional lending approach, the fund's policies and procedures were designed to alleviate the barriers faced by entrepreneurs of color. The founding organizations recognized that they did not have the specialized expertise to operate a lending institution; rather than letting this be an existential obstacle, they obtained support by entering into operating agreements with key partners with culturally relevant lending, underwriting, and technical assistance experience.

¹⁷ The name "REAL People" builds on the acronym for "Revolutionizing Our Economy for All Local" People.

PROJECT DESCRIPTION

RPF is a closed-end 501(c)(3) charitable loan fund with a 10-year life and a \$10-million capital goal. The founding organizations selected Community Vision Capital and Consulting, a CDFI, as the Fund Administrator, and formed a partnership with the Runway Project for smaller lending.

Community Vision is responsible for the fund's day-to-day operations, including fundraising, marketing, identifying potential borrowers, overseeing credit approval, and structuring, underwriting, and monitoring loans over \$50,000. The Runway Project, a nonprofit lender that fills the funding gap for underserved entrepreneurs that comes from "friends and family" for their white counterparts, is responsible for underwriting the smaller loans.

With these two lending partners, RPF is able offer loans to enterprises in various stages of development:

- Early-stage microenterprise loans of up to \$20,000 will be made to low-wealth entrepreneurs. These loans will have a two-year interest-only period, followed by a three-year amortization.
- Loans of \$20,001 to \$50,000 will be made to "emerging entrepreneurs" to expand inventory, buy equipment or add staff. These loans will have a 12-month interest-only period, then fully amortize over the subsequent five years.
- Revenue-participation loans of \$50,000 to \$250,000 will be offered to "growth-stage" businesses. These loans are "equity-like" in that repayment will be based on a percentage of revenue, but with the difference that control will remain with the entrepreneur. Repayment will be capped at three times the initial investment.
- Loans of \$50,000 to \$500,000 will be offered to established small businesses for needs such as working capital, equipment purchase, and tenant improvements. The projected average interest rate is 6%, with terms up to the life of the Fund; some loans may not fully amortize. Where possible, loans will be collateralized with assets such as real estate and equipment.

In addition to tailoring the capital products to the needs of borrowers, the Fund operates in partnership with Uptima Entrepreneur Cooperative (formerly Uptima Business Bootcamp) to provide technical assistance, advisory services, and mentoring to smaller and less experienced entrepreneurs.

Like the Boston Ujima Fund (and the Boston Impact Initiative Fund that preceded it), RPF is issuing up to \$10 million in promissory notes in tranches differentiated by term, yield, and risk. As of early 2021, the Fund has secured \$1.5 million, with the goal of an additional \$2 million by the end of the year. The offerings are as follows:

- **Mission Notes:** \$2 million. Mission notes bear a 10-year term, are issued in amounts above \$100,000, and have an interest rate of 1%. They are subordinated (“junior”) debt obligations of the Fund, which means that they will be the first to absorb any loan losses and cumulative operating shortfalls; they are thus “equity-like,” although the Fund is not permitted to issue true equity. Because they bear the highest risk, they are geared toward investors who are motivated primarily by the Fund’s Mission and who have the right risk tolerance.
- **Impact Notes:** \$8 million. Impact notes are issued in amounts from \$100,000 to \$3 million. They have a 7-year term and an interest rate of 2.75%. They are senior to Mission Notes, receiving priority in repayment over them.
- **Community Notes:** \$1 million. Community notes will be offered to the public at large. Designed to meet the needs of small, less wealthy investors, they will have the shortest term (24 months) and highest yield (3%) and will be issued in amounts from \$100 to \$10,000. Their investment risk will be mitigated by the subordinated position of the Mission Note investors. The Community Notes will be offered only after the fund has been in operation for one year.

RPF seeks to be fully sustainable by year six or seven of operation; budgets for operations and technical assistance are currently supported by philanthropic sources. The Solidago Foundation, as an early funder, convened the founding organizations, provided stipends for fund leadership while the partners were secured. It also provided initial planning support for Community Vision. The East Bay Community Foundation and Rockefeller Foundation are providing grants to each of the founding and governing organizations, in order to pay for operational costs. With this support, the Fund has covered projected operating expenses for the first three years of the Fund.

Voice and Vote in Design Stage

RPF was designed primarily by the founding grassroots organizations over several years. Their design process led to a focus on people of color, the most disinvested neighborhoods, and an emphasis on solidarity economy principles; specific design elements included funding priorities, mission principles, governance structure, partnership development, and fundraising.

The designers aimed for the mission of the Fund’s lending activities to be guided by the following values:

- **Solidarity Politics:** Supporting investments that are framed within a broad enough context to bolster efforts to build political power in disadvantaged communities towards systemic change.
- **Economic Equity and Democratic Ecology:** Creating and investing in workplace structures that narrow income inequality and promote democracy.

- **Environmental and Social Sustainability:** Creating and investing in enterprises whose products promote a just and sustainable ecology and future
- **Self-Determination and Agency:** Investing in enterprises that build local resiliency and provide the community with more control over the provision of basic needs such as shelter, energy, food, and healthcare.
- **Non-extractive Investments:** Developing ownership structures that evidence a long-term commitment to the community where the return on investment will primarily stay within the local community.
- **Transformative Capital:** Influencing philanthropy to align grantmaking and investment strategies and support the left edges of a just transition to a new economy.¹⁸

The founding organizations also adopted five principles of nondiscrimination, which all borrowers must comply with:

- **Ban the Box:** no hiring discrimination against formerly incarcerated persons. Applicants or employees are not to be asked to disclose convictions, except as required by law.
- **No use of E-Verify or other platforms or agencies to determine an applicant's or employee's work authorization status.**
- **Sanctuary Workplace:** no collaboration with Immigration and Customs Enforcement and law enforcement agencies; hate-free workplaces where workers and worker-owners know their rights.
- **No credit checks in the hiring process.**
- **No discrimination against hiring unhoused community members.**

Voice and Vote in Governance Stage

The board of directors determines policy and exercises oversight over all RPF's operations. As specified in the offering memorandum, "The Board's primary operational role is to appoint the Mission Screening Committee that reviews every loan under consideration to determine whether it is a fit with the mission of the Fund, and therefore suitable for underwriting by the Fund Administrator or its operating partner." The Board is empowered to replace the Fund Administrator. Importantly, the Board sets the operating budget for Community Vision, Runway Project, and Uptima Cooperative, and oversees transfers of grants and investments into the fund.

The five founding organizations appoint the majority of the board of directors. The initial board consists of leaders from six total organizations: the Alliance of Californians for Community Endowment, Asian Pacific Environmental Network, Communities for a Better Environment, Oakland Rising, Restau-

¹⁸ REAL People's Fund, Application Process & Mission Criteria Overview, updated March 6, 2020. (on file with authors)

rant Opportunities Center and Restore Oakland.¹⁹ The Fund will have three classes of members, each of which will elect one member to the board:

- Fund borrowers
- Holders of Community Notes
- Community-serving organizations other than the founding organizations.

The seats beyond the founders' seats will be created and filled after the fund has reached certain milestones for loans made and Community Notes sold.

LESSONS LEARNED

RPF's extensive groundwork over the last several years provides numerous lessons for other community groups as well as funders.

RPF, like most Grassroots Community Engaged Investment projects, have distinct and unique capital requirements. Grants are required for operations and movement building activities that support social and political goals of the founding organizations. A variety of capital products from grants to loans to equity-like products are needed for the actual investment capital. This need for "integrated capital" means that funders and investors need to understand which buckets of capital makes the most sense for them - and for the fund leaders.

Technical assistance for small business loans is a must. For a fund to succeed in a mission as deep as RPF's, it needs to reach smaller businesses than what a normal lender would do. This provides the additionality to those businesses that other lenders don't provide. It also helps de-risk the loan, by ensuring the business has enough support. RPF felt that this component was crucial to the mission and partnered with a trusted provider, Uptima Cooperative, but that also opened up the need for another type of operating support. It is important that philanthropic partners support the provision of TA and indeed make it a condition for smaller loans - Wells Fargo funded Uptima for their first 3 years of operating costs related to RPF.

Grassroots governance over a project may lead to decisions that institutional partners are uncomfortable with, and that's ok. In its early stages, the founders of RPF faced a major decision when Community Vision presented a grant funding opportunity from Wells Fargo. After intense, extensive internal discussion, they decided to reject the grant, as they didn't want this being the first money into the fund. They declined to pursue the opportunity and encouraged CV to pursue different funding opportunities through Wells Fargo (which was later followed through with in early 2021). This was an important learning opportunity: it spurred the need to develop fundraising principles as well as guiding principles and

¹⁹ [Rockefeller Foundation, A Community-Governed Fund Values Impact First](#), 2020.

impact outcomes, and demonstrated the benefit of having ongoing governance by grassroots organizations to maintain alignment with the original goals of the project.

There are two-way benefits to a relationship between a grassroots fund and external financial partners: by relying on outside financial experts (under mission oversight), community leaders can focus their capacity on mission and governance; and by being exposed to the equitable practices of the grassroots partners, the financial experts can transform their institutional policies and practices to advance equity and justice. In this case, for example, Community Vision is explicitly thinking of the RPF partnership as an opportunity to learn about community alignment so as to apply it to other contexts.

It is important to have a coordinator that can serve as a liaison and ensure a balance between grassroots organizations and financing entities. For RPF, this critical role allows for a unified voice across partners. The absence of a dedicated leader can lead to deference of responsibility across leading grassroots organizations, and subsequent inaction.

Learning from other organizations is important as well. RPF learned from the Ujima Fund, the Buen Vivir Fund (an international fund co-designed by investees and investors), and others about how to best organize and operate. The founding organizations of RPF were able to take lessons from these projects and tweak them for their own needs. For example, rather than the wide community membership governance model of Ujima, their power rests in the trusted grassroots organizations. They chose this so they could make decisions faster.

CONCLUSION

RPF is advancing the frontiers of democratic engagement and governance in social investment. The fund is still in the early stages of operation and is planning on beginning loan operations in 2021. If successful, RPF will provide another model of fair, non-extractive capital investments, driven and controlled by the community. Of particular interest for onlookers and funders is the locus of leadership among just a handful of organizations trusted by the community, and their partnership with external lenders. This split balances the unique skills of each party while maintaining community control. It helps the organizations bring in new forms of capital for themselves and their partners, building up the capacity of local grassroots organizations to influence their economic and political landscape. This is their unique form of power building.

CASE STUDY: **East Portland Community Investment Trust**

For two decades, the growth of the technology and footwear industries has brought in-migration and for some, increased prosperity to Portland, Oregon. The residents of East Portland have not benefited in this growth. Median family income is 67% of the Portland metropolitan level; the poverty rate is 22%, with 90% of the children in the neighborhood's closest elementary school qualifying for free or reduced lunch. In this ethnically diverse community (primarily Hispanic, Russian, Somali, and Vietnamese communities), home ownership is low – 65% of residents are renters. Once a relatively affordable housing market, East Portland has become increasingly expensive for residents.

For years, Mercy Corps Northwest – a nonprofit Community Development Financial Institutions (CDFI) of the Portland-based Mercy Corps – had been engaged with the East Portland neighborhood. Understanding that lack of assets, not solely the lack of income, perpetuates poverty, they developed over the last decade an innovative program to build community wealth amid gentrification and the rising cost of living: the East Portland Community Investment Trust (CIT).

PROJECT DESCRIPTION

Through East Portland CIT, Mercy Corps Northwest's vision was to create an investment opportunity for residents of the neighborhood that creates ownership over local commercial activity. In a primarily renter community, many people were interested in homeownership, but it was beyond their means. Mercy Corps Northwest landed on a new model, a Community Investment Trust, which can facilitate community investments into commercial real estate to increase assets in the gentrifying East Portland neighborhood. The idea was to purchase a commercial lot, develop a legal and financial model for community members to invest in this project, provide educational services and technical assistance for residents, and eventually pass governance from Mercy Corps Northwest and their initial partners to the community members themselves.

Having decided to focus on commercial real estate, Mercy Corps Northwest intensively researched various properties, scoring candidates on eight variables including cost, potential for government support, location, and neighborhood conditions. It settled upon a single-story shopping mall, Plaza 122, which was in foreclosure, needed maintenance, and was one-third vacant. The asking price was \$1.2 million, with an additional \$200,000 required for maintenance and tenant improvements. The appraised value after maintenance and improvements was \$1.48 million.

Mercy Corps Northwest LLC purchased Plaza 122 in 2014 through a financing package of \$1.4 million made up the following:

- An interest-only bridge loan of \$900,000 at 6% from Beneficial State Bank, a CDFI. (Northwest Bank later provided mortgage financing and a Direct Pay Letter of Credit.)
- Subordinated loans of \$115,000 each at 4% from two impact investors
- A subordinated loan of \$123,000 at 2% from Mercy Corps Northwest, plus an additional \$97,000 subordinated loan from Mercy Corps Northwest, used for deferred maintenance, totaling \$220,000.

Operating support for the Trust, including a part-time operations manager and community engagement mechanisms such as financial literacy classes and capacity building, are supported through philanthropic grants. Primary funders include JP Morgan Chase Bank, the Meyer Memorial Trust, the Collins Foundation, impact investors who provided grants alongside investments, and individual donations from those in the real estate sector. Funding for early stage research and design came out of Mercy Corps Northwest's own resources. No public-sector funding was obtained.

Grassroots Economic Participation

With the capital for the property secured, Mercy Corps Northwest had to develop an innovative legal structure that would allow the community - which had limited individual investment resources - to become the owner. To design an offering, Mercy Corps Northwest relied on the pro bono assistance of the Portland office of a national law firm that specializes in municipal bonds, Orrick LLP. The firm constructed a novel security offering that is exempt from registration. Another Portland company partnered with Mercy Corps Northwest to create an investor platform compliant with the rules of the JOBS Act (Jumpstarting Our Business Start-Ups), which had opened a path for crowdfunding, and the Financial Industry Regulatory Administration (FINRA). Unlike other crowdfunding investments, the determined structure protected resident investors in East Portland CIT from downside risk. Mercy Corps Northwest obtained a direct pay letter of credit from the primary mortgage holder, Northwest Bank; as part of the conditions of the security offering, this ensured that investors could redeem their shares at the current price at any time without loss of capital and guaranteed a minimum of a 2% annual dividend.

Shares were offered only to residents of four designated zip codes who were 18 or older and had completed the financial education course titled "Moving from Owing to Owning." It was anticipated that 300-500 neighborhood residents would purchase shares. Investors would receive an annual dividend "based on the performance of the property and a long-term return based on the change in share price." Residents had the opportunity to invest from \$10 to \$100 monthly, which would work to build their wealth in two ways: through an annual shareholder dividend, and through an increase in share value as the value of the Plaza 122 increased. As investors make monthly investments over time, these pay down the initial subordinated debt for down payment and property improvements totaling \$450,000 and become the ownership stake of the community investors - an "equity shift."

On July 31, 2017 Mercy Corps Northwest transferred ownership to East Portland CIT, a shareholder corporation which is, after thirty months, shifting to being led by an investor-appointed board of directors. Mercy Corps Northwest owns CIT Services LLC, which advises and manages the trust under a services agreement, providing “financial oversight and community engagement and training,” earning a fee of \$12,000 annually from East Portland CIT. The costs of providing management of East Portland CIT, including engaging a professional property management firm, managing investor classes, paying for the annual audit and appraisal are subsidized by the philanthropic funding.

Currently, there are over 150 community investors, who average more than \$70 in monthly investments. Plaza 122 performed well in its first years after it was launched for investment in November 2017: dividends were paid to investors from 2017 to 2019. Shareholders received dividends of 9.6% for 2018 and 8.9% in 2019, which are paid after the completion of an audit, usually in April. By December 2019, Plaza 122 was profitable with 95% occupancy by a mix of for-profit and non-profit tenants that reflected the multi-national, multi-ethnic character of the community. The share price increased from \$10 to \$15.87 as of January 1, 2020, with \$140,000 of community shares. In 2020, due to the COVID pandemic, community investors were allowed to freeze payments and cash out, although only one investor did and East Portland CIT continued to gain new investors. Dividend numbers for 2020 have not been released at the time of writing.

Voice and Vote in Design Stage

Starting in 2010, Mercy Corps Northwest conducted a two-year research effort to determine the needs of East Portland residents. It used two AmeriCorps-VISTA volunteers and graduate students from Willamette University and Reed College to conduct multi-lingual outreach, listening sessions, and surveys to determine residents’ interests, family goals, and investment knowledge. They visited farmers markets and an affordable housing agency, spoke with elected officials, social service providers, schools and churches, and potential funders. Through this process, Mercy Corps Northwest landed on the solution of real estate investing. Accordingly, Mercy Corps Northwest sought to develop an asset-building model without requiring a match. Through its community surveys and research, Mercy Corps Northwest determined that there was resident appetite; as the idea of the Trust was formulating, they asked community members specifically if people would invest in a strip mall; asked about the kinds of businesses residents needed and would support; and concluded that residents were interested in investing, but had limited experience and knowledge about it.

This design process allowed for input from the community, which helped Mercy Corps Northwest shape the idea for the project and the subsequent services offered to community members. For example, all residents interested in investing were provided an eight-hour course, taught in multiple languages (English, Arabic, Spanish, Vietnamese, Russian, Amharic and Tigrinya) by community leaders who were stipended at \$25 an hour. Survey responses led to the offering of food and daycare to class participants.

Voice and Vote in Governance Stage

The founding board of directors of the Community Investment Trust was an “expert-led” group of three. One member was the executive director of Mercy Corps Northwest, John W. Haines, the project’s founder, who now serves as executive director of East Portland CIT; a second was the former board chair of Mercy Corps Northwest; the third was the executive director of a neighborhood organization, Rosewood Initiative. Once the project is stabilized, the plan is to expand to 12 members, recruited by the board through outreach to “neighborhood leaders with the expertise and relationships that are of long-term value to the corporation. Investors are eligible and are encouraged to be board members”.²⁰

LESSONS LEARNED

The success of the model was predicated on Mercy Corps Northwest serving as a “neighborhood champion” to create and manage a community investment trust. They in particular were successful due to their knowledge of the local market, local partners, and experience fundraising and raising capital.

One element in the capitalization of the project that would have eased the process but was not present in East Portland CIT was a start-up equity investment from a foundation. Such an investment would de-risk the project and increase yield for resident investors. East Portland CIT had no such investment; instead, Mercy Corps Northwest and two related impact investors provided below-market, unsecured loans subordinated to bank debt.

Mercy Corps Northwest has identified the varied financing inputs and actors that can make a community investment trust possible:

- Foundations can provide low-cost subordinated debt, Program-Related Investments (PRI), forgivable debt, and guarantees and liquidity for bank letters of credit. Grants can support feasibility studies, license fees, and operations of a community investment trust.
- Impact investors may provide equity or subordinated debt, operating support for training and capacity building, funds to support a bank letter of credit, or donations for license fees.
- Banks may provide short-term construction loans, long-term real estate loans, letters of credit, and grants from their foundation arms.
- Public entities may provide or subsidize real estate, expedite permits, help fill equity gaps, provide subordinate debt, or provide grants for operating support or CIT licenses.

²⁰ Mercy Corps Northwest, [The Community Investment Trust Case Study](#), 2019.

CONCLUSION

East Portland CIT provides a model that, even at just a few years old, has uncovered some of the prerequisites to successful community investment over commercial real estate and demonstrated a replicable model for other similar projects. The initial data suggests important outcomes from East Portland CIT: improved credit scores from community investors, increased financial literacy skills, such as financial planning, among investors. Retail tenants have reported more foot traffic after the shift in ownership to the community. Perhaps most encouragingly, 65% of investors reported becoming more involved in their community and participating in neighborhood events and organizations.

The initial success and maintenance of the model has led to a major effort from Mercy Corps Northwest to promote the model in other locations. Mercy Corps Northwest offers fee-based products for a comprehensive replication feasibility study, as well as follow-on fee-based products for subsequent implementation and ongoing operations, including the investor portal that manages all investor sign-ups and transactions. It has developed a toolkit, which it plans to license. It will provide materials to guide real estate acquisition, legal and financial processes and structures, operations, and community engagement. To date, Mercy Corps Northwest has been contacted by as many as 50 cities potentially interested in replication. With others looking closely at the East Portland CIT model and resources to support replication, and many cities across the country experience the same issues as the East Portland neighborhood, the East Portland CIT model represents a Grassroots Community Engaged Investment model that could see more traction in coming years.

Appendix 2: Overview of GCEI Funders

Philanthropic support has been a key factor in the launch and success of virtually all Grassroots Community Engaged Investment projects, whether it comes from foundations, individuals, or investors willing to rethink traditional notions of risk and return. While there are a limited number of philanthropic funders that show up consistently, this is an area of growing interest for philanthropy.

This section aims to give an overview of the key philanthropic funders, particularly at the foundation level, and offer some reflections on how funders can and do show up in different ways. More than as a field scan, it is meant as a quick review of salient examples and trends.

WHO IS ACTIVE

Philanthropic actors involved in GCEI tend to come at it from prior support of community development, even if devoid of considerations around power or grassroots involvement, or arrive at it from the angle of social justice, racial equity, power, and democracy.

Involvement in GCEI projects can be seen as a bridge between the two, exposing community development funders to the practices of social justice funding, and adding economic development as a tool for social justice funders.

There are three main types of funders active:

- Major national foundations, such as Ford and Kresge, which have long supported economic development and were behind the launch of initiatives such as SPARCC.
- Community foundations, which unsurprisingly are involved chiefly at the local level in projects relevant to their community and do not tend to replicate or extend outward. For example, Incourage led a redevelopment of a former newspaper building with community input, and Jacobs Family Foundation did so similarly with the Market Creek Plaza initiative in San Diego.
- Progressive family foundations and family offices, especially with regard to catalytic capital, that are agnostic as to geography and mostly align with a power-building and economic democracy thesis.

Some efforts are led by individual philanthropic actors, as in the case of the Jacobs Family Foundation behind Market Creek Plaza. Others take the form of consortia of funders and intermediaries, such as SPARCC, or are launched by a core funder who then brings in others, such as the Solidago Foundation in the context of RPF. Yet others are pre-existing funder networks, such as Invest Appalachia, that launch new projects with grassroots community engagement.

The scope of funder involvement can be categorized as being primarily field support, which includes the development of best practices and of capacity building for the field, as carried out by the Surdna Foundation's Inclusive Economies Program, or support of specific projects.

ROLES AND TOOLS FOR FUNDERS

Roles

Philanthropic funders can support GCEI projects by taking on several functions and roles:

They can be **initiators** for projects. Some GCEI projects are ideated by funders, or emerge as the result of community engagement activities such as community surveys or gatherings. Starting a project doesn't preclude a foundation from passing off governance or even economic ownership to grassroots stakeholders, as seen in RPF where the Solidago Foundation helped establish community governance early on in the project. In real estate development projects with grassroots community engagement, foundations have often initiated projects by purchasing property and then having communities shape what the building is used for, as with Incentive's redevelopment of the Tribune building.

They can be **pioneering supporters**, providing early funding and capacity for embryonic projects started by grassroots stakeholders or by other funders. Oftentimes, funders will have prior relationships with organizations who have started projects, as demonstrated by the East Bay Community Foundation, which supports the grassroots organizations governing RPF. Pioneering support funding is critical to build operations for projects, hire staff, consult legal experts for designing projects, and conduct workshops, feasibility studies, and other community engagement activities.

They can be **capital providers** for projects that are underway. This can be as simple as purchasing investment notes for community-governed funds, as philanthropic investors like the Libra Foundation did with the Boston Ujima Fund, or through direct loans to projects; for example, the Kellogg Foundation provided a PRI for Co-Op Capital's collateral pool. Projects that are purchasing real estate need upfront capital to make purchases: KCT has received PRIs from several foundations including the Patricia Kind Family Foundation, and are actively exploring more.

They can be **conveners of capital** among their peers, using relationships to attract additional capital and bring in the right mix of stakeholders. Invest Appalachia is a primary example of this convening power, where a regional funder collaborative brought in regional players and created a grant pool capitalized by, among others, the Greater Clark Foundation, the Cassiopeia Foundation and the Mary Reynolds Babcock Foundation. Even small foundations are able to serve as anchors that attract others; the Solidago Foundation provided critical early support to RPF and Boston Ujima Project and played a role in galvanizing other foundations.

A final, novel strategy for Grassroots Community Engaged Investment is transferring a foundation's entire endowment to grassroots community governance. This is the model currently being piloted by the Heron Foundation, which is creating regional committees to govern the endowment. This new strategy looks far different from the other funders mentioned in this report but is nonetheless an example of shifting power to communities through investment processes.

Tools

There are several tools at the disposal of philanthropic funders. The most obvious and well trodden is grant funding, which can go to the exploratory phases, capacity building, and paying for the time of the community members involved. Grant support can also be incorporated into the overall capital plan for a project, particularly in the design phase as a form of initial equity capital. Operating and legal support for newly established entities in the form of grants is especially important because of its uniqueness (unlike concessionary or otherwise affordable investment capital, which may be accessible through other channels); well before they are ready to take on investment, moreover, new entities need grant support to pay staff and get the project development underway. AmbitioUS, an initiative of the Center for Cultural Innovation, has supported via a one-year unrestricted grant the planning stage for the Boston Impact Initiative to train and mentor a national cohort of community leaders developing community-based, integrated capital funds that help close the racial wealth divide in their communities.

Grant funding is also necessary to build and strengthen institutional capacity. For example, Thunder Valley CDC received support from the Northwest Area Foundation and the Doris Duke Charitable Foundation's Child Well-being Program that included \$300,000 over two years for institutional capacity.

In an investor role, philanthropic funders generally contribute capital in the form of program related investments, or PRIs. GCEI PRIs have taken the form of direct debt investments, such as the purchase of notes from projects like the Boston Ujima Fund, or equity investments in buildings, such as the Jacobs Family Foundation's \$3.45 million PRI equity investment into the Market Creek Plaza development.

Lending institutions, such as Community Development Financial Institutions, require equity or quasi-equity investments for their own structural needs as well as for capital requirements, on top of the dollars invested in them for on-lending. The Ford Foundation and the JP Morgan Chase Foundation have provided \$3 million and \$1.75 million respectively as equity or permanent capital to ROC USA Capital.

Related to the role as conveners of capital, philanthropic funders can crowd in and catalyze additional capital by serving as a risk mitigant, for example by providing guarantees. For example, the Jacobs Family Foundation provided a guarantee to attract others to commit PRI capital, which led to investments from national funders (W.K. Kellogg Foundation, Rockefeller Foundation, Annie E. Casey Foundation) and local funders (the Legler Benbough Foundation). AmbitioUS provided a grant for Ujima's loan loss reserve that acts as a first-loss protection for community-member investors. The W.K. Kellogg foundation similarly provided both PRIs and grants to create a collateral pool for Co-Op Capital, which can serve a similar function in catalyzing other investors whose risk concerns are mitigated by the existence of the collateral, often lacking in grassroots community organizations.

The direct purchase of assets as a way of contributing to a project is featured, for example, in both Market Creek Plaza and East Portland CIT. The Jacobs Family Foundation purchased the \$4 million, 20-acre lot that would become the Plaza, moving from traditional grantmaking and capacity building to experimental place-based funding focused on community organizing. The CDFI Mercy Corps Northwest acquired the commercial property for East Portland CIT via an initial \$900,000 loan and \$350,000 in equity, funded in part by a private investor. Mercy Corps Northwest based their model off of the REIT concept, which allows investors to pool money in real estate properties.

What are Program Related Investments?

PRIs are investments provided by foundations in furtherance of their mission. They can provide capital at below-market terms or guarantees to non-profit or for-profit enterprises. PRIs are counted by the IRS as part of the annual distribution (at least 5% of its endowment) that a private foundation is required to make. Because PRIs are generally expected to be repaid, they can then be recycled into new charitable investments, increasing the leverage of the foundation's distributions.

EXAMPLES OF FUNDER INVOLVEMENT IN GCEI PROJECTS

The Ford Foundation

- The Ford Foundation has been active in the GCEI space both on the grantmaking side and through its PRIs.
- Ford is an initial co-funder, along with the Kresge Foundation, and the Robert Wood Johnson Foundation, of SPARCC, which is the national program behind Elevated Chicago. SPARCC received over \$90 million in philanthropic funding, putting it at the highest end of GCEI project support (the California Endowment, the MacArthur Foundation, the JPMorgan Chase Foundation, the JPB Foundation, and Ballmer Group have provided additional support). Initial funding consisted of \$1 million in direct grant and technical assistance funds for each of the six regions' collaborative tables, plus an additional \$14 million collectively for programmatic support in data systems, policy, communications, and other areas. On the investment side, the foundations and other entities committed a \$70 million pool to be invested in the projects.
- Ford also provided a PRI investment to ROC USA and is among its largest equity capital providers, with \$3 million, as well as a key seed funder via grants.
- Ford is also exploring an investment into KCT.

AmbitioUS

- AmbitioUS, an initiative of the Center for Cultural Innovation (CCI) encouraging the development of burgeoning alternative economies, acts as an experimental arm for the philanthropic sector. AmbitioUS has an explicit thesis around shifting economic power in ways that work for more people, based on cultural transformation work. It combines a set of factors that include a focus on frontline communities, alternative and sustaining economic paradigms, economic infrastructure building, artists' ownership of assets, financial self-determination models, new worker social contracts, and deployment of integrated capital.
- It is set up as a limited-time initiative, with capital from the Andrew W. Mellon Foundation, Barr Foundation, Doris Duke Foundation, the Field Foundation of Illinois, Henry Luce Foundation, Kenneth Rainin Foundation, the Kresge Foundation, the Surdna Foundation and the William and Flora Hewlett Foundation. AmbitioUS's one-time grant and loan fund is a collaboration between AmbitioUS, Seed Commons and Uptima Entrepreneur Cooperative.
- AmbitioUS has supported several efforts in the GCEI space including EBPREC, The Ujima Fund, and the Boston Impact Initiative. AmbitioUS also provided a one-year unrestricted grant to Roanhorse Consulting, which is a key partner in the Co-Op Capital initiative and more broadly supports efforts by Native Americans to create independent, locally based economic systems.

Solidago Foundation

- The Solidago Foundation is a small non-endowed foundation based in Western Massachusetts. It has been a pioneer in the GCEI field. Building on its experience as a funder of the Pioneer Valley Grows investment fund, which was locally rooted but not centered in community, Solidago doubled down on grassroots approaches and was the philanthropic anchor behind RPF. It has also been a supporter of the Boston Ujima Project throughout.
- Solidago has also emphasized the provision of funding for technical assistance services. For example, for both RPF and the Ujima Fund, it supported Transform Finance in delivering a series of educational trainings for leaders and constituents of these projects in familiarizing themselves with fund concepts and key investment knowledge.

Appalachian Funders Network

- The Appalachian Funders Network (AFN) is a \$17 million grant pool that provides “coordinated capacity-building support to remove barriers to pipeline development, strategic and technical assistance grants, loan-loss reserves, credit enhancements to increase the number of investment-ready businesses and projects and address underwriting hurdles.”
- In 2017 the AFN, which is supported by Greater Clark Foundation, Cassiopeia Foundation and Mary Babcock Foundation, convened stakeholders in regional Appalachia to develop Invest Appalachia.

The Heron Foundation

- The Heron Foundation has long been at the forefront of reconciling its mission with its endowment. It is currently experimenting with bringing community leaders in from several geographies in the foundation’s programmatic scope to manage the investment portfolios of the endowment, where community leaders will have full control over a portion of Heron’s portfolio. This direct management of assets by community leadership is unique in the foundation space and has a higher level of community control than many other GCEI initiatives.
- Heron sees this as an explicit power building opportunity and a way to signal to the field that there are different possible models of capital deployment that are more aligned with community views.

The Libra Foundation

- The Libra Foundation launched and invested into a pool of \$40 million for Candide Group’s Olamina Fund, which supports CDFIs and has a strong element of community member governance.
- It has also invested in the Ujima Fund in the tranche with the highest risk.
- The Kataly Foundation, born from the experience of one of the principals behind the Libra Foundation in an effort to further drive social justice approaches, has an emerging GCEI initiative that shares governance with climate justice organizations control over the use of the foundation’s DAF capital.

Jacobs Family Foundation

- The Jacobs Family Foundation is emblematic of the role community foundations can play in creating local GCEI projects. They conceived of and funded Market Creek Plaza with sister operating foundation, the Jacobs Center for Neighborhood Innovation (JCNI).
- This was a creative initiative for a foundation that realized that a project of this magnitude could not be carried out by the public sector with available public-sector financing tools, nor were banks willing to take on the risk.
- The Foundation acted from the standpoint that no single institution could provide all of the sources of capital needed. The financing package of \$23.7 million, which ultimately involved financial institutions, the public sector, philanthropy, and community investment, started with the foundation providing \$2 million in equity through a PRI and another \$2.35 million from JCNI, which led to other foundations (including The Heron Foundation, The Rockefeller Foundation, The Annie E. Casey Foundation and a local foundation, The Legler Benbough Foundation) providing \$3.25 million in PRIs.
- New Markets Tax Credits triggered \$15 million in loans at 3%, arranged by the Clearinghouse CDFI with Wells Fargo Bank as the investor.
- To activate some of the PRIs needed, the foundation provided a guarantee (and Mr. Jacobs himself moved personal stock to serve as collateral.)
- The foundation's investments and funding extended to other areas also. Beyond the purchase of the site, the foundation paid for Market Creek Plaza to be included in a redevelopment district, in exchange for 60% of the tax increment resulting from development.
- The foundation was also instrumental in catalyzing the San Diego Neighborhood Funders collaborative, which created a pool of mini-grants that supported specific, "soft" elements of the redevelopment efforts such as youth development or health, and paid for some of the technical expertise required and to facilitate the community engagement process.

The Rockefeller Foundation

- In 2003, the foundation was one of the anchor supporters for Market Creek Plaza, providing a \$1 million PRI.
- More recently, the foundation has developed a strategy in 12 locations around the country to address capital access gaps for entrepreneurs of color and support funds that are providing innovative financing products and technical assistance for these businesses.
- As a part of this strategy, they provided a \$500,000 grant to the East Bay Community Foundation as regranteeing capital for operating support of the REAL People's Fund, as well as a \$175,000 grant for the Boston Ujima Project to support technical assistance efforts alongside the Fund's investments.
- The foundation identified their involvement in both projects as a means of better understanding how community governance models work in practice.

Appendix 3: List Of Interviewees and Supporters

NAME	ORGANIZATION
Aaron Tanaka	Center for Economic Democracy
Adriana Abizadeh	Kensington Corridor Trust
Alexandra Mills	Port Covington Impact Investments
Alison Powers	Capital Impact Partners
Amanda Ballantyne	Main Street Alliance
Andrea Longton	Opportunity Finance Network
Andrew Crosson	Rural Support Partners
Andy Rachlin	The Reinvestment Fund
Anjan Chaudhry	National Coalition for Asian Pacific American Community Development
Anne Angston	SPARK Microgrants
April De Simone	Designing the We
Ariel Brooks	Center for Economic Democracy
Ben Beach	The Partnership for Working Families
Cathy Albisa	Partners for Dignity and Rights and Race Forward
Cynthia Newell	City First
Cliff Rosenthal	Author and CDFI expert
Daniel Ellis	Neighborhood Housing Services of Baltimore
Danielle Maiden	NeighborWorks MT
David Wood	Initiative for Responsible Investment
Dawn Neuman	Incourage Community Foundation
Deborah Frieze	Boston Impact Initiative
Derek Peoples	American Independent Business Alliance
Devin Culbertson	Enterprise Community Partners
Ed Whitfield	Center for Economic Democracy
Elena Gaarder	Nexus Community Partners

Elizabeth Coco	Phillips Family Foundation
Farhad Ebrahimi	Chorus Foundation
Francie Ferguson	NeighborWorks Real Estate
Frank Woodruff	National Alliance of Community Economic Development Associations
Grace Hygdon	Institute of Development Studies
Habib El Magrissy	Open Society Foundations
Heather McKellips	Encourage Community Foundation
Ines Polonius	Communities Unlimited
Ingrid Jacobson	ICA Fund Good Jobs
Jamie Gloshey	Native Women Lead
Jeannine Jacokes	Partners for the Common Good
Jed Emerson	Blended Value
Jeff Rosen	Solidago Foundation
Jennifer Bryant	Washington Area Community Investment Fund
Jennifer Vanica	Formerly of the Jacobs Family Foundation
Jesus Leon	Alliance Way
Jillian Rosen	Ann Arbor Area Foundation
Joan Straussman	NeighborWorks America
John Haines	Mercy Corps Northwest
John Hamilton	New Hampshire Community Loan Fund
Julian Wood	Community Development Venture Capital Alliance
Karla Miller	Northwest Area Foundation
Kate Danaher	RSF Social Finance
Katheryn Witt	Common Future
Yvonne Yen Liu	Common Future
Lance Loethen	Opportunity Finance Network
Larry Garcia	National Association of Latino Community Asset Builders
Lillian Singh	Prosperity Now
Liz Sessler	CapShift
Lynne Hoey	Candide Group
Marcia Erickson	Grow South Dakota
Margot Brandenburg	Ford Foundation

Margot Kane	Spring Point Partners
Marnie Thompson	Fund for Democratic Communities
Melissa Hoover	Democracy at Work Institute
Neha Kapur	RSF Social Finance
Nelly Mecklenberg	Institute for State Effectiveness
Nia Evans	Boston Ujima Project
Noam Hurvitz-Prinz	Local Initiatives Support Corporation
Norman Christopher	Seeds of Promise
Ojan Mobedshahi	East Bay Permanent Real Estate Cooperative
Oscar Perry Abello	Next City
Paola Garrido Estevez	Local Initiatives Support Corporation
Patrick Horvath	Denver Foundation
Paul Bradley	ROC USA
Paula Planthaber	NeighborWorks America
Philippe Jordi	Island Housing Trust Martha's Vineyard
Pierre Joseph	Consultant
Ricardo Nunez	Sustainable Economies Law Center
Robin Hacke	Center for Community Investment
Rodney Foxworth	Common Future
Sara Morgan	Fahe
Sayer Jones	Meyer Memorial Trust
Sergio Carranza	Pueblo Unido CDC
Sonia Sarkar	Common Future
Stan Keasling	Rural Community Assistance Corporation
Stefka Fanchi	Elevations CLT
Stephanie Randolph	Invest Appalachia
Steve Dubb	Nonprofit Quarterly
Tash Nguyen	Restore Oakland
Tatewin Means	Thunder Valley CDC
Tony Pickett	Grounded Solutions
Tori Kuper	New Economy Coalition

**transform
finance**

www.transformfinance.org

Connect with Us

info@transformfinance.org

 facebook.com/transformfin/

 [@transformfin](https://twitter.com/transformfin)

 [www.linkedin.com/company/
transform-finance/](https://www.linkedin.com/company/transform-finance/)