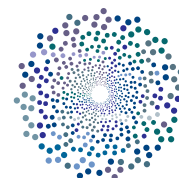


A New Anchor Mission for a New Century

Community foundations
deploying all resources to
build community wealth

NOVEMBER 2014

By Marjorie Kelly and
Violeta Duncan



DEMOCRACY
COLLABORATIVE

AS

the community foundation field reaches the

century mark and faces growing pressure on its business model, many

communities at the same time are struggling with economic distress. To meet

these converging challenges, an innovative group of community foundations

are beginning to deepen and shift how they work—adopting an anchor

mission that seeks to fully deploy all resources to build community wealth.

They are calling on all assets at their disposal—financial, human, intellectual,

and political—in service of their communities’ economic well-being. Moving

into territory relatively uncharted for community foundations, they are

taking up impact investing and economic development—some in advanced

ways, others with small steps. This report offers an overview of how 30

representative community foundations, large and small, urban and rural, are

working toward adopting this new anchor mission. ●

The Democracy Collaborative

The Democracy Collaborative, a nonprofit organization founded in 2000, is a national leader in equitable, inclusive, and sustainable development through our Community Wealth Building Initiative. This initiative encompasses a wide range of Advisory, Research and Field Building activities aiding the work of on-the-ground practitioners working to transform the practice of community economic development in the United States. Our staff and associates are engaged in a variety of projects involving research, training, policy development, and community-focused work designed to promote an asset-based paradigm of economic development and assist greater use of transformative strategies by community stakeholders, foundations, anchor institutions, and policymakers. Our mission is to help shift the prevailing paradigm of economic development—and of the economy as a whole—toward a new system that is place-based, inclusive, collaborative, and ecologically sustainable. The community wealth building approach to economic development focuses on building many kinds of local wealth, employing local, broad-based ownership models, and creating social and financial ecosystems of support.

Authors

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A new mission

Over the past decade, the idea that anchor institutions can play an important role in the life of their communities has been gaining more and more momentum. Typically, anchor institutions are thought of as “eds and meds”—nonprofit or public universities and hospitals. Mayors in New Orleans, Baltimore, Chicago and elsewhere have initiated economic development strategies in which anchor institutions are central. They are doing so for good reason. In an increasing number of cities, eds and meds are among the largest employers. Nationally, universities and hospitals represent more than \$1 trillion of economic activity annually, fully 6 percent of Gross Domestic Product.

In this report, Marjorie Kelly and Violeta Duncan suggest there is another leg of the anchor stool—the nation’s network of hundreds of community foundations. Focused geographically in their giving, governed by boards of local civic leaders, endowed by contributions from local donors, community foundations are as firmly rooted in place as any institution in America. The community foundation in Denver or Cleveland or Atlanta is not going to move to another other state, as for-profit corporations often do, nor will they off-shore their work to China or Latin America. Community foundations embody the essence of what it means to be an anchor institution.

America’s more than 760 place-based community foundations could be a tremendous force for community economic revitalization. Combined, their endowments total \$65 billion and their annual grantmaking roughly \$5 billion.

Surveying the community foundation world, the authors of this report identify an emerging trend showing how the promise of economic revitalization is beginning to be realized. First, a growing number of community foundations are leveraging more of their assets for maximum local impact—staff, thought leadership, grantmaking and, most recently, investment strategies—to strengthen their communities’ economies. That is, they are beginning to adopt a powerful anchor mission. Second, that anchor mission is directed toward a new paradigm of economic development, which is community wealth building. Their aim is to create family-supporting jobs, strengthen community-based businesses, and address our nation’s staggering wealth inequalities.

Through this emerging anchor mission—deploying all resources to build community wealth—we believe our country’s community foundations are ushering in the next great advance for American philanthropy. In the following pages, you will read the inspiring stories of the leaders creating this future.

Sincerely,
Ted Howard
Executive Director, The Democracy Collaborative
Cleveland, Ohio



Preface

Many thanks to The Democracy Collaborative for this insightful paper. As so many of us push for innovation, it's important we pause today to celebrate—as this paper does—the wide range of benefits that community foundations already generate.

Of many great quotes in the paper, one by Janet Topolsky from Aspen Institute Community Strategies Group brilliantly sums up the challenge: “A community foundation can do anything... But it has to decide what it wants to do.”

On the one hand, community foundations are nonprofit public charities with flexibility in their legal structures to create direct loan funds, loan guarantee pools, collaborations with community development financial institutions, and many other new approaches to working with different kinds of capital to meet the needs of local social enterprises. On the other hand, community foundations face many barriers in trying something new.

Yet, as this report shows, exciting innovation is already underway by community foundations, in both economic development and impact investing. Both are ways of moving toward the vital new anchor mission of deploying all resources to build community wealth.

The anchor institution work that The Democracy Collaborative has pioneered is a no-brainer for community foundations to embrace. Yes, it is resource-intensive and requires skillful partnering. But what is the alternative? It is a challenge community foundations will be wise to embrace.

Regarding impact investing, a massive cultural shift is still needed. There are very few foundation leaders who can say, as Clara Miller from the Heron Foundation does, “Our fundamental question for deployment of all capital will be, ‘what is the highest and best use of this asset for furthering our mission?’”

Short-term paper gains in a portfolio of public companies are just that—paper gains. They do not represent real wealth. The aspirational investment goal for community foundations is deploying 100 percent of assets for impact in their local communities. As this paper reports, Kelly Ryan and her board at Encourage Community Foundation in central Wisconsin are the first among community foundations to make this commitment. It will be exciting to watch as they move toward realizing this ambitious goal. At RSF Social Finance, our vision is of 100 community foundations reaching the 100 percent goal in the next decade.

I send my best to all of you taking on these worthy challenges.

Sincerely,

Don Shaffer

President and CEO, RSF Social Finance

San Francisco, California



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Community Wealth

“My work counts.
I’m not just
punching a clock
and going home.”

—Orlando Santaella



Photo c/o The Democracy Collaborative

“I’m one of them guys from

the hood, spent time in federal prison. I’ve been working here three years, and now I own a home. I have a lease on a 2014 car,” said Orlando Santaella, who works at Evergreen Energy Solutions, one of three worker-owned cooperatives catalyzed by the Cleveland Foundation, the nation’s first community foundation, founded a century ago. Workers at the Evergreen Cooperatives are drawn from Cleveland’s inner city neighborhoods, where unemployment exceeds 25 percent and median household income is under \$18,500 per year. “I’m not just punching a clock and going home. You have more pride in your work now,” Santaella said. There was a time his company hit difficulties, but today it’s in the black, distributing shares of the profits to the employee-owners. Meanwhile the Cleveland model is finding growing uptake among other community foundations nationwide. ●

Community Wealth

“We want to put all our assets into building the local economy.”

—Kelly Ryan,
Incourage Community
Foundation



Photo c/o Incourage Community Foundation

“I’d love to see solar on the roof, maybe an electric vehicle charging station,” one community member said, as he sat among dozens of others at the August 2014 community meeting—the ninth planning session on the reuse of the Tribune Building in Wisconsin Rapids, Wisconsin, organized by Incourage Community Foundation. Residents decided on a microbrewery, a culinary kitchen to incubate startup businesses, and a local café serving local food. “It’s a community incubator that is helping advance a new economy,” said Incourage President Kelly Ryan. The building will be the first manifestation of Incourage’s commitment, made in 2014, to invest 100 percent of its resources for mission. Guided by values of equity, inclusion, and opportunity, the board decided that everything the foundation does—grants, investments, vendor relations, and hiring—will be re-examined with a mission lens toward a vision of a community that works for all. ●

Community Wealth




Photo c/o Vermont Smoke and Cure

The foundation's policy is that five percent of all funds go to local investments.

“Made from scratch in Vermont”

is the slogan of Vermont Smoke and Cure, which has been running a smokehouse for more than 50 years, using meats from local farmers. Vermont Community Foundation (VCF) invested in the company as part of its commitment to local investing. The foundation's policy is that five percent of all funds—including donor advised funds—go into a comingled pool, today totaling \$6.5 million, for investments benefitting Vermont. “It's part of the deal if you come with us. That's just the package you get,” said President Stuart Comstock-Gay. That policy also connects to VCF's Food and Farm Initiative. VCF used grants of \$500,000 in 2014—half its discretionary funds—as well as its political capital, convening power, and knowledge capital to build the local food system, aiming to benefit those too often left behind. ●



We make the road by walking, said the Spanish poet Antonio Machado. These three community foundations, and dozens more, are walking a distinctive road that may be laying a path for others. They are beginning to adopt a new anchor mission: a commitment to fully deploy all resources—financial, social, intellectual, human—to build community wealth.

Part I: The Evolution of a New Anchor Mission

It was in 2005 that the highly regarded Monitor Institute report declared that the field of community foundations was “On the Brink of New Promise,”⁴ and in the decade since, there have been countless working groups and initiatives to introduce innovative approaches to the field. At the same time, largely beneath the radar, a small but growing group has begun pursuing the innovative path we explore here. Mostly in small steps—but sometimes in larger ways—they are adopting elements of what could emerge as a new anchor mission to deploy all resources to build community wealth.

Why are these community foundations moving in this direction? What exactly are they doing? To find the answer, we examined a representative group of 30 innovative community foundations, of varying sizes, in various stages of development. For some, the shift involves a focus on catalyzing *economic development*. This generally involves a move beyond simply disbursing grants toward a leadership or catalytic role, proactively shaping initiatives, and using grantmaking in partnership with approaches like convening, piloting projects, and influencing policy. Others are rethinking how they use their assets and are experimenting

The Genesis of This Research

The sense that something

significant was emerging among community foundations came from different directions over many years. In 2007, Ted Howard and Steve Dubb of The Democracy Collaborative helped the Cleveland Foundation launch the Evergreen Cooperatives, and since then many community foundations have expressed interest in this work. That interest was one strong signal. Another useful signal has been provided by the accelerating uptake of our notion of “anchor mission” by hospitals and universities; Steve Dubb, Dave Zuckerman, Sarah McKinley, and others at the Collaborative have been instrumental in helping to popularize the concept. Simultaneously, the notion that community foundations are

themselves anchor institutions was raised by Terry Mazany of Chicago Community Trust and David Perry of the University of Illinois in their book, *Here for Good: Community Foundations and the Challenges of the 21st Century*.

In another strand of work, Collaborative Senior Fellow Marjorie Kelly over two decades tracked the growth of socially responsible investing and spent five years with the Ford Foundation’s WealthWorks project, which tested community wealth building approaches in rural areas. Key participants were 15 community foundations interested in economic development, who attended a 2012 Atlanta meeting. Two dozen community foundations interested in impact investing similarly

attended a 2014 Phoenix convening by the Business Alliance for Local Living Economies and RSF Social Finance. Mission Investors Exchange at the same time reported that interest in impact investing was growing more rapidly among community foundations than any other foundation group.

Signals like these indicated that something significant was emerging. We undertook a national scan to arrive at the 30 community foundations profiled here. The aim was to identify not a comprehensive list but a representative sampling of community foundations—large and small, urban and rural—that are pursuing elements of an anchor mission to build community wealth. ●

with *impact investing*, which we define here as making investments that seek both financial return and social impact. In the process, these foundations are sometimes engaging donors and other investors around how they make investments. Some foundations examined here are doing both economic development and impact investing.

Through on-the-ground stories, this report examines the motives guiding this work, as well as the benefits, barriers, strategies employed, and steps involved in getting started. We share thoughts from leaders in the field on how this work might best evolve over time. We close with capsule summaries of the wealth-building activities of the 30 foundations surveyed.

A historic moment for innovation

Ronn Richard, president of the Cleveland Foundation, in a recent essay titled “A Mandate to Innovate,” observed that community foundations are today at a tipping point. In 1914, the founder of the Cleveland Foundation, Frederick Harris Goff, “initiated a new philanthropic model: a permanently enduring organization flexible enough to address the needs and seize the opportunities of any era,” Richard wrote. He noted that community foundations have often incubated high-risk ideas to solve stubborn social and economic problems. “We can take pride in this legacy. But we *must* expand on it,” he said. Maintaining the status quo is no longer an option. “Our field’s next century will be radically different from the first.”⁵

The model created by Goff, as it has evolved, involves a distinctive design in which a community foundation is composed of donor advised funds, established by many separate donors, permitting them to enjoy an immediate tax benefit and control how charitable funds are disbursed over time. Community foundations also build up their own discretionary funds and endowments, with these

pools of assets built in part from fundraising and in part from funds not disbursed in a donor’s lifetime.

Another aspect of the model is its rootedness in a geographic community. The grantmaking of community foundations, and their donors, are typically focused in one area, and the footprints of community foundations rarely overlap. The power of this model contributed to its proliferation. There are

“Our field’s next century will be radically different from the first.”

—Ronn Richard, President,
Cleveland Foundation

today more than 760 community foundations in the U.S., and some 1,700 worldwide. A number of larger foundations—including Ford, McKnight, Rockefeller, and the Charles Stuart Mott Foundation—have led initiatives to seed and support the spread of community foundations.

The rate of increase in the number of community foundations—rapid since the 1950s—declined precipitously in the early 2000s.⁶ Community foundations began to find themselves in a very different environment. Other options for donors began to arise, most notably commercial banks and investment firms offering to manage donor advised funds more cheaply, but also the rise (or revival of) alternative forms of giving, such as crowdfunding platforms and giving circles. Meanwhile, other innovations were emerging, including social enterprises, B corporations, and impact investing. “Enterprise philanthropy” models like the Acumen Fund began to combine grants and investments to support enterprise growth. In many ways, the line

between for-profit and nonprofit sectors was blurring.

Increasingly, community foundations have been challenged to reimagine and rethink their way forward, as traditional ways of operating come under pressure.⁷ Success has long been measured by asset size and ability to grow the endowment, but as the Monitor Institute observed, in the coming era, “the measure that matters will be impact, not asset size.”⁸ Many community foundations traditionally have focused on asset management, passive grantmaking, and donor services, but there is now new pressure to exercise proactive leadership. As Emmett Carson of Silicon Valley Community Foundation said in a speech at a Global Symposium of Community Foundations, “We may be required to leave behind those wedded to the path of being charitable bankers rather than social change agents.”⁹

The surge of commercial competition

Among all the changes confronting community foundations, the most significant has been the rise of commercial competition. It began with the launch of the Fidelity Charitable Gift Fund in 1991, which offered donor advised funds at disruptively low prices. By 2013, this fund had grown to \$12 billion in assets under

management, and was second only to United Way among the nation’s largest charities.¹⁰ Today there are at least 47 national charities offering donor advised funds, including those affiliated with firms like Schwab, Vanguard, Goldman Sachs, Citigroup, and Bank of America.¹¹ In aggregate, these national players in 2012 held more donor advised fund assets than community foundations, and they distributed more in donor advised grant dollars.¹²

Despite the competition, community foundations in many ways have held their own. Between 2012 and 2013, total assets under management at national providers rose 50 percent faster than at community foundations, yet assets at community foundations still increased an impressive 14 percent. The upshot is that competitive forces have been closing in, yet this reality has not fully hit home for most community foundations. For example, last year, three out of four community foundations were able to increase their operating budgets.¹³ Among the reasons were a rising stock market, and an inflow of charitable dollars from retiring Baby Boomers. But these trends will not last forever.

In the coming century, community foundations are unlikely to be able to see themselves as primarily in the business of taking in funds from donors and giving

Nationally Managed Donor Advised Funds vs. Community Foundations

2012 Data	Nationally Managed Donor Advised Funds	Community Foundations
No. Donor Advised Fund (DAF) Accounts	100,614	60,000
Total DAF Assets Under Management	\$18.9 billion	\$18.3 billion
Growth in Assets (2011-2012)	22%	17%
Grants Made from DAFs	3.37% billion	\$2.78 billion
Contributions to DAFs	\$6.53 billion	\$4.28 billion

Source: 2012 data from “2013 Donor-Advised Fund Report,” National Philanthropic Trust, based on 47 nationally managed donor advised funds, many of which are associated with commercial institutions, and 603 community foundations. <http://www.nptrust.org/daf-report/sponsor-type-comparison.html>

them out as donors direct—what has been called “ATM philanthropy.” As prominent community foundation leaders have observed, the financial-transaction model built over the last 100 years is largely broken.¹⁴

The ground in many ways is shifting beneath community foundations, and many are pointing to the need for innovation in the way they operate to benefit the community.¹⁵ It is in this context that the emergence of a new anchor mission—utilizing all resources to build community wealth—represents a potentially significant innovation for the field.

“The world has changed and so must we”

In addition to the changing landscape of competitive forces in the philanthropic world, community foundations face a second major challenge in the communities they serve. As Clara Miller, president of the F.B. Heron Foundation, put it: “The world has changed, and so must we.” For many years, she said, Heron and other foundations have seen their aim as helping families at the bottom of the economic and social scale to enter the mainstream. But, she noted, the mental picture of a healthy mainstream economy, with a small group in poverty on the margin, is no longer accurate.¹⁶

Poverty is now structural, not marginal, she wrote. Real wages have increased only a trivial amount over the last 30 years. Nearly 50 million Americans today live in poverty, a greater proportion of the population than in the late 1960s. Meanwhile, unemployment, when properly measured, stands at roughly 12 percent.¹⁷

“The urgency and size of the problems we face require that we work differently,” Miller said. Tactics must change. “Everything at our disposal is now a mission-critical resource.” For Heron, this has meant redirecting all of its capital toward building a more inclusive and just society—including investing 100 percent of assets for mission.¹⁸ The foundation now views itself as possessing one unified pool of assets,

some deployed in grantmaking, some deployed through investing, all directed toward mission.

Given these converging challenges—economic stagnation for many families, plus a shifting competitive landscape—how are community

In the coming century, community foundations are unlikely to be able to see themselves as primarily in the business of taking in funds from donors and giving them out as donors direct.

foundations charting a new course? One critical factor is the fact that community foundations are *place-based institutions*. That’s the foundational frame with which Terry Mazany, president and CEO of Chicago Community Trust, and David C. Perry, of the University of Illinois, began their recent book, *Here for Good: Community Foundations and the Challenges of the 21st Century*. Community foundations have “at their root, at their very essence, the *community*,” they wrote. They are *anchor institutions*. As such, their core mission is inherently a place-based one, for “the community foundation is the one institution, among all others, that seeks to mobilize the resources of the community to meet the community’s needs.”¹⁹

The concept of an *anchor institution*—widely popularized by Michael Porter of Harvard Business School, among others—is often used to refer to “eds and meds,” nonprofit colleges and hospitals permanently anchored in place. Some of the best of these place-based institutions are today becoming



A new business model for community foundation loan funds

When the Community Impact

Loan Fund of the Arizona Community Foundation made a loan of \$375,000 to the Desert Botanical Garden, the capital funded a new pumping system that will save the Garden hundreds of thousands of dollars over time in irrigation costs. This is just one example of the kind of nonprofit loans this fund is able to make. James Lincoln, who organized the fund, obtained a \$3 million very low-cost line of credit from a bank by offering to help the bank solve a problem: the bank's requirement to lend for community needs in order to comply with the provisions of the Community Reinvestment Act.

Lincoln obtained this loan at one half a percent interest on a "non-recourse" basis, which means the bank retains the risk should the loans default. He similarly obtained a substantial line of credit from a large nonprofit healthcare company, which, as part of the company's mission of community reinvestment, loans funds to nonprofits throughout its service area. Seeing that the healthcare company had limited staff and capacity, Lincoln offered to help find loan candidates and organize local intermediaries to service the loans. Because of these innovative solutions to business problems, he was able to attract a multi-million-dollar

line of credit from the healthcare company on favorable terms. The low cost of capital allows the Arizona Community Foundation to make loans whose highest interest rate is 4.5 percent, while similar funds charge up to 7 percent. "It's a totally different way of thinking," Lincoln said. "It's using a capitalist mindset to create community wealth." The Community Impact Loan Fund now has close to \$2 million loaned out. According to Lincoln, when this reaches \$6 million, the fund is projected to be financially self-supporting, covering all its costs. ●

Photo c/o Desert Botanical Garden

aware of a potential new mission as anchors, leading them to deploy their economic resources, like purchasing power, on behalf of the community. A classic anchor mission can be defined as follows:

A commitment by place-based institutions to “consciously and strategically apply their long-term, place-based economic power, in combination with their human and intellectual resources, to better the welfare of the communities in which they reside.”²⁰

With an anchor mission, being place-based becomes more than a fact, evolving into a deep-rooted commitment that plays out in multiple ways. For community foundations, such a mission can serve as an important compass. As Mazany and Perry wrote, when a community foundation “starts to take on an individualistic, donor-driven mission” not embedded in *place*, it “can come unmoored.”²¹ Embracing a multifaceted anchor mission is a way community foundations can commit themselves even more deeply to their community—a community encompassing both donors and residents of the area.

A community foundation can certainly build an anchor mission for itself in terms of any one of a number of strategic goals—such as education, housing, or strengthening nonprofits. Below, however, we explore why and how the community foundations we’re tracking here have chosen to focus on enhancing the *economic* well-being of communities, and how some of these foundations are taking a particular approach to doing so—*building community wealth*.

A continuum from basic services to economic development

Taking up the work of enhancing community economic well-being does not mean that the need for basic services diminishes. Indeed, we found that many community foundations we interviewed saw their work as taking place across a continuum. For example, the Amarillo Area

Foundation—operating in 26 largely rural counties in the Texas Panhandle—has created a Panhandle Prosperity Initiative that envisions the foundation’s work as a series of building blocks. The first of these is about *Basic Needs*, such as food, shelter, and clothing. Next come *Basic Skills*, such as education and training. Third comes *Asset Development*, including the ability to save money or buy a home. Fourth is *Entrepreneurship and Business Development*. A fifth element, *Giveback and Civic Engagement*, encourages high net worth families to support community philanthropy.

The Basic Needs work is there because “the income group we’re targeting is at best at subsistence; they’re just surviving,” said Angela Lust, senior vice president. Once subsistence needs are met, people can move to developing Basic Skills and then to Asset Development. “It’s not until you move up an income level that you can build some assets, like saving for college or owning a car,” she explained.²²

Business Development was included because the foundation saw that meeting basic needs and enhancing education weren’t enough. “We’ve been doing education work for years,” Lust explained. “Not too far into a multi-year education project, we asked ourselves, if we were successful tomorrow,” and the entire target population had post-secondary credentials, “would there be sufficient local jobs available to them? Probably not.” They would simply move away, taking that intellectual capital with them. Without the development of jobs and new companies, Lust said the region’s future relevance and vitality would be at risk.²³

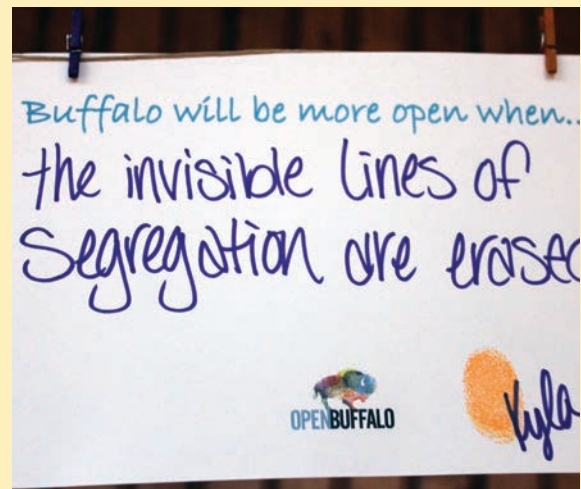
The Greater Kanawha Valley Foundation (TGKVF) of Charleston, West Virginia, also sees its work in economic development as taking place across a continuum. Employing the model developed by WealthWorks—a Ford Foundation initiative to articulate and test a new approach to rural economic development—TGKVF reorganized all of its grantmaking around the notion of building

multiple forms of local wealth. Wealth is about more than dollars. It's also the social capital of connections, the individual capital of skills, the intellectual capital of new ways of operating, the natural capital of healthy ecosystems. Becky Ceperley, president of TGKVF, articulated this in a 2013 *Charleston Gazette* article. "Much of the economic development in the central Appalachian region brought industrial job growth but neglected the development of people, communities, and the natural and cultural assets of the region," she wrote. "To prosper in the future, Appalachian people must invest in themselves and their communities." Her foundation titled its 2014 annual report "Wealth Created Here."²⁴ In pursuing this deeper mission, Ceperley told us, "We will no longer be a reactive grantmaker; we will be making proactive investments in the community."²⁵

"We will no longer be a reactive grantmaker; we will be making proactive investments in the community."

—Becky Ceperley, President,
The Greater Kanawha Valley
Foundation

In addition to refocusing their work through new lenses, both Amarillo Area Foundation and TGKVF are taking on their own pilot projects. Amarillo is looking at starting a social or public enterprise to retrofit and rehabilitate government vehicles, while TGKVF is working to create a value chain that connects growers of local produce to a large hospital anchor buyer. As Angela Lust said, "We need a project to show this approach for wealth building is viable."²⁶



Building the community's capacity to create wealth

As private and public investment in Buffalo

increases, the Community Foundation for Greater Buffalo is working to ensure that all members of the community benefit. The foundation assists with capacity building, serving on the advisory board for Open Buffalo, a new coalition of community organizations which was awarded a \$2 million Open Places Initiative grant from the Open Society Foundations, aimed at increasing civic capacity to influence local economic decision making. Open Buffalo advocates for anchor institution local procurement and living wage policies, as well as anchor investment in depressed communities. ●

Photo c/o Open Buffalo



Finding opportunity in crisis

Our nation's older cities are facing a stormwater management crisis. Their aging sewage systems overflow when it rains, dumping sewage into lakes and rivers. Rebuilding this infrastructure is projected to require \$100 billion nationwide. The Community Foundation for the National Capital Region (CFNCR) in the Washington, D.C. area is finding an opportunity in this crisis to build community wealth. It is launching a new company—the Cleanwater Management Group—that will be employee-owned.

In green stormwater management, the approach is to avoid building larger sewage pipes, and instead, wherever

possible, prevent runoff into the sewer system by building and maintaining rain gardens, green roofs, and permeable paving. CFNCR is acting as the leader of a larger Metropolitan Washington Community Wealth Building Initiative, which aims to launch several companies—initially, the Cleanwater Management Group and an urban greenhouse—which will be tied together by a nonprofit support company.

While CFNCR is leading the project, it has called on multiple sources of support. The Democracy Collaborative conducted an initial feasibility study; Next Street analyzed market

demand; and City First Enterprises is the project developer.

Interestingly enough, CFNCR incubated City First Enterprises years ago before it became a separate entity. “We have offered to do this with lots of initiatives,” said acting CFNCR President Angela Jones Hackley. “It’s similar to what we are doing with the Community Wealth Building Initiative. This is a role that’s not new for us, but it may be for other community foundations.” ●

**Photo by Alan Swanson,
c/o Hamlin County Conservation
District**

Part II: The Anchor Mission in Action

What is true in Appalachia and Amarillo is true in many of the communities served by the foundations we surveyed—the need for new approaches to create local economic prosperity is clear. For many communities, from the Rust Belt cities of Cincinnati and Cleveland to rural communities in West Virginia and Texas, economic stagnation is a painful daily reality. As these foundations engaged their communities, they heard again and again of the need for jobs and economic security, and a need to build and invest in the local economy.

Focus on jobs arises from community demand

The Denver Foundation, for example, undertook a large scale 2011 Listening Campaign, deploying 100 volunteers who put in 1,500 hours to engage with community members.²⁷ The stories they heard emphasized basic human needs, education, and economic opportunity. This led, in 2013, to the adoption of a 10-year strategic plan, which called for a new focus on, among other things, helping to create a diverse economy of large and small businesses providing employment opportunities. “The strategic plan changed the way we operate and made \$1.5 million available to support entrepreneurial activity” and other efforts to grow the local economy, said Patrick Horvath, Director of Economic Opportunity and Strengthening Neighborhoods.²⁸ This was a significant commitment for a foundation with total annual discretionary grantmaking of just \$5 million, and total overall giving (including from donor advised funds) of \$50 million. In particular, the foundation wanted to create companies that would

be locally and broadly owned—such as cooperatives. For example, the foundation funded a 75 percent-time position for an urban cooperative director at the Rocky Mountain Farmers Union to help local residents start cooperatives. This contributed to the planning of the Westwood Food Cooperative, which will allow immigrant and refugee families with backyard gardens to sell surplus food and earn income.

Similarly at Incourage Community Foundation, Kelly Ryan said, “Our work was prompted by what the community needed us to do and be.” Because a commitment to “meet the changing needs of our community” was enshrined in the foundation’s bylaws, that made it a moral imperative, she emphasized. “This can’t be just about accumulating assets and distributing 5 percent,” she said. “If we focused on that in the midst of crisis, we wouldn’t be meeting the changing needs of our community, because everywhere we went, people were crying out for jobs.”²⁹

If the growing need of the community is for jobs, this points to the need to develop local businesses. A *Harvard Business Review* study found that per capita job growth was positively related to the presence of small business, and a Penn State study found that income growth was correlated not just to small, but also to locally owned businesses.³⁰

“If your community is not expanding, grants to nonprofits are just a band-aid,” Paul Major, CEO of Telluride Foundation in Colorado, told us. He emphasized that economic growth and quality of life are what matter. “If you ask people in Telluride what that means, they will say jobs, and the ability to provide for their family,” Major said.³¹ Recognizing this, the foundation launched its Telluride Venture Accelerator, which uses donations and grants to fund startup companies with a \$25,000 investment in each. The foundation receives a 4 percent equity stake in each company,



Growing an urban agriculture system

David Lopez and his family are among the many immigrant families who are growing backyard gardens with support from Re:Farm Denver, a program of Re:Vision supported by The Denver Foundation, as part of the foundation's broad-reaching movement into catalyzing an urban agriculture system.

"I work half time as a mechanic, and I spend two hours a day in my garden with my family," Lopez told a visiting group from The Democracy Collaborative, speaking in Spanish as a colleague translated. In an improbably small garden space, he can grow hundreds of pounds of food in a month, providing much of what his family eats, and allowing them to give away a good deal as well.

The Denver Foundation also funded an urban cooperative director at the Rocky Mountain Farmers Union, who is helping to launch the Westwood Food Cooperative. That co-op will allow the 300 families of the Re:Farm program—like Lopez and his family—to sell surplus produce for extra income. ●

Photo by Jess Elyse, c/o Re:Vision

and helps them succeed through mentorship, coaching, and other tools. The Accelerator's first round received more than 100 applications in 2012, and funded four companies. At the end of five months of training, these startups had the chance to pitch to angel and venture investors for financing; among the four companies, three succeeded in raising more than \$2 million the first year—far more than is typical for accelerators. One company, TVA, was featured in *Inc.* magazine.

The Accelerator is moving the foundation from "passive grantmaking towards more proactive venture philanthropy," Major said. "It has the potential to create a self-sustaining economic ecosystem bringing innovation, jobs, ideas, and a renewed dynamism to the region."³²

Finding competitive advantage

For some, moving beyond passive grantmaking arose as a response to growing donor and peer interest in impact investing. As Heather Larkin, President of Arkansas Community Foundation (ACF) said, "There are donors who really want to do impact investing. They are involved with the community and realize that there is more to be done with their philanthropic dollars than simply making grants." The foundation was also encouraged by one of its peers, a local private foundation, which urged an investment in Southern Bancorp, a local CDFI; this led ACF to make a \$730,000 investment. "It makes sense that a community foundation should be deploying more than 5 percent of its assets for its community, and one way to do that is to make investments that have a social return," Larkin said.³³

The Greater Cincinnati Foundation (GCF), which has one of the nation's most advanced impact investing strategies, has found wide donor interest in this approach. The foundation made its first impact investment, a \$1 million loan, in 2001. Today its board has committed \$10 million to impact investing,

which represents 10 percent of the foundation's unrestricted assets. When the foundation sponsored a webinar series on impact investing a few years ago, "we were shocked that we attracted elderly donors," said Kathy Merchant, president of the foundation. "We thought it would be younger persons interested in venture capital, but in fact, impact investing was attractive to a broad age spectrum."³⁴ In some cases, donors chose the foundation specifically because it offered impact investing. Over time, GCF developed its own approach to impact investing—vetting deals itself, and inviting donors to invest alongside the foundation.

Vermont Community Foundation, with its across-the-board, five-percent commitment to local impact investing, has also found great donor enthusiasm for the approach. Both Vermont and Cincinnati have found that local investing is a unique way to engage donors, adding a distinctive element to the foundation-donor relationship. It also positions these foundations as leaders in mobilizing resources to meet local needs. The same is true with foundations pursuing economic development; it's a pathway to deeply engaging the community and demonstrating leadership.

Local impact investing and economic development are ways for community foundations to call on the unique expertise that they possess, which commercial holders of charitable funds do not: intimate knowledge of their communities. Again and again we were told: The comparative advantage of community foundations is their deep knowledge of communities.

To distinguish themselves from their commercial competitors, community foundations need to know their distinctive value-add, said Katie Merrow, vice president of community impact for the New Hampshire Charitable Foundation. "Much of it is knowing the community and being able to partner with nonprofits, for-profits, or a local developer," she said. "A community foundation comes in as a neutral community partner, with resources to contribute.

And we have knowledge of the community woven through all the various tools we deploy. We can combine all our tools to achieve impact."³⁵

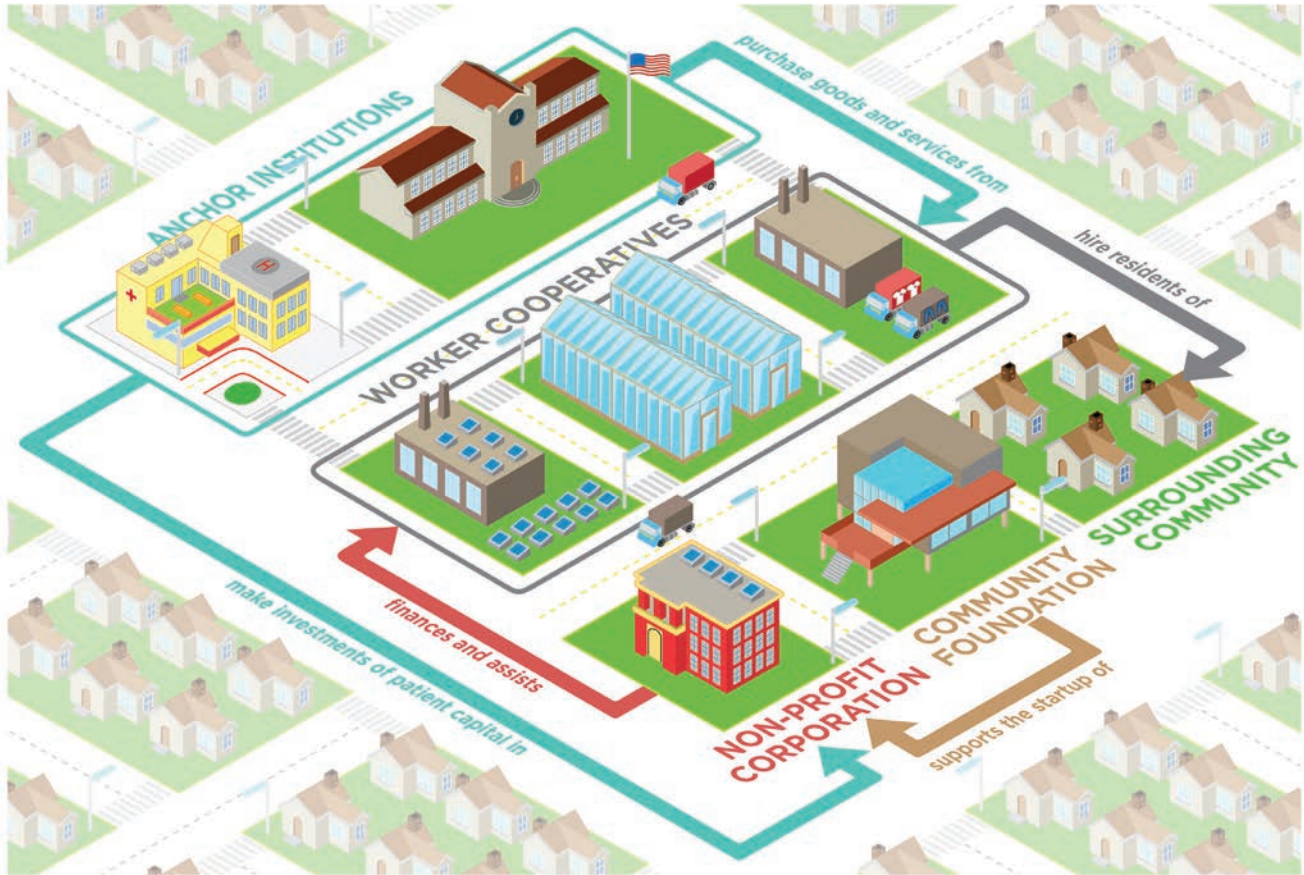
Community foundations also have "trust collateral" that large commercial funds do not have. In his work with the Community Impact Loan Fund at the Arizona Community Foundation, which makes loans to nonprofits to help them expand programs, James Lincoln said the payback rate has been excellent because of the nature of the close community relationships involved. As security ensuring payback to the lender, those ties are stronger than fixed assets, he argued.³⁶

'A community foundation can be whatever it wants to be'

In a new era calling for innovation and collaboration, the community foundation model is particularly well suited. "A community foundation can be whatever it wants to be, because the vehicle itself is so flexible," said Janet Topolsky, director of The Aspen Institute Community Strategies Group, who has worked in community philanthropy for more than two decades.³⁷ A community foundation is the most flexible form of nonprofit, she said. "It can create donor advised funds. Create an endowment. Convene. Run programs. Do business lending," Topolsky explained.³⁸ In addition, as public charities, community foundations have a broad legal ability to endorse ballot measures and do direct lobbying, as well the ability to support political advocacy by others.³⁹ "A community foundation can do anything," Topolsky said. "But it has to decide what it wants to do."⁴⁰

The combination of donor advised funds and discretionary funds makes these foundations "more flexible in how we move resources," said Angela Jones Hackley, acting president of The Community Foundation for the National Capital Region.⁴¹ To make a project happen, community foundations can galvanize donors, or use their own funds—and they

The Cleveland Model



The Cleveland Foundation led the launch of the Evergreen Cooperatives, a network of three worker-owned cooperatives employing low-income residents from Cleveland’s inner city. These cooperatives are networked together with a central nonprofit corporation holding company, which helped to finance them and offers ongoing management assistance. The cooperatives are supported in part by purchasing from local anchor institutions like nonprofit hospitals and universities. Many community foundations have visited this network of community-benefiting enterprises, and a few foundations are beginning to adapt it to their own areas. The Democracy Collaborative played a leading role in the design and development of the Evergreen Cooperatives.

can do this with both donations and investments. They also have the ability to launch and run their own programs.

Given this virtually limitless flexibility, adopting a clear direction is critical, and this is what an anchor mission provides. Rather than simply passing out grants, an anchor mission means a foundation acts more as an operating foundation, having an all-encompassing mission rather than being reactive. Once that mission is clear—and for those we interviewed, the focus was increasingly on building community wealth—then all the necessary tools can be marshaled.

What blocks many community foundations from embracing such a strategy is a combination of inertia and a lack of internal capacity—gaps in institutional knowledge and staff skills, insufficient confidence or board reluctance. Several community foundations commented to us that they could never do what Cleveland did in launching the Evergreen Cooperatives—a coordinated network of three employee-owned enterprises—because they lacked the resources. The Cleveland Foundation has close to \$2 billion in assets, most of which is discretionary. Yet in our research, we found that foundations of all sizes were able to engage in

building community wealth, in a variety of ways. The Community Foundation for the National Capital Region, with \$335 million in assets, has catalyzed an effort to launch two employee-owned enterprises. The Community Foundation for Greater Atlanta is leading the development of for-profit businesses in low-income areas, starting with greenhouses in the Atlanta Lettuce Project, even though it has few unrestricted assets. “We only give \$1.34 million a year in unrestricted funds,” said President Alicia Philipp, “so this is potentially doable for smaller foundations.”⁴²

The Vermont Community Foundation, with \$192 million in assets, has developed deep expertise in impact investing. Telluride Foundation, with just \$8 million in net assets, has generated national accolades for its Venture Accelerator. Whatcom Community Foundation, in Bellingham, Washington, with less than \$20 million in assets, is taking various innovative approaches to economic development—including loan guarantees, which leverage the resources committed by the foundation to attract many times more dollars in investment from other parties.

Deploying all resources: Examples of tools in use

Perhaps more than any other anchor institution—and more than any other kind of nonprofit—community foundations have a powerful ability to deploy many different kinds of resources to help their communities build wealth: grants, investments, convening power, the ability to influence policy, the ability to engage donors, and the power to run pilot projects. We offer here examples of how some of these resources have been deployed:

Convening. *Community foundations can act as neutral conveners around community issues.*

- The Denver Foundation held conferences on Community Wealth Building in 2013 and 2014,

with smaller related convenings in between, as a way to develop local knowledge of community wealth building approaches.⁴³ The foundation also helped to strengthen a local medical campus’s Community-Campus Partnership. It helped hire a Community Connector to work with neighborhood and anchor institution leaders to foster new relationships, and funded a learning journey in late 2014 that brought hospital and university leaders to Cleveland to meet with peer anchors in the Greater University Circle Initiative.

Influencing policy. *Community foundations can be effective advocates for change, because of their funding capability, reputation, and board member prominence. Some community foundations lobby on state policy, within the bounds set by nonprofit law.*

- After The Community Foundation for Northeast Florida (CFNF) helped bring the Local Initiatives Support Corporation (LISC) to Jacksonville, it worked with other private funders to get regular funding for LISC from the city. “We succeeded in getting a line item in the budget,” said Nina Waters, president of CFNF. “It’s important not only to get but to keep that funding, so we, along with a team of other private funders, meet with the city council annually on behalf of LISC.”⁴⁴ CFNF also gives a large annual operating grant to support LISC.

Engaging donors. *A number of community foundations are finding innovative ways of engaging donors, from inviting them to participate as impact investors, to encouraging them to contribute skills and knowledge.*

- “One of foundations’ first mistakes is looking at donors only for money,” said Paul Major of Telluride Foundation. Major’s foundation calls on Telluride donors to participate as mentors in its Venture Accelerator. “Telluride happens to have many successful entrepreneurs,” he said. “For example, one of the founding members of hotels.com is very active as a mentor.” Major considers these business mentors the “secret sauce” of the accelerator’s success.⁴⁵

Vermont Community Foundation Case Study

Deploying All Resources

More than any other anchor institution and other kind of nonprofit, community foundations have the ability to deploy many kinds of resources to help communities build wealth: grants, investments, convenings, political advocacy, donor engagement, and the ability to pilot projects.

In its work to build the local food system through its Food and Farm Initiative, the Vermont Community Foundation (VCF) demonstrates how to deploy various resources in service to an anchor mission of building community wealth. Food and agriculture represent an effective sector choice for VCF, as agricultural resources are among the Vermont's greatest assets. Community wealth building is an asset-based approach in which that wealth is broadly and locally shared.



Wielding Many Tools to Create Community Wealth



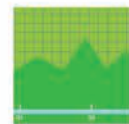
VCF has awarded more than \$800,000 in grants to organizations across the state working to connect all Vermonters to healthy, local food.

Five percent of donor advised funds goes into an impact investing pool, which is invested to benefit Vermont, including food sector investments.



VCF supported state legislation to create the Farm to Plate Initiative and funded the Initiative's 10-year plan to increase economic development.

VCF made a local impact investment in Vermont Smoke and Cure, a locally owned smokehouse which uses meats from Vermont farmers.



VCF is a member of the Farm to Plate Network, a collaborative working to increase food and farm jobs and improve healthy food access.

The foundation helped create the Vermont Farm to School Network, which seeks to create Farm to School programs at all Vermont schools by 2020.



Strategies for economic development

As they take up new tools, community foundations can wield them to advance many different goals. The foundations we interviewed tended to cluster into two camps, those focused on economic development and those focused on impact investing. We look here at some key economic development strategies that community foundations are using.

Launching cooperative enterprises. *Many community foundations we spoke to had visited the Evergreen Cooperatives in Cleveland and a number had begun their own adaptations. The Evergreen Cooperatives, launched with support from the Cleveland Foundation, are a network of employee-owned enterprises that employ inner-city residents. The companies are tied together by a common nonprofit holding company, and rely in part on anchor demand from local hospitals and universities.*

- The Community Foundation for Greater Atlanta is developing Atlanta Lettuce Works, a social enterprise in a low-income neighborhood, which aims to build greenhouses producing three million pounds of lettuce and herbs each year, and to create 40 new jobs. Employees from the community—where many live below the poverty line and few have completed high school—will earn a living wage, receive benefits, and share in the profits. It will be Atlanta’s first large-scale lettuce and herb grower. The project has letters of intent (early-stage purchasing commitments) from several universities and hospitals, as well as from distribution companies serving anchor institutions. The concept for the Atlanta Lettuce Project was formulated with assistance from The Democracy Collaborative.⁴⁶

Creating enterprise accelerators. *A number of community foundations are launching or supporting accelerators as a way to scale enterprises. These can be accelerators for social enterprises run by nonprofits, for startup companies, for the growth of existing companies, or for targeted industry sectors.*

- In the Food:Land:Opportunity initiative of the Searle Funds at The Chicago Community Trust, the first project to receive support was a Good Food Accelerator, which trains local food entrepreneurs in how to prepare to connect with investors. The larger system-wide initiative is aimed at localizing the Chicago foodshed by increasing access to land, strengthening the business skills of farmers and food businesses, and attracting capital.

Workforce development connected to employers. *A number of community foundations are running workforce development programs that connect tangibly to local employer needs, in contrast to generic training programs that graduate workers who often find no jobs.*

- The Boston Foundation in 2003 launched SkillWorks, a workforce development initiative closely tied to employers in the health care, automotive, and hotel industries. Its twin goals are helping low-income individuals find family-supporting jobs, and helping businesses find skilled workers. SkillWorks works collaboratively, bringing together philanthropy, government, community organizations, and employers. The program has become a model for the National Fund for Workforce Solutions.⁴⁷

Acting as regional economic development

intermediaries: *Beyond launching initiatives, a community foundation can act as a significant economic development intermediary, a role that combines lending, economic planning, and other development activities.*

- West Central Initiative (WCI), a community foundation covering nine counties in rural Minnesota, is designated by the federal Economic Development Administration as an economic development district—a role it took up at the request of local stakeholders. WCI conducts extensive business lending and workforce development activities. Over the last 20 years, this community foundation has been actively engaged in rebuilding the region’s manufacturing economy, increasing wages in the communities it serves. Though WCI is rare in the community foundation world, it shows what is possible.

Strategies for Economic Development

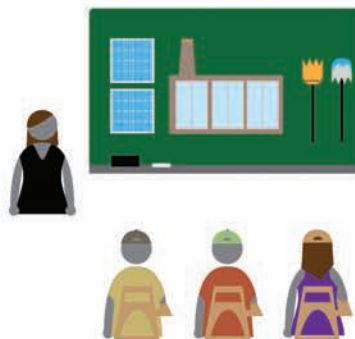
As community foundations take up new tools, they can wield them to advance many different strategies. The foundations we interviewed tended to cluster in two camps: those focused on economic development and those focused on impact investing. We look here at common economic development approaches.

Launching Cooperative Enterprises



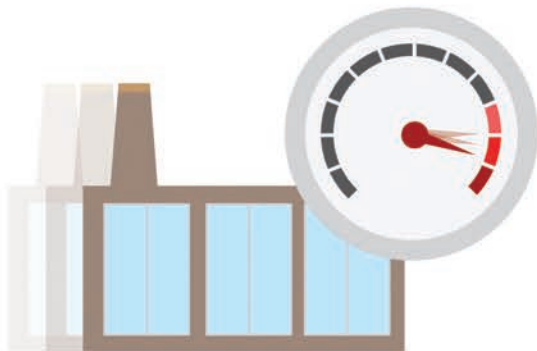
The Evergreen Cooperatives, launched by the Cleveland Foundation and now being adapted by other community foundations, are a network of employee-owned enterprises using anchor demand from non-profit hospitals and universities to employ inner city residents.

Workforce Development Connected to Employers



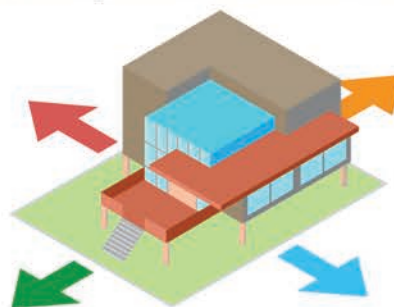
A number of community foundations are running workforce development programs that tangibly connect local employers to skilled workers, in contrast to generic training programs that graduate workers who then often cannot find jobs.

Creating Enterprise Accelerators



Several community foundations are taking enterprise to scale by launching or supporting accelerators. Enterprise accelerators can focus on startup companies, social enterprises run by nonprofits, targeted industry sectors, or the growth of existing companies.

Being Regional Economic Development Intermediaries



A community foundation can act as a significant economic development intermediary, a role that combines lending, economic planning, and other development activities. West Central Initiative in Minnesota is a designated economic development district, for example.

Strategies for impact investing

Impact investing by community foundations—investing for both financial and social return—is a relatively new development, but one with which an impressive number of community foundations are already engaged or exploring potential engagement. Impact investing strategies can take many forms, ranging across all asset classes. It can be focused locally, or more broadly. The financial target may be the return of capital, below-market returns, or market-rate returns.

One common form of impact investment is the program-related investment (PRI), which, in essence, is a recoverable grant. Another strategy is placing deposits in community banks or loan funds, which in turn make loans for affordable housing or community development projects. In more advanced forms, impact investments can involve internal loan pools, or direct investments in local enterprises. Some community foundations use loan guarantees or other forms of credit enhancements as ways to leverage their impact. Some invest using their own assets, while others involve donor advised funds.

While some community foundations said they lend only to nonprofits, others have found ways to also lend to local business. Sometimes these loans were made from the corpus of assets, out of a portion carved out for local lending. Kathy Gaalswyk of Initiative Foundation, which does a good deal of business lending, told us, “We were able to secure a special IRS ruling allowing business financing as a charitable activity because the focus is on creating quality jobs that lift people out of poverty.”⁴⁸

A fair number of community foundations are experimenting with direct local lending. Leslie Christian, who for years was president of Portfolio 21, a socially responsible asset management company, encourages community foundations to make local investments that are “direct, personal, transparent, and based on long-term relationships.” She told us this is the most direct way to benefit local enterprises, who otherwise pay layers of fees extracted

by multiple intermediaries. This approach might also reduce risk, because in a direct relationship between borrower and lender, she said, “you can anticipate and work through problems sooner and more efficiently.” She emphasized that RSF Social Finance lends this way, and does not sell loans. “It has fewer losses than many banks,” Christian said.⁴⁹

We look here at a few of these strategies and examples of how they are being deployed.

Working with CDFIs. *Many community foundations do impact investing through community development financial institutions (CDFIs), using those institutions’ expertise in sourcing deals, due diligence (examining the business feasibility of an investment), underwriting (determining credit eligibility), and loan servicing. A community foundation can also launch a separate CDFI, or create its own CDFI subsidiary.*

- New Hampshire Charitable Foundation launched the New Hampshire Community Loan Fund (NHCLF) in 1983, at a time when the state had no community loan funds. “They were even nested in our basement,” said Kevin Peterson, senior program officer.⁵⁰ Today this fund is a national leader, with a 30-year track record of never having lost a penny of investor money. NHCLF pioneered the concept of resident-owned communities (ROCs)—manufactured housing cooperatives where residents purchase and own the land in common. With 100 of these ROCs created in the state with zero defaults, the organization ROC-USA® was created to roll out the model nationwide. This is an example of the wide ripple effect made possible by community foundation leadership.

Creating loan pools. *Using their own assets and those of donors, a number of community foundations are creating separate loan pools to lend locally.*

- In 2008, Edmonton Community Foundation joined with the City of Edmonton, in Alberta, Canada, to create the Social Enterprise Fund, a separate loan pool to which each entity committed \$2.5 million. The fund makes loans to nonprofit social enterprises and affordable housing. A new separate entity, created in

2013 as a wholly owned subsidiary of the Edmonton Community Foundation, is the Alberta Social Enterprise Venture Fund, which permits investments in any corporate form, not just nonprofits.

Loan guarantees. *Credit enhancements, including loan guarantees and loan loss reserves, are ways foundations reduce risk for other investors, as a way to leverage their impact far beyond the dollars they commit.*

- Whatcom Community Foundation in Bellingham, Washington, with assets of under \$20 million, committed a loan guarantee of \$65,000 to help the North Cascades Meat Producers Cooperative get started. Whatcom also is making loan guarantees — out of a pool of donated funds—as part of its Northwest Catalyst Fund, a partnership with the Northwest Innovation Resource Center, a technical assistance provider to entrepreneurs. “We have a ridiculously small amount of money to give away,” said President Mauri Ingram. “Loan guarantees are a way to get more mileage out of the dollars.”⁵¹

Direct local investing. *Rather than invest through intermediaries, some community foundations directly invest in nonprofits and social enterprises.*

- One of the most advanced direct lending programs is that of The Greater Cincinnati Foundation, which uses discretionary dollars to make direct investments in multiple sectors, including community development, health care, and workforce development. Loans have included \$500,000 to a minority business accelerator, a \$1 million pre-development loan to a large CDFI, and other investments in seed funds to help create high-tech businesses. The foundation also invested \$430,000 to help buy dozens of troubled mortgages. The foundation does due diligence on the deals, and invites donors to participate on a deal-by-deal basis. Two-dozen donors have participated in this way since 2011, contributing roughly 20 percent to the deals.



Using a minority business accelerator to combat the legacy of racism

After the shooting of an unarmed black youth by a police officer in Cincinnati's Over-the-Rhine neighborhood in 2001, civil unrest grew to fuel the worst disturbance in the country since the Rodney King riots in Los Angeles 10 years before. Over four days, hundreds were injured and arrested. A task force of community leaders assembled to develop responses that could address the systemic racial disparities underlying the unrest that was triggered by the shooting. Out of this work came the funders collaborative Better Together Cincinnati (BTC), convened by The Greater Cincinnati Foundation to pool the resources of 15 foundations and corporations to invest in long-term solutions.

Finding that a lack of wealth in Cincinnati's African-American community was a contributing factor to the city's instability, the collaborative funded the launch of Cincinnati's Minority Business Accelerator.

Since its 2003 opening, the accelerator has secured spending commitments from 40 corporations and nonprofits and helped to create nearly 2,000 jobs. To further generate wealth in communities of color, The Greater Cincinnati Foundation helped the accelerator launch a \$2 million loan fund, to which it contributed \$500,000 of patient capital. ●

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Strategies for Impact Investing

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Working with CDFIs



Many community foundations invest through community development financial institutions (CDFIs), using their expertise in sourcing deals, due diligence, underwriting, and loan servicing. A community foundation can also launch a separate CDFI or create its own CDFI subsidiary.

Creating Loan Pools



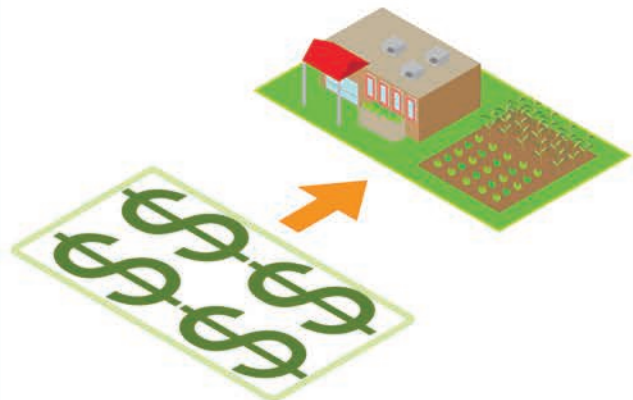
Using their own assets and those of donors, a number of community foundations are creating separate loan pools to do local lending. They are often used to make loans to nonprofit social enterprises and to support affordable housing development.

Loan Guarantees



Credit enhancements, including loan guarantees and loan loss reserves, enable foundations to reduce risk for other investors and to leverage their impact far beyond the dollars they commit. Loan guarantees get more mileage out of dollars.

Direct Local Investing



Some community foundations make direct investments in nonprofits, social enterprises, and other opportunities like pools of distressed mortgages. Many donors enjoy being invited to join these one-to-one investment deals, which involve long-term relationships.

Part III: The Thinking Behind These New Approaches

As community foundations take up more of these tools and approaches, a number have told us they see this work as deepening engagement with their community-serving mission. For example, when Incentive Community Foundation recently made its decision to move toward investing 100 percent of its assets for mission—making it the first community foundation to do so—Kelly Ryan recalled one board member saying, “this does not feel like something new; it feels like the next natural step in our journey and what the community needs us to be.”⁵²

Benefits and challenges

A number of community foundations reported that new approaches were proving beneficial both to their communities and to their own business model. Among the benefits experienced:

- **Impact investments**, unlike traditional grants, can be recycled, using the same dollars over and over.
- **Loans to nonprofits** introduce them to sophisticated financial tools, enhancing organizational expertise, and strengthening the nonprofit sector.
- **Developing enterprises** means those entities can become financially self-sufficient, generating community benefit in ongoing ways with little or no need for permanent subsidy.
- **Foundation involvement** in impact investments engages donors in new ways and attracts new donors.
- **Foundations committing their own assets** to a project find they can often leverage the assets of other strategic partners.
- **Pursuing new directions** helps community

foundations to attract funding from larger foundations interested in encouraging this innovation.

- **Foundations find themselves newly invigorated** both internally and externally in the eyes of the community.

If there are multiple benefits of these new approaches, they also bring multiple challenges. Many community foundation leaders talked about conservative boards, isolated from new ideas, who were reluctant to take up seemingly risky new ways. We heard about funders who didn’t understand how lending to business could be a charitable activity. There was the difficulty of explaining these new ways of operating, including the challenge of learning about and then teaching others about concepts like cooperatives. There were challenges around building and sustaining enthusiasm, as new projects often took longer to launch than anticipated. There were legal issues to sort out around fiduciary duty, including the occasional necessity of finding new financial advisers experienced in impact investing.

Mostly, there were risks galore—risks to which foundation staff and boards are not accustomed. “Grant making is about the lowest risk thing you can do, right after waking up in the morning,” said Paul Major, president of Telluride Foundation. Economic development requires “a high risk tolerance, because seven out of ten startups fail,” he added. “Most foundations do not want to associate with this level of failure.”⁵³

Most board members of community foundations “didn’t get on the board to be visionaries,” said Janet Topolsky of the Aspen Institute’s Community Strategies Group. “That’s why organizational development is always part of the mix” when moving into economic development or impact investing. Another key challenge is staffing. “Part of not doing

it is not knowing how to do it," she said. "People who run community foundations do not come from the economic development field. And a lot of people who are in economic development wouldn't do it as community wealth building. These are very different skill sets." To do this work, she added, "You need a staff skill set, the will of the board, and the deployment of resources—including the deployment of tools that aren't the tools you used in the past."⁵⁴

All investing is impact investing. We only call it 'impact investing' when we like the impact it's having.

Why impact investing?

So why do it? In the face of these challenges, why are community foundations moving in these directions? Why is impact investing gaining traction? In a year-long research project, RSF Social Finance and the Business Alliance for Local Living Economies (BALLE), which contributed research data to this report, identified more than two dozen community foundations beginning to move in this direction. Our research uncovered others. Why this groundswell of interest?

Martin Garber-Conrad, CEO of Edmonton Community Foundation in Alberta, Canada, articulated his reasons for the shift: "If you can do all the good that needs to be done through grants, then do that," he told us. "If your endowment is big enough and meets all the needs put forth in your mission, then do that. But if there is more that needs to be done, then you need to think about other things. You can use four to five percent of your funds

to do good in your community, and use the other 95 percent to enrich corporations all over the world and make money for investment managers. Why not think about using another 5 to 10 percent of that amount to do more good in your community?"⁵⁵

Kelly Ryan of Encourage Community Foundation concurred. When we asked her if impact investing was one element among many in serving the community, or an *essential* element, she replied, "I think it's essential. Because if you're not fully embracing place-based impact investing in your strategy, and you continue to dabble in traditional portfolio management, you actually can be contributing to the problems you're trying to solve."⁵⁶

Ryan and Garber-Conrad both articulate a position similar to that being taken by the Heron Foundation, which three years ago made the decision to move all of its assets into impact investing. "We were at 40 percent for years," Dana Pancrazi, Vice President of Capital Markets at Heron, told us. "The 'Aha!' moment for us came when we saw that the reality is, all investing is impact investing. As a sector, we tend to only call it 'impact investing' when we like the impact it's having. Every portfolio position is either examined or unexamined for its social impact," Pancrazi said. "The goal is that eventually every position will be examined. Then, over time, we can move our assets into positions with better and better social impact."⁵⁷ Heron now sees itself as having a single pool of capital, overseen by a single team deploying both grants and investments. "Our fundamental question for deployment of *all* capital," wrote Clara Miller, "will be, 'what is the highest and best use of this asset for furthering our mission?'"⁵⁸

Pancrazi amplified these views in a talk given to community foundations in Phoenix, Arizona, organized by BALLE and RSF Social Finance in 2014. She said that many foundation boards, concerned about fiduciary duty, believe they have a duty to

maximize financial returns. But Pancrazi emphasized that nonprofits have a different objective than for-profit businesses. A nonprofit's objective is to carry out its mission. This "is not only a moral imperative but a legal one," she said. It has been termed by the courts a "duty of obedience." This duty requires the examination of all assets from a mission objective, Heron maintains. As the New York State Supreme Court wrote, in a 1999 case involving an asset sale by a nonprofit hospital, the duty of obedience does not require maximization of income; instead it "requires the director of a not-for-profit corporation to 'be faithful to the purposes and goals of the organization.'"⁵⁹

Why economic development?

Amid growing enthusiasm for impact investing, a number of community foundation leaders cautioned colleagues to remember that impact investing is a tool, not an end in itself. The end goal is vibrant communities with robust economies, and lending alone will not get communities there—you also need economic development. Many practitioners attempting to make loans in low-income communities told us they simply cannot find enough deals. Those deals need to be systematically cultivated, and that requires a different set of tools and approaches. Lenders describe this as a problem of "absorptive capacity." There simply are not enough entities in target communities capable of absorbing capital and providing a return.

When development is not happening in marginalized communities, the primary reason often is not lack of financial capital. Rather, it is the lack of business skills and cultural support systems.

Prior to this report, Democracy Collaborative Senior Fellow Marjorie Kelly led a two-year study as part of the WealthWorks project, looking at financing needs of ten emerging development projects in low-wealth areas. The key finding from that research—that

the limiting factor was not lack of financial capital but instead lack of investment readiness—confirms what investment advisers told us. As Kelly wrote:

Low-wealth areas may lack the culture, institutions, and family traditions that nourish entrepreneurial drive and skill. There may be a history of discrimination and exclusion that has dampened hope and created distrust of lenders. There may be a lack of the social networks that can support entrepreneurs. What is lacking might be the intellectual capital represented by new ways of operating or accessing markets... Other intellectual capital lacking might be an understanding of forms of ownership that can attract capital while keeping wealth local and shared. In financing, low-wealth entrepreneurs may lack the network of family and friends that entrepreneurs in more prosperous regions rely on at critical early stages.⁶⁰

Problems like these can be the underlying cause of a lack of prosperity. Solving these problems requires multiple forms of funding and financing, including early-stage philanthropic dollars to fund exploratory and planning phases of development, with government grants and loans brought in as needed to supplement private sources of funding. Impact investments tend to come later, as potentially profitable enterprises emerge that can provide a return on investment.

Economic development and impact investing are the left and right hands of building community wealth. Both sets of approaches and tools are needed to create vibrant community economies.

From ending poverty to creating wealth

Underlying this work of economic development and impact investing, a powerful mental shift is needed. It was articulated well by Angela Jones Hackley, acting president of The Community Foundation for the

National Capital Region, which is launching two employee-owned enterprises as part of an initiative created by a regional grantmakers association. “Several of the foundations got interested in how you shift your mindset from a poverty-reduction frame to a wealth-building frame—not just providing direct services, but how you really set people on a path to take ownership of their lives,” she said.⁶¹

Creating employee-owned enterprises, she said, “is one of the few initiatives out there that’s really about how you change the dynamic and culture of a community.” Even if these enterprises never become multi-million-dollar operations, they still represent the seed of something profoundly new. “It’s a different approach than we have traditionally seen in philanthropy, which focuses on the poverty lens,” she added.⁶²

The conceptual change at work is a shift from deficits to assets. It is a shift from ending poverty to building wealth.

When families possess assets—skills, social networks, a home, savings, an ownership stake in a business—they enjoy greater resilience, and are better able to withstand shocks like unemployment or illness. They can plan better for their future, send a child to college, and feel more secure in retirement. A job may start or stop. It is assets, of various kinds, that yield greater stability and security. And what’s true for families is also true for communities. Jobs may be drawn into a community,

but might then leave without warning. If attracting jobs means degrading community assets—through pollution, low-wage jobs, or the loss of tax income through excessive tax breaks—a seeming gain can in fact represent a net loss.

Building community wealth is about using under-utilized local assets to make a community more vibrant, and developing its assets in such a way that the wealth generated stays local. There are a set of tested approaches, developed by countless players over many decades, available to help accomplish this mission—including cooperatives, employee ownership, community development financial institutions, impact investing, and similar approaches and institutions aimed at enhancing community economic well-being. Robust models for systemically integrating these approaches have been provided through the work of John McKnight and Jody Kretzmann in asset-based community development, the WealthWorks project of the Ford Foundation, the work of The Democracy Collaborative, and many others.⁶³

When The Democracy Collaborative began its work in the nascent community wealth building movement more than 15 years ago, the term “community wealth” was so uncommon that it almost invariably appeared within quotation marks. Today, a Google search for the term identifies 111,000 entries.⁶⁴

Although no single standard definition is likely to be found in such a large, emerging, cross-sectoral field, community wealth building, at its most effective:

- **Is place-based**, rooted in geographic community.
- **Focuses on asset development**, building many forms of community, individual, and ecological wealth.
- **Is inclusive**, doing development with and for those normally excluded.
- **Is collaborative** and focuses on fostering deliberate networks and working groups, rather than stand-alone organizations.
- **Emphasizes local ownership and control**, ideally broadly held ownership, and the recirculation of local dollars.

Economic development
and impact investing are
the left and right hands
of building community
wealth.

- **Builds institutions and ecosystems of support**, including financing and support entities, rather than isolated single enterprises.

After interviewing dozens of community foundations, we see that building community wealth has a natural place in the work of place-based foundations. Emerging among dozens of community foundations today are the outlines of a new anchor mission that draws on multiple practices to rebuild and revitalize local economies. Most community foundations have only adopted

selected elements of this mission. But when fully embraced, this emerging anchor mission could be defined this way:

A commitment by a community foundation to fully deploy all its resources—financial, human, social, intellectual—to better the long-term economic welfare of its community by building community wealth.



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Cascadia Foodshed Funding Project: an impact investing collaborative

A powerful example of an impact investing funding collaborative is the Cascadia Foodshed Funding Project, which brings together a variety of financing players in the Pacific Northwest, including individual investors and three community foundations—Whatcom Community Foundation, The Seattle Foundation, and The Greater Tacoma Community Foundation. The funders combine grants, equity, loans, and loan guarantees to support the development of food-related social enterprises. While still in its early stages, the project has already helped to develop critical infrastructure for collective impact investing. New relationships are being formed between investors with varying risk appetites, experience with direct lending, and knowledge of intermediaries. The project is spearheaded by Tim Crosby, who brings to the project his experience as a donor advised fund holder at The Seattle Foundation, director of Slow Money Northwest, and steering committee member for the Sustainable Agriculture and Food System Funders Network. Investors who once worked in isolation, Crosby said, are now “united by an interest in using market-based strategies to grow a regional food system.” As they all come to understand their peers’ values, he continued, “we can understand how to put this money together.” ●



The evolution of the social enterprise fund

Live Local Alberta—a nonprofit that promotes local businesses—worked over nine months with the Social Enterprise Fund to prepare a business plan, and then obtained a start-up loan of \$75,000 plus two follow-on loans, for a total of \$400,000. That’s an example of the kind of support to social enterprises made possible by an unusual joint venture between the Edmonton Community Foundation (ECF) and the City of Edmonton in Alberta, Canada. After studying models in other parts of the world, the two joined forces to jointly fund a new loan pool, the Edmonton Social Enterprise Fund, launched in 2008.

The city contributed \$2.5 million, which ECF agreed to match within three years. The city also committed operating funding for the first two years, while ECF

committed the same through a five-year period, by which time the fund was expected to be self-sufficient. “Having that initial investment from the city was the key to starting this,” said Martin Garber-Conrad, CEO of ECF. “I didn’t see any way I could get the community foundation to do a multi-million contribution at the start. But I was reasonably confident that over time they would match it.”

The fund was created to provide financing for startup or growing social enterprises, and for affordable or social housing. It is set up as a separate company, which enables it to make loans that are not to registered charities. Some capital came from ECF’s endowment, while other funding came from donors.

“Then in 2013, we took the next step,” said Garber-Conrad. “We created the Alberta Social Enterprise Venture Fund (ASEVF), which is wholly owned by ECF.” It is a limited partnership in which the community foundation participates by buying partnership units. ECF treats it as an additional asset class in its overall investment portfolio. The ASEVF structure permits the Social Enterprise Fund to invest in any corporate structure, not only nonprofits.

“To date we’ve invested \$10 million,” he said. By the end of 2014 he will ask the board for another \$5 million, and eventually the foundation will reach its commitment to place 10 percent of its assets in mission investments. ●

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Part IV: Moving Ahead

With the right tools and understanding, community foundations are well positioned to continue

to implement more aspects of this evolving anchor mission. How do they do so? There is no one-size-fits-all answer, but the steps below represent the basic processes involved. (The order in which they occur can vary from case to case.)

Five steps to getting started

1. Inventorying assets.

Because community wealth building is about building local assets, it early on involves determining what those assets are. These can take many forms—including cultural history, natural assets (like a riverfront), social networks, political relationships, or anchor institution capability. Enterprise development projects tied to anchor demand often begin with a feasibility study, which can involve 50 to 100 interviews with anchor institutions—essentially a comprehensive inventory of anchor demand. What do they purchase? What interest do they have in purchasing locally? This kind of feasibility study

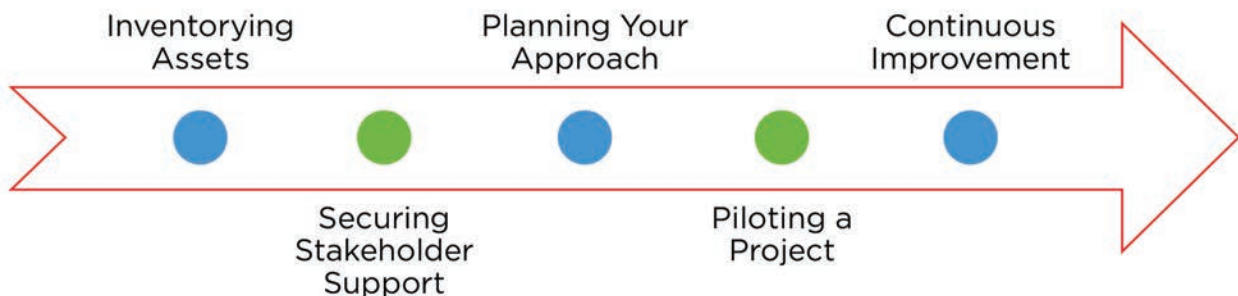
identifies potential enterprise development ideas that can turn anchor demand into assets to build community wealth.

In impact investing, inventorying assets takes the form of examining existing investments. “Start with an exploration of what you own,” advised Brian Byrnes, former CEO of the Santa Fe Community Foundation, and previously head of the Vermont Community Foundation.⁶⁵ At both foundations, he brought in an expert to analyze all equities from a social perspective. In one case, that process uncovered dramatic examples of stock holdings in firms engaged in diamond mining in Botswana, in Darfur, and others doing mountain-top removal in Appalachia. “Investments in those three areas exceeded our total grantmaking,” Byrnes said. “The scales fell from people’s eyes.”⁶⁶

2. Engaging stakeholders and securing support.

In impact investing, the key stakeholders are board members, who hold the fiduciary responsibility to manage assets appropriately. “Boards who have never thought about impact investing, from my experience, are willing to take steps if the case is made well and slowly,” said Byrnes. If the first step is seeing what you own, he said, the second step is helping the board see what’s possible. Both bringing in expert

Getting Started



consultants and exploring how other foundations are pursuing this work can build board support.

Byrnes said that getting buy-in is more than a technical exercise. Building support, he emphasized, is about engaging reflectively about the organization's true mission.⁶⁷ As an oft-quoted, unnamed Heron Foundation board member asked, "Are we a mission-based organization, or an investment organization that donates some of its profits to charity?"

Are we a mission-based organization, or an investment organization that donates some of its profits to charity?

Community wealth building is inherently a collaborative process. This can mean engaging community members in a visioning process, so that development is done *with* them and not *to* them. It can mean developing a core group to support the work. The Cleveland Foundation brought together a core group that included the city government, area hospitals and universities, and local community development corporations. In some places, community roundtables have been held to build excitement and engage anchors and local leaders.⁶⁸ The Community Foundation for the National Capital Region created an advisory group of anchor leaders, which will ultimately become a stand-alone nonprofit.

3. Planning your approach.

Through strategic planning, community foundations embed their community wealth

building strategy within a broader framework. At The Seattle Foundation, for example, Michael Brown, vice president for community programs, said that their strategic planning began by identifying two fundamental issues they wished to address: educational attainment and economic opportunity. "We wanted to go deeper, beyond grantmaking," he said, explaining how they began to call on tools like community leadership, convening, and mission investing. To address gaps in education and economic opportunity, "we decided to use small business access to capital and workforce development as our framework," Brown continued. "We saw mission investing as an opportunity to get more dollars out to small business, leveraging an investment eight, nine, ten times." With both investments and grantmaking, they asked, "What problems were we trying to solve, and how could we utilize these various tools to get the outcomes that we want?"⁶⁹

Planning your approach can also involve feasibility studies and business selection, which often means contracting with the partners you need. In the D.C. area project being led by The Community Foundation for the National Capital Region, City First Enterprises, a local CDFI, was hired to coordinate the overall enterprise development project, and Next Street, a merchant bank specializing in services to small businesses and nonprofits, was brought in to analyze market demand and identify business opportunities.

4. Piloting a project.

In economic development strategies, community foundations often pilot their own projects, such as incubating a CDFI or launching enterprises. But in seeking to catalyze a pilot project, a foundation need not always play the lead role. Nina Waters, president of The Community Foundation for Northeast Florida, said there are three distinct roles a community foundation can play in a project: driver, navigator,

or passenger.⁷⁰ Rather than leading a pilot project or program, a community foundation might instead help the community navigate the process or fund a developer to run a pilot.

Part of creating a pilot is designing an operating system for it. At The Seattle Foundation, a plan to pursue impact investments involved creating a structure where the grants committee reviewed impact investments for program fit, while the financial department reviewed financial fit. In the process, the foundation found that impact investing “was a bridge builder, creating a cross-fertilization of knowledge,” said Brown.⁷¹

5. Continuous improvement.

Initiatives that begin in a pilot phase often evolve over time. The San Francisco Foundation launched a program-related investment program in 2009, carving out \$5 million from its endowment to make loans and place mission deposits with community banks. In 2013, they decided to take the next step and invited donors to co-invest, aiming to raise an additional \$5 million. Investment Associate Sarah Abbe Taylor said they engaged donors in focus groups, “asking why donors were interested and what kind of product they wanted to see.”⁷² With the PRI fund, the foundation created a policy requiring that donor participation required a minimum of \$250,000 in donor advised funds. The fact that the foundation had a track record of successfully making loans before it approached donors contributed to its success in obtaining donor commitments.

In economic development, a project that begins with a pilot is often led by a development group, which allows the community foundation to begin to withdraw from day-to-day involvement over time. However, it’s important to recognize that business incubation is commonly a five-year (or longer) process.⁷³

Whatever you undertake, expect to make mistakes—lots of them. And remember—with business incubation, it’s critical to instill a culture

of continuous improvement, regular training of worker-owners and managers, and regular check-ins with key stakeholders so as to maintain anchor and community support. The same is true with impact investing. Begin with small steps, evaluate both social and financial returns, and, as you find success, expand organically.

There are three roles a community foundation can play in a project: driver, navigator, or passenger.

Conclusions and recommendations

The pioneering work of the community foundations discussed here is in many ways a set of pilot projects for the larger field—experiments in how to adopt more and more pieces of an anchor mission of building community wealth. How does this work move to the next level? The leaders we interviewed suggested several promising approaches:

- **Cultivating entrepreneurship among the disadvantaged.** This was a point emphasized by Deborah Markley, a core consultant in the WealthWorks project. “If you want a more inclusive economy, you need to build the capacity to lift up entrepreneurs and help them progress,” she told us. “Otherwise it’s only the sophisticated entrepreneurs who will rise.”⁷⁴
- **Creating exit strategies for mission-aligned businesses.** If you help start or expand locally owned businesses, what happens when founders retire or sell their businesses? Mission can be lost, or enterprises can leave a community. Selling to employees is one way to keep businesses locally

owned. An exit option for more capital-intensive businesses is creating “mission-controlled corporations,” like the New York Times or Novo Nordisk, which—as Marjorie Kelly described in *Owning Our Future*—are majority-owned by shareholders but are controlled, via super voting shares, by a family or a foundation.⁷⁵ Dana Pancrazi of Heron Foundation said more systematic promotion of options like these is needed, as a next generation design challenge for impact investing.⁷⁶

- **Building knowledge about how to combine investments and grants.** Most projects require more than one kind of funding and financing, yet there is little systematic knowledge of how to build a capital stack that includes government financing, philanthropic grants, and impact investments. Foundations may be well placed to cultivate the research and learning necessary to build this competency.
- **Staking out greater community foundation space in the local investing landscape.** In 2012, President Obama signed the JOBS Act—Jumpstart Our Business Startups—which may change the local investing landscape dramatically. When the Securities and Exchange Commission releases final rules for the act, small businesses should more

easily be able to raise money through loans and equity offerings directly from ordinary investors, and not just from wealthy accredited investors, as is the case now. An explosion of crowdfunding investing sites is expected; also expected are confusion and loss of capital for some. The community foundation field may be positioned to help investors navigate the complexities of investing locally with success. One consultancy firm predicted the equity crowdfunding space could be \$4.3 billion in its first year.⁷⁷

- **Offering more local investing options for donor advised funds.** Dana Pancrazi asked, “Why do the investment menus of my donor advised funds look just like my 401(k)? Why can’t I do something more place-based, if you tell me your value is knowledge of my community? If you offer a Pimco bond fund, why not a Buffalo Bond?”⁷⁸ Pancrazi and The Heron Foundation are helping a number of communities create private-label bond funds, which can be used for growing small businesses. Community foundations could help get these started in their own communities.
- **Creating communities of practice to build knowledge among community foundations.** Impact investing and economic development both could benefit from the creation of learning collaboratives of community foundations seeking to grow their knowledge together. Community foundations need support in order to systematically cultivate the knowledge that will allow them to move beyond baby steps in impact investing and economic development to a full-bore community wealth building approach.
- **Developing intermediaries and consortiums for local investment expertise.** “It’s highly unlikely that community foundations will find themselves succeeding at direct investing,” said Anders Ferguson with Veris Wealth Partners, a national sustainable wealth management firm. “It’s hard work and a lot of investments fail. Community foundations are not in the least designed to do it.” The better way, he said, may be to have community foundations work with intermediaries, such as CDFIs. Where such intermediaries are lacking, or under-developed, they need support. In some cases, community



Maine Community Foundation’s \$1 million loan to Maine Farmland Trust, capitalized by donor advised and discretionary funds, was aimed at helping permanently protect farmland. That investment helped the Holmes Family purchase Misty Brook Farm.

Photo by Greta Rybus, c/o Maine Farmland Trust

foundations in a region might form a consortium or explore ways of working together to do local investing.⁷⁹

- **Creating a guide to fiduciary duty and duty of obedience for impact investing by community foundations.** Foundation boards could use authoritative guidance from legal and financial experts, as well as anecdotes from peer foundations, on how to resolve legal issues, said Peter Berliner of Mission Investors Exchange.⁸⁰ Similar guidance could be sought from the IRS, a recommendation made in June 2014 by the U.S. National Advisory Board on Impact Investing, which suggested that the IRS should “further clarify and refine its rules about foundation investments in for-profit enterprises.”⁸¹

What of the future? Where might this all be heading, potentially? Emmett Carson of Silicon Valley Community Foundation offered a vision of community foundations becoming not simply a field, but a movement focused on the ideal of social justice. “Community foundations have the ability to determine the causes of social inequities and correct them at the source,” he said. Indeed, a key reason these institutions exist is to “provide the risk capital within a society to test innovative solutions to systemic problems.”⁸²

Concerning the future of impact investing for community foundations, Peter Berliner of Mission Investors Exchange offered a simple vision: Impact investing becomes mainstream for foundations, something learned as part of entering philanthropy or becoming a program officer. “It wouldn’t be rare or esoteric, but something broadly understood and broadly used,” he said. The ultimate goal, he added, is “the alignment of all resources with mission.”⁸³

Sandy Wiggins, past chair of the U.S. Green Building Council, and currently working with BALLE and RSF Social Finance to put together a Community Foundation Circle to explore the how-to’s of impact investing, offered a similar vision. He spoke of a vision of community foundations “serving as the nexus for a whole ecosystem of community capital to support local economic

development.” Each community might create a vision of itself in a state of optimum vitality, and then ask, what resources are needed to get there? “Then you become intentional about designing a capital system to create that,” Wiggins said.

Clara Miller of Heron Foundation observed that what is at work in impact investing and related approaches is “economic reinvention” as a way to create prosperity for marginalized Americans. “The work of philanthropic organizations,” she wrote, “can be a full-spectrum contributor to that end, both through enterprise reinvention and by guiding the full deployment of capital in the mainstream to promote a more inclusive, just, and productive society.”⁸⁴ The underlying foundation on which such a community stands, emphasized Kelly Ryan of Incourage Community Foundation, “is a local, livable, sustainable economy.”⁸⁵ Building that economy, by building community wealth, is the aim of the emerging anchor mission that community foundations are beginning to embrace.

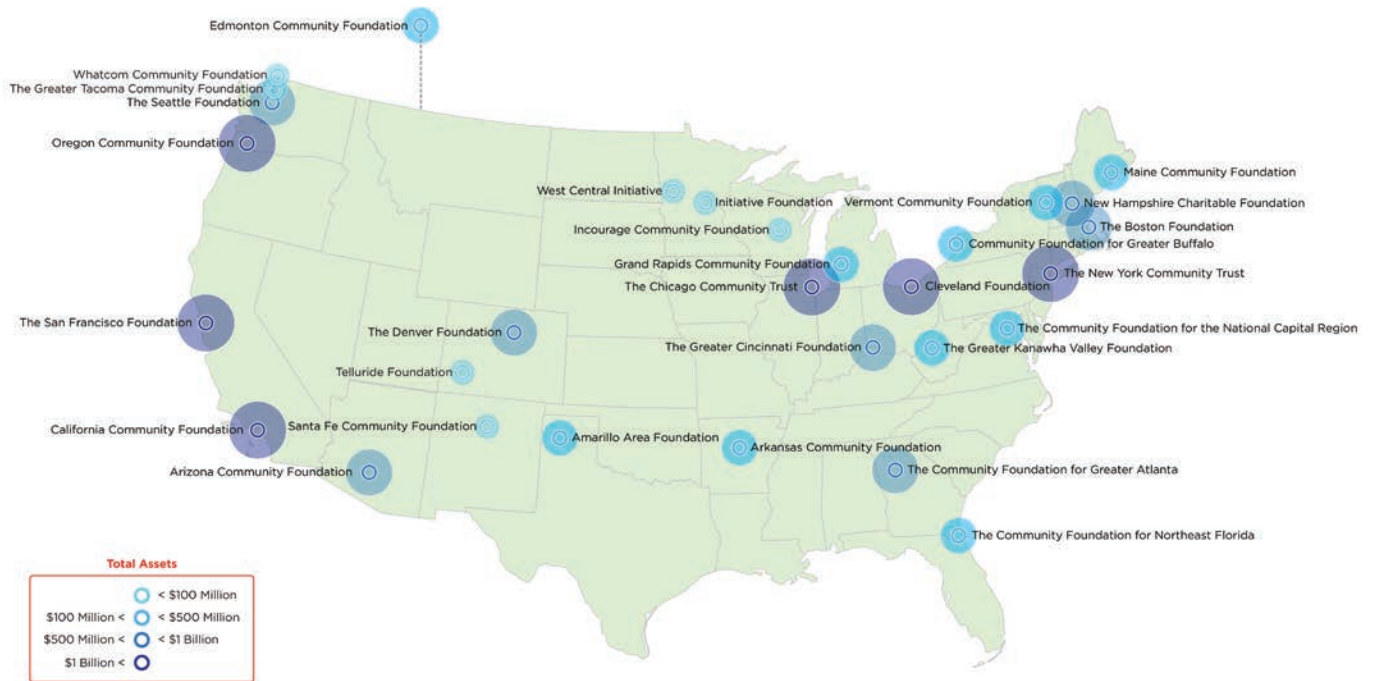


New Hampshire Charitable Foundation helped to found the New Hampshire Community Loan Fund, one of the early community development financial institutions, in 1983. The loan fund is widely respected for its Resident Owned Communities program, which helps residents purchase the land beneath manufactured housing communities and own it cooperatively.

Photo by Geoff Forester, c/o New Hampshire Community Loan Fund

Part V: An Innovative 30

Below are capsule summaries of community wealth building activity—including both economic development and impact investing—at 30 representative community foundations.



Data sources: Figures for total assets and grants were obtained from the 2013 Columbus Survey of Community Foundations, reflecting fiscal year 2013 data. Donor advised funds data was obtained from fiscal year 2012 data available from the Internal Revenue Service Form 990. Figures noted with an asterisk were provided by the foundations themselves and may represent more recent data.

Amarillo Area Foundation

Amarillo, Texas

Total assets: \$ 212.7 mil. | Donor advised funds: \$ 2.3 mil.

Grants: \$ 7 mil.

Faced with increasing poverty, the Amarillo Area Foundation began to reevaluate how it would meet its mission to “improve quality of life in the Texas Panhandle.” As part of its Panhandle Prosperity Initiative, the foundation searched for opportunities to build wealth for low- to moderate-income families, concentrating on small business development, increasing rates of homeownership, asset building, and cultural inclusion. In 2012, the foundation enlisted The Democracy Collaborative to conduct a feasibility study to assess opportunities to leverage the purchasing power and investment of anchor institutions to stimulate place-based job creation and local ownership. Since the study’s completion, the foundation has

launched a bank-access initiative, and is exploring the launch of a social or municipal enterprise to rehab or retrofit vehicles.

Arizona Community Foundation

Phoenix, Arizona

Total assets: \$ 657 mil.* | Donor advised funds: \$ 150.8 mil.

Grants: \$ 41.5 mil.

In 2007, the foundation, in partnership with Phoenix Local Initiatives Support Corporation, created the Affordable Housing Fund, which has provided 35 zero-interest loans—totaling \$2.4 million—for the pre-development phase of 2,700 units of affordable housing. In 2012, Arizona Community Foundation (ACF) launched the Community Impact Loan Fund to provide loans and loan guarantees to nonprofit businesses. The fund has attracted millions in funding by addressing business problems

for investors. Two investors, a bank seeking assistance with Community Reinvestment Act lending and a healthcare company seeking to expand its community lending in a new geography, enlisted the help of ACF in sourcing deals, performing due diligence, and managing the related loans. In return, these investors provided capital at low rates to the ACF Community Impact Loan Fund, on a non-recourse basis, meaning investors retain the risk should loans be non-performing. The Community Loan Fund has thus far lent approximately \$2 million.

Arkansas Community Foundation

Little Rock, Arkansas

Total assets: \$ 235.3 mil.* | Donor advised funds: \$ 96 mil.
Grants: \$ 14 mil.

Though the Arkansas Community Foundation has yet to create a formal program of impact investing, it has already made a series of local investments (at market rates of return). The foundation has made a \$730,000 investment with Southern Bancorp, a rural community bank and CDFI. The foundation also placed \$3 million with a local real estate portfolio, and \$200,000 in the Fund for Arkansas's Future, a venture capital fund for startups in the state. The foundation is considering moving toward PRIs, and is planning an in-depth learning process at the board level.

The Boston Foundation

Boston, Massachusetts

Total assets: \$ 896.2 mil. | Donor advised funds: \$ 417.4 mil.
Grants: \$ 100.8 mil.

In 2008, The Boston Foundation made a \$2 million PRI to the Neighborhood Stabilization Loan Fund, a statewide five-year public, private, and philanthropic partnership organized to finance the acquisition and rehabilitation of foreclosed properties in distressed communities. The fund has grown to \$22 million and has financed 468 units of housing, preserving over 150 units for families with incomes less than half of the area median income. The foundation created SkillWorks, an employer-led workforce development initiative to train and connect low-income persons and entry-level workers to jobs in the health care, automotive, and hotel industries. The program has become a model for the National Fund for Workforce Solutions.

California Community Foundation

Los Angeles, California

Total assets: \$ 1.4 bil.* | Donor advised funds: \$ 499.5 mil.
Grants: \$169.3 mil.

During the 1990s, the California Community Foundation (CCF) began making real estate loans to nonprofits. CCF had set up a land

trust in 2002 to purchase and hold land, offering 99-year ground leases to affordable housing developers, but found being a lender provided more flexibility than land ownership in the financial downturn. After a new strategic plan, launched in 2006, the foundation decided to invest in CDFIs, investing capital to expand its existing loan programs. Currently CCF is working to expand its economic development portfolio, with four staff members focused primarily on housing, economic development, and smart growth. The foundation invited Grameen America, a nonprofit microfinance organization known for its work in developing countries, to establish a branch in Los Angeles and committed a \$1.5 million PRI to the effort. The aim is to offer loans of \$1,500 to \$4,000, thereby fulfilling a critical need in the Los Angeles micro-business community. CCF's board has set a maximum PRI commitment at \$22 million, with the funds operating as a revolving loan fund.

The Chicago Community Trust

Chicago, Illinois

Total assets: \$ 2.1 bil. | Donor advised funds: \$ 599.2 mil.
Grants: \$150.7 mil.

In March 2014, the Searle Funds at The Chicago Community Trust committed \$2 million to launch Food:Land:Opportunity—Localizing the Chicago Foodshed, an initiative which aims to increase access to land for sustainable farming, strengthen business skills of food businesses, and attract capital to the regional food system. The first project receiving support is the Good Food Business Accelerator, which trains food and farm entrepreneurs and connects them to potential investors. Another project is the Chicago Microlending Institute, which makes loans to small businesses in low- and moderate-income communities, and involves a collaborative effort between the City of Chicago, Citibank, Acción Chicago, and the Searle Funds at The Chicago Community Trust. The Chicagoland Workforce Funder Alliance brings together employers like Boeing and JP Morgan Chase with other workforce funders to create jobs and increase earnings for underprepared workers. In 2013, the Trust made a \$149,000 grant to underwrite start-up activities of the Cook County Land Bank Authority, slated to be the largest land bank in the country. To assist nonprofits in purchasing real estate, in 1988 the Trust created the Illinois Facilities Fund, which has since become a CDFI.

Cleveland Foundation

Cleveland, Ohio

Total assets: \$ 2.1 bil. | Donor advised funds: \$ 159.7 mil.
Grants: \$ 88.9 mil.

The Cleveland Foundation in 2005 convened the Greater University Circle Initiative (GUCI), a gathering of large local anchor

institutions—such as Case Western Reserve University, University Hospitals, and Cleveland Clinic—with the goal of revitalizing the disadvantaged neighborhoods that surround University Circle. As a neutral convener, the foundation was able to bring fiercely competitive institutions together. With a slogan of “buy local, live local, hire local,” the GUCI has stimulated hundreds of millions of dollars of new investments and hundreds of new jobs for residents of low-income neighborhoods. The network of Evergreen Cooperatives was one result, as was a workforce training center (NewBridge), an employer-assisted housing program (Greater Circle Living) and a robust community engagement initiative (Neighborhood Connections). The foundation has also funded two staff people at the City of Cleveland to focus on sustainability and wealth building issues and has taken the unusual step of placing a Director of Economic Development on its staff.

The Community Foundation for Greater Atlanta

Atlanta, Georgia

Total assets: \$ 950.2 mil.* | Donor advised funds: \$ 543.8 mil.

Grants: \$134.6 mil.

In 2011, The Community Foundation for Greater Atlanta launched the Atlanta Wealth Building Initiative, to leverage the spending of anchor institutions to support the creation of a network of environmentally sustainable, community-based businesses that could offer opportunities in underserved neighborhoods. After a feasibility study conducted by The Democracy Collaborative, the foundation moved forward, with business expertise and \$800,000 in funds from champion donors, to develop a business plan, lease land, and secure memoranda of understanding from anchor buyers to create its first business, the Atlanta Lettuce Project. The Atlanta Lettuce Project will provide large-scale lettuce and herb production for institutional food service customers and other buyers. The business is scheduled to open in 2015, and will employ 40 people, who will receive soft skills and job training from a local workforce development partner.

Community Foundation for Greater Buffalo

Buffalo, New York

Total assets: \$300.2 mil.* | Donor advised funds: \$55.6 mil.

Grants: \$ 10.7 mil.

In 2012, HUD awarded the Community Foundation for Greater Buffalo the Secretary’s Award for Community Foundations for its Buffalo’s Green & Healthy Homes Initiative. Through its \$760,000 grant, which leveraged an additional \$6.4 million, the foundation

helped more than 200 families weatherize homes, 270 low-income persons receive training in retrofitting, and 200 people find living wage jobs. In 2014, the foundation hosted a convening of local businesses, community leaders, outside investors, and the F.B. Heron Foundation, to identify opportunities for impact investing. The foundation is on the advisory council of Open Buffalo, a collaborative effort aimed at worker equity and high-road economic development, and one of three projects in the nation chosen for the Open Places Initiative of the Open Society Foundation.

The Community Foundation for the National Capital Region

Washington, D.C.

Total assets: \$ 335 mil. | Donor advised funds: \$ 245.1 mil.

Grants: \$ 95.7 mil.

In 2011, the Washington Regional Association of Grantmakers began to explore an emerging enterprise development project, the Metropolitan Washington Community Wealth Building Initiative, and hired The Democracy Collaborative to conduct a feasibility study. After that study was completed, the association appointed The Community Foundation for National Capital Region as the leading funder to oversee implementation of a network of green, employee-owned businesses creating wealth-building jobs in low-income communities and connected to anchor demand, for which it retained CDFI City First Enterprises and business consultancy Next Street. The first business planned is an employee-owned clean water management company, for which New Markets Tax Credits and other funding is currently being sought.

The Community Foundation for Northeast Florida

Jacksonville, Florida

Total assets: \$296.9 mil. | Donor advised funds: \$156 mil.

Grants: \$35.9 mil.

Collaborative grantmaking enabled The Community Foundation for Northeast Florida to help bring the Local Initiative Support Corporation (LISC), a national community development organization, to Jacksonville. In part through the foundation’s continuing support (\$50,000 per year for the past 12 years), LISC Jacksonville has built and renovated over 200 homes in low-income communities and is now embarking on a pilot economic development strategy, EPIC (Empower People & Inspire Change) Communities. The program takes a comprehensive approach to economic development, emphasizing, among other goals, family income and wealth as a key priority. The foundation also co-sponsored a Community Wealth Building Roundtable in

March 2014, which brought together city leaders, community members, anchor institution leaders, and business officials with representatives from groups across the nation developing community wealth building strategies.

The Denver Foundation

Denver, Colorado

Total assets: \$ 682.4 mil. | Donor advised funds: \$ 287 mil.
Grants: \$ 50.8 mil.

Committed to broadening economic opportunity for its community as one of the three core focus areas for its community endowment, The Denver Foundation has supported a range of innovative wealth building programs. It has provided grants for the Colorado Nonprofit Social Enterprise Exchange to provide training to nonprofits developing social enterprise ventures, grants to the Rocky Mountain Farmers Union Urban Cooperative Development Center and the Rocky Mountain Employee Ownership Center to support the creation of worker-owned businesses, as well as a grant to the Anschutz Medical Campus Community Campus Partnership to ensure that the expansion of the medical campus spurs inclusive economic and workforce development. The foundation has also been active in growing the local food system through grants to organizations like Veterans to Farmers, which trains veterans on how to launch their own urban agriculture businesses, and Re:Vision's Re:Farm Denver program, which is helping 300 low-income families grow food from their yards and is launching a cooperative that will allow these families to sell surplus food and generate income.

Edmonton Community Foundation

Edmonton, Alberta, Canada

Total assets: \$ 422 mil. | Donor advised funds: \$ 232.9 mil.
Grants: \$ 12.3 mil.⁶⁶

The Edmonton Community Foundation (ECF), in partnership with the City of Edmonton, United Way, and other private donors, launched the Social Enterprise Fund, which provides financing for social enterprises and affordable housing. The city committed \$2.5 million, which ECF agreed to match over three years. Preparing nonprofits to develop their own enterprises, the foundation offers a Path to Loan grant program, which subsidizes feasibility studies and business plan development. Since its inception in 2008, the fund has loaned \$13 million to more than 30 organizations. In 2013, the foundation created the Alberta Social Enterprise Venture Fund, wholly owned by ECF. It is structured as a limited partnership, and permits the Social Enterprise Fund to invest in any corporate structure, not only nonprofits. To date ECF has invested \$10 million. The board has committed to investing 10 percent of the foundation's

assets, in keeping with a challenge to foundations by the Canadian Task Force on Social Finance, which asked foundations to invest at least 10 percent of assets in mission investments by 2020.

Grand Rapids Community Foundation

Grand Rapids, Michigan

Total assets: \$ 285.6 mil. | Donor advised funds: \$ 72.4 mil.
Grants: \$ 7.9 mil.

At the Grand Rapids Community Foundation, PRIs account for two percent of its endowment. In 2008, the foundation joined forces with a local private foundation, the Dyer-Ives Foundation, to respond to the foreclosure crisis by funding a staff person to coordinate a coalition of 70 community groups committed to reducing blight. The foundation provided a \$2 million loan to a regional CDFI, Great Lakes Capital Fund, to acquire and sell foreclosed homes to local nonprofits, which rehabbed the homes with energy-saving retrofits. After the loan was repaid in 2013, the foundation made an additional investment of \$1 million to a subsidiary of Great Lakes Capital Fund. It also invested \$1 million in the Kent County Land Bank Authority, enabling the acquisition and rehabilitation of more than 200 foreclosed properties.

The Greater Cincinnati Foundation

Cincinnati, Ohio

Total assets: \$ 522.9 mil. | Donor advised funds: \$ 69.3 mil.
Grants: \$ 245.1 mil.

Offering one of the most advanced impact investing programs among community foundations, The Greater Cincinnati Foundation uses a model of direct investing in deals selected by the foundation, with donors invited to invest alongside the foundation. Among its deals, the foundation has invested \$500,000 to seed a patient capital loan fund for a minority business accelerator; \$500,000 in gap financing for commercial and residential real estate; and \$1 million in a predevelopment loan fund for supportive housing for homeless women. The foundation board has authorized up to \$10 million for impact investments, which is 10 percent of unrestricted assets. Two dozen donors have elected to participate in seven of the deals vetted since 2011, putting in roughly 20 percent of the capital. To conduct due diligence, oversight, and reporting, the foundation hired Imprint Capital Advisors. It has also allocated discretionary funds to nonprofits and CDFIs so they can build capacity to take on loans.

The Greater Kanawha Valley Foundation

Charleston, West Virginia

Total assets: \$217.3 mil.* | Donor advised funds: \$85.4 mil.
Grants \$7.3 mil.

As part of its participation in the Ford Foundation-funded WealthWorks project, The Greater Kanawha Valley Foundation recently restructured its entire grantmaking program to focus on projects supporting the creation of multiple forms of local wealth—reflecting its effort to take a systems approach to community change. Rather than making only reactive grants, the foundation has embarked on a more proactive approach to grantmaking. It is also running its own pilot project in building community wealth, working to connect small produce growers with a large hospital anchor buyer. The foundation titled its 2014 annual report, “Wealth Created Here.”

The Greater Tacoma Community Foundation

Tacoma, Washington

Total assets: \$ 92.2 mil. | Donor advised funds: \$ 15.9 mil.
Grants: \$ 4.2 mil.

The Greater Tacoma Community Foundation is among the first community foundations to incorporate impact investments into the asset allocation of its endowment pool. It began exploring impact investing in 2012, and from the start saw the need to invest out of its endowment. The foundation formed a temporary task force of board and committee members—one member, for example, was the president of a local bank—to analyze the potential of impact investments and make recommendations to the board. The task force later became a permanent board committee. The board decided to commit up to three percent of the endowment for local impact investments. Thus far, it has invested \$1.5 million to support small businesses: \$750,000 in the National Development Council to create the Grow Pierce County Fund; and an additional \$750,000 in the regional CDFI Craft3 for Pierce County-specific opportunities.

Incourage Community Foundation

Wisconsin Rapids, Wisconsin

Total assets: \$ 34.6 mil.* | Donor advised funds: \$ 3.1 mil.
Grants: \$ 2.5 mil.

After the loss of key employers in the paper and cranberry processing industries caused 40 percent of the jobs in rural South Wood County to disappear virtually overnight, Incourage Community Foundation created a unique partnership with the local chamber of commerce. The aim was to inspire local residents and

businesses to take a more proactive role in their community and move beyond dependence on a few large employers. Rather than trying to attract new businesses, they sought to grow from within by cultivating community assets. In 2004, the two organizations launched the Community Progress Initiative (CPI), a multifaceted strategy for changing the local culture, creating new businesses, and developing leadership. Over four years, the CPI project launched more than 20 different programs, including an Entrepreneurial Boot Camp offering mentoring and training for those wishing to start a business, which helped more than 40 businesses start or expand. The project also set up venture funds and convened planning groups to develop industry clusters. The community foundation created Workforce Central, which provides training for 12 different companies. Manufacturing has been significantly revived in the area. In 2014, the foundation board made a path-breaking decision to move toward investing 100 percent of assets for mission.

Initiative Foundation

Little Falls, Minnesota

Total assets: \$ 62.6 mil.* | Donor advised funds: \$ 7.9 mil.
Grants: \$ 2.6 mil.

After the rural crisis of the 1980s, the McKnight Foundation established and provided seed funding for a half-dozen rural foundations in Minnesota, based on the philosophy that the economy, community, and philanthropy are interconnected. Each of the foundations is slightly different, but they all do business lending and economic development, and three have been certified as CDFIs. Their aim is creating and retaining quality jobs. Initiative Foundation is one of the six. Among its activities, it does business finance, grant making, environmental work, community economic planning, and nonprofit capacity building—helping communities do visioning and run asset inventories, and helping nonprofits develop social enterprises and new business models. The foundation offers loan funds for a wide range of businesses, from value-added agriculture and manufacturing companies to social enterprises. Businesses are able to receive up to \$5,000 to cover technical assistance needs. Since 1986, the six Minnesota Initiative Foundations combined have invested \$231.8 million in private businesses, which leveraged \$1.275 billion, securing more than 43,600 living wage jobs.

Maine Community Foundation

Ellsworth, Maine

Total assets: \$ 380.5 mil. | Donor advised funds: \$ 119.3 mil.
Grants: \$ 22.4 mil.

Maine Community Foundation is currently working to expand its

impact investing. Over the past three years, the foundation joined with colleagues in New Hampshire and Vermont to explore how to effectively use impact investing as a strategy to advance strategic priorities and engage donors. The foundation was drawn to expand its use of impact investing due to a successful \$1 million loan made in 2008 to Maine Farmland Trust, capitalized by donor advised and discretionary funds, to help permanently protect farmland. Over the past six years, this loan contributed to Maine Farmland's Trust ability to secure almost 9,000 acres of farmland under local ownership and has leveraged over \$4 million in additional capital for farmland preservation projects. In May 2013, the board endorsed an expansion of impact investing, which allows donors to pool charitable resources with the community foundation's discretionary funds. It has launched two new investment portfolios— Farm, Fisheries and Food to support local entrepreneurs and Downtown and Business Development to foster job creation and downtown revitalization. As of September 2014, the foundation has mobilized over \$2.3 million for impact investing in these two portfolios.

New Hampshire Charitable Foundation

Concord, New Hampshire

Total assets: \$608.9 mil. | Donor advised funds: \$229 mil.

Grants: \$ 32.3 mil.

New Hampshire Charitable Foundation has considerable impact investing experience, and has made close to 40 direct loans to nonprofits. In 1983, the foundation helped to found one of the first CDFIs in the country, the New Hampshire Community Loan Fund. The loan fund is widely respected for its Resident Owned Communities New Hampshire program, which enables manufactured housing residents to cooperatively purchase the land beneath their homes. The foundation continues to support the Community Loan Fund through \$2 million in loan and grant assistance. The investments support the Community Loan Fund's micro-business development program, MicroCredit-NH, as well as technical assistance for loan recipients, and individual development accounts. The foundation is planning to expand its impact investing work this year in partnership with donors.

The New York Community Trust

New York, New York

Total assets: \$2.5 bil.* | Donor advised funds: \$ 912 mil.

Grants: \$ 142.7 mil.

Responding to the destruction caused by Hurricane Sandy, The New York Community Trust made a \$1 million loan to the NYC Nonprofit Recovery Loan Program, a \$26 million bridge loan



A loan from the Albina Opportunities Corporation, a local CDFI that a few Oregon Community Foundation donors helped to found, which specializes in lending to women-, minority- and immigrant-owned businesses, helped Farhad Ghafarzade start his business, Green Drop Garage, where mechanics convert diesel engine cars to run on vegetable oil waste.

Photo c/o Green Drop Garage

program developed to fund legal assistance for nonprofits as well as to educate them on federal reimbursements and filing procedures. The foundation has also made commitments totaling \$225,000 to encourage low- to moderate-income people to join in New York City's participatory budgeting process, an innovative community engagement program in which residents have the opportunity to be active in public spending and revenue decisions. In 1980, the foundation incubated a CDFI, the Nonprofit Finance Fund (at the time known as the Energy Conservation Fund), which has loaned over \$287 million to nonprofits and social enterprises around the country. In the last three years, The Trust has granted more than \$500,000 to nonprofits specializing in small business development; grantees offer a range of services from revolving loan funds to legal assistance.

Oregon Community Foundation

Portland, Oregon

Total assets: \$ 1.7 bil. | Donor advised funds: \$ 381.2 mil.

Grants: \$ 73.9 mil.

The economic downturn brought on by the recession prompted Oregon Community Foundation (OCF) to expand its priorities to include jobs and the economy. The foundation co-sponsored a study to identify both sources of capital and undercapitalized sectors across the state. Finding that seed and early stage companies were

undercapitalized, the board decided to commit one-half of one percent of the endowment to Oregon-based early stage funds. Since 2012, OCF has made more than \$900,000 in grants to organizations that help to develop a skilled workforce. It has also provided a \$100,000 grant to Albina Opportunities Corporation, a local CDFI that a few OCF donors helped to found, which specializes in lending to women-, minority- and immigrant-owned businesses, as well as other business owners who can't access traditional bank financing. OCF made a \$1 million loan to a regional CDFI, Craft3, to support small business lending in rural communities, and the board has committed \$2 million for lending to nonprofits.

The San Francisco Foundation

San Francisco, California

Total assets: \$ 1.2 bil. | Donor advised funds: \$ 459.4 mil.

Grants: \$ 89.7 mil.⁸⁷

In the last 20 years, The San Francisco Foundation (TSFF) has guaranteed 17 loans totaling \$5.3 million. The success of the foundation's zero-loss loan guarantees, which leveraged over \$50 million, encouraged the foundation to expand its impact investing activities. In 2009, TSFF launched a formal impact investing initiative, its Program Related Investments Fund, carving out \$5 million from its endowment for direct investments and loans to intermediaries. Donors are now able to participate as co-investors. As of December 2013, the PRI program has helped

to provide 861 small businesses loans and 12 loans to finance energy savings improvements on affordable housing properties. TSFF participates in the Bay Area Workforce Funding Collaborative, which has raised over \$10 million in grants to expand the workforce development capacity of California community colleges. It has also launched Recession Response grantmaking programs in Job Training and Creation as well as Foreclosure Responses and Neighborhood Preservation. TSFF provides technical assistance to the Implementation Committee of the Core Community Benefits Agreement (CCBA).

Santa Fe Community Foundation

Santa Fe, New Mexico

Total assets: \$ 68.3 mil.* | Donor advised funds: \$30.3 mil.

Grants: \$ 5.6 mil.

Santa Fe Community Foundation has embarked on a seven-year pilot, in which it has committed 5 to 10 percent of its pooled assets to impact investing. In 2014, it closed on three \$250,000 low-interest loans, the first investment to assist low- and middle-income families purchase homes through a second mortgage program; the second to provide loans, training, and business consulting to small business owners and nonprofits; and the third to provide initial funding for development of an early childhood center in a low-income community. To grow a community of practice and to develop local infrastructure to build community wealth, the foundation co-sponsors the Place-Sourced Impact Investing dialogue series.

The Seattle Foundation

Seattle, Washington

Total assets: \$ 770.1 mil. | Donor advised funds: \$ 22.3 mil.

Grants: \$ 66.7 mil.

The Seattle Foundation set aside \$5 million of its discretionary funds for impact investing through intermediaries. Using a framework focused on workforce development and small business access to capital, the foundation uses the combined expertise of program and finance staff to identify investment opportunities. To date, the foundation has made a \$1 million direct investment to support commercial building energy retrofits (donors contributed an additional \$675,000); a \$1 million loan to regional CDFI, Craft3, for loans to small businesses; and has bought a \$1 million Community Impact Note to develop affordable housing. The foundation also invested \$1 million in the \$8 million small business revolving loan fund, Grow King County, partially capitalized by King County and the City of Seattle, with a guarantee from the U.S. Small Business Administration.



Aurora Duarte is a worker-owner of Emma's Eco-Clean, an environmentally sound housecleaning cooperative developed by Prospera, formerly known as WAGES (Women's Action to Gain Economic Security). The San Francisco Foundation's \$5 million PRI (program-related investment) Fund has helped several women-owned cooperatives get started.

Photo by Ruth Lindemann, c/o Prospera

Telluride Foundation

Telluride, Colorado

Total assets: \$ 10.7 mil.* | Donor advised funds: \$ 1.5 mil.

Grants: \$ 3 mil.

In 2012, the foundation launched the Telluride Venture Accelerator, drawing on its entrepreneurial donors to work as mentors to high-growth businesses focused on outdoor recreation, tourism, natural products, health, energy, water, and education products. Through its Paradox Community Development Initiative, partially funded by a USDA Rural Business Enterprise Grant, the foundation also provides technical assistance and low-interest loans to nonprofits and locally owned small businesses in rural communities. In 2009, the foundation received \$1 million from the American Recovery and Reinvestment Act's Strengthening Communities Fund, which it used to help nonprofits promote economic recovery and develop social enterprises. The foundation also established the Paradox Community Trust, a public-private partnership to combine resource extraction severance taxes, grants, and private donations to create a locally controlled permanent fund for community and economic development investments.

Vermont Community Foundation

Middlebury, Vermont

Total assets: \$ 192 mil. | Donor advised funds: \$ 55.9 mil.

Grants: \$ 12.3 mil.

Created in 1986, Vermont Community Foundation (VCF) is one of the nation's most experienced community foundation impact investors. In 2001 its board authorized the path-breaking creation of the Vermont Investments program, which dedicates five percent of all fund types—including donor advised funds—to create an impact investing pool that makes investments that benefit Vermont. Through this program, VCF currently manages a \$7 million portfolio of investments across asset classes, including loans to state CDFIs, insured deposits in banks and credit unions with strong community development performance, nonprofit organizations, venture capital funds supporting regional job creation, and direct investments. The foundation delivers financial performance in or near the top 10 percent of community foundations in its size cohort.

West Central Initiative

Fergus Falls, Minnesota

Total assets: \$ 58.3 mil.* | Donor advised funds: \$ 17.5 mil.

Grants: \$ 3.6 mil.

West Central Initiative (WCI) is the second Minnesota Initiative Foundation profiled in this report. It is particularly unusual in that WCI has been formally named by the U.S. Department of Commerce as the region's Economic Development District designee.

“What is at work is economic reinvention. Philanthropic organizations can be full-spectrum contributors to that end.”

—Clara Miller, President,
Heron Foundation

In this capacity, the foundation receives an annual planning grant from the Economic Development Administration, enabling it to oversee regional economic planning and to provide technical assistance to communities who apply for federal grants for public works infrastructure. WCI also runs a series of loan programs for business. Through grants to nonprofits specializing in business creation and expansion, WCI also is able to offer technical assistance to entrepreneurs. WCI has created an advanced manufacturing training program, Workforce 2020, which has trained more than 9,000 workers employed in locally owned manufacturing companies. A 2008 study of 30 participating firms found that companies increased sales by \$15.1 million and reduced spending by \$4.63 million. The foundation's Family Economic Success Program targets grants to nonprofits developing asset-building strategies to help families build wealth and save for the future.

Whatcom Community Foundation

Bellingham, Washington

Total assets: \$ 19.3 mil. | Donor advised funds: \$ 2.5 mil.

Grants: \$ 3.7 mil.

Though small in assets, Whatcom Community Foundation is active in impact investing and economic development. With outside grants and support from activist donors and community partners, the foundation helped to develop the Whatcom Farm-to-School program, which supported local-food purchasing at 15 schools, a farming cooperative, a workplace-community supported agriculture (CSA) program at the area's largest employer, as well as the Whatcom Farm Incubator Fund, increasing farmland accessibility to local, organic farmers. The foundation is raising money for the Cascadia Foodshed Funding Project and the NW Catalyst Fund, and offers loan guarantees to help businesses scale. It also makes PRI loans to nonprofits.

Interviews Conducted

Sarah Abbe Taylor, Investment Associate, Program Related Investments, The San Francisco Foundation.

Peter Berliner, Managing Director, Mission Investors Exchange.

Michael Brown, Vice President, Community Programs, The Seattle Foundation.

Becky Ceperley, President, The Greater Kanawha Valley Foundation.

Leslie Christian, Investment Advisor, Leslie E. Christian, LLC.

Stuart Comstock-Gay, President and CEO, Vermont Community Foundation.

Laurie Craft, Program Director, Grand Rapids Community Foundation.

Kim Embretson, Vice President-Development; **Dale Umlauf**, Vice President-Business Development; **Wendy Merrick**, Program Director; West Central Initiative.

Anders Ferguson, Partner, Veris Wealth Partners.

Melissa Freeman, Director of Strategic Projects, Oregon Community Foundation.

Kathy Gaalswyk, President, Initiative Foundation.

Martin Garber-Conrad, CEO, Edmonton Community Foundation.

Christopher Goett, Senior Program Officer, Housing and Economic Development and **Chris Hubbard**, Program Manager, Housing & Economic Development, California Community Foundation.

Patrick Horvath, Director of Economic Opportunity and Director of Strengthening Neighborhoods, The Denver Foundation.

Mauri Ingram, President & CEO, Whatcom Community Foundation.

Angela Jones Hackley, President, The Community Foundation for the National Capital Region.

Heather Larkin, President and CEO, Arkansas Community Foundation.

James Lincoln, CEO and President, Lincoln Capital Management and Illuminated Funds Group Inc.

Angela Lust, Senior Vice President, Amarillo Area Foundation.

Ellen Macht, Consultant, Atlanta Lettuce Project.

Paul Major, President and CEO, Telluride Foundation.

Deborah Markley, Director, Center for Rural Entrepreneurship.

Cara Matteliano, Vice President, Community Impact, Community Foundation for Greater Buffalo.

Kathy Merchant, President & CEO; **Shiloh Turner**, Vice President for Community Investment; **Robert Killins Jr.**, Program Director, Vibrant Places; The Greater Cincinnati Foundation.

Katie Merrow, Vice President of Community Impact and **Kevin Peterson**, Senior Program Officer, Upper Valley Region and Environmental Grantmaking, New Hampshire Charitable Foundation.

Marian Moore, Play BIG.

Dana Pancrazi, Vice President, Capital Markets, The F.B. Heron Foundation.

Alicia Philipp, President, The Community Foundation for Greater Atlanta.

Joohee Rand, Director of Strategic Initiatives, Santa Fe Community Foundation.

Kelly Ryan, President, Encourage Community Foundation.

Peter Taylor, Vice President, Program Development & Grantmaking Services, Maine Community Foundation.

Janet Topolsky, Director, Aspen Institute Community Strategies Group.

Nina Waters, President, The Community Foundation for Northeast Florida.

Sandy Wiggins, Principal, Consilience, LLC.

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The emerging new anchor mission: A commitment by a community foundation to fully deploy all its resources—financial, human, social, intellectual—to better the long-term economic welfare of its community by building community wealth.

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