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Communities Gaining Access to Capital:

Social Equity Criteria and Implementation Recommendations for the Community Capital Investment Initiative (CCII)

by

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and

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research by

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Preface from PolicyLink

PolicyLink is a national nonprofit policy, advocacy and capacity building organization with offices in Oakland, California and New York City. The mission of PolicyLink is to lift up and advance, from the wisdom, voice and experience of local constituencies, a new generation of policies that achieve social and economic equity, expand opportunity and build strong, organized communities. In working to fulfill this mission, PolicyLink is working at the local, regional, state and national levels to develop and advocate for policies that support community building, including anti-poverty, income enhancement, neighborhood revitalization and asset/wealth creation strategies. Central to this approach are strategies that advance regional equity and encourage community participation in both the making and implementation of key policies affecting low-income populations and communities.

We see the creation of the Community Capital Investment Initiative (CCII) as a unique opportunity for community-based stakeholders to access and direct financial resources to build their communities. For residents to truly have a voice in their community's future, they must have the ability to define and direct new investments that can benefit their communities. Accomplishing this task requires information and tools that can be used to screen investments to evaluate their potential value in providing measurable community benefits.

The core of this report, a draft set of social equity criteria that can be used to screen proposed investments, aims to serve as such a tool.[1] While the list is not exhaustive, it provides information to strengthen residents' advocacy for explicit programs, policies and initiatives that will ensure that investment and development decisions serve community needs and priorities.

The current booming economy offers enormous opportunities for reinvestment in underserved communities throughout the nation in a manner that ensures that these new investments result in economic prosperity that is broadly shared among all community residents and results in strengthened families and neighborhoods. It is our hope that CCII will provide a model of how private investment capital can be drawn into low-income communities in a process that is inclusive of community voices, responsive to community concerns and reflective of community priorities. The example and experience — the successes and failures — of the CCII process will serve to inform reinvestment efforts across the country.

Angela Glover Blackwell
President

[1] It should be noted that the term socialequity criteria, as used throughoutthis report, refers to criteria that build socialand economic equity for low-income residents of the target communities.

Preface from the Urban Habitat Program

Within the San Francisco Bay metropolitan region there is an increasing gap between rich and poor. Sprawl development throughout the region has located wealthy communities in new suburbs on the urban fringe while low-income communities, many of which have a high proportion of people of color or may be immigrant communities, remain in the city centers and inner-ring suburbs. Throughout the region we have come to recognize the environmental "negatives" of this sprawl development pattern, in congested freeways, lengthening commutes and increased loss of open space and wildlife habitat. However, there is less recognition of the ways in which suburban sprawl has widened the income gap as evidenced by a host of adverse social and political impacts; disparities in public schools, inadequate public transportation, unequal access to jobs in the region, skyrocketing housing costs in central cities and displacement of low-income residents.

The Urban Habitat Program is deeply concerned with the impacts of suburban sprawl on the region's most vulnerable, low-income communities and the critical need for reinvestment in these communities. We are leadership team members of the Bay Area Alliance for Sustainable Development (BAASD), a regional coalition of social equity, business, environmental and local government organizations working to foster new models of "sustainable" social and economic development in a pilot investment project, the Community Capital Investment Initiative (CCII). The CCII's goals are to alleviate poverty, create living-wage jobs, and result in community wealth creation for low-income communities, while avoiding displacement of residents and small businesses and producing viable economic returns.

This report, "Communities Gaining Access to Capital," lays out social equity guidelines for CCII projects. These guidelines are a tool for community-based organizations to take control of the CCII development process in their communities. CCII is attracting investment capital for "keystone" community development projects which have been identified and developed by community-based organizations in low-income neighborhoods, in partnership with business, environmental and government leaders.

UHP invited PolicyLink, a newly formed organization with strong concerns for social equity, and the National Economic Development and Law Center (NEDLC), with 30 years of community economic experience to research and lay out a framework for investment. This report was researched by the National Economic Development and Law Center and compiled and edited by PolicyLink and Urban Habitat.

In the attempt to turn around the history of disinvestment in many urban communities, it is important to be mindful of past failures. For many low-income inner-city residents, the prodigal return of investment presents a threat rather than an opportunity. Historically, inner-city redevelopment often brought a net loss in community wealth and displaced low-income residents. These failures, coupled with the institutional racism of federal loan and highway programs, have fostered a deep cynicism about redevelopment within communities of color, and is reflected by the alternative name for Urban Renewal as Negro Removal.

Unlike this history, the CCII is based on the premise that social and financial investments can achieve social and economic goals only if community entities are identified, engaged and strengthened. Community organizations will play lead roles in CCII plans, in partnership with business, environmental and governmental sectors, to plan, implement, manage and evaluate keystone development projects. Experiences in other parts of the country have proven the success of such partnerships. In the Bay Area, we have a multiple-stakeholder infrastructure to undertake these efforts. Other parts of the country do not have such an advantage.

Current development patterns have resulted in ever-widening gaps between rich and poor and a declining quality of life for all. New development can present opportunities to reduce poverty and unequal access to resources throughout the region, and can bring badly needed services into historically undeserved areas. The strategies promoted by CCII and represented in this report are important tools to ensure that new development projects will fulfill these goals.

Carl Anthony
Executive Director

Executive Summary

The Community Capital Investment Initiative (CCII) is a regional initiative that aims to mobilize business, community, environmental and government leadership to facilitate strategic capital investments in forty-six low-income communities in the Bay Area. The purpose of these investments is to create economic opportunity, reduce poverty and promote sustainable development.

The CCII concept emerged from the regional discussions of the Bay Area Alliance for Sustainable Development (BAASD), a coalition of environmental, economic and equity leaders who are working to promote regional development within the framework of a smart/growth sustainable development paradigm. This new paradigm explicitly combines the values of a prosperous economy, a healthy environment and social and economic equity and includes an emphasis on reinvestment in the urban core, as opposed to low-density development — or "sprawl" — on the region's periphery. CCII is guided by the principle of "equitable development," that seeks to improve the economic condition of low-income communities in ways that benefit and do not displace existing residents.

CCII is a region-wide collaboration which includes a "Business Council," chaired by the Bay Area Council; a "Community Council," co-chaired by the Urban Habitat Program, PolicyLink and the National Economic Development and Law Center; and a "Government Advisory Council," chaired by the federal Department of Housing and Urban Development (HUD) and the California State Treasurer's Office. This collaborative approach is based on the belief that all three sectors — community, business and government — are necessary in planning and implementing development that achieves broadly shared economic prosperity in an environmentally sustainable way.

As a community investment intermediary and a forum for consensus building, CCII provides a venue for key stakeholders to work together to shape projects that meet environmental, economic and social equity goals. CCII-supported developments will forge partnerships between private, public and community stakeholders and will include mixed-use and affordable housing developments and the creation and expansion of small businesses. CCII uses the term "keystone development" to refer to large-scale development projects that have the potential to catalyze additional investment in older urban areas in a way that benefits, and does not displace, community residents.

The goals of alleviating poverty and developing vibrant, healthy communities do not come about simply through market-based investments in low-income neighborhoods. CCII's success in the broadest sense is predicated on a more complex process of ensuring the CCII investments result in:

- Income enhancement and asset-building outcomes for existing residents;
- Improvements in neighborhood services and infrastructure in a way that does not lead to resident displacement;
- A stronger infrastructure of community-building/development institutions and intermediaries; and,
- Strengthening of the social networks that support stronger community institutions and indigenous leadership.

Within this context, the different councils of CCII are developing criteria to orient the development process and guide the due diligence review of proposed developments. CCII is expanding the concept of "due diligence" beyond the more traditional economic and financial due diligence to include social equity, environmental and public benefit/regulatory due diligence.[2]

The purpose of the following document is to initiate discussion of the social equity criteria for CCII-facilitated developments. These criteria are designed to ensure that community residents receive concrete benefits from neighborhood developments with increased job opportunities, better services and mechanisms to increase resident incomes and wealth. The criteria have been grouped into seven general categories and are summarized below. The body of the document discusses how these criteria can be realized and includes specific examples or models — from the Bay Area and around the country — that are relevant to potential development scenarios for CCII.

[2] Publicbenefitand regulatory due diligence criteria will evaluate whether the developments meet land-use planning, zoning, permitting, health, safety, environmental and other regulations; address federal, state and regional smart growth objectives; contribute to making the Bay Area more livable by locating jobs and housing in proximity to each other and to transit; and generate appropriate propertyand sales tax revenue for cooperating local jurisdictions.

Social Equity Criteria for CCII-Facilitated Developments

The proposed development:

Category One — *Geographic Targeting*

1. Benefits residents of one or more of the 46 neighborhoods identified by the Bay Area Partnership, and/or is located on a brownfields site or closed military base.

Category Two — *Composition of the Development Team*

2. Is led by a non-profit developer and includes for-profit partners and/or community-based partners with complementary skills and experience; or is led by a for-profit developer, and incorporates community partners (e.g. economic/housing development corporation(s) or other community-based/service organizations) as owners, developers, organizers, service providers, property managers, etc.

Category Three — *Community Benefits Plan*

3. Includes an explicit plan to produce significant, measurable benefits for community residents. Examples of such community benefits include a local hiring program for neighborhood residents involving both the construction and ongoing operations of the project; livable wage jobs; training and/or educational opportunities; increased transit, healthcare and childcare services; increased access to technology and increased affordable housing opportunities.
4. Includes a plan to build community equity in the project through mechanisms that create and enhance opportunities for ownership/profit-sharing for community residents and/or community-based institutions.
5. Includes requirements for contracting locally-owned, minority and women-owned business enterprises for project design, construction and ongoing operations.

Category Four — *Strategies for Community Involvement*

6. Includes an input/oversight/decision-making structure and process that is inclusive/representative of a broad cross section of community residents (e.g. resident board participation, special project area committees, etc.).
7. Includes a detailed plan for project-specific community outreach and education.
8. Includes letters of endorsement of the project from community residents, neighborhood leaders and public, private and non-profit proponents of the project.

Category Five — *Connection to Existing Local Initiatives*

9. Fits into a larger, existing or proposed, neighborhood strategic plan, initiative, collaborative planning process or revitalization program, wherever one exists in the targeted neighborhood.

Category Six — *Mechanisms to Support Local Community Development Infrastructure*

10. Includes a plan and commitment of a funding stream to build the infrastructure of community-based institutions in the target community.

Category Seven — *Monitoring and Evaluation Plan*

11. Includes a plan for internal monitoring, evaluation and mid-course adjustment to ensure that the project is meeting its social equity goals.

These criteria are based on the recognition that investments can aim to achieve a "double bottom line" of accruing *both* financial and social returns. They are informed by a broad range of experience in successful development projects — from the Bay Area and across the country — that have resulted in community benefits. For example, partnerships between for-profit and non-profit developers to open supermarkets in under-served inner-city areas have resulted in positive outcomes for both private sector partners and the community: the supermarket chain makes a profit when the store is well-patronized and community residents benefit through access to jobs, services and the retention of profits through the participation of a community-based non-profit partner. A wealth of other examples and models, discussed in the body of this paper, demonstrate the viability of planning a development with the explicit goal of promoting social equity.

Introduction

Over the last several decades, millions of public and philanthropic dollars have been spent on efforts to alleviate poverty and rebuild communities. To date, most of these resources have been directed to income maintenance programs (welfare) or to increasing the supply of services for low-income people. Today, a growing consensus is emerging that these approaches have failed to end poverty because they have not enabled low-income residents to develop, manage and retain community assets; nor have these efforts focused enough resources on strengthening the community-building infrastructure — technical expertise, institutional capacity, financial resources and social networks — to support ongoing and sustainable revitalization efforts in the targeted low-income communities.

The Community Capital Investment Initiative (CCII) is an innovative effort — catalyzed by the Bay Area Alliance for Sustainable Development (BAASD) — that is intended to mobilize business, community, environmental and government leadership to facilitate strategic capital investments in 46 low-income communities of the Bay Area. CCII is being developed to create a financial intermediary that will identify, attract and direct investment into the Bay Area's low-income communities in a way that benefits residents and builds community infrastructure with the ultimate goal of reducing poverty in those neighborhoods.

Many stakeholders — business, community, environmentalists, labor and public agencies — share a long-term interest in avoiding the destructive growth patterns that have led to environmental deterioration, increasing social and economic inequity and growing challenges to regional economic prosperity. CCII aims to advance the interdependent goals of fueling a prosperous economy, a healthy environment and social and economic equity throughout the Bay Area.

CCII seeks to change Bay Area development patterns by establishing a forum to build new partnerships between community-based actors, the public and the private sector. CCII will serve as a broker in the creation of new forms of community development partnerships and a forum to discuss, negotiate and frame new models of community development finance with the participation of a broad cross-section of stakeholders. CCII will also coordinate local, regional, state and federal efforts in these development partnerships in ways that improve inner-city investment opportunities and benefit the residents and institutions that form the social fabric of those communities.

CCII will serve as a link between a targeted *supply* of investment capital and the *demand* for capital in these communities. A "family of funds" is currently under development within the CCII framework that includes investment funds for business development and expansion, brownfields redevelopment, real estate development, land banking and community development purposes. These funds may provide a significant source of capital for CCII-supported projects.

To be eligible for CCII support, proposed development projects will be subject to social and economic equity criteria that are described in detail in the following document. These criteria will be used to screen proposed developments to ensure that they lead to equitable development outcomes. CCII-supported development projects will be required to include clear and explicit strategies, programs and practices to maximize benefits to current community residents and minimize the dangers of resident displacement.

In this context, the concept of due diligence for development projects is being expanded beyond the notion of more traditional economic and financial due diligence to include social and economic equity, environmental and public benefit-regulatory due diligence.[4] The purpose of this document is to set out evaluation criteria that screen for the social and economic equity components of CCII developments.

[4] Public benefitand regulatory due diligence criteria will evaluate whether the developmentsmeet land-use planning, zoning, permitting, health, safety, environmental and other regulations; address federal, state and regionalsmart growth objectives; contribute to making the Bay Area more livable by locating jobs and housing in proximity to each other and to transit; and generate appropriate propertyand sales tax revenue for cooperating local jurisdictions.

Framework

CCII is a reflection of the shared yet diverse needs and interests of its core stakeholders — community, business, environmentalists and public agencies. As such, the criteria for evaluating proposals for keystone developments must reflect both the common and the unique perspectives that each of these parties brings to the partnership. This report focuses specifically on criteria to help CCII to select development proposals that promote social equity and that benefit residents of the communities that are host to the proposed development. The social equity criteria for CCII-facilitated developments are based on the following goals:

1. Build healthy and self-reliant communities.

   CCII aims to foster the less tangible elements of community development/community building: organized residents, strong and stable community institutions, political engagement, strong social networks and resources. If residents and organizations have an opportunity to participate in decisions that guide and determine the development of their community, at the front end of the development process, they are in a better position to participate as active partners and are more likely to be supportive of the development process.

2. Create and recycle wealth for residents, community organizations and institutions.

   CCII aims to foster a new economic paradigm that emphasizes wealth accumulation for residents of low-income communities, and that recognizes the need to build the infrastructure of community-based institutions in order to ensure the long-term viability of the revitalization process.[5]

3. Reduce poverty, increase household income and produce high quality jobs.

   A primary goal of CCII-supported investments is to increase resident access to employment opportunities and to raise income levels for individuals and families in

[5] In their book, *Black Wealth/White Wealth* (1995), Melvin Oliver and Thomas S. Shapiro, made the following observation: "Wealth is a particularlyimportant indicator of individual and familyaccess to life changes. Wealth signifies the command over financial resources that a family has accumulated over itslifetime along with those resources that have been inherited across generations. Such resources, when combined with income, can create the opportunity to secure the 'good life' in whatever the form is needed — education, business, training, justice, health, comfort, and so on."

the targeted neighborhoods. Part of the challenge in meeting this goal is increasing resident access to opportunities for soft skill (job readiness) and hard skill (e.g. basic writing and math, computer literacy, industry-specific skills, etc.) training. The other challenge is employment access: enabling residents to get to the job site in sectors that offer livable wages, job stability and career growth potential.

4. Expand affordable housing and home ownership among current residents.

CCII aims to increase the supply of affordable housing in the region through its function of bridging the supply of and demand for capital. This goal will be accomplished by identifying and supporting affordable housing projects that offer resident housing alternatives — i.e. housing alternatives for low-income residents to either move closer to job opportunities in the region or to stay in their existing communities.

5. Increase the number of community-owned and community-serving businesses.

CCII will seek to promote the development of locally-owned businesses in the targeted neighborhoods. Wherever possible, projects supported by CCII will also aim to improve commercial services accessible to community residents.

6. Create new and improved services and amenities.

To the fullest extent possible, CCII will aim to ensure that the development projects that it supports include specific strategies and mechanisms to increase the type and amount of services and amenities to the targeted neighborhoods. These community services include retail, quality schools, childcare, technology centers, community gardens, park and recreation centers, community health facilities and safety programs.

7. Avoid displacement and mitigate adverse community impacts.

Projects that are supported by CCII will include explicit strategies to avoid the negative impacts of revitalization that often result in one or more of the following: land speculation, resident displacement, environmental degradation, increased traffic congestion and racial and ethnic conflict.

Deal Selection Criteria[6]

This section specifies CCII deal selection criteria from the perspective of promoting social equity. The criteria have been grouped together into seven general categories. The following section, Implementation Recommendations, discusses how these criteria can be realized and includes specific examples or models that are relevant to potential development scenarios for CCII.

Social Equity Criteria for the Selection of Development Proposals

The proposed keystone development:

Category One — *Geographic Targeting*

1. Benefits residents of one or more of the 46 neighborhoods identified by the Bay Area Partnership, and/or is located on a brownfields site or closed military base.

Category Two — *Composition of the Development Team*

2. Is led by a non-profit developer and includes for-profit partners and/or community-based partners with complementary skills and experience; or is led by a for-profit developer, and incorporates community partners (e.g. economic/housing development corporation(s) or other community-based/service organizations) as owners, developers, organizers, service providers or property managers.

Category Three — *Community Benefits Plan*

3. Includes an explicit plan to produce significant, measurable benefits for community residents. Examples of such community benefits include a local hiring program for neighborhood residents involving both the construction and ongoing operations of the project; livable wage jobs; training or educational opportunities; increased transit, healthcare and childcare services; increased access to technology and increased affordable housing opportunities.

[6] Note a separate process for developing environmental criteria will be developed by the Social Equity Caucus.

4. Includes a plan to build community equity in the project through mechanisms that create and enhance opportunities for ownership/profit-sharing for community residents and/or community-based institutions.
5. Includes requirements for contracting with locally-owned, minority and women-owned business enterprises for project design, construction and ongoing operations.

Category Four — *Strategies for Community Involvement*

6. Includes an input/oversight/decision-making structure and process that is inclusive/representative of a broad cross-section of community residents (e.g. resident board participation, special project area committees, etc.).
7. Includes a detailed plan for project-specific community outreach and education.
8. Includes letters of endorsement of the project from community residents, neighborhood leaders and public, private and non-profit proponents of the project.

Category Five — *Connection to Existing Local Initiatives*

9. Fits into a larger, existing or proposed, neighborhood strategic plan, initiative, collaborative planning process or revitalization program, wherever one exists in the targeted neighborhood.

Category Six — *Mechanisms to Support Local Community Development Infrastructure*

10. Includes a plan and commitment of a funding stream to build the infrastructure of community-based institutions in the target community.

Category Seven — *Monitoring and Evaluation Plan*

11. Includes a plan for internal monitoring, evaluation and mid-course adjustment to ensure that the project is meeting its social equity goals.

Implementation Recommendations

This section outlines strategies and examples of how to apply criteria successfully to CCII development deals. It should be noted that, in many cases, the proposed criteria are related across categories. For example, Category Two addresses criteria for the composition of the development team and Category Three addresses, in one of its specific criteria, the building of community equity in a development project. Clearly, the composition of the development team will directly affect the willingness and opportunity to build a community equity component to the development deal. While these linkages are cross-referenced, an effort has been made to avoid repetition in the discussion.

Category One: Geographic Targeting

1. *The project benefits residents of one or more of the 46 neighborhoods identified by the Bay Area Partnership, and/or is located on a brownfields site or closed military base.*

The Bay Area Partnership conducted a survey which identified 46 communities in the Bay Area with concentrated, persistent poverty. CCII was founded with the intent to catalyze market-based investment and other resources to reduce poverty in these specific communities. Therefore, CCII-facilitated developments must benefit residents of those areas. CCII also seeks to achieve the clean up and redevelopment of brownfields and closed military bases in ways that benefit low-income community residents in adjacent neighborhoods. Returning abandoned sites to productive use reduces blight, can stimulate economic development and helps reduce the pressure regionally to develop “greenfields” sites. In summary, CCII is a targeted initiative and project sites or project benefits must meet geographic targeting criteria.

Category Two: Composition of the Development Team

2. *The project is led by a non-profit developer and includes for-profit partners and/or community-based partners with complementary skills and experience; or is led by a for-profit developer, and incorporates community partners (e.g. economic/housing development corporation(s) or other community-based/service organizations) as owners, developers, organizers, service providers, property managers, etc.*

CCII's interest in maximizing local participation must start with the composition of the development team itself. Criteria regarding the team's composition will ideally result in a complementary blend of non-profit and for-profit actors, as well as an appropriate combination of the skills, experience, networks and resources necessary to produce a high quality and sustainable development project.

Community Development Corporations and for-profit developers are increasingly collaborating on commercial projects and numerous models of mixed development teams have emerged. One model involves the CDC in the lead position in the development from the beginning of project. The strength of this approach is that it provides greater community control of the project from the outset. Its weakness lies in the fact that only a limited number of CDCs have the capacity to take the lead on all aspects of a development project.

Another partnership model involves for-profit developer leadership on the development and CDC or community-based organization inclusion in some form of equity participation over time. This model can be beneficial to the community in that it enables the CDC to build its development capacity and to have some impact on the development process. Both of these examples enable the CDC to advocate for community benefits — jobs, services and asset-building opportunities — while building the local infrastructure for future community-building opportunities.

Examples:

Nonprofit Leader of Development Partnership
New Community Corporation, Newark, New Jersey

The New Community Corporation (NCC), a CDC that was established in 1968, took the lead in initiating a partnership with the supermarket chain Pathmark to open a store in central Newark — the first supermarket in the community since the 1965 riots. Today, the store makes an annual profit of about $1 million, two-thirds of which goes to NCC as the lead partner and one-third to Pathmark. NCC's profits from the supermarket are used to support other community development projects in which the CDC is involved, including a nursing home, eight daycare centers, three charter schools and job training programs.

Several social equity outcomes of this model are relevant to CCII. Community residents directly monitor the performance of the project through participation on the board of directors of the Community Supermarket Corporation, a joint enterprise of Pathmark and NCC. The board has five members, three are community residents and two are from Pathmark: The supermarket employs 250 residents in full-time positions, with additional part-time help; and NCC controls all hiring decisions.

In addition to local hiring, the project has responded to resident demand for retail services. While the project was in the development stages, NCC surveyed 15,000 residents about the kind of store they wanted in their community. Based on the responses, Pathmark redesigned their prototype urban store to include a fish counter, a pharmacy and other features that were clearly priorities for the community. These retail services have been the highest grossing portions of the business. Subsequently, NCC and Pathmark have introduced additional services in response to community demand, including a free grocery delivery service, ATMs inside the store and an Electronic Benefits Transfer/food stamp distribution center inside the store so residents do not have to use check-cashing outlets. In addition to the supermarket, NCC owns eight other for-profit businesses, all national franchises, including Dunkin' Donuts, Pizza Hut, Taco Bell and Mailboxes Inc.[7]

[7] At one point, the CDClooked into the possibility of creating an employee stock ownership plan (ESOP) for the parent organization as an additionalmechanism for distributing equity, but a change in tax laws reduced the financial incentive.

For-Profit Leader with Community Partner
Anacostia EDC, Washington, D.C.

In 1994 Anacostia Economic Development Corporation (EDC), in Washington D.C., saw a potential business opportunity in a vacant eight-acre site across the street from its offices in this Washington D.C. neighborhood. Anacostia learned that the supermarket chain Safeway planned to purchase and develop the site and to be the anchor of a major shopping center. Safeway, however, was not interested in remaining the owner of the site over the long term.

In response, Anacostia approached Safeway and the parties came to an agreement whereby Safeway would buy and develop the site and the CDC would eventually purchase the development. Anacostia worked to put together a financing package to purchase the development, including funds from the federal Department of Housing and Urban Development (HUD), the local Office of Community Services (OCS), Community Development Block Grant (CDBG) funds, and a loan from the Local Initiatives Support Corporation (LISC). As Safeway developed the site, Anacostia monitored the development and retained veto power over the leasing process to commercial tenants.

The social equity benefits of this arrangement include jobs for local residents (100 jobs retained and 185 created); retail services for neighborhood residents; community ownership of the development (two Anacostia for-profit subsidiaries have now acquired 100% ownership of the development from Safeway); and some individual ownership on the part of neighborhood residents (10% of the equity in the project will be made available to residents through the sale of shares currently held by Anacostia's for-profit subsidiary). Anacostia has also gained valuable experience in commercial property management.

The project includes a community oversight structure consisting of a taskforce of the local citizens' association and a local merchants' association, both of which have been involved in the planning process since 1994 when the EDC first began negotiating with Safeway.

Category Three: Community Benefits Plan

3. *Development includes an explicit plan to produce significant, measurable benefits for community residents. Examples of such community benefits include a local hiring program for neighborhood residents involving both the construction and ongoing operations of the project; livable wage jobs; training or educational opportunities; increased transit, healthcare and childcare services; increased access to technology and increased affordable housing opportunities, etc.*

4. *Includes a plan to build community equity in the project through mechanisms that create and enhance opportunities for ownership/profit-sharing for community residents and/or community-based institutions.*

5. *Includes requirements for contracting locally-owned, minority and women-owned business enterprises for project design, construction and ongoing operations.*

These criteria for CCII projects seek to ensure that local residents not only are not displaced, but directly benefit from the development. To achieve this goal, CCII will support projects that include new and innovative mechanisms to ensure that some of the benefits from development projects accrue to existing community residents. Examples of strategies to meet these criteria include maximizing resident benefits through the development of a "mitigation" fund (the resources of which are used to fund education, housing, training and other community benefits); establishing local hiring policies and programs to maximize resident access to job opportunities; developing specialized training programs to benefit both residents and employers; supporting resident, minority and women-owned business development and expansion; preserving and/or increasing the affordable housing stock and providing residents with opportunities to own shares in businesses initiated or supported through the CCII process. Examples of how some of these strategies have been implemented in the Bay Area and around the country are outlined below.

Examples:

Funding Community Benefits
Community Mitigation Fund — South of Market Neighborhood, San Francisco, CA

Developer-capitalized community mitigation funds are an effective way for community residents to benefit from development in their neighborhood. At the same time, they offer developers a mechanism to demonstrate their commitment to the community. In some cases, mitigation funds are negotiated when developers are in competition with each other for the project and are vying for community support. In other instances, developers propose such funds early in the process as an effort to establish a positive relationship with the community and avoid confrontation. The case of Forest City, the developer for the former Emporium site, and community groups from the South of Market neighborhood (SOMA) in San Francisco offers an example of the latter (these groups are represented by the United Filipino Organizing Network and the South of Market Consortium).

The Emporium Site Development is a $400 million project. For the last year, Forest City and the community groups have been negotiating a menu of community benefits including capacity building, economic development, human services and mitigating neighborhood impacts. Based on extensive discussions with the developer, as well as previous offers the developer has made, it is expected that the developer's final offer will include:

- Funding of a community organizer/advocate for two years to involve South of Market residents in community revitalization projects;
- Working with local groups to develop a local-hiring plan for South of Market residents;
- Establishment of an 8,000 square foot Filipino Cultural Center; and
- Establishment of a Community Facilities/Offices Revolving Option Fund of $250,000 for community organizations to purchase office space.

The option fund is particularly important to the South of Market community. Because of rising rents, it is becoming more and more difficult for neighborhood-serving non-profits to secure the physical space they need to operate. The option fund will make it possible for community-based organizations to develop vital neighborhood facilities and secure permanently affordable offices within the neighborhood before prices put all facilities out of their reach. This revolving fund will allow a community organization to option a property for purchase on short notice. Real estate options typically require risking a relatively small amount — from 1% to 5% of the property's value — to secure a one-year purchase option. Once the actual purchase occurs, the option payment can be refunded to its source, which makes it possible to then use those funds again for the same purpose on a different property. Such a resource is particularly critical for non-profits that depend on grants or government funds because the administrative processes make access to quick cash very difficult.

Capturing Jobs through Local Hiring Program
Berkeley First Source Program, Berkeley, CA

First-source hiring agreements require businesses to give designated communities priority access to job opportunities. This consideration usually comes in exchange for having received development approval from the local government and/or development incentives such as loans, tax abatements and land assembly services. First-source hiring agreements can result from a specific redevelopment deal that involves public subsidies. In these instances, the target community may be the immediate neighborhood surrounding the project. First-source hiring agreements can also be the result of a systematic, proactive program initiated and administered by the local government and community-based organizations.

Berkeley established its First Source local hiring program in 1986. First Source primarily draws job candidates from a collaborative composed of 20 local job training and placement agencies serving low-income communities. The City gains access to employers via the leverage they exercise when employers receive economic or permitting assistance. The developer's commitment includes both construction jobs and jobs in the businesses that then occupy the project (if they have five or more employees). First source agreements are also mandated for recipients of city loan programs, industrial revenue bond financing and are included in the Redevelopment Agency's leases and Disposition and Developer Agreements (DDAs). Thus any development project located in Berkeley will likely be obligated from the outset to design a program to ensure that local residents have priority access to jobs associated with the development.

The Berkeley First Source program is one of many local hiring initiatives that have been implemented in communities across the country. These programs exemplify ways to directly link financial investment to jobs for local community residents. Local hiring programs are relevant to private sector financing based on the same principal: opportunity and access to jobs for local residents are a quid pro quo for investment in the project.

Increasing Affordable Housing in the Region
Community Land Trust — Northern California Land Trust, San Francisco, CA

A CCII-supported initiative could meet the Community Benefits Plan criteria by including a funding stream from the development to support and maintain a community land trust.

Community land trusts allow communities to avoid the negative impacts of speculation and rising property values by removing land (and, to a certain extent, housing) from the market while gaining local control over these resources. Community land trusts own and manage land that is leased to owners of the housing upon that land. Buildings on the land can be sold but deed restrictions limit the profits which can be made from future turnover. Currently, 90 land trusts are operating in the U.S. with another 29 in various stages of development. Nearly 5,000 housing units of different types and tenure are located on land trust property.

The Northern California Land Trust (NCLT) is a non-profit housing developer that partners with cities and community groups throughout the Bay Area to create affordable homeownership opportunities and revitalize neighborhoods while preventing gentrification. NCLT offers an example of an organization that could be included as a partner in a CCII-supported development to mitigate against displacement of low-income community residents by increasing opportunities (current and future) to develop affordable housing.

Within the community land trust model, Northern California Land Trust develops a comprehensive set of housing types for people with different incomes and needs. These housing types include:

- Homeless transitional housing, including on-site services;
- Shared living cooperatives, where residents rent a room, share kitchen and bath facilities and own a share of the building;
- Limited equity co-ops, where residents rent an entire unit and own a share of the building with other residents;
- Limited-appreciation condos, where the resident owns the condominium (but not the land) and when the resident sells, must sell it back to the homeowner's association or back to someone at the same percentage of area median income as the original buyer at the time of original purchase; and

- Single-family community land trust homes, where the resident purchases the home and has a ground lease with the land trust which limits the amount of profit from a future resale.

These housing models provide a source of affordable housing and help prevent rising housing costs due to speculation and development pressure in the neighborhood. NCLT housing is complemented with homebuyer training programs.

Building Community Equity

Few models of resident equity participation in economic development projects have yet emerged to guide the implementation of this criterion; but a number of resident equity concepts have been proposed in recent years that offer guidance to the development of future models.

Community and Individual Investment Corporations (CIIC)/Department of Housing and Urban Development

In 1996, the Federal Department of Housing and Urban Development (HUD) tried to promote the concept of "Community and Individual Investment Corporations" or CIICs, resident-owned financial institutions that make business and development loans in inner-city communities. Through purchasing shares, residents would become owners of the Corporation's assets and would gain the right to make decisions about how to invest those assets.

HUD viewed CIICs as a mechanism to "integrate local residents into the market economy, fully engage participants in both its risks and its potential rewards, and build community through economic incentives."[8] However, HUD never developed this concept into a systematic program and it has not had wide application.

Stakeholder to Stockholder Model, Howard University

"Stakeholder to Stockholder" is a model for resident equity participation in developments pioneered by Howard University's Urban Environmental Institute. The goal is to empower low-income residents to participate in a meaningful way in economic development, literally as "owners" of develop-

[8] U.S. departmentof Housing and Urban Development, *The Community and Individual Investment Corporation*, September 1996, Preface.

ment decisions. In addition, the program seeks to create many kinds of "wealth" in the community by developing profitable businesses, wealth being defined as job skills, spin-off business ventures and stronger social connections. Stakeholder to Stockholder was initiated in view of the fact that residents in disadvantaged areas are frequently not consulted as key stakeholders at the time of significant development decisions in their neighborhood.

Category Four: Strategies for Community Involvement

6. *Includes an input/oversight/decision-making structure and process that is inclusive/representative of a broad cross section of community residents (e.g. resident board participation, special project area committee, etc.)*

7. *Includes a detailed plan for project-specific community outreach and education.*

8. *Includes letters of endorsement of the project from community residents, neighborhood leaders and public, private and non-profit proponents of the project.*

In keeping with the intrinsic values underlying the CCII goal of building healthy and self-reliant communities, a key first step is articulating an approach that will ensure the active, informed and continuous engagement of local residents in development planning and implementation processes. To reach this goal, development proposals seeking CCII support should include a community input/oversight/decision-making structure and process; a plan for community outreach and education; and possibly, letters of endorsement from neighborhood representatives.

Models of community oversight of a project are many. Anacostia EDC, the owner of the Safeway-initiated development project discussed above, established two citizen task forces to oversee the development. These task forces — a local citizens association and a local merchants association — have been involved since the beginning of the project and have been particularly active in the selection of commercial tenants. The Executive Director of Anacostia EDC regularly reports to these groups, as does the property manager for the project.

A stronger vehicle for community oversight is exemplified by the case of New Community Corporation (NCC), also cited in the discussion regarding criteria for the composition of the development team. Community residents directly monitor the performance of the NCC/Pathmark supermarket project through participation on the Board of Directors of the Community Supermarket Corporation. The Board has five members: three are community residents and two are from Pathmark. The governing structure of the supermarket, therefore, is controlled by community residents.

In contrast to community oversight, community outreach strategies do not necessarily place residents in direct control of a given project. Outreach strategies generally provide information to residents and, depending on the particular project, seek ways to engage them in its continuing development. The following outreach strategies were utilized in community planning efforts and may be useful for CCII in the different stages of the development planning process.

Examples:

Nos Quedamos, South Bronx, New York

In the South Bronx the non-profit Nos Quedamos conducted block-by-block surveys to inform residents of Melrose Commons about a proposed Urban Renewal Plan in 1994 that could have resulted in the displacement of residents and businesses. Residents themselves conducted the survey and used it as an opportunity to get their neighbors involved in an effort to develop an alternative plan.

Dudley Street, Boston, Massachusetts

In Boston, the well-known Dudley Street Neighborhood Initiative (DSNI) formed “resident sub-planning groups” as part of the participatory process to develop a community revitalization plan. Each sub-planning group was responsible for developing a particular strategy area in the plan. The sub-planning groups model could be a useful structure for involving residents in an ongoing way in different aspects CCII-facilitated developments.

Category Five: Connection to Existing Local Initiatives

9. *Fits into a larger, existing or proposed, neighborhood strategic plan, initiative, collaborative planning process or revitalization program, wherever one exists in the targeted neighborhood.*

For CCII to achieve optimal results, developments should be integrated into broader community building or neighborhood revitalization processes. Community building processes seek to organize residents and forge strong grassroots institutions and networks for the purpose of achieving an active, empowered and healthy community. Revitalization programs typically seek the economic and physical transformation of a neighborhood. Integration with such initiatives will increase the potential for the developments to both capitalize on and contribute to community involvement and can help to achieve goals already identified by the community. A number of low-income communities in the Bay Area are currently partnering with foundations, non-profit intermediaries and/or local CDCs to carry out comprehensive community-building and revitalization initiatives.

Example:

William and Flora Hewlett Foundation Neighborhood Initiative, San Francisco Bay Area

The Hewlett Foundation's Neighborhood Initiative is a seven-year effort that emphasizes resident leadership in the development and implementation of strategies to improve low-income communities in the Bay Area. The Initiative seeks to strengthen the ability of residents, associations, religious institutions and organizations to plan and implement community improvement strategies by increasing coordination, improving access to assistance and training, and increasing the availability of funds to support specific projects. Three Bay Area communities are currently involved in this initiative: the Mayfair district of San Jose, West Oakland and East Palo Alto. Any developments proposed for these areas would benefit from connecting with these community-building efforts.

In other communities, community development bodies have been established to include a resident voice in development projects. For example, in Oakland, residents are elected to Community Development District Boards that assess community needs and guide the allocation of Community Development Block Grant funds. CCII-supported projects could include resident involvement through these and other community planning boards and processes. Community-based structures and processes provide opportunities for linkages to CCII-supported developments in a way that serves local residents and developers by building a base of local support for the development project.

Category Six: Mechanisms to Support Local Community Development Infrastructure

10. *Includes a plan and commitment of a funding stream to build the infrastructure of community-based institutions in the target community.*

Building the community development infrastructure — technical skills, leadership capacity, organizing and outreach expertise, etc. — in low-income neighborhoods is an essential long-term ingredient to a successful, and sustainable, community building process. In order to build trust and facilitate cooperation for mutual benefit, it is essential that developments include mechanisms to build, strengthen and maintain a community infrastructure that can serve as a community base for the proposed partnership.

Example:

Technical Assistance Intermediaries, San Francisco Bay Area

Development proposals can address this criterion by drawing on the existing local, regional and national intermediaries that are available in the Bay Area. These intermediaries offer programs and resources to build and maintain the institutional capacity that keystone projects can draw on to strengthen the community development infrastructure of the areas in which they are located. For example, both the Local Initiatives Support Corporation (LISC) and the Neighborhood Reinvestment Corporation (NRC) offer capacity-building services for non-profit housing developers. The Center for Community Change (CCC) provides support to low-income communities and grassroots organizations in areas including community organizing, outreach, fundraising, financial management, leadership training and workforce/economic development. The National Economic Development and Law Center (NEDLC) assists in the development of the infrastructure of low-income communities by providing technical assistance to a range of Bay Area community-based organizations involved in economic development, workforce development, family support and related activities.

These regional sources could be linked to CCII investments by including an agreement in a given development project that provides for the resources and expertise to support capacity-building services. Discussion of such developer agreements is also included under *Category Three* criteria (Community Benefits Plan).

Category Seven: Monitoring and Evaluation Plan

11. *Includes a plan for internal monitoring, evaluation and mid-course adjustment to ensure that the project is meeting its social and economic equity goals.*

Developments that are supported through CCII must include a plan for internal monitoring and evaluation to ensure that the project is meeting its social equity goals in a manner that includes local residents. Examples of monitoring and evaluation systems that reflect the broader social equity goals of a particular project and include local residents can be found in different parts of the country.

Example:

Community Partnership Center, University of Tennessee

The Community Partnership Center at the University of Tennessee has developed an evaluation design that stresses the active participation of residents; balances both quantitative and qualitative measures; and integrates the dual goals of using the evaluation process to both build resident capacity and yield useful data.

"Community indicators" can be an important framework for developing an evaluation and monitoring plan for CCII-facilitated development projects and in charting the overall impact of CCII. Examples of community indicators might include:

- The number of jobs obtained by community residents, both in the construction and in subsequent operation of the project;
- The effect of the development project on property values and rents in the immediate area; and
- The impact on the quality and accessibility of local services (e.g. presence of a supermarket in the neighborhood, dental services, etc.).

Though sometimes difficult to obtain, assessments of social capital — relationships, community development and spirituality, for example — are also important for measuring success. The most essential element of a monitoring and evaluation plan from a social and economic equity perspective, however, is involving residents in defining the measures of progress. Rather than imposing a previously developed set of indicators, successful development projects should structure a process with residents to determine what constitutes success from the point of view of local residents and then determine the best way to measure that success.

Appendix A

Timing and Targeting of CCII-Facilitated Developments to Maximize Resident Involvement

Strong community leadership and institutional capacity are crucial to the success of CCII-supported developments in achieving its social equity goals. However, the many stakeholders involved with the development process — investors, developers, community development corporations, other community-based non-profit organizations, residents, employers, public agencies, environmental advocates, labor unions, etc. — may be operating on different and, at times, conflicting timelines. Therefore, it is important to design a process that addresses the needs of all stakeholders, while allowing for broad-based, meaningful participation by community-based organizations and residents.

The existing capacity of residents and institutions in the target communities must be an important factor in evaluating the location and timing of CCII-facilitated developments. The implementation of CCII does not include multiple developments all taking place at the same time; rather, it includes a multi-stage, staggered process depending in part on community capacity. Some communities may require minimal assistance to participate as partners in a development process; others will need more extensive preparation and support. A commitment to building this community capacity over time is a cornerstone of CCII. Below are recommendations, from a social equity perspective, regarding timing and location decisions for different “waves” of CCII-facilitated developments.

1. Initial Developments

The initial three to five CCII-facilitated developments will, to the extent possible, be implemented in communities where residents and organizations already have a vision and strategic plan for community development, and the capacity to be active partners in any deal. The proposed deals will be subject to screening by social equity and other due diligence criteria.

2. Subsequent Developments

For the second and subsequent rounds, leadership development and capacity-building activities must be underway long before any deal is actually implemented. In other words, as soon as a community expresses interest in a development, CCII would help to identify and obtain resources for the capacity-building process in order to lay the groundwork for a successful and equitable partnership. The intention is for the CDCs and other community-based organizations with proven track records to partner with less-experienced organizations to facilitate deal design, development and implementation, as well as organizational capacity building.

3. Long-Term Strategy

As a longer-term strategy, community-building initiatives must be encouraged and supported in as many of the 46 low-income Bay Area neighborhoods identified as possible. This approach will help to ensure that these communities will be in a position to effectively advocate for, participate in, and benefit from future investments. If key community goals have already been identified through a community building initiative, future investments can be tailored to meet some of those goals. If leadership training and institutional capacity building have taken place, strong and capable leaders and organizations can guide the development process in a way that benefits existing residents. In this way, investments can play a mutually beneficial role to both investors and residents, help to reduce poverty and contribute to the Bay Area economy.

Appendix B

Community Resource Needs

While CCII seeks to broker investments in low-income communities, CCII is not simply concerned with “deal-making.” The primary difference between CCII-facilitated investments and traditional investment strategies is that the model proposed for CCII includes residents as essential stakeholders, as the core players around whom the development should be constructed.

CCII’s success, therefore, is predicated on engaging low-income residents who live/work in the targeted neighborhoods as partners. Fundamental steps to achieving this goal include the following:

a. Conduct ongoing community outreach and education to articulate a vision and open lines of communication, grassroots enthusiasm and buy-in to the development project;

b. Build the capacity of community-based organizations and residents to plan, implement and partner on development deals;

c. Develop community leadership and support the development of individuals from within the targeted neighborhoods who can be leaders in the development process and stewards of community assets; and

d. Develop adequate resources: CCII must generate financial, management and technical assistance resources to support steps a, b and c, above.

Community Outreach and Education

It is critical that community participation be catalyzed and opportunities provided to enable residents to participate in the shaping of the design, structure, process and evaluation and monitoring of CCII-facilitated developments. Such participation will require extensive community outreach and education. Information should be presented as a starting point for discussion, not as an end, in order to facilitate community “ownership” of the process that is essential to the long-term success of the development. For CCII, components of the outreach/education strategy should include community meetings, small group meetings, flyers, publications, surveys, etc. The message should include:

- A concise statement of the unique purpose and structure of CCII;

- A description of the CCII infrastructure that is transparent and understandable, with clearly-defined roles and processes for decision making;
- A description of targeted outcomes that are understandable, measurable, realistic and meaningful;
- Opportunities for joint development of specific programs and strategies to enhance levels of resident involvement; and
- An emphasis on shared responsibility and a commitment to work together based on mutual trust and respect.

Capacity Building

In order to enable residents, leaders and organizations in low-income neighborhoods to move from passive recipients and dispensers of services to active producers and owners of assets, it will require organizing and technical assistance resources to be readily available. Where needed, CCII needs to carry out an ongoing, integrated program focused on the development of the following skills within the target communities:

- *Governance skills* — policy development, goal-setting, systems development and monitoring;
- *Technical skills* — project design, development, implementation and management;
- *Communication skills* — written, oral and technology-based communications skills; and
- *Partnership skills* — negotiation, mediation and conflict resolution.

Leadership Development

Operating in tandem with existing community outreach/education and capacity-building efforts, a leadership development component for selected individuals is likely to dramatically increase the prospects for long-term sustainability and measurable impacts in the targeted neighborhoods. Under the leadership development banner, the options could include:

- Special workshops, conferences and retreats;
- Fellowships, internships, apprenticeships and "shadow developer" opportunities;
- Mentor programs; and
- Peer-to-peer networks.

Resources

Grant funding for community-based and intermediary participation in the process is necessary in order to advance the social equity goals of CCII. These grant funds would be used to pay for:

- Management and technical assistance services;
- Conferences/workshops;
- Formal training programs that link residents to adult education, community colleges, etc.;
- Publications and other written materials;
- Computer and internet access;
- Peer-to-peer forums and information exchange; and
- Special fellowship, intern and mentor programs.

Resident participation in large-scale, asset-building initiatives has *not* traditionally been the target for substantial funding support, especially within the broader context of community development. Traditionally, the deepest pocket for past resident-focused undertakings has been government agencies, especially federal agencies such as the Department of Housing and Urban Development and the Office of Community Services in the federal Department of Health and Human Services, followed by large national and regional private foundations and then, by national, regional and local intermediaries supported by funding collaboratives among government, foundations and corporate investors.

One approach worth exploring would be to entice local and regional funders to contribute to a funding pool to which resident associations or "clusters" could apply for assistance as they need it. The pool would need to be of sufficient size and flexibility to respond rapidly to multiple requests for management and technical assistance, with mechanisms for careful screening and quick disbursement of funds and the ability to match requests with several appropriate consultants. To further expand the pool, a matching requirement could be included in the RFP process for CCII-facilitated developments, i.e., prospective developers would be asked to earmark funds for resident clusters as a specific line-item expense in their development and operating budgets.

A second, long-term approach is to move towards the development of an endowment fund that would generate sufficient interest income to support resident capacity building in several CCII neighborhoods. With a corpus of $15–$20 million, such a fund could provide from $1–$1.5 million, annually, for training workshops and conferences, curriculum materials, consultant services, administration and even a number of modest stipends for emerging leaders. The endowment fund would go a long way to ensure sustainability of the break-through impacts that are realized through CCII-supported programs and developments.

Yet another approach to raising resources for CCII is through a planned-giving program. Many successful non-profits have on-going programs to garner additional contributions. For example, the Trust for Public Land (TPL) provides an array of tax incentives to donors interested in supporting its land conservation work. Among these include landowners: 1) naming TPL in their wills; 2) contributing to TPL's Pooled Income Fund; 3) making donations of real estate, stock or mutual funds; 4) making a gift of assets in their IRA; and/or 5) establishing a charitable unitrust.

Appendix C

Additional Financial Resources for Community Reinvestment

The following section describes a number of financial resources that are currently being used to support community development investment around the country. These mechanisms or initiatives offer ideas, lessons and potential resources that could be used in the development of funds linked to CCII. The resources should also be seen as a means of levering and complementing CCII-brokered investment in the targeted communities, to ensure equity outcomes.

Examples:

Financial Resources for Affordable Housing Development

Housing Trust Funds: AFL-CIO Housing Investment Trust/Building Investment Trust (HIT/BIT)

Generally, housing trust funds create a dedicated funding source for investment in housing. Trust funds vary widely in their design, and revenues are collected from many different sources and spent in many different ways. The AFL-CIO HIT/BIT is an example of how pension funds can be invested using social equity criteria while still maintaining fiduciary responsibility. The AFL-CIO HIT/BIT invests in vehicles that provide construction and permanent debt financing for union-built housing, as well as other forms of real estate debt and equity investments. In addition to seeking a financial return on its investments, the fund has been a leader in the pension fund community in investing in underserved markets and providing additional collateral benefits to workers (i.e. ensuring that projects they invest in will employ union labor and/or provide meaningful opportunities for employees to organize).

The Fund has financed the construction of more than 9,200 units of low-income housing and has committed to investing $100 million in community economic development projects. Since 1991, HIT/BIT estimates that its investments have supported approximately 20,000 union construction jobs throughout the U.S. and have led to dozens of union contracts at hotels, retail supermarkets, nursing homes and the building services industry. In addition, HIT/BIT has a strong record of targeting investments to traditionally non-union markets, including "right-to-work" states and single-family construction. In cities such as New Orleans, HIT/BIT has combined investments in housing for working families with efforts to reshape traditionally non-union construction markets. These efforts have also built stronger ties between the labor movement and the larger communities in these cities. Projects like the New Orleans housing initiative illustrate the potential power of pro-worker investments to improve the lives of working families.

The Fannie Mae Corporation

Fannie Mae is a quasi-public company that serves as a secondary market for mortgage loans and makes funds available to private, public and non-profit intermediaries so as to expand the pool of money available for affordable housing loans. Fannie Mae offers a variety of community lending products for first-time homebuyers designed to help eliminate two of the primary barriers to homeownership for low- and moderate-income people; namely, the lack of down payment funds and qualifying income. Key underwriting features include:

- Lower down payment requirements,
- Lower qualifying income,
- Expanded closing-cost assistance,
- Lower cash reserve requirements, and
- Acceptance of nontraditional credit histories.

Loans are targeted to homebuyers who earn no more than 100% of the area median household income. They require low down payments of 3% to 5%, and most require homebuyer counseling. The following are some especially interesting products for the purposes of CCII:

Community Seconds Mortgage Loans are designed to encourage partnerships among lenders, government agencies and nonprofit organizations while increasing affordability for borrowers. Homebuyer education and counseling is required. Community Seconds has three elements:

1) A Fannie Mae Community Lending mortgage loan that is originated by a Fannie Mae-approved lender, serves as a first mortgage and is sold to Fannie Mae;

2) A subsidized second-lien mortgage — also called a soft second — that is often deferred, forgiven, or carries no interest or very low interest (typically provided by a federal, state, or local government agency, nonprofit organization, employer, or private foundation) and may also be supplemented by a gift, loan or grant; and

3) A low down payment from the borrower.

Lease-Purchase Mortgage Loans enable nonprofit organizations to purchase homes that they then lease to lower and moderate-income families with an option to buy. This gives families time to save the down payment needed to purchase the home. Part of the rent payment is escrowed into savings for the purpose of accumulating the down payment and closing costs. Fannie Mae purchases the long-term, fixed-rate, first mortgages with the nonprofit as the borrower and permits a one-time assumption by the renting families when they are ready to buy the homes. Homebuyer education is required.

Community Land Trust Mortgage Loans are designed to provide and preserve long-term affordable housing for low- and moderate-income families through the use of "community land trusts" (typically private nonprofit corporations), which acquire and hold land for the benefit of the community. The community land trust retains title to the land but sells the improvements (home) and leases the land under long-term ground leases to low- and moderate-income families at affordable ground rents. A lender originates a first leasehold mortgage loan to the family to purchase the home. Fannie Mae will purchase the leasehold mortgage from an approved lender. Homebuyer education is required but can be waived if a borrower meets certain conditions. These mortgages can be combined with many of Fannie Mae's Community Lending products to increase affordability.

Financial Resources for Commercial Developments

Retail Investment — The Retail Initiative (LISC)

Through its real estate equity fund, LISC has raised $24 million dollars from institutional investors to facilitate the development of more than a dozen supermarket anchored projects in inner-city neighborhoods nationwide. Combined, the projects will provide more than 2,500 permanent jobs as well as access to quality and affordable food.

Community Development Financial Institutions

There are numerous sources of debt and equity financing and technical support for locally-owned businesses, in addition to conventional banks and investors. A growing alternative financial sector comprises a range of institutions known as community development financial institutions (CDFIs). CDFIs include community development credit unions, community development loan funds, micro-enterprise loan funds, and community development venture capital funds. Some of the more developed CDFIs operate multiple entities providing complementary services.

CDFIs should be considered as partners and/or complementary sources of financing for businesses, nonprofits, religious organizations and other community-based institutions within CCII target areas and developments. CDFIs can also serve as institutions for the deposit of monies, related to CCII funds, to increase the leverage of capital. CDFIs with explicit community development goals frequently partner with similarly motivated co-investors and lenders or even with more traditional private sector investors in order to achieve the necessary infusion of capital for worthwhile projects. Below are descriptions and examples of different types of CDFIs, as well as the National Cooperative Bank, which has an office in Oakland.

Community Development Credit Unions (CDCUs)

CDCUs are member-owned, government-regulated financial cooperatives that provide depository services, personal loans, business loans and other financial services and education to a defined, primarily low-income or underserved membership. A number of CDCUs around the country provide business loans to member businesses — generally small businesses that cannot qualify for conventional financing from a bank, and some are SBA certified lenders. Local models include the Santa Cruz Community Credit Union and the Northeast Community Federal Credit Union in San Francisco. The trade association for CDCUs is the National Federation of Community Development Credit Unions (NFCDCU) in New York City.

Community Development Loan Funds (CDLFs)

CDLFs are organizations that pool investments from public and private sources, which they then use to make loans to businesses, cooperatives, and non-profit organizations in their service area that cannot qualify for conventional financing from a bank. Many loan funds also provide some form of entrepreneurial training and/or technical assistance to borrowers. Many CDLFs are independent non-profits; others are funded and operated by private banks or public agencies. The primary trade association for CDLFs is the National Community Capital Association in Philadelphia.

Micro-enterprise Loan Funds

Micro-enterprise loan funds provide training, technical assistance and loans to micro-enterprises, self-employed individuals and very small businesses that generally have five or fewer employees and require less than $25,000 in start-up capital. While micro-enterprise development in the United States takes many forms, most micro-enterprise development programs target their services to low-income people. Programs are tailored to meet the needs of specific target groups such as welfare recipients, minorities, women, the working poor and individuals or business sectors that, for these and other reasons, lack access to credit. Some programs also target young people, refugees, homeless individuals and rural areas.

Community Development Venture Capital Funds (CDVC funds)

CDVC funds are an emerging sector of non-traditional funds that provide equity investments and ongoing technical and managerial support to businesses with the objective of generating both financial and social returns, such as high quality jobs and wealth creation in low-income communities. By investing in growing businesses in distressed urban neighborhoods, CDVC funds aim to improve the long-term economic health of communities and help integrate them into the larger economy.

Structured both as non-profit and for-profit entities, CDVC funds are distinguished from traditional venture capital by their criteria for investment and their relationship with the business owner; they tend to see themselves as investors who play an active role in nurturing the business to the point where it can operate more independently and turn to other sources of capital. Local examples include Silicon Valley Community Ventures, which is just getting started, and Keystone Community Ventures, which recently announced that it is shutting down. The primary trade association for CDVC funds is the Community Development Venture Capital Alliance (CDVCA), based in New York City.

National Cooperative Bank (NCB)

The NCB is a privately-held cooperative bank, owned by its customers, that provides financial products and services to commercial and real estate ventures that espouse cooperative principles. Through NCB's non-profit affiliate, NCB Development Corporation, it offers a range of development assistance and financing in low-income communities, including technical assistance, equity investments, pre-development capital and permanent financing. Its lending activities focus on affordable housing, health care, child care, community development, schools, natural foods cooperatives, employee stock ownership plans (ESOPs) and other community-based ventures. Because of its structure, NCB Development Corporation can serve as a bridge to other capital sources including grants and investments. Given CCII's goals of community ownership and control over housing, businesses, and other wealth-generating assets, it will be important to work with financial institutions, like NCB, that encourage and facilitate this process.

Leveraging State Investments

California Treasurer's Initiative on "Smart Investments"

California State Treasurer, Phil Angelides, is working to redirect a portion of the state's $300 billion investment portfolio (as well as the investment practices of two of the largest state-based pension funds) in ways that will have social impacts, especially in terms of widening economic chasm between the wealthy and the poor. Angelides is credited with making significant headway in many areas pertinent to CCII, including, for example:

- Transferring dollars out of the coffers of the state treasury into a number of small banking institutions located in urban areas that were in need of additional loan capital.
- Convincing the California State Teachers' Retirement System (CalSTRS), a $110 billion dollar fund, to invest $750 million in so-called "urban infill" real estate developments.
- Including social criteria in the investment decisions of the $168 billion California Public Employees Retirement System.

Appendix D

Social Equity Caucus Participants

Social Equity Caucus of the Bay Area Alliance for Sustainable Development
Caucus Coordinator: Urban Habitat Program

Names	Organization
Carl Anthony Keith Nakatani Viveka	Urban Habitat Program
Angela Blackwell Judith Bell Heather McCulloch Ray Colmenar	PolicyLink
James Head Thomas Mills Will Mollard	National Economic Development and Law Center (NEDLC)
Eve Bach	ARC Ecology
Maurice Miller	Asian Neighborhood Design
David Militzer	Bay Area Partnership
Stuart Cohen	Bay Area Transportation Choices Forum
Boona Chema	Building Opportunities for Self Sufficiency
George McDaniel	Community Bank of the Bay
Omowale Satterwhite	Community Development Institute
Lynette Jung Lee	East Bay Asian Local Development Corp
Faheem Hameed	East Bay Small Business Association

James Thomas	Emergency Services Network (ESN); Coalition for West Oakland Revitalization (CWOR); 7th Street/McClymonds Initiative
Pedro Castaneda	Employment Training Center
Tom Steinbach	Greenbelt Alliance
John Gamboa	Greenlining Institute
Nancy Conover	Independent consultant
Luis Arteaga Kathryn Alcantar	Latino Issues Forum
Stephanie Forbes	Local Initiatives Support Corp (LISC)
Adriana Garza Jaime Alvarado	Mayfair Improvement Initiative
Luis Granados	Mission Economic Development Association
Doug Shoemaker	Mission Housing Development Corp
Diane Spaulding Tim Iglesias	Northern California Non Profit Housing Association
Lydia Tan	Northern California Non Profit Housing Association; EBALDC; Bridge Housing
Arlene Wong	Pacific Institute
Mohammed Nuru	San Francisco League of Urban Gardeners
Amy Dean	South Bay AFL-CIO Central Labor Council
Arabella Martinez	Spanish Speaking Unity Council
James Nixon Joe Gross	Sustainable Systems
David Salniker	Tides Center
Sally Gallegos	United Indian Nations
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