

# GRASSROOTS COMMUNITY ENGAGED INVESTMENT

## Annex 2: Overview of GCEI Funders

This Annex is an excerpt from Transform Finance's report Grassroots Community Engaged Investment: Redistributing power over investment processes as the key to fostering equitable outcomes.

To read the report and case studies, please visit: <http://transformfinance.org/gcei>



transform  
finance

The illustration features a stylized cityscape at the bottom with various buildings in shades of red, grey, and white. Above the city, there are large, soft, grey and white clouds against a light blue sky. In the upper left, the Transform Finance logo is displayed on a red rectangular background.

# Appendix 2: Overview of GCEI Funders

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

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

## WHO IS ACTIVE

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

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

There are three main types of funders active:

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

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

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

## ROLES AND TOOLS FOR FUNDERS

### *Roles*

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

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

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

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

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

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

## ***Tools***

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

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

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

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

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

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

## What are Program Related Investments?

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

## EXAMPLES OF FUNDER INVOLVEMENT IN GCEI PROJECTS

### *The Ford Foundation*

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

### *AmbitioUS*

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

### ***Solidago Foundation***

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

### ***Appalachian Funders Network***

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

### ***The Heron Foundation***

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

### ***The Libra Foundation***

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

### ***Jacobs Family Foundation***

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

### ***The Rockefeller Foundation***

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