

What Can Foundations Do to Foster Community Investment?

10 ROLES FOR PHILANTHROPY

Foundations, especially those concerned with racial equity, often see themselves as working outside or against the financial system, repairing damage or avoiding the space entirely. But whether foundations focus on alleviating poverty in a single community or mitigating climate change across the planet, realizing their goals requires engagement with the social and capital structures that underpin our society and economy.

Community investment—a practice designed to improve social, economic, and environmental conditions in communities that lack adequate investment, while producing an economic return—is critical to creating and preserving affordable homes, promoting health and wellness, growing businesses, fostering sustainability, and fueling economic vitality. For funders that address issues like economic opportunity, community health, and environmental justice, community investment is a path to scale, opportunity, and reshaping the places where people live, work, and play.

The wellbeing of our communities is tied to how we invest in them. For our society to prosper, we need to ensure that all communities can unlock the capital they need to thrive. Foundations that care about particular places can be essential players in catalyzing community investment ecosystems that organize demand for capital and match it with the supply.

The importance of foundations in these systems goes well beyond the money they can provide. They also have other

resources and skills—including convening power, relationships, access to data, and deep knowledge of their fields and locales—that can help improve the flow of investment to shared community priorities. By collaborating with other stakeholders to address the policies, practices, and relationships that shape their local investment systems, foundations can help make community investments more frequent, robust, and effective. By leveraging their resources to engage other funders and investors and generate new investment activity, they can magnify the impact of their work.

10 COMMUNITY INVESTMENT ROLES FOR PHILANTHROPY

Convener. Foundations can be trusted and neutral conveners for efforts to improve community investment, especially when they have close relationships in specific places. Foundations are well-positioned to engage stakeholders, like anchor institutions or major employers, that may not view themselves as regular participants in community investment, as well as to ensure that community voices are present and heard.

Capacity-builder. Foundations can strengthen both the intermediaries who invest in community development and the organizations who receive investments by providing grant support, guarantees, or low-cost capital. They can help these organizations increase their staffing, build skills through training or technical assistance, or develop partnerships to access new markets or sectors.

Matchmaker. Foundations often have access to organizations and knowledge that can benefit the communities they care about. By actively linking actors across the investment chain, foundations can help investors locate investment opportunities and/or address gaps in the ecosystem by importing missing capacity into places and sectors where it is needed.

Communicator. Foundations can be effective cheerleaders for communities, raising their profiles with audiences that have the potential to support community investment. By highlighting opportunities and success stories, foundations can draw in a wider array of potential partners to engage with a particular community's needs.

Data provider. By funding the collection, analysis, and dissemination of data about land, neighborhood purchasing power, local businesses, and other community characteristics, foundations can make it possible for developers and investors to spot and evaluate investment opportunities, which can lower transaction costs and spur deals that otherwise might not take place.

Dealmaker. Foundations with the financial skills to put together novel or complex deals can help structure transactions customized to capitalize on local strengths, meet specific community needs, and address constraints. Those without such skills in-house can pay for specialized intermediaries such as Community Development Financial Institutions (CDFIs) to extend their reach into new geographies or products.

Investor. Foundations can provide flexible capital to help reduce the risk or increase the viability of deals and projects that are important to their communities. By investing at below-market rates, or for longer terms than financial investors would provide, foundations can supply the “but for” money that allows valuable community investment deals to get done.

Mission steward. Foundations can ensure that the voices of those most affected are considered at all stages of community and economic development processes. They can require that investment transactions take equity and community priorities into account, especially over the long term.

Policy advocate. Foundations can shape the enabling environment by funding the research and advocacy work of nonprofit organizations in areas of particular interest and helping policymakers understand how to develop programs, subsidies, regulations, and practices that support effective community investment.

Systems engineer. Too often, the community investment system exists as an informal collection of stakeholders who interact with one another primarily in the context of particular transactions. No one is responsible for the architecture or smooth functioning of the system as a whole, and no one actor is charged with thinking about how to learn from completed deals or respond to emerging opportunities. Foundations are well-positioned to take a holistic view of the system and assess how its functioning could be improved.

The **Center for Community Investment** at the Lincoln Institute of Land Policy works to ensure that all communities, especially those that have suffered from structural racism and policies that have left them economically and socially isolated, can unlock the capital they need to thrive. We believe that as communities develop better coordinated, more strategic approaches to organizing demand for capital, they will begin to see meaningful social, environmental, and economic improvements.

We provide ideas, training, technical assistance, and coaching to community leaders to help them bring about equitable and sustainable development. We also work to strengthen the ability of communities to attract new investments and to ensure that this capital serves the public good. Our work is supported by the Robert Wood Johnson Foundation, The Kresge Foundation, the John D. and Catherine T. MacArthur Foundation, The California Endowment, and The Annie E. Casey Foundation.

To learn more, visit <https://centerforcommunityinvestment.org/resources>

