Center for Community Investment | 75 YEARS LINCOLN INSTITUTE OF LAND POLICY

Building and Moving a Pipeline

AN INTRODUCTION

WHAT IS A PIPELINE?

A pipeline is a set of deals and projects* that help achieve a community's shared priority. For instance, if your shared priority focuses on housing stability, your pipeline will include projects related to preserving and building affordable housing. If your shared priority focuses on food access, your pipeline might include deals for community farms or supermarkets.

WHY DOES A PIPELINE MATTER?

The pipeline is both a tool for working on a shared priority and a diagnostic tool for assessing the enabling environment. Working on a pipeline of deals—instead of one deal at a time—can help you achieve your shared priority more quickly and efficiently. Looking at how the deals in a pipeline are progressing and then identifying what would help them move forward is a first step in improving the enabling environment.

This country's long history of structural racism and disinvestment* has left many communities of color without things they need to thrive—like good jobs, affordable homes, healthy food options, and safe, clean parks. Community investment* is designed to help disinvested communities get the things they need. But disinvestment is a vicious cycle: in communities where fewer deals happen, there are often fewer investors, fewer developers, fewer intermediaries like community development financial institutions (CDFIs), etc. This means that community investment includes figuring out what deals are needed and who is going to make them happen as well as where the money is going to come from—which can add up to a challenging set of tasks.

It may seem strange to suggest that a pipeline of deals can succeed in places where individual deals are so difficult. However, this is one of the core insights of the capital absorption framework. If a group of community partners identifies a clear and meaningful shared priority, puts together a pipeline of deals to accomplish that shared priority, and selects batches of projects from that pipeline to fund and develop together, it can move more effectively and efficiently toward its shared priority while also improving its community investment system so that future deals are easier.

A robust pipeline is:

1. **Sufficient:** Together, the deals and projects in the pipeline meaningfully move the community toward the shared priority.
2. **Efficient:** The deals in the pipeline are doable, that is, they can realistically be completed in a reasonable time frame with a reasonable amount of effort.
3. **Impactful:** Completing the deals and projects in the pipeline will make a significant difference for the community.

*Definitions of these core terms can be found on the final page of this brief.

WHAT CAN WE DO WITH A PIPELINE?

By working on a pipeline, you can:

1. **See all the potential opportunities**

   When you make a list of all the deals and projects related to your shared priority that are currently planned and in process, you can see what you have and what you need, for instance:

   - whether there are enough deals to achieve your shared priority,
   - what kinds of projects are missing and should be added to the pipeline, and
   - how much and what kinds of money (loans, grants, and other investments) you will need to raise on what timeline to accomplish all the projects.

   The process of making this list requires communication and cooperation between people who may not be used to working together (for instance, community organizations and developers, or a group of developers who may be more used to competing than collaborating). This can be a challenge but it can also be an important step in changing how community investment works.

2. **Ensure deals address shared priorities**

   When you are identifying projects and deals for a pipeline, it's tempting to include any projects and deals that seem relevant to the community in any way. However, it's important to stay focused on deals that are directly related to your shared priority—and in particular your focus on racial equity—as that is the goal of your pipeline. A focused pipeline enables you to assess the task ahead, make sure you have the skills you need, and work on attracting investment for multiple related deals at once (the batch), which can make it easier and more efficient to complete deals.

3. **Reduce costs and increase efficiencies**

   Seeking funding for batches of deals can reduce costs, take less time, and attract larger investments than organizing one deal at a time.

4. **Identify where the system is stuck**

   Looking at all the deals in a pipeline together can reveal the enabling environment challenges that are keeping deals from being completed. These might include specific funding sources or financial tools that your community lacks; regulations or polices that slow down construction; or the need for better communication among community members, developers, investors, public agencies, and local philanthropy.

5. **Strengthen the community investment system**

   Knowing the challenges in your enabling environment makes it possible for you to identify changes that will help current deals move forward and create a stronger community investment system so that projects are easier to complete and community investment can better support your community in the long term.

In California's Coachella Valley, the [Housing Stability Collaborative Action Network](), organized by local community organization [Lift to Rise](), identified its shared priority: to reduce by one third the number of rent-burdened families in the Valley by developing 10,000 affordable homes in ten years. The first draft of their pipeline included 31 projects, totaled 2,000 homes, and required $250 million to complete. A consultant scrubbed the pipeline *(see page 5)* *to determine the types of financing the projects needed, how close to ready for investment and building they were, and when, exactly, they would need funds. The resulting pipeline included approximately 1,000 units that would require $100 million over the next five years to complete. The scrubbed data also showed that:*

- *The average loan size needed was $2-3 million.*
- *15% of the loans were for acquisition and predevelopment loans (to prepare for construction) and 70% was for mini-permanent loans (shorter-term loans that pay off construction loans).*
- *$35 million was needed over the next 24 months.*

The clarity of the pipeline made it easier for Lift to Rise to approach investors, donors, and local governments for support. The team was also able to use the pipeline to identify challenges in the enabling environment. They discovered that a slow approval process and housing density requirements made it difficult to build multi-unit affordable housing developments, so they developed a policy agenda to work with local governments to remove such barriers. Finally, the pipeline became a rallying call that attracted small cities to contribute resources to support affordable housing development in the Valley.

PIPELINE TOOL

The Pipeline Tool is a template you can use to collect and organize key information about local deals that address your shared priority. The tool helps communities look at the big picture, identify what's working, and see what's missing (such as certain types of deals or resources to help existing deals move forward). Note: The Pipeline Tool and the definitions below include some financial terms used in the investment field. When you and your community partners are working on your pipeline, the developers and other people with community investment experience in the group can help explain these terms to group members who are not familiar with them. Those group members should also be encouraged and supported to ask questions.

Project Name	Project Type	Total Project Units	Total Development Cost ($ millions)	Capital Needed ($ Millions)	Capital Type	Capital Use	Estimated Capital Start Date	Estimated Capital End Date
The Oak	Rental: supportive housing for formerly unhoused	80	31.5	2	Loan	Predevelopment	2021	2023
Ivy Villages	Rental: apartments for 50-120% area median income	291	61.1	23.3	Subsidy Grants	Infrastructure funding	2024	2025

DEFINITIONS FOR THE PIPELINE TOOL

A shared priority may include more than one **project type**. For instance, projects that support an affordable housing shared priority could produce new units for homeowners, produce new rental units for families in different income brackets, and preserve naturally occurring affordable housing. An economic development priority might include a business incubator, a loan fund, and support for specific types of businesses.

The shared priority will also determine the type of **project units**, which measure the project's contribution to the shared priority. For housing, number of housing units is a standard measure. Other possible measures include number of jobs created, families served, etc.

The sum of the funds involved in a real estate project from idea to completion (known as acquisition, predevelopment, construction, and rent-up costs) is the **total development cost**. This column can be adapted for the total costs of other kinds of projects.

Some projects in the pipeline will already have raised some of the money they need. Others will just be starting. The **capital needed** is the money that still needs to be raised to complete the project (projects that have raised all the money they need should be included in the pipeline with "0" under capital needed).

Community investment uses many kinds of funding, including loans, grants, subsidy, and equity. The **capital type** is the kind of funding needed—often more than one—to make the project possible.

There are many stages to financing a real estate project, including predevelopment, acquisition, construction, and permanent finance. Similarly, there are different stages of business development (startup, growth, mezzanine, succession, etc.) and types of funding that support them (working capital, facility and equipment finance, etc). **Capital use** identifies which stages the capital needed will fund.

Different kinds of funding are required at different points in a project. The **estimated capital start date** is when the project is likely to begin using the specific capital needed.

The **estimated capital end date** is when the project will likely be able to repay the money.

HOW TO USE THE PIPELINE TOOL

1. **Collect:** Reach out to local developers, community groups, investors, philanthropy, and relevant local and state agencies to identify projects and deals currently planned or in process that can contribute to your shared priority. Record the information in the tool.

2. **Scrub:** Your initial pipeline will likely have projects that are not a good fit for a variety of reasons. You must scrub the pipeline to ensure that all its projects contribute to your shared priority, are feasible, have up-to-date information, and will be ready to be built on a reasonable timeline for financing—scrubbing means taking out any projects that don't fit these criteria. A scrubbed pipeline is typically much smaller than the initial pipeline.

3. **Analyze:** Use the scrubbed pipeline to identify enabling environment challenges, see where you might be able to increase efficiencies and reduce costs, identify funding strategies, and expand your community investment system.

4. **Batch:** Once the pipeline has been scrubbed and analyzed, think about how to move 3-5 projects together as a batch. Working on a batch can move you more quickly toward your shared priority and meaningful gains for your community. It can also help with organizing funding and making changes in the enabling environment.

5. **Refresh:** Community investment is a constantly shifting endeavor. Until they are completed, deals and projects frequently change or even collapse, while new projects emerge. You will need to revisit and update the pipeline regularly.

TIPS

Working on a pipeline should be a team effort:

- The pipeline process can be a good way to advance the collective understanding of what it will take to translate a shared priority into reality.

- Figuring out a process that helps developers feel comfortable sharing information about their deals will help with collecting information for your pipeline. Consider some form of confidentiality or anonymity as needed.

- It is unlikely that your team will be able to work on or support every project in your pipeline. You can use batches to prioritize projects that have the most significant impact on your shared priority and/or can help improve the enabling environment.

Think creatively and strategically about funding the pipeline:

- Most community investment projects use multiple sources and kinds of money. Successful community investment ecosystems involve many actors and complex relationships.

- Timing issues can create gaps. Sometimes money is available, but not at the exact time you need it. Revolving loans (that can be used for one project, repaid, and then used for another project) are a useful and efficient way to think about how to finance multiple projects in a pipeline.

To learn more about pipeline, read our brief, Analyzing, Building, and Executing a Pipeline.

Core Community Investment Terms Defined

Community investment finances projects whose primary goal is to improve social, economic, and environmental conditions by meeting community needs—like good jobs, affordable homes, healthy food options, and climate resilience—rather than making a lot of money. It is designed to support projects and places that mainstream investments usually avoid (because they tend to be more complicated, expensive, and perceived as financially risky).

Disinvested describes communities that have lost (or never had) sufficient investment to meet the economic, educational, health, and social needs of their residents. In the United States, **disinvestment** is largely caused by two factors: 1) systemic racism, its practices (such as historical redlining and contemporary discriminatory loan practices), and its effects (such as segregation and white flight); 2) national and local business trends and policy changes (such as US industries moving abroad and the decline of family farms). As a result, most disinvested communities are communities of color and/or low-income communities.

A **deal** is a financial transaction that brings together investors, who supply money, with people who have a need for that money. Deals may be done directly by the people or organizations who supply and use the money, or they may involve intermediaries, like banks or community development financial institutions, whose role is to connect the suppliers and users of money. Deals result in **projects**, which are the actual things being funded, like a block of townhouses, a supermarket that will train and employ local residents, or the expansion of a local business. The words deal and projects are sometimes used interchangeably.

About the Center for Community Investment

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. Our work is supported by the Robert Wood Johnson Foundation, the Kresge Foundation, and JPMorgan Chase & Co.