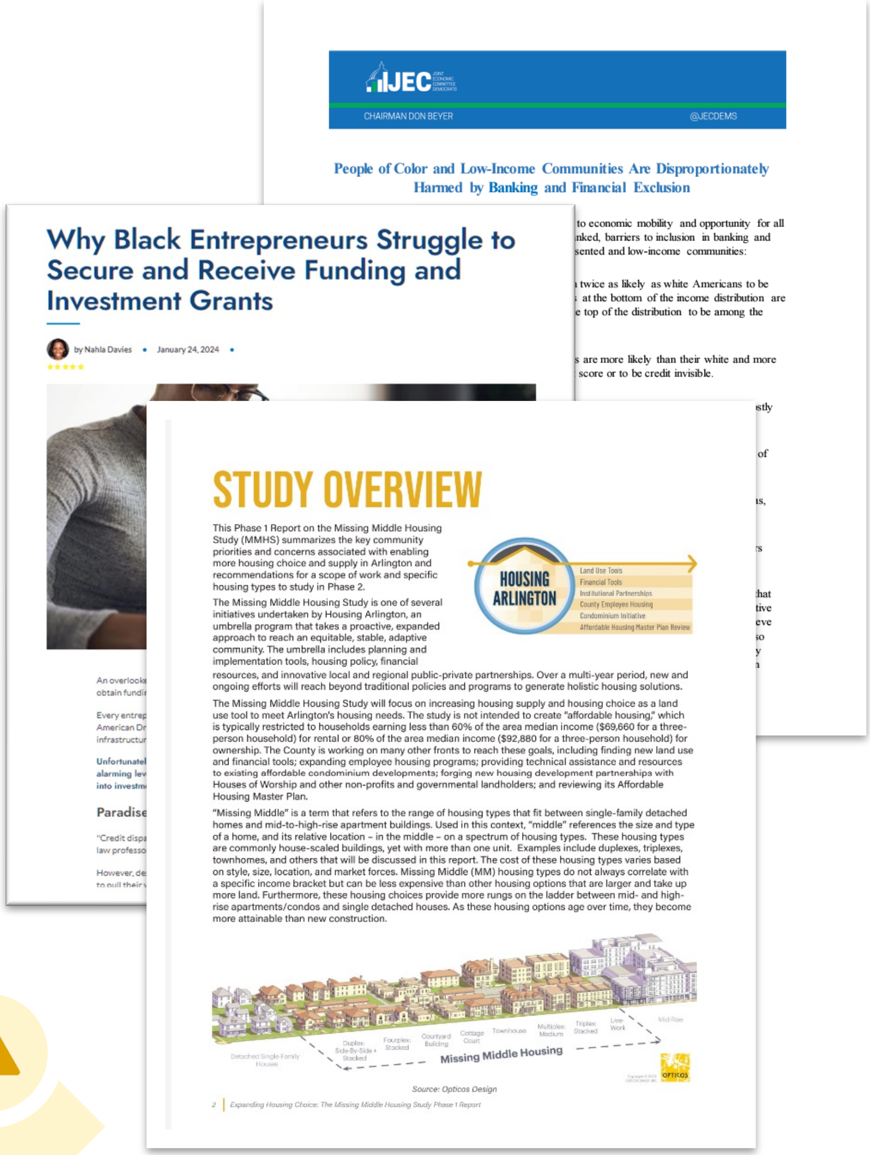
Every community has a local capital ecosystem that determines where money flows in the economy.

Traditional investors seek to maximize profits. Like water flowing downhill, money follows the easiest route.

- Preferred transactions are large, easy, and lucrative.
- Externalities like clean air and water or community benefits often are not factored into transactions. Traditional investors, historically, just care about the financial ROI.
- Widely used practices for evaluating risk/return often are flawed and perpetuate existing inequalities(appraisals, credit histories, availability of collateral).

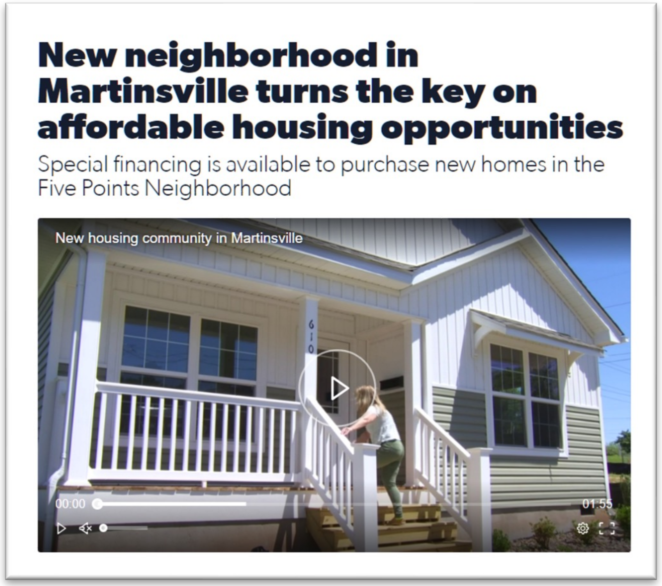


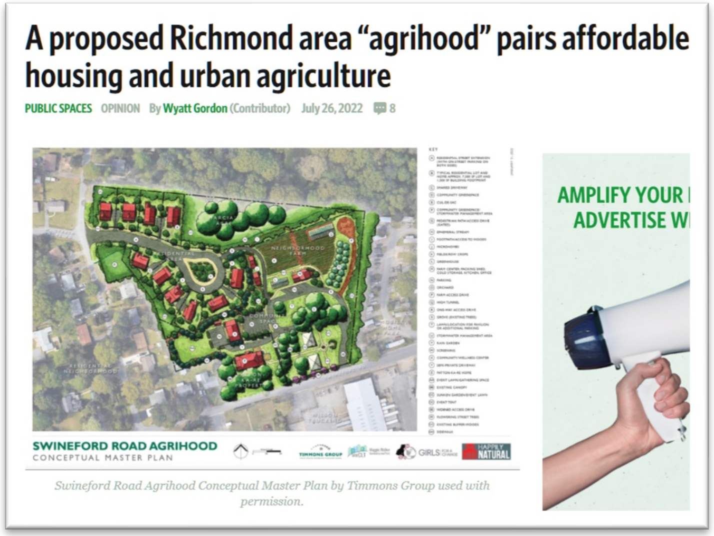
It's easy to spot the warning signs when a local ecosystem only advances and supports traditional investment

When foundations focus on local capital ecosystems, it is often to encourage more community development investment activities.

Community development finance uses the tool of finance to achieve better community outcomes. It helps capital “flow uphill” where investment would not traditionally flow.

- Community development investors have different risk/return expectations. Some investors may tolerate lower returns or greater risk for the promise of community impact.
- Often, these deals are more complicated or messy with community partners often providing both financial and non-financial support.
- Community development finance often centers the perspectives of those left behind by traditional finance – ALICE or LMI population, BIPOC, seniors, etc.





When capital ecosystems are functioning to advance community development, there are many players...the challenge is coordinating seamless interactions!

Capital Supply

Foundations (community, health, family), banks, credit unions, governments (local, state, federal), anchor institutions, insurance companies, pension funds

Capital Aggregators

Banks, credit unions, community development finance institutions, development finance agencies, community development corporations

Capital Demand

Community development corporations, land trusts, nonprofits, housing & commercial real estate developers, small businesses

Capital Enablers

Governments, technical assistance providers, universities, civic orgs, business groups, collective action efforts

Building a functional capital ecosystem takes dedication, investment, and relationships – all things foundations naturally bring as community leaders.

Help identify community priorities – convene community partners to build a shared community investment vision or plan

Underwrite ecosystem-level dealmaking capacity – sponsor "spotters" and "framers" to nurture investable projects or seed/attract new community development organizations

Strengthen or seed community development ecosystem partners – invest in the "people power" of community development organizations and/or seed new investment capacity in your place (e.g., a housing fund) to make it easier for new investors to advance community projects

Make catalytic investments – bring flexible, patient, deal-appropriate foundation dollars into collaborative capital stacks to make projects happen

Increase communication and transparency to get deals done – share openly with other players in your ecosystem to make investments happen (e.g., share underwriting memos or loan agreements with potential co-investors to accelerate decisioning)

Support continuous learning and improvement – create opportunities for community partners to convene and share learnings on a regular basis