Leveraging CDFIs for Mission

Breakout Notes

On October 9th, the Georgia Social Impact Collaborative (GSIC) hosted leaders from nearly 40 GA-based foundations and 15 community development financial institutions (CDFIs) to gain insights on how to advance their common goals around social outcomes. After an immersive session to understand how CDFIs drive impact in Georgia, the event – Leveraging CDFIs for Mission – was highlighted by a series of breakout groups, each focused on ways to enhance sustainable solutions through collaborative investment. The small group settings provided a unique opportunity to workshop specific initiatives that need greater levels of capital to truly scale. The notes below are summaries of each of those breakouts.

Financial Education

- The Westside's On the Rise Center will become an independent 501c3 next year in order to expand financial education support on the Westside and beyond.
- Many local low-income credit unions are not able to take on secondary capital, due to regulatory issues, but they need grants; On the Rise will be able to assist.
- The Kresge Foundation recently announced a major investment for rural credit unions in the South; there might be an opportunity to do something similar for metro Atlanta credit unions in the future.

Homeownership

- The discussion centered around affordability in both rural and urban areas.
- Nonprofits believe that the statistic for 1 in 6 Georgia residents spending over 50% of their income on housing is probably low, especially in rural areas of the state.
- The conversation around affordable housing should also include rental opportunities for safe, decent and affordable housing. This is starting point to eventually becoming a homeowner.
- Constraints to affordable housing options includes increased land costs. Developers need subsidies to build and maintain affordable units in both rural and urban areas.
- Rents and purchase price for homes are steadily increasing.

Integrating Alternative Capital + Technical Assistance

- The need for technical assistance is huge for developers and small businesses. Today, there are not enough Atlanta-based organizations offering the types of technical assistance that is needed to create more "borrower-ready" pipeline. Foundations can play a meaningful role there.

- Large, national CDFIs like RF bring technical resources and capital and work alongside local partners to add capacity and scale. (RF was invited to Atlanta by ANDP to build real estate development capacity of nonprofit developers. They work closely with ANDP and ACE to coordinate TA and capital for large projects and are exploring potential roles in rural GA.)
- Data is a critical component in story-telling. Tools like those developed by Reinvestment Fund (RF), e.g., Policy Map, help illustrate the context and impact of the interventions in small business and community development.
- We had a brief discussion about the opportunities and challenges that arise when an organization transitions to a certified CDFI.
- The Peyton Anderson Foundation in Macon went through New Town (not a CDFI, but rather a loan fund) to do a MRI in real estate. $10M out of their investment portfolio for an expected 4.5/5% return. This led Mercer University to do their own $5M MRI in New Town. New Town is toying with the idea of becoming a CDFI, but feels as if it might be too much of a lift.
- The two greatest opportunity areas for CDFI investment in Georgia include rural areas and HBCUs - with the latter, many HBCUs fall in OZs (60 nationwide).

Rural Economic Development

- The CDFIs communicated that the lack of funds for operating costs was limiting their potential to grow and expand needed technical assistance to their customers.
- Should they be able to receive unrestricted funds to cover overheads and salaries, they would be able to put more money to work - the demand is there and loan capital is available. That said, if they had a significant equity investment they would be able to quickly get on the path of self-sustainability as default rates remain low across the board.
- There is a very strong collaborative mindset among the CDFIs in Georgia, it seems, with an openness to continue to work together.

TOD + Multifamily Affordability

- Policy changes at state and local level are critical for system changes to occur, and there are plenty of examples of good policy in other states. For example, in Georgia buildings are easily taken out of LIHTC's 15-year compliance window; other states have closed this loophole but GA has not. As a result, GA is losing LIHTC properties at a faster rate than the rest of the county.
- CDFIs would like to use guarantees from foundations as a way to support housing lenders, given the speed at which transactions need to happen in Atlanta's fast rising real estate market.

- There is also an important role for for-profit affordable housing developers play in Georgia, in part due to the lack of high-capacity nonprofits.
- Three biggest capital needs (throughout housing): equity for acquisition, very low cost subordinated 2% fund that would open up much more tax credit financing and philanthropic guarantees of CDFI debt

Underserved Entrepreneurs and Capital Gaps

- Talk of how CDFIs could benefit from some kind of joint marketing/advertising.
- The Conservation Fund's new foray into Georgia with the Natural Capital Investment Fund (NCIF) -- this will be a much-needed CDFI focused on agriculture/food systems/entrepreneurship by a group that has serious experience in other Appalachian states (e.g., North Carolina, West Virginia).
- Food entrepreneurship and food systems were a shared area of interest – from growers through catering/restaurant.
- Cooperatives mentioned as option that those working in rural and urban areas are looking at --- lots of reasons (social capital, shared investment for large assets, collective market making opportunities, etc.)
- Need for capital that replaces friends and family funding for low-wealth entrepreneurs—low interest, flexible, and smaller investments. Vehicle access highlighted as barrier for many entrepreneurs—predatory car loans suck up cash that could go to business or other critical needs.
- Need for increased philanthropy dollars to create loss loan reserves to help CDFIs take more risk in serving underrepresented entrepreneurs