The People's Practice

ISSUE #02, NOVEMBER 2023:

MAKING SENSE OF JUST MAKING CENTS.

ARTWORK BY PEDRO FEQUIERE, JR.

Community development, we have a problem with the metaphorical ledger, and it looks like the numbers have been off for quite some time.

On one side, we have racialized expenses dating back to before the United States' founding, as wealth accumulated through theft of lands, forced Native displacement and genocide, and the long churn of chattel slavery. We kept accruing those expenses by redlining communities of color from investment and allowing for exclusionary distribution of FHA loans + GI Bill benefits. Community development may have formed to respond to these circumstances, but it hasn't been able to keep pace with the compounding interest on these expenses. For community development practitioners working in communities of color, the costs of doing business remain high. Dominant narratives that suggest investing in communities of color is risky (even when the data would suggest otherwise) forces community development organizations to invest extraordinary resources in measuring, monitoring, and complying in order to assuage the fears of public and private funders and financiers.

On the other side of the ledger, we have racialized revenue. While we were purposefully withholding investment from urban, rural, and tribal communities of color, we built highways and cleared greenfields and otherwise subsidized exclusionary development in predominantly whiter and more affluent suburbs. We actively destroyed wealth accumulation, be it through broken treaties or "slum clearance" or "urban renewal" or a coordinated attack on Black Wall Street. Community development has ramped up its capacity to bring back some of that destroyed wealth, but earned income potential can distort sector decision-making, benefits can accrue to inadvertent (or purposeful) gentrifiers, and predatory lenders, developers, and retailers charge those poverty taxes and accrue the profit.

This is probably an uncomfortable accounting for community development practitioners fighting the good fight and who are likely underpaid themselves, but an accounting is exactly what we need.

In this issue, we dust off the calculator to do some computations on the wealth we've lost and the wealth we can gain. ThirdSpace invites you to review our Core Characteristics report to review specific information about community development funding + financing and then join our writers and artists in exploration. What role can community development play in dismantling the financial risk narrative? What's the current state of Community Development Financial Institutions and Minority Depository Institutions, and what do they need to be successful? What might a more purposeful approach to individual and collective wealth-building in communities of color look like?

The community development sector has a compounding interest in making the dollars and cents work out for all of us, so join us in accounting for our financial past and forecasting our financial future. Onward.

ARTWORK BY Bria Benjamin

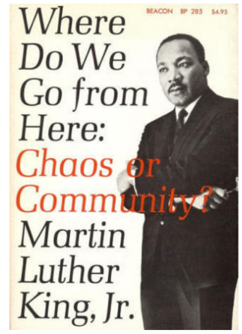
ARTIST'S STATEMENT: BRIA BENJAMIN

When I close my eyes and envision the future of our cities, towns, and places we call home, I picture how to best serve people – and the environment we share with other living creatures – rather than serve profit and corporate interests. I picture community gardens to grow some of our food and locally compost the scraps; well-funded libraries and independent bookstores; abundant and accessible green space; safe and affordable housing; recreation space; space for art, dance, theater, and other community programming. I picture thriving communities and a place for us all.

Bria Benjamin is an artist, designer, illustrator, and writer. Whether through prose or illustration, she interrogates Blackness, beauty, gender, and the politics of all these subjects intertwined. Her story "Ghost Hunter" was a finalist in Fugue's 2023 Fiction Contest. While a Texan at heart, she currently resides in Brooklyn, NY.

PERSPECTIVES IN PLACE: HONORING AGENCY AND DIGNITY BY PUTTING NO-STRINGS ATTACHED MONEY IN POOR PEOPLE'S HANDS

JUWON HARRIS



"[Social aid programs'] common failing: they are indirect. Each seeks to solve poverty by first solving something else. I am now convinced that the simplest approach will prove to be the most effective — the solution to poverty is to abolish it directly by a now widely discussed measure: the guaranteed income."

-Rev. Martin Luther King Jr, Where Do We Go From Here: Chaos or Community?

At its core, anti-racist community development is about ensuring historically and currently marginalized communities have equitable access to all forms of capital (e.g., physical, human, social, financial, environmental, political, cultural), such that its residents can sustainably honor their inherent individual and collective agency and dignity.

But capitalism.

The United States government has a rich history of allowing its states to explicitly exclude Black people from pathways to homeownership through negligent policy implementation (e.g., the Federal Home Banks Act of 1932, the Home Owners Loan Act of 1933, the National Housing Act of 1934, the United States Housing Act of 1937, the 1944 GI Bill, the Housing Act of 1949, The National Interstate + Defense Highways Act of 1956), thereby, structurally strangling Black people's access to homeownership, one of the most successful vehicles of accumulating financial capital (i.e., wealth-building) in this country. While activism efforts, led largely by Black people, have created mechanisms of accountability for the United States government, the US has shown zero genuine interest in redistributing white people's inequitable accumulation of wealth. Instead, we have witnessed a whirlwind of band-aid programs and "strategies" that do very little to offer Black, poor people a reliable pathway out of poverty.

To be clear, evidence-based interventions that have demonstrated success in alleviating poverty do exist, but as the Anti-Racist Community Development research demonstrated, "many reform practices being promoted in the sector today are treated as new + risky, but the truth is that they're often returning to + reimagining communal approaches that were prevalent in the past, particularly in communities of color."

One such intervention, universal basic income – the practice of issuing regular cash payments to individuals regardless of working status – has repeatedly been piloted in communities around the world, including several in the United States. The results are clear: it creates pathways to wealth-building and a significantly improved sense of wellbeing, especially amongst participants living in poverty.

Considering 52% of Black people cannot afford to cover a $400 unexpected emergency expense, a no-strings-attached monthly cash payment of $500, as in the Stockton Economic Empowerment Demonstration, or the $1000 monthly payment in a Baltimore pilot, would do wonders for financial and mental stability. Such geographically concentrated projects are important and speak to the potential to better integrate universal basic income into community development programs and services. As the research findings explain, "inequitable financing and investing has curtailed equitable community development trajectory overall, resulting in concentrated geographies of debt + depreciating assets, all of which reinforces the racial wealth gap instead of reducing it."

Geographically concentrated, direct investments in community wealth would help ameliorate that circumstance, something that the community development sector is particularly well-suited to advance.

Universal basic income honors the agency and dignity of its recipients by providing the ability to afford nutrient-dense foods, car payments, electric bills, registration fees for school sports, more time to vet job opportunities during the stressful search process, college tuition, rent, healthcare, among a myriad of other basic needs and desires.

While the federal government continues to fail in its duty to ensure its people have a humane social floor, institutional philanthropy should step up and take heed of Dr. King's wisdom. That is, grantmakers should leverage all forms of their capital – and certainly well above the 5-7% of their $1.7 *trillion* collective endowment – to support localized universal basic income efforts with the intent to plant and nourish the seeds of larger, national policy implementation. Given the abundant evidence of past and current pilots, one would think this to be a low-hanging fruit solution to abolishing poverty and, more importantly, protecting our people's right to live in their inherent agency and dignity.

"WHILE THE FEDERAL GOVERNMENT CONTINUES TO FAIL IN ITS DUTY TO ENSURE ITS PEOPLE HAVE A HUMANE SOCIAL FLOOR, INSTITUTIONAL PHILANTHROPY SHOULD STEP UP AND TAKE HEED OF DR. KING'S WISDOM."

But, then, how will we satisfy the insatiable appetite for white supremacist capitalism, which has plagued this country since its inception? *#QuestionsThatNeedAnswers*

Juwon Harris, MPH names healing justice as his North Star, and chasing it led him to create his own racial equity consulting firm, Visualizing Liberation. He has also served in several roles at public health agencies, and as the health philanthropy fellow at The Kresge Foundation, where he managed investments in community-driven solutions for equity-focused systems of health. He currently serves as a CDC Foundation COVID-19 corps health educator and outreach specialist.

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PERSPECTIVES IN PLACE: A CALL TO REVITALIZE COMMUNITY FINANCE

LENWOOD V. LONG, SR.

While serving as a pastor, it became clear to me that the principles of guidance, service, and fostering conditions for individuals to flourish were not confined within church walls – that there was an expansive ministry of help beyond the ministry of the pulpit. I ultimately found a way to take that genuine belief and translate it into economic development through community economic development financing, ensuring that Black and brown people in particular had access to business opportunities.

Community Development Financial Institutions (CDFIs) have historical ties to civil rights. While their existence has mitigated some inequities, the overarching journey toward prosperity for communities of color remains unfinished. The Federal Reserve Bank of St. Louis reports that median white family wealth ($184,000) dwarfs both Latino family wealth ($38,000) and Black family wealth ($23,000), an astonishing gap that has barely budged over 30 years. Black would-be borrowers are more than twice as likely to be denied a mortgage as their white counterparts, and that cuts across mortgages for purchase, home improvement, or refinancing. Houses in Black-majority neighborhoods are nearly twice as likely to be appraised below contract as houses in white-majority neighborhoods. Black-led CDFIS face a 6:1 asset gap compared to white-led CDFIs. The data doesn't lie, and neither does the degree to which CDFIs have moved away from their civil rights origin. The modern CDFI is quick to focus on scale rather than impact. Boards do not reflect the communities they serve. There are very few Black and brown leaders operating from CDFI C-Suites.

Even with expansive evidence of glaring inequality, we continue to operate in community development financing with a reflexive narrative that everybody is equal, what the Anti-Racist Community Development research named as the dominant narrative of universal opportunity. In light of a growing "anti-woke" backlash to seemingly any modest effort to remedy racial inequity, moving cautiously, ignoring the evidence, and falling back into that dominant narrative may look even more palatable.

Despite all the noise that things are well on Main Street, do we have doubt that there's still institutional, systemic, and structural racism thwarting Black and brown fortunes? Have the investment proclamations following the murder of George Floyd translated into any significant, tangible improvement in infrastructure, economic shift, or catalytic community efforts? If you look at CDFIs all across the nation, why is there still not sufficient affordable housing? If you look at decades of federal and state government investment designed to improve local economies having had negligible impact on closing the racial wealth gap, what are we collectively doing wrong? Why is poverty rising? And if we truly are working to eliminate poverty, how do we recapture a requisite civil rights ethos amongst CDFIs?

To genuinely make an impact, we must redefine our strategies. We need to reverse the course on the decline of Black ownership, channel capital resources to organizations led by people of color, and bridge the technological divide for Black and brown-led CDFIs. We need to fundamentally shift how we think about success. Our African American Equity Impact Scorecard is a step forward, focusing on wealth creation, leadership, land access, cultural preservation, and racial equity.

However, this journey isn't solely about deploying effective solutions; it's about endurance and commitment. As we strive for justice, we must brace for challenges. Complacency will yield to crumbling infrastructure and educational challenges. Now more than ever, we need to be willing to stand in our moral conviction. Failing to act will leave us prone to move backward. Failing to act will leave us with food deserts, rundown buildings, crumbling roads, and struggling schools. Failing to act will amount to complicity. This moment doesn't require us to be neutral; it requires more people to stay woke and name the politics of hate and division that prevent us from doing our work with intention.

"COMPLACENCY WILL YIELD TO CRUMBLING INFRASTRUCTURE AND EDUCATIONAL CHALLENGES. NOW MORE THAN EVER, WE NEED TO BE WILLING TO STAND IN OUR MORAL CONVICTION. FAILING TO ACT WILL LEAVE US PRONE TO MOVE BACKWARD."

Invoking the U.S. Declaration of Independence, "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights," failing to act today with all that we know about what's going wrong (and how we could make things go right) holds us back from achieving this aspiration. America simply can never be what it should be without housing equality and economic equality.

Lenwood V. Long, Sr., is the President, CEO, and Co-Founder of the African American Alliance of CDFI CEOs. He is co-founder and visionary rebrander and the former president/ CEO of Carolina Small Business Development Fund, a CDFI and statewide nonprofit organization known for programs related to African-American small businesses, women entrepreneurship, veterans, and the Latino/Hispanic community. His work with Historically Black Colleges and Universities within North Carolina has been mentioned as a national model. Lenwood has more than 30 years of experience in community economic development, human resources, and business management. He has held leadership positions in a variety of organizations, including statewide economic and community development agencies, national consulting firms, and nonprofit organizations. Lenwood also served as the Chief of Staff for former congresswoman Eva M. Clayton. He is a Senior Pastor Emeritus of New Bethel Baptist Church and a retired Army Vietnam combat veteran.

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AT THE INTERSECTION OF MONEY AND MISSION

IN(TER)VIEW WITH KIM DEMPSEY

We sat down with Kim Dempsey to discuss Community Development Financial Institutions (CDFIs), what they do, what gets in the way of that work, and practical reforms for equitable financing.

To start, how would you describe CDFIs to folks that are a little less familiar with what they are?

Kim: CDFIs are mission-driven organizations (nonprofit and for-profit) generally focused on serving and investing in communities that have been structurally excluded from opportunity, often referred to as "low-income", "disadvantaged", or "disinvested", primarily through real estate financing and lending. Many also provide grants, technical assistance, or other capacity building programs and make non-real estate investments. CDFIs attract money from a variety of sources and then deploy it effectively and efficiently into communities to support people-centered outcomes. For this piece, I will be speaking from my experience working and investing in nonprofit, unregulated CDFI loan funds.

You mentioned CDFIs targeting investment in communities that are described as "low-income" or "disadvantaged". Do you find those are proxies for race, or are we talking about poverty, regardless of race?

Kim: Historically, we were much more focused on standard definitions of the term "low-income" (area median incomes, poverty rates, etc.) as it related to families or neighborhoods. When I first began working in the CDFI sector, in the early 2000s, we rarely talked about race explicitly, much less racial equity. In recent years, CDFIs are more likely to be intentional about how their business activities and internal policies are advancing racial justice. In this vein, the CDFI activities that I admire the most include wholesale and explicit review and revision of lending policies for racial bias; the development of specific programs designed to advantage certain borrowers, including Black and brown developers and business owners; and internal, organizational work to better understand how CDFIs' own practices and cultures can either help or hinder our efforts to advance racial equity.

You mentioned the tension between community development values and community development priorities. What sticks out as particularly big tensions for CDFIs?

Kim: CDFIs are designed to have mission-oriented goals. Those aspirations do not always align well with many investors from the perspective of time, risk tolerance, or expectations around pace of change. Philanthropy, in particular, works in short-term cycles and tends to follow narrowly defined programmatic areas, while placing significant reporting burdens on grantees, including CDFIs.

CDFIs, as a sector, have a strong track record of both financial and portfolio performance. In fact, our loans performed better, on average, compared to banks during the 2008 financial crisis. CDFIs experience very few losses, and rarely fail to repay our investors, which tells you something about the risks that we're actually taking. Some investors might have a perspective that investing in real estate that serves people who don't have much money (e.g., those that live in affordable housing) is high-risk, so they price and constrain our use of their capital accordingly. But nonprofit-owned and operated housing, for example, actually performs really well and has over a long period of time. These investor perceptions of the risks of CDFI lending create a Catch-22: we have to frame our work as taking enough risk to be meaningful but not so much that investors worry about losing their capital. The result is that most CDFIs must raise small checks from a large number of investors, which ties us to complicated and time-consuming financial management and reporting responsibilities.

I'm hopeful that our sector is forging pathways to new sources of capital, beyond regulated banks, but we also have to change our own mindset and practices. This idea that we cannot take risks that would jeopardize our ability to repay investors is deeply ingrained in the way CDFIs operate and make lending decisions. Change is required from within, not just by investors.

Is the movement toward a more race-explicit financing strategy happening disproportionately among CDFIs, or are you seeing similar activity happening in traditional finance?

Kim: It's important to understand that most nonprofit CDFIs are capitalized by traditional financial institutions, either through on- or off-balance sheet investments or through the provision of equity in exchange for federal tax credits. Specifically, we get most of our money from banks who are motivated to invest in CDFIs largely to comply with the requirements of the Community Reinvestment Act (CRA), a regulation put in place in 1977 in response to banks engaging in redlining – refusing to lend in Black and brown communities and communities with low incomes. The CRA remains a regulatory "stick" that forces banks to invest or provide grants where they generate deposits, particularly in communities living with low incomes and high poverty. For the last 30 years or so, banks have been investing in CDFIs largely to help accelerate and expand their ability to comply with CRA. But these bank dollars come with significant restrictions on use and expectations on CDFIs' financial performance that can constrain our ability to take calculated risks and have meaningful impacts on social equity objectives. For example, CRA-motivated funds typically carry geographic restrictions on where they may be deployed. Also, as a long-standing practice – though, notably, not a regulation – banks hold CDFIs to more conservative financial covenants than they are required to meet themselves. And banks often require guarantees or other forms of credit enhancement to virtually ensure they will never take a loss on dollars they lend CDFIs. Yet few CDFIs have ever failed to repay investor capital, and most of us have maintained loss rates around 1% for our entire operating history (our historical charge-offs are comparable to those of banks.)

When I hear criticism that "CDFIs are becoming as conservative as banks – aren't they supposed to be mission-oriented?", the fact is CDFIs' reliance on bank capital means that banks still write many of the rules for the kind of lending we do and the type of risks we can take. Ideally, in recognition of CDFIs' long history of strong portfolio performance, financial strength, and demonstrated ability to repay investors, banks would revisit their credit and underwriting standards for CDFIs, including reducing our required equity, extending investment terms, and allowing for more flexible uses. These less conservative approaches would allow us to focus more time, energy, and resources to advance racial equity and social justice.

There are some bright lights with regards to bank activities to advance racial equity. Special Purpose Credit Programs (SPCPs) allow banks explicitly to use race-based (and other) criteria to lend when they can demonstrate that they have unfairly disadvantaged people of color (or other economically disadvantaged groups). It's highly underutilized, but because agencies like the Consumer Financial Protection Bureau have explicitly affirmed the legality of SPCPs, many major banks now have implemented them.

We've heard from interviewees that there's already an ebb from 2020 commitments – by funders and investors – to supporting racial justice work in community development. If CDFI priorities are shaped by where investors are moving, how do CDFIs safeguard against backtracking on racial justice work if investors' support shifts?

Kim: The first safeguard is establishing the business case for equitable practices and policies. If I'm talking to people primarily motivated by financial returns, I need to be able to articulate why they should care; meaning, why more inclusive and equitable investment practices are good for bottom lines. For example, given changing demographics in the U.S., if you are a bank that does not examine your mortgage lending practices to ensure you are as inclusive as possible, you may miss out on expanding your customer base to the millions of Black families that are mortgage ready. The other thing is to be attuned to intersectionality. For example, CDFIs are increasingly focused on climate change, in part because there are new resources available through federal programs like the EPA's Inflation Reduction Act, and because climate justice is racial justice. If we can be better at making the case about the intersectionality between race and other pressing issues of the day, we can stay relevant in many more investment conversations.

Where does all of that risk perception come from? What do you do about it?

Kim: Fear of loss is embedded in a dominant narrative that if you invest in communities of color, you risk losing money. First of all, there is no compelling evidence that's true. At the same time, if your community has been systematically denied access to loans – to buy a home, own a business, develop housing – over multiple generations, that means you've got less experience with credit and may trip up. If we took more actual risk as a sector, there might be more losses, initially. But my hope is that fear of loss is not a driving factor in how CDFIs set strategy or make lending decisions. Let's think about this differently: Who's actually taking the risk? What's the actual impact of that risk? Who do we think should pay for mitigating this risk? If a CDFI pays for it, that cost gets passed on to the communities you say you want to serve, unless you give us a grant or other source of guarantee to absorb losses or offset costs.

Are there some concrete steps that people could be taking – either to support CDFI reforms or reforms of actors that drive CDFI agendas?

Kim: My bias is to focus on the latter. For CDFIs to advance our impact strategies with greater independence from investors' perceptions of risk, either our investor base must shift significantly, or the financial institutions must behave differently. Integrating explicit race-based criteria through a reform of the Community Reinvestment Act (CRA) would be one way to incentivize significant behavior change in banks, particularly because most CDFIs already lend and invest in communities of color. Even if that happened, you would need to give the next generation of work time to emerge and you may see an initial increase in losses. But if banks receive CRA credit for making these kinds of investments in or through CDFIs, that should be sufficient for them to absorb some losses. That is not the practice or expectation today. Philanthropy is an important partner in this kind of change effort, too, as they could help further incentivize banks (and others) to allow CDFIs to take more risk in exchange for more impact.

I think my bottom line is that, yes, we must assess CDFIs around mission but, also, the context within which we operate. Reforms must come from within and without. And our bank and funding partners must be aligned, or we will not see change at the sector level.

I'll close by noting that I'm encouraged by an increase in new CDFI leaders of color, many of whom are explicitly centering racial equity in both their organizational values and business operations and in how they approach lending. We must invest more in these new leaders – particularly in terms of grant and patient capital – so that they have adequate runway to develop new ways of working, recruit and retain talent (particularly with relevant, lived experience), and re-imagine how CDFIs can make direct contributions to a more just society.

Kim Dempsey authored this piece while she was Executive Vice President of Capital Markets at the Housing Partnership Network. Kim managed the Network's capital market relationships, as well as its fundraising, lending, and investing work, including providing executive oversight of its two certified CDFIs. Previously, she was deputy director of the Social Investment Practice at The Kresge Foundation and senior director of lending at Capital Impact Partners.

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PERSPECTIVES IN PLACE: WHEN COMMUNITY DEVELOPMENT FINANCING GETS EXPLICIT

OLIVIA REBANAL

Community development is no stranger to race relations. Most of the field's activities focus on "marginalized", "under-resourced", "overlooked" communities, aka "low- to moderate-income" (i.e. "LMI"). We have created these social conditions through centuries of institutionalized racism. So, what progress have we made? Are there fewer "marginalized" communities than before? Are "LMI" communities no longer "low- to moderate-income"? As a sector, we need to identify barriers, create interventions, and measure outcomes, with explicit reference to race in our work – moving away from what the Anti-Racist Community Development research identified as a wariness to use "race-explicit language, even within programs specifically designed to address racial disparities."

I'm the daughter of immigrants from the Philippines. Entrepreneurship was part of the family experience. Upon moving to the States, my lola (my mom's mom) became a seamstress, and my other lola (my dad's mom) had a security agency – back in the Philippines. My own mom is a lifelong entrepreneur, with a private pediatric practice that she still operates today. As for myself, I found a professional home in the community development finance industry, specializing in working with entrepreneurs of color, recognizing that small business lending and ancillary supports can be catalytic for families to prosper in our economies.

Over my years in the field, I noted trends that led me to form views on ways we:

Uplift grassroots economic models and ways of doing. Despite the deep institutionalized refusal to engage communities of color, they are still vibrant places. In some Black communities, barber shops are a center of economic and social life. An incentive program I administered was designed to invigorate historically Black communities, but the criteria prioritized business-to-business companies, thereby penalizing retailers like barber shops. Should the Black community have been engaged in the process with an element of agency, criteria could have centered these types of businesses.

Insist on outcomes. For all the programs designed to serve Black and brown entrepreneurs, how many have seen outcomes exclusively benefiting them? The community development field has historically focused on transactions and outputs: loans approved, dollars deployed, and jobs created. What does this mean for a more just economy? The field will benefit from further refining to more meaningful units like racial / ethnic / gender identity of business ownership or organizational leadership or the rate of growth of a beneficiary's / community's income. Consideration of these outcomes should be co-equal with our consideration of financial criteria; racial impact underwriting should coexist with financial underwriting.

"WHILE THE FEDERAL GOVERNMENT CONTINUES TO FAIL IN ITS DUTY TO ENSURE ITS PEOPLE HAVE A HUMANE SOCIAL FLOOR, INSTITUTIONAL PHILANTHROPY SHOULD STEP UP AND TAKE HEED OF DR. KING'S WISDOM."

Interrogate our underwriting criteria with respect to race. If people of color, due to institutionalized racism, have lower credit scores, significantly less assets than their white counterparts, and have less management experience to lead their enterprise, then we are automatically disadvantaging them with our underwriting constructs. What alternative measures can demonstrate the "ability to repay"? Measures like family outcomes and community commitments are strong indicators. A manufacturing company once showed me tax returns with negligible income on the bottom line. Yet the owner displayed photos of their four offspring, each of whom they sent to college. I learned the need to "read between the lines", deducing that these entrepreneurs of color had paid themselves salaries from the business to be able to financially support their family.

We can also restate our relationship to "risk" by acknowledging our underwriting criteria are designed to protect the financial institutions themselves. Loan-to-value ratios in the community development field should all exceed 100%, considering that we work in communities of color that consistently have lower wealth. We can force philanthropic organizations to collaborate more strongly with financial institutions so that philanthropy provides that risk mitigant, not the intended beneficiary.

As a field, it would be worthwhile to embed "anti-racism" as an expectation and requirement in the work. Anti-racist practices involve specific and transparent actions designed to dismantle discriminatory practices at every intersection of the web of community development. Can we be more explicit and say that our work will focus on interrogating the racial discrimination that continues to exist in community development? Doing so could lead to more racially just outcomes.

Olivia Rebanal is Interim Executive Director and Chief Impact Officer at Ecotrust, an organization that leverages advocacy, business development, storytelling, Indigenous leadership support, and training and education to advance work at the intersection of equity, the economy, and the environment. Olivia previously served as Director of Inclusive Food Systems at Capital Impact Partners, where she developed the organization's first racial justice strategy and designed and implemented healthy food financing initiatives.

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Community development has to contend with generational, intentional withholding of capital from communities of color. Interviewees offer their thoughts on what that means for the sector today and in an anti-racist future.

"Especially in Indian country, it's totally different ... We don't own our land, it's held in trust ... so you really **CAN'T PUT THINGS UP FOR COLLATERAL** ... How in the world [are you] supposed to get a loan on anything? ... Even if they have programs to give you equity, other programs won't recognize [it]. [If] you get a grant to have ... as equity so that you can get a loan, ... the [lender] will say ... **THAT'S NOT REALLY EQUITY** ... **THAT'S A GRANT** ... but that's because we **DON'T HAVE OUR OWN MONEY** ... That's exactly what happened to my husband trying to get a farm loan ... All of those things, **FROM REDLINING** to the **[FARM SERVICE AGENCY] LOANS** ... we know that there's racism in it because we **NEVER GOT TO PARTICIPATE** in all these **BIG GOVERNMENT PROGRAMS**."

- ANTI-RACIST COMMUNITY DEVELOPMENT INTERVIEWEE

"There's more **FLEXIBLE REVENUE-BASED FINANCING TOOLS**, or equity ... investments ... that would **ACTUALLY HELP THOSE BUSINESSES SUCCEED**. It's not racially equitable [to] **CONGRATULATE YOURSELF FOR INVESTING IN MINORITY BUSINESSES**, but you're **NOT PUTTING THEM IN A POSITION TO SUCCEED** ... You're still ... making the return that you're benchmarking from the private market ... **HOW THAT CAPITAL IS MOVING IS CRITICAL** when you're thinking about racial equity ... It's ... a more challenging conversation than **WHAT IS EASILY MEASURABLE**."

- ANTI-RACIST COMMUNITY DEVELOPMENT INTERVIEWEE

"We provided over **$4.4 BILLION IN [PAYCHECK PROTECTION PROGRAM, PPP] LOANS** ... Banks required [that] you had to have ... certain invoices, you had to have certain **PAPERWORK** ... With CDFIs, I literally **WORKED WITH THOSE SMALL BUSINESSES ON THE GROUND** helping them to put together a balance sheet, to put together income statements, to put together all the requirements ... [Without that additional support] for Black-led CDFIs, we would have had probably 60% of those who **WOULD NOT HAVE GOTTEN CAPITAL.**"

- ANTI-RACIST COMMUNITY DEVELOPMENT INTERVIEWEE

"Sometimes there can be so much attention about the finance vehicles without thinking really about the **IMPACT ON THE GROUND** ... For example, the New Markets Tax Credit program or the Low Income Housing Tax Credit program ... I'm not criticizing their ability to deploy money, but there are definitely cases where it's questionable what kind of impact these programs have had either ... **PROMOTING CONCENTRATED POVERTY** or **PROMOTING DISPLACEMENT** ... **PEOPLE SORT OF LOSE SIGHT OF THE ULTIMATE OBJECTIVE** of these programs."

- ANTI-RACIST COMMUNITY DEVELOPMENT INTERVIEWEE

“There’s a WHOLE SEGMENT OF BLACK AND BROWN BORROWERS that are kind of left out [of] WEALTH-BUILDING AND HOMEOWNERSHIP. And what [one particular credit union] did was ... take a different approach to credit and underwriting saying, wow, these borrowers actually aren’t an additional risk ... We CAN ACTUALLY MAKE A LOT OF MONEY ... by lending to these borrowers that ... TRADITIONAL LENDERS HAVE OVERLOOKED ... As [the credit union] made all ... these mortgage loans ... there wasn’t this huge wave of defaults ... They actually proved to the rest of the market that Black and brown borrowers are not a risk ... That . . . wasn’t so much changing a regulatory issue, but it was kind of PROVING OR DISPROVING ... WHAT RISK LOOKS LIKE.”

- ANTI-RACIST COMMUNITY DEVELOPMENT INTERVIEWEE

THE DIFFERENT WAY HAS BEEN PROVEN

IN(TER)VIEW WITH RASHEEDAH PHILLIPS

We grabbed time with Rasheedah Phillips to talk through movements that have shaped equitable community development in the past and what they tell us about time, space, replication, and scale in the sector today.

To start, tell me a little bit about your work.

Rasheedah: I'm currently serving as Director of Housing at PolicyLink, which is a national research and advocacy organization that serves the 100 million people in the United States who are at or below the poverty line. I spent most of my career as a housing attorney in Philadelphia, representing people who were facing eviction and homeowners facing foreclosure and then also affordable housing policy at a local, state, and national level. At Community Legal Services of Philadelphia, our model was both direct representation of people facing issues and also doing policy work around those same issue areas. Prior to doing housing work, I worked in the Community Economic Development unit at CLS, where I represented nonprofit organizations and childcare providers, helping them to develop their businesses – to go through the process of getting zoning and getting licensed and renting out a building.

Are there specific reference points that have informed how you approach community development work or issues of housing specifically?

Rasheedah: I think the Civil Rights and Fair Housing Movements were extremely pivotal moments around creating the conditions in which community development would happen. Another was the movement around Community Land Trusts, which emerged as an effort to provide people with access to affordable housing, promote community ownership, prevent gentrification, and, to move toward seeing housing as part of the broader fabric of a healthy and thriving community. Another important moment was the public housing movement and its insights and tactics, particularly for Black and low-income folks being at the center of these movements and pushing for needed reforms. I'd also name the social housing movement as important; that's primarily been in European countries, but it's definitely emerging in the United States. Folks are learning from social housing movements in other countries and seeing social housing as different from public housing – around what gets built, where it gets built, when it gets built, how long it remains in the hands of government entities. The shift to consider social housing is also an opportunity to think about community ownership more broadly, just like Community Land Trusts, and about really shifting power dynamics back into the hands of the people. These histories in community development play a huge role in how we get to the place where we need to be.

Are there things we could be doing in community development to bring that kind of history forward more productively?

Rasheedah: There are a couple of important things that might sound simple, but it's how you do them meaningfully. One is centering people most impacted by community development who've historically been pushed out – really centering them. You need to think about the different timescales needed in order to operate in a space where we're actually embedding these kinds of principles in our work. The timelines used in community development don't lend themselves to meaningfully engaging people. We also need to expand our notion of what community means. "Community" is this very buzzy word … "Oh, we're going to center the community," but the community is full of people who have opposing ideas. We need to have a more expansive understanding of how community dynamics operate, instead of just this sort of flat, one-size-fits-all thinking.

The second thing is to actively incorporate historical analysis into the work. What has worked in the past? We need to do a better job of analyzing the strategies, successes, and challenges of previous movements. I'm always struck in working directly with communities by how much they know. I can read all these things about a community, but that never replaces actually sitting down with community members who can tell you what happened because they were there. It's about going beyond historic analysis in books to doing qualitative research with people who have lived through that history to inform our approaches. This goes back to time and space. It's much more of a challenge in a post-COVID world, but we need shared spaces where we can all learn about these things and facilitate dialogue – not just conversations that happen once a month when someone's seeking a zoning variance.

We've been hearing a lot in our research about the desire for deeper work in community development opposite really limited time and space. Are you seeing examples of people successfully navigating that?

Rasheedah: We've been doing some research on this – especially post-COVID, the innovative ways communities are doing equitable community development. There's Destination Crenshaw, which is a community development project that is using reparative development frameworks in executing that project. It's Black-led, it's connected with culture, it's not just limited to building physical space but also building up cultural resilience and engaging community in thoughtful, non-traditional ways. They're embedded in the community as a part of the development project, not just flying in and doing something.

Another is Africatown Community Land Trust, a Seattle project that's doing community development work through this very culturally-informed land trust model using Afrofuturist cultural frameworks and has stakeholders involved at its core. Another is the St. Louis Art Place Initiative, a land trust specifically for artists who have a vested interest in St. Louis. They're using different ways of approaching community ownership and going beyond housing to also think about how we build assets like parks, galleries, and cultural spaces.

We've heard in our research that thoughtful community development models are often dismissed as not being replicable, even when they're demonstrably working better. Do you feel like these approaches are replicable beyond the context of a specific place?

Rasheedah: I think all the examples I named have been shown to be replicable because they rely on mechanisms that are already in place. The Community Land Trust idea isn't new, right? We know it works. It has worked. It's extremely replicable to innovate around things that already exist. Where we have issues is the extent to which we can scale concepts like social housing throughout Oakland or statewide or nationally. Part of the work that I do at PolicyLink is thinking about how we impact the 100 million people who have unstable access to housing and homeownership. Scalability is the issue, and scalability comes with narrative shift, with folks believing that these things are possible. It's not that they are not scalable. It's just that we will not have resources if people can't imagine them on a national level. But, definitely, these models are replicable. They've proven to be.

Rasheedah Phillips is Director of Housing at PolicyLink, leading national advocacy to support tenants' rights, housing, and land use movements in partnership with grassroots partners and government leaders. Rasheedah previously served as Managing Attorney of Housing Policy at Community Legal Services of Philadelphia and Senior Advocate Resources and Training Attorney at Shriver Center on Poverty Law. Rasheedah is also an interdisciplinary Afrofuturist artist who has exhibited and performed work globally.

The interviewee is responding to the findings shared in the Anti-Racist Community Development Research Project, produced with support from Robert Wood Johnson Foundation (RWJF) to increase understanding of structural racism in community development and pathways to racially equitable outcomes that promote health equity. The views expressed in this article do not necessarily reflect the views of RWJF or ThirdSpace Action Lab.

PERSPECTIVES IN PLACE: THE RACIAL GAP IN DETROIT NONPROFIT LEADERSHIP AND ITS ADVERSE IMPACT ON COMMUNITY

MYKELL PRICE

"OFTEN, THE SUPPORT THAT'S OFFERED IS LIFE-CHANGING, BUT SUCCESSES ARE OFTEN PREDICATED ON FRONTLINE STAFF'S ABILITY TO RELATE TO THE SYSTEMIC CHALLENGES OF THEIR CLIENT BASE. UNFORTUNATELY, LEADERSHIP DEVELOPMENT OPPORTUNITIES AREN'T TYPICALLY OFFERED TO FRONTLINE STAFF."

Detroit struggles with an issue that's prevalent across America and worldwide – the exclusion of people of color from opportunities to take organizational leadership roles. This issue is most pronounced in nonprofit sectors like community development, which play pivotal roles in supporting vulnerable communities. Often, the support that's offered is life-changing, but successes are often predicated on frontline staff's ability to relate to the systemic challenges of their client base. Unfortunately, leadership development opportunities aren't typically offered to frontline staff.

Implicit and explicit biases are arguably tools of oppression, and they can show up in community development staffing and leadership development. A few examples include:

- Unconscious bias, unintentionally favoring individuals from similar backgrounds, leading to homogeneous leadership;
- Confirmation bias, favoring information that confirms one's preexisting beliefs, including preconceived notions of what a leader should be, often excluding people of color;
- Affinity bias, warming up to people most like ourselves, leading those in positions of power to be more likely to mentor and promote individuals who share their backgrounds;
- Stereotype bias, assuming capabilities of different racial groups, which can influence decisions about who is considered for leadership roles, often to the disadvantage of people of color;
- Structural bias, biases that have become woven into the fabric of organizations and systems, which can profoundly affect who gets access to opportunities; and
- System justification bias, maintaining status quo policies and practices, which tends to uphold existing social arrangements and hierarchies, thereby preserving the racial leadership gap.

These kinds of biases impact the effectiveness of programs, particularly for organizations with non-Black leadership in predominantly Black communities, due to disconnect between leadership and community members' lived experiences and cultures. Programs related to housing, education, and health, for instance, require a deep understanding of the systemic racial disparities that exist within these areas, and leaders who lack firsthand experience or cultural connection to issues may overlook critical nuances, leading to less effective solutions and offerings.

In Detroit, where 78% of the population is Black, the lack of representation in nonprofit leadership amounts to systemically leaving behind a large segment of the community. Furthermore, the diversity gap creates an insidious narrative that reinforces stereotypes about who is and isn't fit for leadership – narratives that echo those identified in the Anti-Racist Community Development research project. This can deter people of color from pursuing leadership roles, creating a cycle of underrepresentation that becomes difficult to break. When employers include hiring language like holding an advanced degree, having excellent communication skills, and not having a criminal record, they inherently filter out many qualified candidates from groups that have been marginalized, excluded from opportunity, and disproportionately sentenced compared to white peers.

When biases go unaddressed, it becomes much easier for community development initiatives to have unintended consequences like gentrification. Long-time residents are displaced due to rising rents, and nonprofits shift their focus to meet the needs of new, wealthier inhabitants. Inequitable access to resources worsens (including in leadership staffing) and new residents' norms and expectations can alienate original community members and discourage them from taking on leadership roles. Divisions in the community make it more challenging to organize around common causes, fragmenting communities and making leadership opportunities even scarcer for residents of color. Policymakers, community leaders, and nonprofit organizations can consciously prioritize leadership diversity and actively work to represent and address the needs of all community members, particularly those at risk of displacement.

Failing to promote leadership diversity inadvertently contributes to maintaining economic disparities and missing opportunities for shared prosperity. One 2018 study found that the U.S. could have an additional $8 trillion in GDP by 2050 if racial disparities were eliminated. It's crucial to acknowledge and actively combat these biases in order to promote more diverse and inclusive leadership in Detroit's community development sector. This can be accomplished through strategies like diversity training, establishing mentorship programs for underrepresented groups, and creating fair hiring practices. Greater efforts should be made to create inclusive organizational cultures that celebrate diversity at all levels.

For cities like Detroit, this work is vitally important. Doing so will foster greater inclusivity, enhance program effectiveness, and contribute to a robust local economy. Ultimately, addressing the racial leadership gap is not just about fairness – it's about realizing the full potential of a city's diverse community for meaningful, lasting progress.

Mykell Price has demonstrated a commitment to skillfully working at the intersections of housing, youth, families, gender, LGBTQIA+, disability, economic, and racial justice movements during his entire professional journey. Currently the Director of Talent, Equity, and Inclusion at the Ruth Ellis Center, Mykell is a certified diversity and inclusion leader with over 15 years of experience leading and growing the global diversity, equity, and inclusion landscape for several local and national nonprofit industry leaders.

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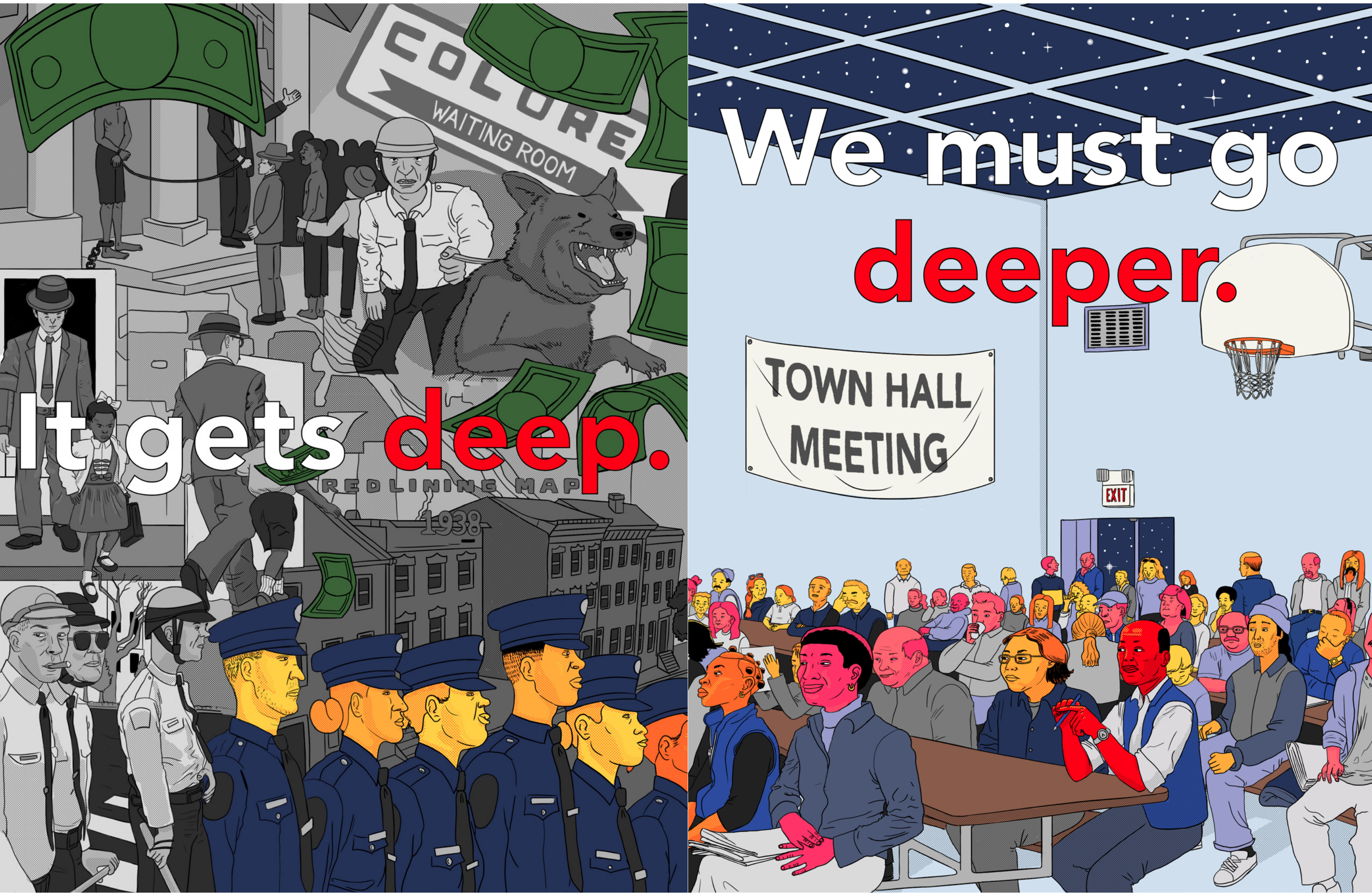
ARTIST'S WORK:
PEDRO FEQUIERE, JR.

Pedro Fequiere, Jr., is a multidisciplinary artist currently based in Los Angeles. He spends most of his downtime creating art and music. He worked as a Staff Writer for BuzzFeed, and his work has been featured on MTV, Huffington Post, and Afropunk. His music has received acclaim from Erykah Badu, Hot 97's Peter Rosenberg, and J. Rawls. He holds a BA in illustration from Columbus College of Art & Design.



ARTWORK BY PEDRO FEQUIERE, JR.

BY US, FOR US, AND THE TRADITION OF COMMUNITY-LED LENDING

IN(TER)VIEW WITH MONICA COPELAND

We chatted with Monica Copeland to talk through Minority Depository Institutions (MDIs), mainstream finance, and racially equitable community development finance.

How would you describe Minority Depository Institution (MDI) credit unions – just one kind of Minority Depository Institution – to someone less familiar?

Monica: MDI credit unions are nonprofit cooperatives with three criteria: the board of directors, credit union members (people they're serving), and potential members (people in their field of membership footprint) must each be greater than 50% people of color. We have examples of MDI credit unions as early as the 1930s, like at Florida A&M University Federal Credit Union. Many Black MDIs were created out of the Civil Rights Movement; some mainstream financial institutions would not lend to African Americans, so these communities created their own lending institutions in response to redlining. That's also why several Historically Black Colleges and Universities (HBCUs) have or have had MDIs. They were lending to farmers and landowners, as well as supporting each other by forming faith-based credit unions at their churches or mutual aid groups. It's been fascinating and joyful watching new MDIs open their doors even today, especially because there's been a lot of consolidation in the credit union industry. There have been several new ones created in Black communities this past year and a recent new one in Montana serving Indigenous communities. There were over 20,000 credit unions across the country at one point. Now there are less than 5,000 credit unions in the United States. About 500 of these credit unions – or about 10% – are MDIs.

What role do MDIs play in communities?

Monica: They're often very small in terms of asset size and staff size. Over 80% of them have under $100 million in assets, and they're usually hyperlocal. They often do small consumer loans as alternatives to predatory payday lending; refinance auto loans; and give out emergency loans. They also really bend over backwards for their members. During the pandemic, some credit union staff made home visits to get people their money when they needed it. Some also work with undocumented individuals. They accept documentation that other mainstream institutions may not, such as an Individual Tax Identification Number (ITIN). It is important that MDIs survive because who else is going to do that with the same passion, commitment, and cultural sensitivity? Who's going to move into that space of serving the financially underserved? These MDI institutions are found in financial deserts, in rural areas, and areas where there are high concentrations of payday lenders. I think of my parents who were small business owners of a beauty supply store in the Deep South for many years. My father (who has since passed) was Black, and my mother is Korean. They owned few assets and had imperfect credit. They fit the exact profile that these MDI institutions are helping, and that's why I'm especially committed to this work. MDIs are not known for abusive or predatory financial practices, and credit unions have a cooperative model in which their members are owners of the institutions. If the credit union does well financially, the members also do well.

How do MDI credit unions differ in practice from traditional ones?

Monica: Many MDIs do not use credit scores the same way as traditional institutions do, and sometimes they do not pull them at all. Mainstream financial institutions often think Black and brown communities and high-poverty areas are "risky" or unserviceable, and they do not want to extend credit. That's why we have things such as the Community Reinvestment Act. However, MDIs and Community Development Financial Institutions (CDFIs) have proven that you can lend in high-poverty and under-resourced communities, and often the results are the same or even better than mainstream institutions because you're giving people a chance to have access to capital. Otherwise, they'll go to a payday lender, a pawn shop, or take out a title loan. The credit unions often take that closer look and say, "What do you have? Can you show you've paid your cell phone bill for multiple months?" They'll take the time to get to know the member, hear the story, and try to make the loan happen. They can't always say yes to every request, but they try to give the members options on how to fix things so that the denied members can try again later.

In 2008, the state of Arkansas banned payday lenders. Some people felt they did the right thing, except it created a financial desert. A local barber in Little Rock found that people started coming to him for loans. He started making small loans, and then he created a CDFI loan fund called People Trust Community Loan Fund, and then he created a credit union. In another example, the Navajo Nation sued Wells Fargo for predatory practices, and locals would like to create their own credit union to have community ownership, which is not as easy as it once was. Nowadays, it takes $1 – 3 million to start a credit union from the ground up, not to mention several other logistical and operational hurdles. That's not feasible for many communities of modest means.

"YOU CAN HAVE DECADES OF DATA SHOWING RISK AND LOSSES ARE COMPARABLE, BUT THE RISK NARRATIVE DOESN'T CHANGE."

I've heard several people share what you just did – that losses incurred from communities of color does not differ widely from what mainstream institutions experience. Is this data shifting the risk narrative at all?

Monica: I wish I could point to a recent report that shows the trend is changing, but I can't. Low-income people continue to be viewed as less desirable customers. Mainstream banks will always go for higher net worth clientele as their preference. You can have decades of data showing risk and losses are comparable, but the risk narrative doesn't change. However, I will say that people can't dispute the fact that the demographics of our country are changing. We launched the New Majority Growth Initiative, with funding provided by CitiBank and JP Morgan Chase, because the U.S. Census is saying by 2040 or so, people of color will be the U.S. majority. You can't ignore this market. You can't overlook communities of color, or you'll be missing out on a significant number of people with growing financial needs for themselves and their families.

How do people find MDIs?

Monica: There's a directory of MDI credit unions on the National Credit Union Administration (NCUA) website, but those are the ones that have self-designated as MDIs. Opportunities Credit Union in Vermont is an example of a great non-MDI credit union. They're working with the Hispanic population, but there are obvious limitations in reaching the 50% or more threshold required in the MDI definition. Institutions can be more financially inclusive by accepting different documents, changing products, tweaking fees, or having a bilingual staff. You don't have to be an MDI to do those things. All financial institutions (both banks and credit unions) can make concrete changes to address racial equity in a meaningful way.

There are quick fixes and deeper, more intentional strategies.

I'd like to stress with this piece that MDI credit unions do exist. They may be harder for people to find, but there are over 500 of them (plus an additional 150 MDI banks), and they're doing important and impactful work. Most people think of Black banks when they hear the term MDI, but not Black, Indigenous, Latino, or Asian American credit unions. They don't have the advertising budgets, so you may never see a commercial for them and may not see a website. That does not mean they're not legitimate, regulated, and insured financial institutions. Your money is safe and federally insured through NCUA with credit unions, similar to FDIC insurance with banks.

What are some promising practices you're seeing from MDI credit unions?

Monica: Stepping Stones Community FCU and Lower East Side People's FCU both have mobile vans to reach members where they are. They will bring the bank to neighborhoods that do not have physical branches. Having that kind of transportation-based strategy is also vital for rural communities like Lakota FCU. Microsites or micro-branches are another strategy, where credit unions will sometimes have a staff member co-located in a heavily populated place such as social service agencies, Catholic Charities, or the Mexican Consulate to offer financial services. This way, you're bringing financial services to the people while they are taking care of other business. It's really about creating products and services that are customized to what people need and naming products in a way people can relate to, like "citizenship loan" or "quinceañera loan". Stepping Stones Community FCU also has a partnership with the Delaware Department of Correction to open accounts for incarcerated individuals. When they are released, they have a credit union account and relationship which helps them reacclimate. We also have a credit union in San Francisco, Northeast Community FCU, who just developed a culturally-nuanced trilingual mobile banking app for their members who speak English, Spanish, and Chinese.

Is there anything else you'd like to say about MDIs but haven't had a chance to?

Monica: I'm so proud of what MDI credit unions accomplish on a daily basis. They are under-resourced and underinvested in, and that has been true for decades. For them to accept all of those other forms of identification and documentation (and not just to rely on credit scores, AI, or automation , to hear members' stories) – those can be high-touch or time-consuming human interactions. MDIs are not second-class institutions just because they don't fit status quo banking. Sixth Avenue Baptist FCU is a great example of a $5 million faith-based MDI in Birmingham, Alabama. Dr. Martin Luther King, Jr., made speeches from the pulpit of that church, and they have a full-service, Black-owned, Black-led credit union that was founded in 1963. There is an ATM in the church building; you cannot see that from the street. That's the powerful legacy we're working to lift up, tell the world about, support with capacity building, and help grow by providing them with grant funding. We want more champions for racial equity and economic justice to support them as well.

Monica Copeland is the MDI Network Director at Inclusiv. She manages initiatives providing technical assistance and resources to help strengthen and grow Minority Depository Institutions, as well as implementing special projects involving financial access and inclusion. Prior to working at Inclusiv, Monica was a Senior Program Manager at Prosperity Now (formerly CFED) and worked at the NYC Office of Financial Empowerment (OFE).

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"I think there's **SOMETHING COMPELLING ABOUT COMMUNITY LAND TRUSTS** ... [They] were actually originally developed by ... **BLACK SHARECROPPERS IN THE SOUTH** as a way to ... **MAINTAIN MORE CONTROL OVER SPACE AND LAND** amidst violence and oppression ... I'm interested in the power of that, and how ... white people in this work, **LOOK TO THE LEADERSHIP ... OF BLACK FOLKS, OF PEOPLE OF COLOR** — who have **ALWAYS BEEN DOING THIS WORK**, who **KNOW WHAT COMMUNITIES NEED**, rather than being directive ... I think community land trusts are one compelling model."

- ANTI-RACIST COMMUNITY DEVELOPMENT INTERVIEWEE

The racial wealth gap remains stubbornly persistent despite decades of community development investment. Interviewees from our research grappled with what's holding back Black and brown wealth-building and what we can do to catalyze real wealth shifts.

"If you **INVEST IN THE MOST IMPACTED PEOPLE ... EVERYBODY IN THE COMMUNITY DOES BETTER** ... Policymakers, philanthropists . . . elected officials **[NEED TO UNDERSTAND, THE SHORTCOMINGS OF] TRICKLE-DOWN ECONOMICS** . . . We just give to the corporations ... If you invest in the people that are down here, that means you will have . . . people that are more prepared to go into the workforce. You'll have the **KIND OF LABOR YOU WANT AND NEED** . . . You can pay for it on the front end ... or you can **PAY FOR IT ON THE BACK END**, which is **REALLY EXPENSIVE** . . . and also **CREATES A LOT OF INEQUALITY**."

- ANTI-RACIST COMMUNITY DEVELOPMENT INTERVIEWEE

"A lot of market studies are happening around ... **HOW IMPORTANT IT IS TO WORK WITH** ... **MINORITY-OWNED BUSINESSES**, women-owned businesses ... It's all over the place. When we think about procurement, we think about **SHELTERED MARKET PROGRAMS**, all of these great initiatives to create **PATHWAYS TO OPPORTUNITY FOR BLACK AND BROWN BUSINESSES**. Some of the unintended consequences of that is that we have **NOT YET PREPARED BUSINESSES** to take on that ... scope of projects."

- ANTI-RACIST COMMUNITY DEVELOPMENT INTERVIEWEE

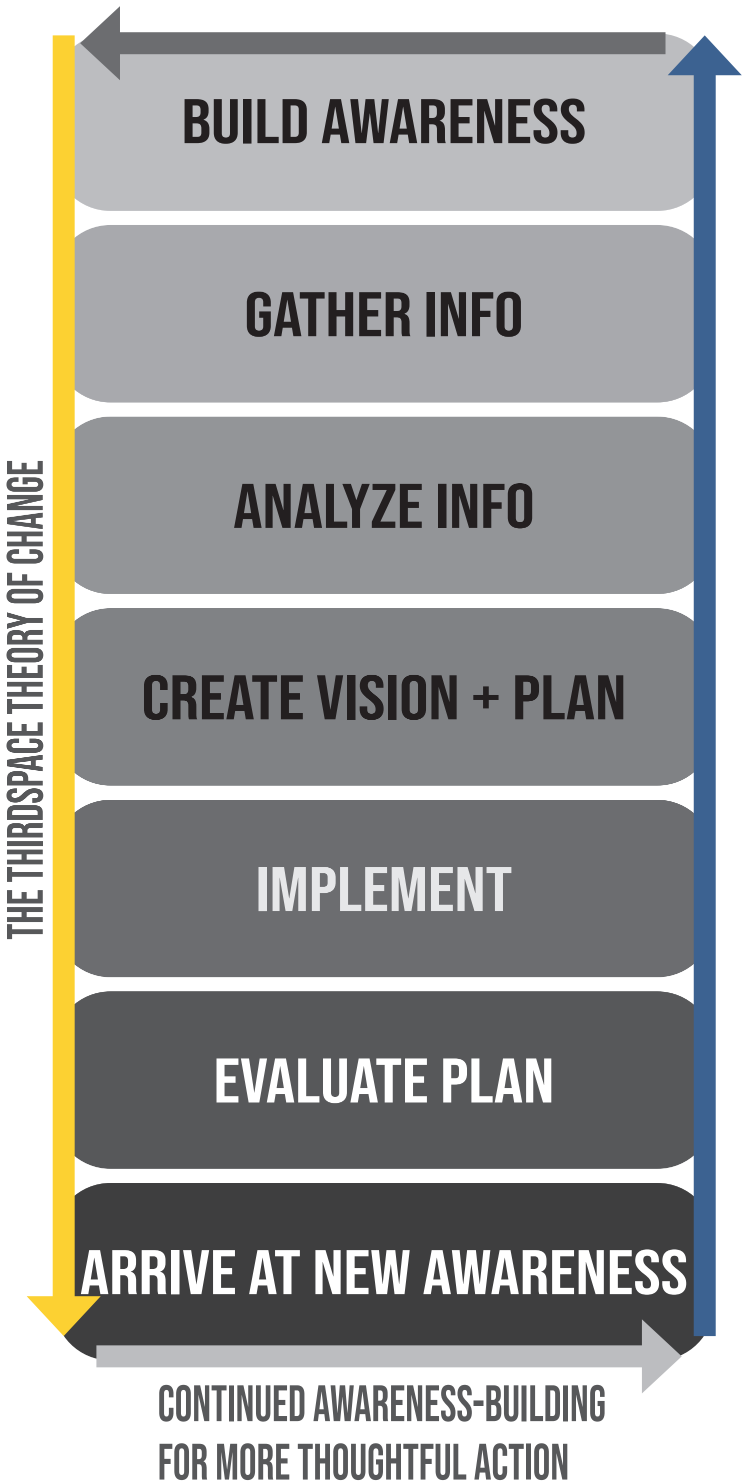
"Everybody right now is **FOCUSED ON THE WEALTH GAP**, but they're focusing on it ... in not great ways, because they don't really understand that **WEALTH IS OWNERSHIP AND NOT SALARIES**, it's **NOT GOOD JOBS** ... If you have a good, stable job, maybe you can then own a home, you can own your apartment. And that's how you build wealth over time. But if we're talking about **GENERATIONAL WEALTH**, and transfer of wealth, we **HAVE TO DO THAT THROUGH OWNERSHIP** – period."

- ANTI-RACIST COMMUNITY DEVELOPMENT INTERVIEWEE

"To determine whether or not we've moved in a more equitable direction, we have to **TAKE A LOOK AT OUTCOMES** ... Are Black and brown businesses getting more access to capital? ... There's a lot of ... **INTENTION TO GO IN THAT DIRECTION**, but I also think that many leaders and organizations ... **DON'T KNOW HOW TO CREATE JUST POLICIES AND PRACTICES** ... There's a huge capacity gap among leaders and organizations that want to do this ... We clearly have **MARKET PROBLEMS**, and there are communities and people that don't get served. To address that need ... makes people think ... that is **SOMEHOW EXCLUSIONARY**, when it really means to just **CENTER THOSE WHO HAVE BEEN EXCLUDED**."

- ANTI-RACIST COMMUNITY DEVELOPMENT INTERVIEWEE

RECONCILING THE LEDGERS: WHAT DO I DO NOW?



So that's our accounting. The math can get seem complicated, but we see some patterns across the ledger that the writers and interviewees shared. While community investment is happening, the racial wealth gap is not closing. While steering investment to communities of low incomes is a core tenet of the sector, concerns about financial risk complicate how those dollars land or if they land at all. Communities of low incomes *do* have a lot of financial assets, and private actors continue to extract resources from them. Despite these challenges, there are practices and policies that show promise for changing circumstances.

So what do we do with those observations? We practice. Sustained structural inequities require sustained structural responses, and that includes stepping back from the status quo to make more informed decisions sector-wide. At ThirdSpace, we believe that structural change requires a continual cycle of awareness-building - reflecting, imagining, evaluating, repeating. We believe the contributors to this issue have provided particularly strong opportunities for us to make how financing and investment works more visibility - gathering information, analyzing it, and then using it to begin to create a vision of our future direction. We offer four prompts for doing that critical work.

OFFERING 1: FOLLOW THE MONEY. To start, we suggest focusing in on one concrete example of a community development investment in a low-income community of color. It can be helpful to look at things like individual line items, overall scale, and the length of time to make the investment happen. At the same time, consider the why behind the numbers. Did the project rely on private donations or public investment? Why? How many different funding sources were required? Why? Did the expenses change from what was originally proposed. Why? Did the project involve debt, and were the terms on that debt favorable to the organization leading the development? Why? The goal isn't necessarily to come to firm conclusions but rather to practice exploring systems + root causes that impact community development financing but are not always visible.

OFFERING 2: CARRY THE ONE. When we focus exclusively on how community development financing works in low-income communities of color, we run the risk of missing key information + inadvertently reinforcing the narratives that we intend to disrupt. That's why ThirdSpace frequently returns to the Racial Equity Institute's markedness theory, which encourages us to dedicate time to considering how things work *outside* of low-income communities of color. Identify a community development investment that is similar to the one you previously examined – ideally in the same city or region to control for local context – but that is being made in a whiter, more affluent community. Is the speed or the scale of the project different thant the first one you examined? Does it leverage the same kinds of funding sources? Are the expenses similar? Do private market and public funding components of the funding look similar? Consider + document why you believe elements of the two projects might be similar or different.

OFFERING 3: DISRUPT THE ARITHMETIC. Even after we start to build up our ability to identify inequities, it can still be daunting to think through more equitable approaches or what it would take to start testing them in concrete ways. Fortunately, we rarely have to build things from scratch. While things like universal basic income or collective ownership or participatory grantmaking can sometimes be treated like brand-new innovations, each has a long track record and lots of associated online resources available for folks who want to explore implementing them. The next part of our test is to start identifying equity practices through key word searches. Consider what kinds of search terms might help you find promising practices around the kind of community development investment you're researching. "Intergenerational housing"? "Loan pool"? "Small business development"? What happens when you pair those key words with ones like "racially equitable" or "racial justice" or "new model"? If you search by file type (such as only looking for .pdfs), does that impact what kinds of materials show up in your search? Identify five documents related to the community development investment you're researching for deeper reading. As you work through these documents, keep an eye out for practical information about how you could test some new equity practices in your own community development work. Are there folks working on these practices that are in your network? Are there potential partners who might have relevant information or expertise around these kinds of practices, such as a Minority Depository Institution serving your local community?

OFFERING 4: PRACTICE A NEW EQUATION. This kind of research work can be time-consuming, but it helps us to consider the status quo and make informed decisions about our future direction. With a better sense of how investments are currently funded, what equitable approaches are being implemented elsewhere, and what potential partners or subject matter experts we could reach out to, we're ready to start building out a vision. Reflecting on everything you've learned, what's a change that you have the power to make in the near- to mid-term? What stands out as a clear personal, institutional, or community priority around this kind of community development investment? What would you need to get started in order to test the concept? In early stages of developing a vision, remember that you may not be able to do everything all at once. We want to lay out an aspirational framework for how we can center racial equity in our work, but we also want to build in opportunities for bringing new voices + perspectives into the work, pausing for learning + evaluating the changes we're implementing, and adjusting our approach based on what we experience. It's all about the practice.

It just takes practice.

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