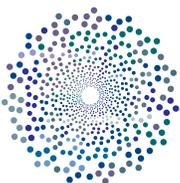
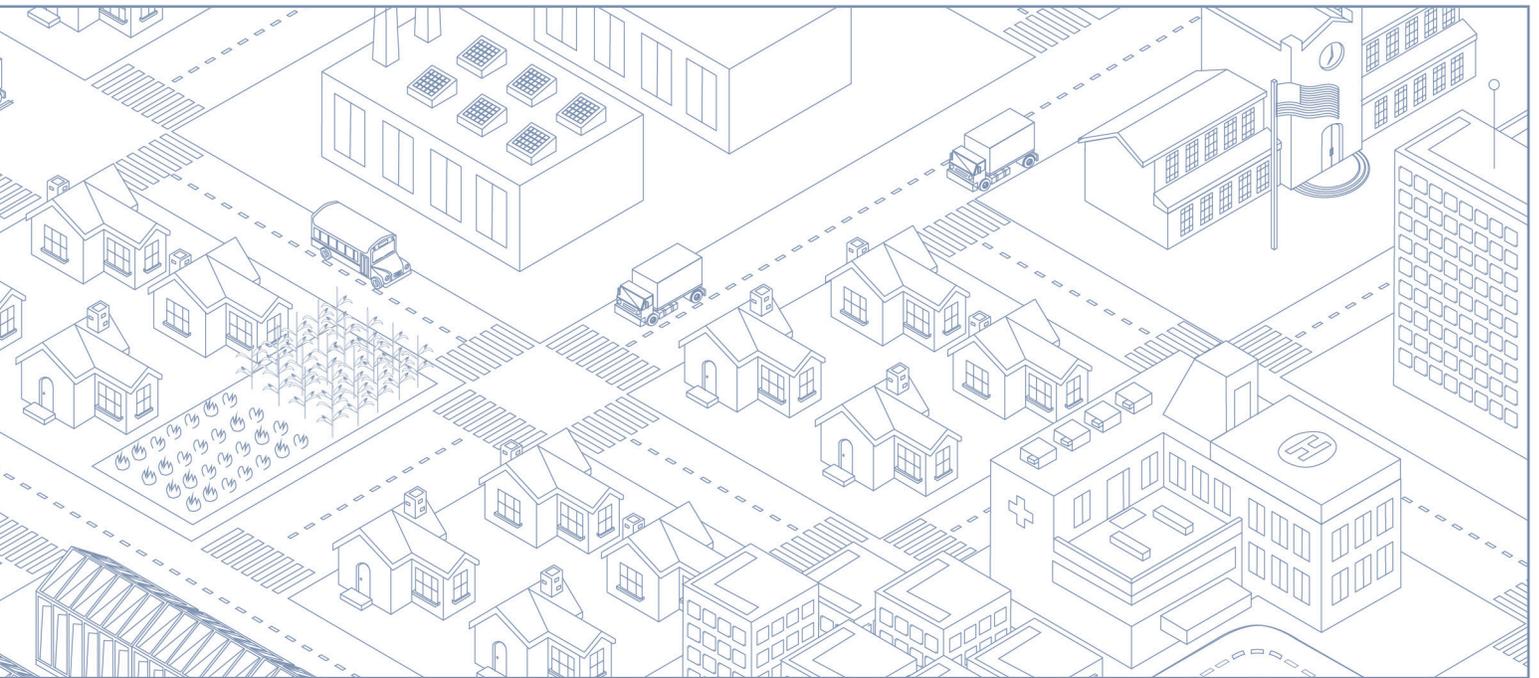


POLICIES FOR COMMUNITY WEALTH BUILDING

Leveraging State and Local Resources



DEMOCRACY
COLLABORATIVE

September 2014

INTRODUCTION

Fostering resilient communities and building wealth in today's local economies is necessary to achieve individual, regional, and national economic security. A community wealth building strategy employs a range of forms of community ownership and asset building strategies to build wealth in low-income communities. In so doing, community wealth building bolsters the ability of communities and individuals to increase asset ownership, anchor jobs locally, expand the provision of public services, and ensure local economic stability.

Effective community wealth building requires rethinking present policies, redirecting resources, breaking old boundaries, and forging new alliances. Over the past few decades, despite limited government support, new and alternative forms of community-supportive economic enterprises have increasingly emerged in cities and towns across the country as an important counter-trend to the increasingly unequal distribution of wealth, income, and opportunity. In contrast to traditional economic development strategies that use local resources to attract outside investment, these wealth-building strategies leverage local resources to generate local equity and community-owned initiatives.

A key need now is to develop and promote policies that can build upon, support, and codify these emerging strategies, especially at the state and local levels, where there are significant opportunities to enact progressive economic development and wealth building policies. As they develop, these experiments in the “state and local laboratories of democracy,” are likely to generate larger national applications.

What follows is a representative survey of some key emerging best practices in state and local policy-making to support community wealth building—designed to support economic inclusion goals, create quality jobs with family-supporting wages, address generational poverty, stabilize communities and the environment, and address growing wealth inequality.

The recommendations below build off our work since 2005 tracking innovative state, local, and national strategies

through our Community-Wealth.org website, where we have paid close attention to the policies that have helped scale and generalize best practices in community wealth building since the emergence of the field. Our recommendations also draw specifically from our work to develop a model national policy to support comprehensive community wealth building in our 2010 report *Rebuilding America's Communities: A Comprehensive Community Wealth Building Federal Policy Proposal*,¹ our 2013 invited proposal of a policy agenda for community wealth building to the Illinois Governor's Task Force on Social Innovation,² as well as our work on the ground with policy makers and economic development officials in cities like Cleveland, Ohio and Jacksonville, Florida.

In what follows, we have tried to highlight both low-hanging fruit—tested policies with proven track records in multiple jurisdictions—as well as more promising aspirational experiments, pointing towards more systemic economic transformation. It has been our experience, as advocates for community wealth building working across the US and beyond, that policymakers and local stakeholders are much more open to transformative measures than one might expect, but only if these measures are grounded in a foundation of empirical rigor and pragmatic realism about the political and economic constraints faced on the ground. We have also found that policies which mobilize broad coalitions of stakeholders in their implementation are much more robust than policies which are identified with the efforts of a single political actor. The selected recommendations below, therefore, focus in particular on “what works” and what works best when communities work together.

1 Gar Alperovitz, Steve Dubb and Ted Howard, *Rebuilding America's Communities: A Comprehensive Community Wealth Building Federal Policy Proposal*, College Park, MD: The Democracy Collaborative, April 2010.

2 Ted Howard, “An Illinois Community Wealth Building Action Agenda,” College Park, MD: The Democracy Collaborative, April 24, 2013, <http://community-wealth.org/content/illinois-community-wealth-building-action-agenda>.

ABOUT THE DEMOCRACY COLLABORATIVE

Since 1999 The Democracy Collaborative has worked to build the deep knowledge, theoretical analysis, practical tools, network of relationships, and innovative models of a new paradigm of economic development in the United States. We call this Community Wealth Building. The hallmarks of this approach include a broad range of mechanisms to (1) refocus public and private resources to expand individual and family assets, (2) broaden ownership over local capital, (3) restore community banks and other local economic institutions, (4) leverage existing assets, such as anchor institutions, for local benefit, and (5) return wealth to communities.

STRATEGIC FOCUS: TRANSFORMING BUSINESS OWNERSHIP AND ECONOMIC DEVELOPMENT

POLICY: CREATE AND SUPPORT EMPLOYEE OWNERSHIP TECHNICAL ASSISTANCE CENTERS

The strength of employee ownership as a wealth building and job creation strategy is clear. Employee ownership today generates \$942 billion in assets for nearly 10.3 million employee-owners—in other words, a *per capita* retirement account balance of over \$91,000.³

In addition to serving as a wealth building strategy, employee ownership is equally effective as a job reten-

tion strategy. As John Logue, the late Founding Director of the Ohio Employee Ownership Center, noted, “The failure to plan for business succession is the number one cause of preventable job loss in this country.”⁴ In his *New York Times* op-ed on employee ownership and business succession, Gar Alperovitz emphasized the size of the stakes, given the impending retirement of millions of boomer-generation business owners. If the infrastructure was in place to help owners realize the sale of their businesses to their employees, two to four million new worker-owned businesses nationwide could be created over the next fifteen years.⁵

Ohio is one of a very small handful of states that already has an organization dedicated to expanding employee ownership. Founded in 1987, the Ohio Employee Own-

3 National Center for Employee Ownership, *A Statistical Profile of Employee Ownership*, Oakland, CA: NCEO, June 2014, <http://www.nceo.org/articles/statistical-profile-employee-ownership>, accessed Sept. 3, 2014.

4 Eric Becker, “What’s Your Exit Strategy,” *Small Business Times*, February 22, 2008.

5 Gar Alperovitz, “The Legacy of the Boomer Boss,” *The New York Times*, July 5, 2013.

ership Center (OEOC), housed at Kent State University, has helped employees buy all or part of 92 companies, creating more than 15,000 employee-owners at a cost of \$772 per job created or retained. As measured in 2013, wealth created *per employee* has averaged \$40,000.⁶

The potential for similar centers to be established in other states is high: indeed, in recent years, centers have been established a few states, including Vermont, Maine, California, and Colorado. Increasingly, having a son or daughter take over the family business is no longer a viable option (most often, children have their own careers in unrelated fields). Additionally, the oncoming rush of baby boomer business owner retirements has resulted in a buyer's market, depressing the sale price of a private sale. Even if a buyer offering an acceptable price to the exiting owner is found, that buyer may have little or no interest in running the business at the same level, or at all, as it currently exists. Shutdowns, relocations, and layoffs can all result from an outside sale. By contrast, employee stock ownership plan (ESOP) companies and worker cooperatives provide mechanisms to allow for a sale in a manner that allows the exiting owner to defer capital gains tax (provided proceeds are reinvested in domestic stock).

POLICY: CREATE LINKED DEPOSIT PROGRAMS TO REDUCE EMPLOYEE OWNERSHIP FINANCING COSTS

A 2008 national study by two Wharton business school researchers (Freeman and Knoll) found that as a result of added productivity of ESOP firms, S-Corp ESOPs alone (roughly 40 percent of all ESOPs) return \$8 billion a year in added federal income tax revenue—four

⁶ Ohio Employee Ownership Center, *The Power of Employee Ownership*, Kent, OH: OEOC, May 2013, <http://www.oecokent.org/wp-content/uploads/2013/05/OEOCFourPagerWeb.pdf>, accessed Sept. 3, 2014.

times the cost of the ESOP tax expenditure. The same study also found that S-Corp ESOPs contributed directly to community economic stability, estimating that annual gains from increased job stability “save employees approximately \$3 billion annually.” Such numbers (studies documenting ESOP effectiveness date back to the 1980s), helped to lead the state of Indiana to place \$50 million in a “linked-deposit” program. The way a linked deposit works is that the state purchases certificates of deposit (on which it earns a low, but positive, rate of interest) that the bank then agrees to re-lend at a below-market rate to finance the ESOP transaction. For example, in 2008, the state of Indiana received 1 percent interest while ESOPs could borrow at 4.25 percent.⁷

POLICY: LEVERAGE PUBLIC DOLLARS TO SUPPORT INCUBATION & ACCELERATION OF SOCIAL ENTERPRISE

Founded in 1997, San Francisco-based REDF provides equity-like grants and business assistance to a portfolio of nonprofits in California to start and expand social enterprises, nonprofit-operated businesses selling goods and services demanded by the marketplace while intentionally employing young people and adults who would otherwise face bleak prospects of ever getting a job. REDF has used an accelerator model that adds value to the nonprofits it supports, the donors who invest, and the field of social enterprise broadly by selecting high-performing nonprofits and delivering customized and coordinated business and capacity-building assistance.

⁷ Stephen F. Freeman and Michael Knoll, *S Corp ESOP Legislation Benefits and Costs: Public Policy and Tax Analysis*, Philadelphia, PA: University of Pennsylvania, Graduate Division, School of Arts and Sciences Center for Organizational Dynamics, July 29, 2008. Aaron Juckett, “Indiana’s ESOP Initiative (IEI),” *The One-Stop ESOP Blog*, Appleton, WI: ESOP Insourcing LLC, May 10, 2008, <http://www.onestopesopblog.com/2008/05/indianas-esop-initiative-ie.html>, accessed Dec. 10, 2008.

Over the past 16 years, REDF has supported 50 social enterprises, which have employed more than 7,500 people and earned revenues of more than \$137.8 million. Such numbers reduce federal social welfare expenditures while increasing tax revenues and employment. These results can be boosted by government investment. Indeed, because of such results, REDF has received support from the federal Social Innovation Fund, which has enabled the group to greatly increase its budget to \$9.6 million and enabled it to expand its operations to Los Angeles.

Of people working for REDF-funded social enterprises who were interviewed from 1998 to 2008, 77 percent were still employed 18 to 24 months after getting a social enterprise job and their average monthly income had nearly doubled.⁸ REDF aims to employ 2,500 a year through the social enterprises it helps boost by 2015. Esther Kim, managing director of REDF, noted that their model is to work with nonprofits to create and/or help grow social enterprises that tend to be wholly owned subsidiaries. Areas where social enterprises operate include construction, janitorial services, temporary staffing, light manufacturing, and recycling and composting services.⁹

POLICY: SUPPORT WORKER COOPERATIVES AS AN ECONOMIC DEVELOPMENT STRATEGY

Although the number of worker cooperatives in the United States is relatively small, there is increasing interest in exploring the use of democratically-owned, one-

8 REDF, “REDF Creates Jobs That Change Lives,” San Francisco, CA: REDF, 2013, <http://www.redf.org/about-redf>, accessed September 3, 2014.

9 Most of these represent businesses that REDF is supporting right now. With light manufacturing, Pioneer Human Services in Seattle is a prominent example.

worker, one-vote businesses as a tool for economic development aimed at helping low-income communities.

While billions of dollars are spent each year on traditional business development subsidies in the name of job creation, subsidizing worker cooperative development can eliminate the middle man, as it were, and direct public money to companies structured to stay owned by the workers whose jobs will be created. As Hilary Abell notes in her report *Worker Cooperatives: Pathways to Scale*, worker cooperatives tend to take the high road when it comes to employment practices, creating jobs that offer pay and benefits above market rates (and in workplaces that can offer empowering opportunities for asset building and professional development). Moreover, cooperatives tend towards greater longevity than traditional firms, increasing the returns on any public investment that’s made to support their development.¹⁰

Most worker cooperative development in low-income communities to date has been primarily led by private nonprofit organizations, which can provide key long-term capacity over the development process. But examples of best practices for city support are beginning to multiply. In Cleveland, for instance, the municipal economic development agency helped provide key early financing for the first of the Evergreen Cooperatives.¹¹ In New York City, the municipal government agreed to provide \$1.2 million in funding to help neighborhood organizations and technical service providers scale up their efforts to develop worker cooperatives. Policymakers in NYC have also pursued key revenue-neutral measures—like updating the city’s economic development assistance materials with information about worker cooperatives—that can further help to catalyze growth in the sector.¹²

10 Hilary Abell, *Worker Cooperatives: Pathways to Scale*, Washington, DC: The Democracy Collaborative: June 2014, p. 11-14.

11 Alison Gold, “At the Table Profile: How Tracey Nichols is Transforming Cleveland (Despite the Recession),” *Living Cities*, March 29, 2012, <http://www.livingcities.org/blog/?id=35>, accessed September 3, 2014.

12 Liz Pleasant, “Worker-Owned Co-ops Get \$1 Million in NYC Spending,” *Yes! Magazine*, June 27, 2014, <http://www.yes-magazine.org/commonomics/worker-owned-co-ops-get-one-million-dollars-in-new-york-budget>, accessed September 4, 2014.

STRATEGIC FOCUS: LEVERAGE YOUR ANCHOR INSTITUTIONS

POLICY: **BUILD CAPACITY TO CHANNEL ANCHOR PROCUREMENT TO THE LOCAL ECONOMY**

Nonprofit anchor institutions like universities and hospitals spend over \$1 trillion a year, but at the current moment, very little of that sizable amount is spent intentionally in a way that can help build local community wealth. Municipal governments can play a key role in developing the connections and capacity that can facilitate rerouting existing anchor purchases to locally owned firms. In Chicago, for instance, the city and county governments have partnered with leading anchors and nonprofits to form Chicago Anchors for a Strong Economy (CASE), which will identify, collect, and collate anchor purchasing opportunities in the metropolitan area and then work intensively with existing local businesses to help them scale their operations to meet these needs.¹³

Elsewhere, city governments are lending support to efforts to create new businesses and connecting them to anchor institution procurement opportunities. Although still in early stages, such anchor incubator efforts are being pursued in Baltimore, Philadelphia, and New York City. For example, the New York City Economic Development Corporation explains that “The LIFT Entrepreneurship Program...will offer entrepre-

neurs affordable incubator work space, business support programming, access to loans, and partnerships with local anchor institutions in order to stimulate economic activity in the area and grow economic opportunities within the community.”¹⁴

Greg Heller, a community developer behind both the Baltimore and Philadelphia efforts, noted that with a 3.5 acre food hub and kitchen incubator in Baltimore, “We’re using anchor institutions and local procurement to seed and accelerate small, local businesses. And that’s really at the core of the project.”¹⁵

POLICY: **CONNECTING PUBLIC HEALTH TO COMMUNITY WEALTH VIA COMMUNITY HEALTH NEEDS ASSESSMENTS**

A particularly strategic policy opportunity to build community wealth has been created by the implemen-

¹⁴ NYCEDC, *NYCEDC Announces a Vision for Webster Avenue, a Major Thoroughfare in the Bronx*, New York, NY: NYCEDC, April 4, 2013. <http://www.nycedc.com/press-release/nycedc-announces-vision-plan-webster-avenue-major-thoroughfare-bronx>, accessed August 27, 2013.

¹⁵ Bill Bradley, “Urban Farm and Incubator Headed for East Baltimore, Can Help Actual Residents,” *Next City*, July 31, 2013, <http://nextcity.org/equityfactor/entry/urban-farm-and-incubator-headed-for-east-baltimore>, accessed August 27, 2013.

¹³ World Business Chicago, “CASE—Chicago Anchors for a Strong Economy,” Chicago, IL: World Business Chicago, <http://www.worldbusinesschicago.com/case>, accessed September 4, 2014.

tation of the Affordable Care Act, which mandates that non-profit medical institutions perform a Community Health Needs Assessments (CHNA) in order to maintain the tax-exempt status they receive as institutions with an important role to play in maintain public health. While the community benefits of hospitals used to be understood in relatively simple terms as the provision of charity care, the strong emerging consensus around poverty as a major factor underlying negative health outcomes has encouraged many forward-thinking hospitals to begin aligning their considerable economic resources with community wealth building efforts, in order to better accomplish their public health mission.¹⁶

The example set by Dignity Health—one of the five largest health systems in the nation, with hospitals in California, Nevada, and Arizona—makes the potential impact clear. Dignity’s focus on addressing poverty and related social determinants of health spurred the creation of its Community Investment Program in 1992. This fund provides low-interest loans to organizations that promote the total health of their communities, whether by providing affordable housing for low-income families, supporting employment and job training, or expanding access to healthcare for the uninsured and underinsured.¹⁷

Currently, Dignity’s Board of Directors has allocated \$80 million from its investment portfolio for the fund.¹⁸ Dignity offers loans from \$50,000 to \$5 million with interest rates that range from 0 to 5 percent (with a blended rate of approximately 3.7 percent). Pablo Bravo, who administers the fund, explains that

the fund’s role is to act as a “patient investor.” In short, Dignity often takes risks in situations that traditional lenders would not (such as predevelopment loans for housing) or in instances where non-traditional lenders would charge substantially higher interest rates. Dignity’s involvement is often critical to drawing in other investors.¹⁹ In FY 2011, Dignity reported that its program loans helped finance the construction of more than 16,000 units of housing and eight nonprofit facilities serving children, youth, women, families, seniors, and individuals who are disabled and/or homeless, as well as assisted in keeping open 28 community health clinics during California’s budget crisis. Overall, these investments helped leverage an additional \$160 million in capital.²⁰

Cities and states can play a key role here, especially where contentious issues around labor, real estate practices, and tax exemptions of large hospitals are being raised. Municipal governments can help bring the emerging paradigm around community benefit into clearer focus for local stakeholders, underscoring the link between public health and community wealth. With the substantial benefits that local investment by anchor institutions in job creation and affordable housing can offer for building the local tax base, local advocacy for such approaches may prove to be more politically realistic (and ultimately more transformative for the local economy) than purely revenue-based tools like PILOTs.²¹

16 David Zuckerman, “Hospitals As Anchor Institutions: Linking Community Health and Wealth,” *Commons Health*, February 22, 2013, <http://www.commonshhealthcare.org/blog.php?s=hospitals-as-anchor-institutions-linking-community-health-and-wealth>, accessed September 14, 2014.

17 Pablo Bravo, telephone interview by David Zuckerman, May 1, 2013.

18 Pablo Bravo, who administers the fund, noted that CIP has authorization to request up to 5 percent of unrestricted system funds, or more than \$300 million, if he could identify additional investment opportunities. For the last 10 years, the fund has remained relatively fixed around \$80 million. Pablo Bravo, telephone interview by David Zuckerman, May 1, 2013.

19 Pablo Bravo, *Panel #3: Investing in Innovation for Thriving Communities and Healthy People*, San Francisco Federal Reserve, Apr 5, 2012, <http://www.youtube.com/watch?v=BIeprbF082c>, accessed August 28, 2013.

20 David Zuckerman, *Hospitals Building Healthier Communities: Embracing the Anchor Mission*, College Park, MD: The Democracy Collaborative at the University of Maryland, March 2013, p. 54.

21 For an analysis of this possible politics at the city level, see Gar Alperovitz and Steve Dubb, “The New Alliance: Organizing for Economic Justice, Building a New Economy,” Washington, DC: The Democracy Collaborative, March 2013, <http://democracycollaborative.org/the-new-alliance>.

STRATEGIC FOCUS: BANKING THAT WORKS FOR COMMUNITIES

POLICY: DEVELOP “BANK ON” INITIATIVES

“Bank On” initiatives bring unbanked and underbanked individuals into the mainstream financial system through interventions that are low cost and responsive to the needs of both consumers and providers of basic financial services. The Bank On model is driven by partnerships, requiring the cooperation and collaboration of municipal leaders, community organizations, financial institutions, and other community stakeholders.²²

22 Bank On, *What is Bank On?*, Bank On, 2012, <http://join-bankon.org/about/>, accessed Aug 28, 2013. *Banking On Opportunity: A Scan of the Evolving Field of Bank On Initiatives*, Washington, DC: US Department of the Treasury Office of Financial Education and Financial Access, November 2011.

Research from the Brookings Institution shows that the average unbanked person spends approximately five percent of net income on unnecessary fees. For a lower-to-medium income worker, this amounts to about \$1,000 in fees per year.²³

San Francisco pioneered Bank On in 2006. Launched in 2008, Bank On Seattle-King County was the second in the nation. During its first two years, Bank On Seattle-King County documented the opening of over 54,000 new accounts for previously unbanked customers. The average balance in checking accounts was \$652 and in savings accounts it was \$932.²⁴ Since then, more

23 Matt Fellowes and Mia Mabanta, *Banking on Wealth: America's New Retail Banking Infrastructure and Its Wealth-Building Potential*, Washington, DC: Brookings Institution, 2008.

24 Financial institution and community partners agree that the Bank On S-KC has provided Seattle's unbanked residents an unprecedented opportunity to access mainstream financial services

than 75 cities, counties, and even states have started Bank On initiatives.²⁵

Across existing Bank On initiatives, participating partners range from local universities, advocates for people with disabilities, utility companies, media partners (such as Univision and other ethnic media outlets), local businesses, police officers, former local elected officials, marketing firms, and state officials. Participating financial institution partners comprise a combination of large national banks, community and regional banks, credit unions, and community development financial institutions. Typically, Bank On initiatives involve between eight and twelve financial institution partners.²⁶

On average, it takes local partners between six and eighteen months to fully implement a Bank On initiative. For nearly 90 percent of Bank On initiatives, one or more staff from a city agency or community organization dedicates a portion of their hours to manage the program. If linked to other individual wealth building and preservation strategies, Bank On initiatives can expand their impact. Bank On can connect individuals with other asset-building opportunities, such as connecting Earned Income Tax Credit (EITC) and volunteer income tax assistance (VITA) sites. Such initiatives can also be used to connect customers to other public benefits and social services.²⁷

and high quality financial education. National League of Cities Institute for Youth, Education and Families, *Banking On Opportunity: A Scan of the Evolving Field of Bank On Initiatives*, Washington, DC: US Department of the Treasury Office of Financial Education and Financial Access, November 2011, 4, pp. 64-81.

25 Bank On, *Bank on Programs*, Bank On, 2012, <http://joinbankon.org/programs/>, accessed August 28, 2013.

26 *Banking On Opportunity: A Scan of the Evolving Field of Bank On Initiatives*, Washington, DC: US Department of the Treasury Office of Financial Education and Financial Access, November 2011, p. 18. Matt Fellowes and Mia Mabanta, *Banking on Wealth: America's New Retail Banking Infrastructure and Its Wealth-Building Potential*, Washington, DC: Brookings Institution, 2008.

27 *Banking On Opportunity: A Scan of the Evolving Field of Bank On Initiatives*, Washington, DC: US Department of the Treasury Office of Financial Education and Financial Access, November 2011, pp. 17, 38. Matt Fellowes and Mia Mabanta, *Banking on Wealth: America's New Retail Banking Infrastructure and Its Wealth-Building Potential*, Washington, DC: Brookings Institution, 2008.

POLICY: IMPLEMENT RESPONSIBLE BANKING ORDINANCES

Many cities around the country have implemented responsible banking ordinances to begin to leverage city deposits to encourage local financial institutions to increase responsible lending, investments, and financial services in low-income and minority communities. These ordinances aim to hold financial institutions publicly accountable and increase their responsible lending and investing in underserved areas.²⁸

In 1991, Cleveland became the first city to adopt a responsible banking ordinance. To date, at least 10 cities have passed such policies, most within the last two years.²⁹ Although each city ordinance differs in language, the major components of each include provisions regarding oversight bodies, annual data disclosure, reinvestment plan requirements, evaluation methods, public participation, affidavits, anti-predatory safeguards, and branch closure notices. The National Community Reinvestment Coalition, an association of more than 600 community-based organizations that promotes access to basic banking services, provides model legislation as a template for cities, drawing on the innovative elements of ordinances passed nationwide.³⁰

Cleveland provides an example of how these ordinances can benefit communities in need. Since its adoption, the City has negotiated more than \$10 billion dollars in Community Reinvestment Act agreements with depository banks.³¹ Additionally, although

28 National Community Reinvestment Coalition (NCRC), *Summary of Local Responsible Banking Ordinances*, Washington, DC: NCRC, July 2012.

29 Cities include Boston, Cleveland, Kansas City (Missouri), Los Angeles, Minneapolis, Philadelphia, Pittsburgh, Portland (Oregon), San Diego, Seattle, New York, and Hennepin County, Minnesota.

30 NCRC, *Summary of Local Responsible Banking Ordinances*.

31 John Farley, "Q&A with Cleveland on Responsible Banking Law, New in NYC," *Weekend Edition*, New York, NY: WNET,

2011 marked the first time in 15 years that more bank branches closed than opened in the United States, the number of branches among local depository banks in Cleveland remained stable between 2008 and 2011—during the worst lows of the Great Recession. In addition, since 2008, six new branches have opened in low- or moderate-income census tracts within the city.³²

POLICY: PURSUE PATHS TO PUBLIC BANKING

The Bank of North Dakota, a legacy of the populist era founded in 1919, has provided much inspiration for contemporary efforts to imagine a financial system decoupled from the short-term profit imperatives of Wall Street.³³ Rather than deposit state funds in a large commercial bank with no vested interest in North Dakota's economy, the state deposits those funds in the state-owned bank, which is then able to use those funds to advance a healthier local economy by lending to community banks based in the state, reducing the cost of borrowing for small businesses, and even allowing residents to consolidate and reduce student loan payments.³⁴ In doing so, it not only provides a key countercyclical banking institution that has helped the state better weather economic downturns, but it even turns a profit, which is returned to the state's general fund.

May 25, 2012, <http://www.thirteen.org/metrofocus/2012/05/qa-with-cleveland-on-responsible-banking-law-new-in-nyc>, accessed May 11, 2014.

32 Rose Zitello, *How to use local Banking services Ordinances to increase investment in your community*, presentation to the National Community Reinvestment Coalition, Washington, DC: NCRC, April 19, 2012, <http://www.slideshare.net/NCRC/rose-zitello-l-conferencepresentation>, accessed May 11, 2014.

33 Bank of North Dakota, "Bank of North Dakota history," http://banknd.nd.gov/about_BND/history_of_BND.html, accessed September 5th, 2014.

34 Mike Nowatzki, "New Bank of ND program lets residents consolidate student loans," *Prairie Business Magazine*, April 22, 2014, <http://www.prairiebizmag.com/event/article/id/18745/>, accessed September 2, 2014.

While at least 20 states have considered implementing some form of public banking, to date nothing as ambitious as North Dakota's nearly century-old experiment in public ownership has been launched. Increasingly, however, advocates are focusing on policy opportunities that begin to deploy the principles behind the Bank of North Dakota without needing to first create an entirely new banking institution. For instance, in Reading, Pennsylvania—one of the country's poorest cities—the municipal government is exploring the creation of a city-led partnership that could, building on the precedents around responsible banking ordinances, shift municipal deposits to local community banks who would then help the city finance key revitalization efforts.

At the state level, many of the functions envisioned for a public bank are already carried out by one or another agency, like infrastructure funds or economic development agencies. Policies allowing these existing loan-making programs to leverage state deposits could help to reduce state dependence on bond issues and allow them to make more investments in local communities. In retail banking, there is a similar approach that would expand the remit of an existing public institution. Senator Elizabeth Warren and Postal Service Inspector General David C. Williams recently called for the introduction of basic banking services at USPS branches, a move that would simultaneously diversify the post office's revenue stream while providing key brick and mortar financial services in underbanked neighborhoods.³⁵

35 Kimberly Palmer, "What Happens if the Post Office is Your Bank?" *US News and World Report*, August 13, 2014, <http://money.usnews.com/money/personal-finance/articles/2014/08/13/what-happens-if-the-post-office-is-your-bank>, accessed September 4, 2014.

STRATEGIC FOCUS: VACANT PROPERTY & AFFORDABLE HOUSING

POLICY: **CREATE CITY LAND BANKS**

Abandoned, vacant, and tax delinquent property remain an issue for many urban jurisdictions. The foremost goal of land banks is to return properties to “productive use.”³⁶ Land banks help cities enhance their ability to dictate development patterns and make public investments.³⁷

Cities have often dealt with abandoned and tax-foreclosed properties by selling tax liens to speculators. However, with this strategy, investors are not compelled to collect the full amount of delinquent taxes (owed in order for the property owner to redeem the lien), to encourage use of the property.³⁸ This creates long-term costs to the city and to affected communities, with abandoned properties lowering the value of surrounding properties, decreasing overall tax revenues, and increasing the costs of public services, such as police and public safety, as these properties are frequently affected by crime.

Land banks have many benefits. Early adopters include St. Louis, Missouri in 1971; Louisville, Kentucky in 1989; Fulton County/Atlanta, Georgia in 1991; and Genesee County (Flint), Michigan in 2002. In recent years, spurred in large measure by foreclosures stemming

from the Great Recession, many jurisdictions have adopted land bank legislation. At the city and county level, leading examples include Cuyahoga County (Cleveland), Ohio (2008); Kansas City, Missouri (2012); Cook County (Chicago), Illinois (2013); and Philadelphia (2014). States passing enabling legislation include New York (2011), Georgia (2012), Pennsylvania (2012), and Nebraska (2013).³⁹ Local authorities continue to explore land banks for their many advantages, including:

- Land banks promote public welfare. For example, the Genesee County Land Bank Authority offers foreclosure prevention services, housing renovations, side lot transfers, conversion of vacant lots into gardens and green space, planning and outreach, demolitions, property maintenance, development, brownfield redevelopment, and sales.⁴⁰
- Land banks and “land bank-enabling legislation” (related to title transfers, tax foreclosure processes, tax policy) help public entities overcome and navigate legal and administrative barriers to property acquisition and disposition, thus limiting the time for which an abandoned property remains idle.⁴¹

39 Sarah Toering and Kim Graziani, *Land Banking 101 Training*, Philadelphia, PA: Reclaiming Vacant Properties Conference, September 9, 2013. On Philadelphia’s recent land banking law, see: Claudia Vargas, “Nutter signs land bank bill, says launch could take a year,” *Philadelphia Inquirer*, January 15, 2014, http://articles.philly.com/2014-01-15/news/46188750_1_land-bank-tax-delinquent-properties-vacant-land, accessed May 11, 2014.

40 U.S. Department of Housing and Urban Development (HUD), *Revitalizing Foreclosed Properties with Land Banks*, Reston, VA: HUD, August 2009, p. 10.

41 Frank Alexander, *Land Banks and Land Banking*, pp. 7, 9.

36 Frank Alexander, *Land Bank Authorities: A Guide for the Creation and Operation of Local Land Banks*, New York, NY: Local Initiatives Support Corporation, April 2005, p. 30.

37 Frank Alexander, *Land Banks and Land Banking*. Flint, MI: Center for Community Progress, June 2011, p. 18.

38 Frank Alexander, *Land Banks and Land Banking*, p. 50.

- Land banks encourage development in particularly blighted areas, where taxes owed on the property far exceed the property's market value.⁴²
- Land banks are helpful in assembling parcels of land that are too small or oddly shaped to be marketable for affordable housing development.⁴³
- Land banks generate revenue from sales or rental income as well as tax recapture.⁴⁴
- Land banks offer municipalities greater discretion in long-term community and land use planning.⁴⁵

POLICY: **SUPPORT PERMANENT AFFORDABILITY WITH COMMUNITY LAND TRUSTS**

The community land trust (CLT) model is gaining increasing recognition for its ability to mitigate the negative consequences of an unregulated, speculation-fueled housing market while also allowing residents the opportunity to build assets through its shared equity approach. From a policy perspective, the CLT is especially attractive because it maximizes the effect of any subsidies by ensuring permanent affordability, not just affordability for the initial homebuyer. In effect, each homebuyer agrees to “pay it forward” by capping the amount of profit they can realize on the sale of their house, thereby ensuring that the next family receives the same opportunity they themselves did. Moreover, even in a down market, community land trusts have significant community stabilizing benefits. A survey

42 HUD. *Revitalizing Foreclosed Properties with Land Banks*, p. 3.

43 HUD. *Revitalizing Foreclosed Properties with Land Banks*, p. 3.

44 Frank Alexeander, *Land Banks and Land Banking*, p. 49.

45 Frank Alexander, *Land Bank Authorities*, p. 35. See also Dan Kildee and Amy Hovey, *Land Banking 101: What is a Land Bank?* Flint, MI: Center for Community Progress, p. 4.

conducted by the National Community Land Trust Network in December 2008 found that “Community Land Trust homeowners were far less likely to be delinquent on their mortgages or in foreclosure than other homeowners in the United States. While 3.3 percent of all homeowners were facing foreclosure proceedings at the end of 2008, 0.52 percent of CLT homeowners’ mortgages were in foreclosure.”⁴⁶

Federal HOME dollars and other state and federal housing grants could be shifted to support permanently affordable housing models, such as community land trusts, that enable families to begin to accrue assets while maximizing the full impact of the public subsidy.

Traditionally federal HOME dollars have been used to subsidize homeownership through providing “soft seconds” (downpayment money with zero interest that doesn’t have to be repaid until sale) or even outright grants to income-qualified families. As Rick Jacobus and Jeff Lubell noted in a 2007 Center for Housing Policy report: “Many programs designed to assist first-time homebuyers ... have no provisions preventing the assisted family from selling the unit and realizing a windfall the day after the home is purchased. What naturally happens is that as the amount of per-household subsidy rises, programs become more concerned about preserving the value of public subsidies and turn from grants to loans and then to “shared equity” approaches...” Jacobus and Lubell have developed a model that assumes \$50,000 in subsidy in year one, housing prices rising at an average rate of six percent and incomes three percent. If the house is owned by a community land trust, the one-time subsidy of \$50,000 is adequate to ensure permanent affordability. Assuming an average residency of seven years, over 35 years the \$50,000 subsidy is sufficient to finance affordable housing for five families. By contrast, to provide housing to the same five families using standard loan products as described above would cost \$820,000.⁴⁷

46 Marge Misak, Roger Lewis, and Yesim Sungu-Eryilmaz, *2008 Foreclosure Survey*, Portland, OR: National Community Land Trust Network, October 2009.

47 Rick Jacobus and Jeff Lubell, *Preservation of Affordable Homeownership: A Continuum of Strategies*, Washington, DC: Center for Housing Policy, April 2007.

STRATEGIC FOCUS: INVESTING IN COMMUNITIES

POLICY: **PROMOTE COMMUNITY INVESTMENT FUNDS**

A community investment fund is a policy instrument that provides low-interest loans to projects and programs for underserved communities and populations. Policy makers can play a key role in helping to catalyze such funds with public support and initial seed capital. For instance, in Pennsylvania, an initial \$30 million state grant created the Pennsylvania Fresh Food Financing Initiative (FFFI) in 2004. Over a six year lifetime, FFFI leveraged an additional \$145 million in private investment assembled by a CDFI partner to finance 88 projects across the state, all designed to eliminate “food deserts” and expand access to healthy food by opening grocery stores and supermarkets in low-income communities. Estimates indicate that this initiative created over 5,000 jobs and developed 1.67 million square feet of commercial space.⁴⁸

Even in jurisdictions where an initial investment of public money may be less feasible, there are still important roles for smart policy to play in catalyzing access to below-market and or patient capital in low-income communities. Nonprofit institutional endowments can be a tremendous resource in this process. For example, the University of Cincinnati dedicated more than 10 percent of its endowment, or \$150 million, for low-interest loans to development projects in the surrounding Uptown neighborhood.⁴⁹ Catholic Health Initiatives, the third largest faith-based health system in the coun-

48 The Reinvestment Fund, “Pennsylvania Fresh Food Financing Initiative,” <http://www.trfund.com/pennsylvania-fresh-food-financing-initiative/>, accessed September 6th, 2014.

49 Gerald A. Seigert, “Implementing Community Development At The University of Cincinnati,” Treasury Institute for Higher Education Symposium, January 26, 2009, p. 21.

try with more than 86 hospitals, has lent out more than \$44 million in low-interest loans since 1999.⁵⁰ With more than \$5.2 billion in revenue annually, St. Joseph Health System, located in California, Texas, and New Mexico, commits three percent of its investment portfolio into its Community Investment Fund.⁵¹ One way for a city or state government to encourage such transformative investments in local communities might be to offer loan guarantees to anchor institutions, who may be willing to accept a lower rate of return on investments that will also help advance their mission, if the risk of default is mitigated.

POLICY: **LEVERAGE PUBLIC PENSION FUNDS FOR THE PUBLIC GOOD**

Since 1990, the Retirement System of Alabama has invested \$5.6 billion or 10 percent of the corpus of the pension fund in investments within the state to spur economic development. A 2012 study commissioned by the RSA of these investments estimated that the returns from these investments were greater than if they had been invested in traditional pension fund invest-

50 Catholic Health Initiatives, “About Us,” Englewood, CO, Catholic Health Initiatives, 2013, <http://www.catholichealthinit.org/about-us#>, accessed Aug 28, 2013. Catholic Health Initiatives, Direct Community Investment Program, Englewood, CO, Catholic Health Initiatives, 2013, <http://www.catholichealthinit.org/direct-community-investment-program>, accessed Aug 28, 2013.

51 St. Joseph Health, “Community Investment Fund,” Irvine, CA: St. Joseph Health, <http://www.stjhs.org/SJH-Programs/SJH-Community-Partnership-Fund/Community-Investment-Fund.aspx>, accessed Aug 28, 2013.

ments. Other states and cities likewise invest pension dollars locally.⁵² In New York City, economically targeted investments (ETI) totaling close to \$2 billion have been made by the New York City Retirement System, which has helped to fund the renovation, new construction, or financing of over 30,000 units of affordable housing and many small retail spaces, as well as childcare and senior citizen centers.⁵³

Using pension funds in this way is especially strategic from a policy perspective since it only involves redirecting existing pension investments, with no new net expenditure. While there is some risk of lower returns, it is often the case that such investments earn higher returns, as well as generating non-pension returns (i.e., more tax revenue for the state or city).

STRATEGIC FOCUS: BUILD COMMUNITY WEALTH

There is considerable opportunity for the kind of measures outlined above to be mutually reinforcing, especially if a conscious effort is made to align effort to build community wealth for maximum impact. Recognizing this, numerous cities have begun to build capacity to explicitly engage local stakeholders in a broader community wealth building agenda. For instance, the late Mayor Choke Lumumba intended such an effort to be a keystone of his efforts to rebuild the economy of Jackson, Mississippi. While his untimely demise took this off the table as a policy option, his supporters are continuing to pursue a community wealth building initiative at the grassroots level (with the assistance of the Democracy Collaborative and other organizations). In Jacksonville, Florida, Mayor Alvin Brown convened a Community Wealth Building Roundtable in March of 2014, bringing community and faith leaders, elected

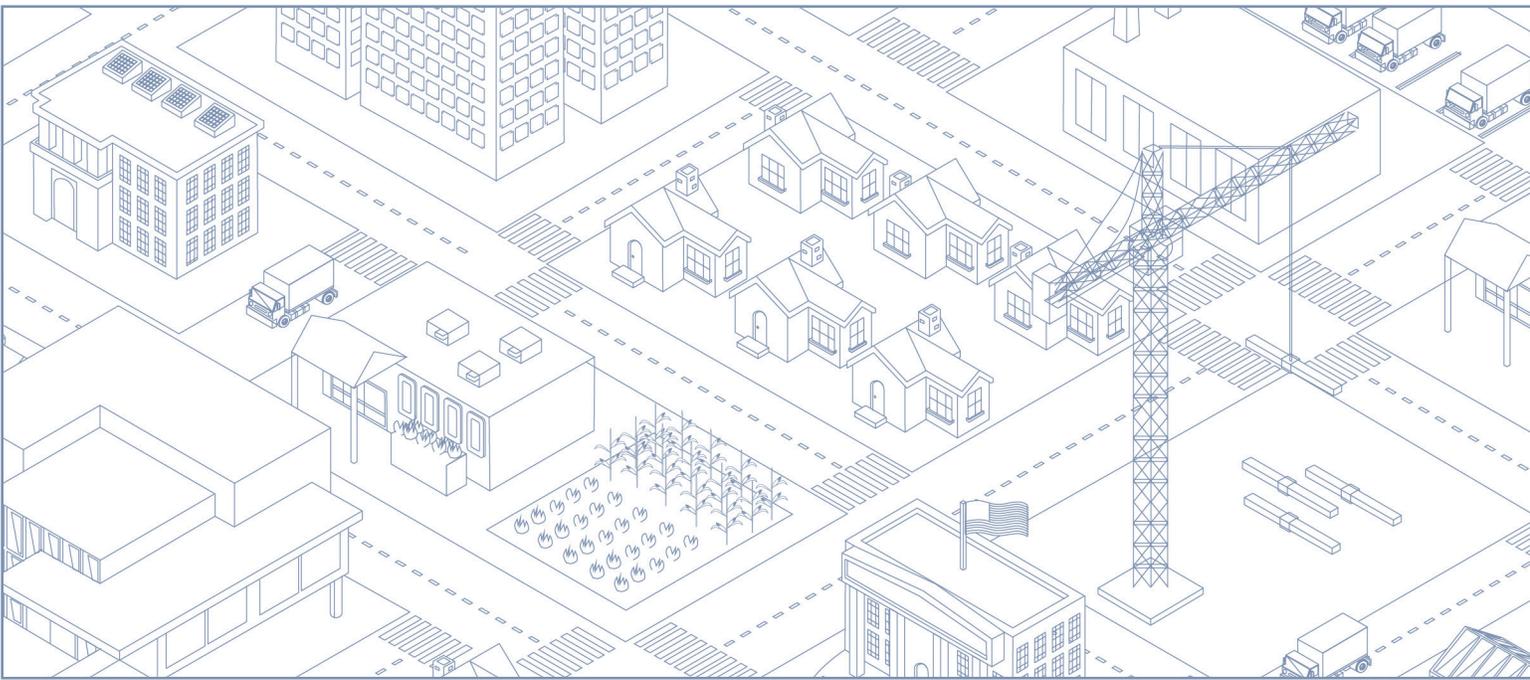
officials, local anchor institutions, and key philanthropic partners together for a discussion on how they could work together to advance a vision of a stronger, more equitable economy in historically marginalized Northwest Jacksonville neighborhoods.⁵⁴ In Richmond, Virginia, Mayor Dwight Jones has gone a step further and created a standing Office of Community Wealth Building, headed by University of Richmond professor Thad Williamson, and designed to coordinate the “housing, education, transportation, economic development and jobs planks” of the mayor’s large-scale anti-poverty initiative.⁵⁵ **By developing the capacity to develop policy, implement projects, and engage stakeholders in ways that go beyond single issues, state and local governments can set the stage for more effective and comprehensive efforts to combat and overcome poverty, disinvestment, and displacement. ●**

52 Russell Hubbard, “In-state investments by the Retirement Systems of Alabama paying off, board told,” May 30, 2012, *The Birmingham News*, http://blog.al.com/businessnews/2012/05/in-state_investments_by_the_re.html, accessed September 6th, 2014.

53 New York City Comptroller, “Economically Targeted Investments,” <http://comptroller.nyc.gov/general-information/economically-targeted-investments/>, accessed September 6th, 2014.

54 Steve Dubb and David Zuckerman, *Building Community Wealth: An Action Plan for Northwest Jacksonville*, June 2014, Washington, DC: The Democracy Collaborative, <http://community-wealth.org/jacksonville>.

55 Tina Griego, “The Former Capital of the Confederacy’s all-out plan to fight poverty—and confront its past,” September 2nd, 2014, *The Washington Post*, <http://www.washingtonpost.com/news/storyline/wp/2014/09/02/former-capital-of-the-confederacy-all-out-plan-to-fight-poverty-and-confront-its-past/>, accessed September 6th, 2014.



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