Impact Investing for Rural Wealth Creation
Investing for financial returns and community impact

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Acknowledgments

Special gratitude is due to the many who contributed to this report and project. Valuable guidance and feedback at many points in the process were contributed by Barbara Wyckoff and Shanna Ratner of Yellow Wood Associates. Thanks to Wayne Fawbush of the Ford Foundation and Deborah Markley of the RUPRI Center for Rural Entrepreneurship for their oversight of this project. The authors also wish to extend thanks to Core Team members of the Impact Investing for the Black Belt project, who attended an August 2010 meeting in Birmingham and a November trip to New England, as well as contributing other research, as part of their leadership role in developing the project’s strategy. Core Team members were Abina Billups, economic development consultant; Melanie Bouyer of Seedco Financial; Joelle Crawl, Federation of Southern Cooperatives; Rep. Earl Hilliard, Alabama state representative; Ivan Holoway of Seedco Financial; Charles Lewis of the Birmingham Change Fund; and Balla Masemola, engineer in alternative energy. Thanks to Seedco Financial for hosting the Birmingham meeting and to Coastal Enterprises Inc. for working with the team in Maine.
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Published November 2010 by Tellus Institute, 11 Arlington St., Boston, MA 02116, and Emerging ChangeMakers, Mobile, AL, on behalf of the Wealth Creation in Rural Communities project of the Ford Foundation. A PowerPoint based on this report is available at http://tellus.org/publications/files/ImpactInvesting-Birmingham8-31-10.ppt.

Breanna Byrd already knows she wants to study foreign languages in college, because of the tools and community she found at the Southside Community Outreach Center near Durham, N.C., which was funded in part through investments through the Calvert Foundation.
From massive multi-billion dollar state pension funds to individuals of relatively modest wealth, investors across the spectrum are increasingly seeing the attractiveness of investing their assets for multiple returns — receiving reliable financial returns as they also improve their communities and the environment. This kind of investing is being termed impact investing. It holds substantial promise for both rural communities and those who seek to invest in them. As Steven Godeke and Raul Pomares wrote in a recent report for Rockefeller Philanthropy Advisors, impact investing, “for all its challenges, may ultimately prove to be the most prudent form of investing.”

Rural communities, particularly in the South, face devastating economic impacts of persistent poverty, natural disasters, and land loss. At the same time, these communities are experiencing the shortcomings of traditional approaches to economic development — such as mountaintop coal mining, clear-cut logging, or giving tax breaks to businesses that ultimately shut down or leave the community. Yet as these old paths to development are closing, new paths are opening. Rural communities are discovering new ways to benefit from the unique assets they possess. The natural resources that form the base of rural communities are today being valued in new ways, with rising demand for forest stewardship, organic agriculture, sustainable fisheries, renewable energy, wetlands restoration, land conservation, carbon sequestration, and more. Rural communities are also learning to tap other kinds of assets, such as social networks, entrepreneurial ability, opportunities for energy efficiency, and knowledge assets provided by community colleges. When these and other resources are developed in innovative ways — and creatively combined with financial assets — there is significant potential to build multiple forms of local wealth. These forms of wealth can include living wage jobs, restored buildings, new lines of business like sustainable seafood and certified lumber, new partnerships with those outside the community, the awakening of different kinds of knowledge, and clusters of connected and thriving businesses.

From the investor side, a related set of shifts are underway. Traditional forms of investing, aimed at maximizing short-term financial returns, are showing signs of widespread failure, both for investors and for the economy. Hedge funds and other shadow banking institutions have constructed convoluted financing vehicles that have wreaked havoc across the globe. Family housing values and retirement portfolios have suffered. Investors have become increasingly wary of the stock market’s unpredictability and are searching for safer, less volatile ways to invest. As this turmoil in the traditional economy continues, an emerging community-based, living economy is beginning to thrive. There are expanding opportunities for investing for beneficial community and environmental impact, combined with stable financial returns.

Part I: The growing world of impact investing

To take the best example from the growing and increasingly sophisticated world of impact investing, consider the expanding industry of community development financial institutions, or CDFIs. From its beginnings in the 1970s, this field has grown to encompass more than 1,200 CDFIs in all 50 states. These are mission-driven financial institutions that exist to provide financial services to low-wealth communities underserved by...
traditional banks. They can take the form of banks, credit unions, loan funds, venture capital funds, community development corporations, or microenterprise loan funds. As the CDFI Coalition put it, “All are united in their primary mission of community development.” These institutions provide loans and investments to finance businesses, build daycare or health-care centers, and create affordable housing, while also providing technical assistance needed by borrowers. They are supported, in part, by the U.S. Treasury Department’s CDFI Fund, which since its creation in 1994 has awarded more than $1.1 billion to CDFIs, and has issued more than $26 billion in New Markets Tax Credits. These tax credits — given for community-based projects — enable investors in these projects to supplement traditional financial returns with substantial savings on income taxes. Through the combined impact of a variety of tools, investors can do good for the community as they do well for their investing portfolios.

Alabama — to take one Southern state — has more than a dozen CDFIs. Seedco Financial, for example, is a CDFI loan fund with a triple-bottom-line focus that has operations in Birmingham, Ala., New York, and Louisiana; it has $200 million in assets under management and does small business lending and micro-lending, as well as providing technical assistance to borrowers. Also in Birmingham there is New Home Community Development Federal Credit Union, founded in 1996 by New Hope Baptist Church as a way to serve low-income neighborhoods. There is the Coastal Waters Federal Credit Union in Mobile, and other similar institutions in cities large and small, from Tuscaloosa and Tuskegee to Bessemer, Demopolis, Eutaw, and Stevenson.

From an investor perspective, many of these institutions function like traditional banks, offering investing vehicles such as checking and savings accounts and certificates of deposit. Investors can often enjoy Federal Deposit Insurance Corporation (FDIC) protection, as they can at any bank, while at the same time knowing they are channeling needed funds to local communities. Some community-oriented banks have even developed special tools — like a targeted certificate of deposit — which Wainwright Bank in Boston created, to allow investors to channel their CD investments directly to Equal Exchange, a worker-owned fair-trade coffee and chocolate company.

Community-oriented financial institutions in many cases have proven a haven in these troubled times. For example, credit unions remained more financially sound than much of the banking industry in the wake of the financial crisis. The New York Times reported in 2009 that, at a time when mega-banks were receiving billions in bailouts, the vast majority of credit unions needed none. During boom times, they had remained conservative lenders, generally holding onto loans rather than selling them off, which gave them incentive to care whether loans would be repaid. That led to stable financial performance when the crisis hit.

CDFIs have not, of course, been left unscathed by the downturn — particularly those that operate in low- and moderate-income areas where housing values have been dropping and people have been losing jobs in growing numbers. The most high-profile example of this was the August 2010 failure of ShoreBank in Chicago, a community bank which since 1973 had been a pioneer in the CDFI industry. In a positive ending to the story, the bank’s

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1 Wainwright Bank announced in June 2010 it was being acquired by Eastern Bank, the largest mutually owned bank in New England, in a process expected to be completed by late 2010 (http://www.businessweek.com/ap/financialnews/D9GL02R02.htm).
Impact investing is a term that has emerged relatively recently, yet is attracting growing usage. It means making investments that generate financial value as well as social and environmental value. It is a term that represents an emerging alternative to the more traditional label, socially responsible investing (SRI), which has enjoyed the widest use over decades. It is useful to be aware that language in the field is rapidly shifting today, and there is not widespread agreement on the definitions of different terms or the boundaries between them.

• Patient capital generally refers to long-term investments that do not demand aggressive returns.
• ESG (for environmental, social, and governance aspects of investment) is an emerging term popular with institutional investors.
• Sustainable investing generally refers to environmentally oriented investments.
• Ethical investing and responsible investing are generic terms often used as an alternative to socially responsible investing.
• Clean tech refers to the large field of clean technologies such as renewable energy and pollution control.
• Rural mission investing is the phrase used by the Harvard Initiative for Responsible Investment in its current exploration of how to increase rural investing.
• Mission investing is a phrase generally limited to investing activities by foundations that seek to be consistent with their grant-making mission.
• Community investing is used in the SRI community to refer to investments placed with community loan funds or other CDFIs, sometimes at below-market rates; many investors would not see equity investments as a part of community investing.

Investments into CDFIs are in turn loaned to entrepreneurs who build local wealth.

A broad indication of the resilience of community-oriented financial institutions comes from a recent study by Pinsky’s Opportunity Finance Network. It showed that through first quarter 2010, CDFI loan funds were experiencing “net chargeoff rates” — or loan losses — that were just one-half of the losses being seen by banks overall. And this was despite the fact that CDFI loan funds dealt primarily with underprivileged borrowers.

If banks and community loan funds represent two areas of community-oriented finance, still other areas include venture capital investing and angel investing. They involve those organizations and individuals who make direct investments in growing enterprises. These kinds of investments are for those in a position to take greater risk with a carefully managed portion of their portfolio. One example is Meritus Ventures, which makes equity investments in private, expansion-stage companies in predominantly rural areas in central and southern Appalachia.

There is also a network that assists impact investors doing venture investing, which is called Investors’ Circle. This is a network of more than 225 angel investors, professional

There are various kinds of CDFIs, including banks, credit unions, loan funds, and venture capital funds. The membership of Opportunity Finance Network includes all kinds of CDFIs, but most are community development loan funds, thus the group’s survey largely covers loan fund performance. Making a cross-sectoral comparison — looking at the performance of these loan funds (which have no disclosure requirements) versus the performance of banks — is not a strict apples-to-apples comparison. The figures offered here should be considered suggestive rather than definitive.
venture capitalists, foundations, and family offices who seek to use private capital to promote the transition to a sustainable and just economy. The organization sponsors venture fairs, where investors have the chance to meet entrepreneurs and hear their presentations. Investors aid one another in evaluating opportunities, and together make investments in enterprises such as *Renewable Choice Energy* (an energy and carbon offset company), or *Niman Ranch* (a company producing naturally and humanely raised beef and pork). Since 1992, Investors’ Circle has facilitated the flow of more than $134 million into some 200 companies and small funds that aim to have a beneficial impact on their communities.7

As for how these kinds of venture investments have performed financially, a study was done in 2002 in which Harvard Business School and McKinsey & Company looked at the financial returns on 110 Investors’ Circle investments, totaling $72 million over 10 years. Treating the companies as a hypothetical portfolio, the study found that the companies generated an average annual 5 percent return as a buy-and-hold strategy, and 14 percent annually in an approach involving an additional round of investment and liquidation. The study was published in Stanford’s *Journal of Social Innovation* and the *McKinsey Quarterly*.8

### The larger universe of socially responsible investing

Impact investing organizations like CDFIs and Investors’ Circle are just a few of the players in the larger and expanding universe of *socially responsible investing* (SRI). The field of SRI traces its origins back to the 1960s, when investors concerned about civil rights, the environment, and militarism began to use their investments as tools for social change. Religious investors concerned about Vietnam played a leading role, founding the first SRI mutual fund, *Pax World* (“pax” means peace), which screened out military contractors. The movement came of age during the campaign against apartheid in South Africa, as institutional investors in the 1980s withdrew investments from companies operating there, helping to create the international pressure that succeeded in bringing down apartheid.

Today, there are more than 200 SRI mutual funds of all kinds, including equity, balanced, international, bond, index, and money market funds. Institutional and individual investors with assets totaling an impressive $2.71 trillion participate in SRI, in one form or another, according to a survey by the field’s trade group, the *Social Investment Forum*.

SRI activities are traditionally seen as constituting a three-legged stool. One leg involves *screening* — including or excluding companies that meet or fail to meet specified social and environmental criteria. A second leg is *shareholder advocacy* — where investors dialogue directly with companies to encourage greater social responsibility. The third leg is *community investing* — channeling investments to low-income communities in the U.S. and around the world who lack access to traditional forms of capital.

That third leg of the stool, community investing, is where CDFIs come in. These are the institutions into which social investors have been increasingly placing a portion of their portfolios. The Social Investment Forum has a long-standing campaign called “1% or More in Community,” aimed at encouraging investors to earmark at least 1 percent of their portfolios to community investments. It has succeeded in growing the community investing field from $5 billion in 1999 to $26 billion in 2007.9

<table>
<thead>
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<th>Year</th>
<th>Growth in CDFI Assets (billions)</th>
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<tr>
<td>1994</td>
<td>$2</td>
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<td>1999</td>
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<td>2003</td>
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Source: Social Investment Forum Foundation, cited at Community Investing Center, [www.communityinvest.org/overview/industry.cfm](http://www.communityinvest.org/overview/industry.cfm)
Today, after 40 years of growth and change, the socially responsible investing movement is at a pivotal moment in its development. The opportunities it faces and the need for its dollars are greater than ever. Investors who grasp this could be poised to prosper. Environmental opportunities represent just one aspect of this. Leslie Christian, chief executive officer of Portfolio 21 Investments, a socially responsible investing firm in Portland, Ore., recently wrote that investors would be wise to seek out those “industries, sectors, and companies that will survive and even thrive as ecological limits impose transition and transformation on the global economy.” She added, “I cannot prescribe for others how much to invest in a particular strategy, but I would like to suggest that allocations to short-term profiteering be aggressively reduced, if not eliminated, in favor of a commitment to long-term economic value that considers the integrated risk of an investment strategy.”

The integrated risk of investing, she emphasized, includes social and environmental impact as well as financial performance.

Cary Krosinsky and Nick Robins, in a recent Societe Generale book, *Sustainable Investing: The Art of Long-Term Performance*, made a similar point in a broader way. Emphasizing factors that go beyond the environmental, they wrote that “the best way of generating superior risk-adjusted returns in the 21st century is to fully incorporate long-term environmental, social and economic trends within investment and ownership decision-making.” Krosinsky backed this up with an analysis showing that investing funds that most effectively incorporate best-in-class environmental and social performance have outperformed the market over the short, medium, and long term. In investor terms, evaluating social performance includes looking at such impacts as employee well-being, community benefit, overseas sourcing and sweatshops, and other issues when making investment decisions. These kinds of considerations — which can go hand in hand with good financial returns — represent the kinds of positive benefits that impact investing is designed to help create.

**The challenges of rural impact investing**

If impact investing offers new opportunities, there are also special challenges in bringing it to rural communities. A recent study titled “The Role of Equity Capital in Rural Communities,” done for the Ford Foundation by Patricia Scruggs of Scruggs and Associates, found that even high-growth firms in rural areas have difficulty raising adequate debt capital or venture capital. These firms face “significant issues of isolation that need to be addressed prior to or in parallel with financing tools,” she wrote. They face a lack of professional services, as well as a difficulty in attracting executive and technical talent. Rural communities also often lack an “entrepreneurial culture,” Scruggs observed, and have “different attitudes about entrepreneurship and risk-taking that is shaped by their past.” As she wrote:

Karl Stauber from the Danville Regional Foundation summarized this point very clearly in a recent conversation. He noted that some communities start from a perspective of prosperity; they have examples of entrepreneurial success, and leaders have a ‘can do’ attitude about business. Other communities have a long economic history of a few large employers or a single industry that accounted for a significant portion of jobs for generations. This dynamic meant there was less need for and in some cases discouragement of entrepreneurial activity. So when these industries or employers fell into decline, communities were left with few entrepreneurial resources to fill the gap, and a more survival or subsistence attitude. Issues of race, chronic
poverty and other conditions often exacerbated the situation. Knowing this starting perspective or attitude of a community can help determine the amount of basic capacity building that needs to occur along with target programs.

Despite these challenges, Scruggs found that equity capital in rural areas was, in the aggregate, just as successful by standard investment measures as equity capital in tech-oriented metropolitan regions. In her study of 18,000 investments, she found no statistical difference between rural and metro regions, using key variables such as jobs created, type of industry funded, the length of investment, exit type, or investment performance. “This held true for both angel and venture capital funding,” she wrote. “Rural-based businesses with patient capital investment performed on par with companies in metro areas. In other words, there was no downside or negative bias for being located in a rural area.”

“Acess to start-up and expansion capital, especially patient capital, is a critical element for rural economies,” Scruggs continued. Her assessment found a need in particular for smaller scale patient capital, meaning investments in startup and growing businesses, where total investments in a single venture might average $250,000 rather than $5 million, and follow-up rounds might not be the rule of thumb. “This size investment can have significant impact on rural and underserved communities,” she wrote, “and may provide an alternative investment vehicle for foundations and social investors.”

Building bridges between impact investors and rural enterprise

The need for more private capital in rural communities is real, and the benefits it might bring could be substantial. Impact investors — those institutions and individuals seeking not only financial returns but community benefit — may be among the most likely to be interested in providing capital for rural areas. The challenge, then, is to begin building the bridges that will allow impact investments to flow.

A key step is to identify what appeals to specific investor groups. There are two broad approaches that might be effective, 1) region-specific, and 2) sector-specific. The first approach might be more likely to appeal to those within the local region, the other to those outside it.

1. Cultivating local investors: Residents of Alabama are more inclined than others to invest in Alabama, residents of North Carolina more inclined toward North Carolina. Tapping this resource includes connecting with past residents or those with historic ties to a state or community. Especially for the South, these kinds of ties — capturing the wealth from the diaspora — will likely be critical in bringing in fresh sources of capital. Local investments might be facilitated through existing local institutions, such as CDFIs within a state. Or outside organizations, such as loan funds or a group like Investors’ Circle, might be invited to extend their focus to a particular state, through adding specific programs aimed at that region’s investors.

2. Cultivating investors interested in relevant industry sectors: Such sectors might include forest stewardship, organic agriculture, sustainable fisheries, and others where significant opportunities exist in rural areas. Funds or organizations focused on these sectors might be encouraged to invest in enterprises in particular rural areas. Another angle might be to tap interest in particular ownership models, seeking to draw funds that are targeted for cooperatives or employee-owned companies for example.
There may also be ways to combine the two approaches. A good example of this is **Slow Money**, a new nonprofit founded by Woody Tasch, the former head of Investors’ Circle and author of the book, *Inquiries into the Nature of Slow Money: Investing as if Food, Farms, and Fertility Mattered*. The mission of **Slow Money** is to mobilize significant amounts of capital from small individual investors, with an aim of supporting small food enterprises, saving farmland, and connecting investors to their local economies. The inaugural gathering in Santa Fe in 2009 had 450 attendees from three dozen states, showcasing 26 small food enterprises. **Slow Money** regional networks are also forming rapidly. If initial Slow Money efforts have in many cases been focused on urban investors investing in nearby areas, there may be ways this same impulse can be channeled into building better connections between urban and rural communities — perhaps through sister city initiatives, or other bridging approaches.  

**Part II: The evolving rules of investing**

While identifying factors that appeal to investors is one issue in bridge-building, another key issue is finding ways to *honor the basic rules of investing*, because these always remain in play. These rules create the starting framework for investors, shaping their comfort level and expectations. The basics are reviewed briefly below, as a starting point for reflecting on the nuances introduced by impact investing.

### Reviewing the basics

- **Debt and equity:** The basic forms of investment are *debt* and *equity*. Debt is also called *fixed income*, because investors receive a fixed rate of return over time. Equity is a share of ownership in a company, delivering a variable rate of return over time. From equity investments, people receive two forms of potential income: *dividends* (a share in the profits of a firm); and *capital gains* (a portion of the rising value of the firm itself, expressed in its stock price).

- **The risk and return continuum:** Investing is a matter not only of financial returns, but of the risk taken in obtaining them. Different kinds of investments fall at different places on the *risk-return continuum*. Those on the low-risk end of the continuum (like certificates of deposit) tend to offer lower returns. Those on the high-risk end of the continuum (like venture capital investments) are expected to offer higher returns.

- **Intermediaries:** Most investing is done through *intermediaries*, such as banks, mutual funds, loan funds, brokers, and other financial institutions that help manage the investing process. Intermediaries accept investments, analyze where best to place them, and devise tools for managing risk, such as loan-loss reserves, collateral, and guarantees. Many investors are more comfortable working through established, trusted intermediaries with a track record, rather than placing direct investments in enterprises. At times, there can be several layers of intermediaries — as when an investor goes through a brokerage to place an investment in a mutual fund, which then places investments in companies.
Exit: This is a key concern for all investors. When they put their money in, how will they get it back one day? How will they “exit” the investment? This is particularly critical for equity investments. If a firm sells a piece of itself — sells shares of stock (equity) — how will it allow investors to exit? An exit plan is traditionally a part of any sale of equity to investors. There are various avenues of exit: a company can buy back the stock; it can allow investors to sell the shares to someone else; it can “go public” (trading its shares on public stock markets); or the company as a whole can be sold to a new owner so its value can be “liquidated” and given to shareholders. A plan for exit must be built into any effort to attract equity investment.

Creating multiple forms of wealth

If all investing involves these basic elements, impact investing adds nuances that can be seen as embodying an evolution of the investing process. The aim is to bring investing back down to earth after the long flight of fantasy represented by derivatives, subprime mortgages and other so-called “innovations” of finance, which ended up damaging the global economy and the lives of many families and communities. Impact investing, by contrast, aims to have a beneficial impact on families and communities, at the same time that it provides reliable returns to investors. It offers both living returns and financial returns. It does this through a series of design innovations throughout the investing process.

The first innovation involves recognizing that there are multiple forms of wealth. While traditional investing focuses solely on financial wealth, impact investing focuses on a variety of forms of community wealth.

The Wealth Creation in Rural Communities project of the Ford Foundation focuses on seven forms of wealth:

1. **Financial capital** includes bank accounts, equity investments, and bonds. Any income stream flowing through a community is a form of financial capital. The interest that rural households spend on credit card payments, for example, can become a community asset when a community-owned bank controls it.

2. **Natural capital** includes forests, fish, water, and the other ecological resources in which rural communities are rich.

3. **Social capital** is the stock of trust, relationships, and networks that support a healthy community. These can become a source of wealth when, for example, social networks allow rural residents to share ideas on organic farming, wind leases, or local investing opportunities.

4. **Individual capital** is the stock of skills and the physical and mental capabilities of people in a region. It includes human health, technical skills, and the entrepreneurial ability to start new businesses.

5. **Built capital** includes wind turbines, energy-efficient homes, and other forms of infrastructure that represent community wealth.

6. **Intellectual capital** is the stock of knowledge and innovation in a region, embodied not in individual minds — as individual capital is — but in the enduring intellectual products those minds have created, such as inventions, published writings, or new investing vehicles.

7. **Political capital** is the stock of power and goodwill held by individuals or groups that can be spent or shared to achieve desired ends. Earnings from investments in political capital include increased influence in decision-making and increased control over other forms of capital.
Design innovations in the impact investing process

If creating multiple kinds of wealth is the aim of impact investing, the avenue for doing so is the use of various innovations in the wealth creation process. This process can be conceptualized as a flow. It begins with investors, who make investments that flow through intermediaries, who employ different kinds of investing vehicles, along with forms of technical support to enterprises, to create both financial return as well as multiple kinds of community impact. At each step in the flow, design innovations can be used. Below are just a few illustrations.

A. INVESTORS

Networking groups like Investor’s Circle or Slow Money are used to support impact investors in becoming educated in the process, staying informed, locating enterprises, and evaluating the potential of investments. Still another example is More for Mission, an effort organized by the Initiative for Responsible Investment at Harvard University, which is aimed at encouraging foundations to target their investment activity more toward mission investing, which pursues the same kind of missions that grant-making serves. Networks like these — similar to the giving groups formed in the South — might be adapted to create new rural networks focused on impact investing. Indeed, the IRI at Harvard has recently convened, at the request of the Annie E. Casey Foundation, a group of foundations interested in exploring the state of rural mission investing and the potential to take it to scale. Similar state-level networks for impact investing in rural areas could be created that might be organized locally or on-line.

Impact investors can include both individuals as well as institutions, such as banks, churches, pension funds, local employers, and foundations. Institutional investors command far more dollars than individuals, and could form a critical part of any regional investing initiative. They can serve as anchor investing institutions. This approach was taken with the West Grand Lake Forest project, located in the poorest county in rural Maine. This 22,000-acre conservation and economic development project — coordinated by community developers Coastal Enterprises Inc., The Conservation Fund, and other nonprofits — was aimed at creating a sustainable working forest. Among the special tools used were conservation easements, the sale of carbon offsets, and New Markets Tax Credits. Capital sources ranged from charitable contributions to market-rate investments. The project was designed to include a community forest to benefit the local community, conserved land that benefits wildlife, and business opportunities in sustainable forest products. The project was made possible in part by the involvement of anchor investors that included Bangor Savings Bank and Lyme Timber Company, a large for-profit firm.

At times, foundations can have a special role as lead investors in catalyzing the development of impact investing projects. For example, the Northwest Area Foundation put out a request for proposals that led to the creation of Invest Northwest, a venture fund that operates in the same eight-state region as the foundation. The fund invests in late-stage companies where additional investment helps create growth and job creation.

B. INTERMEDIARIES

Different kinds of financial intermediary organizations have emerged to channel impact investments. These include the various kinds of community development financial institutions (CDFIs) — a category that embraces banks, credit unions, loan funds, venture capital funds, community development corporations, and microenterprise loan funds.
Below is a sampling of several kinds of intermediaries, with a few examples within each.

Community banks are the simplest form of intermediary. The most prominent among community banks in the South is Southern Bancorp, which is the largest rural development bank. It was created in 1986 by then-governor Bill Clinton and a consortium of foundations, corporations, and government entities; Hillary Clinton, now secretary of state, was among its founding directors. With offices in small rural communities in Arkansas and Mississippi, Southern Bancorp also embraces a family of associated community development nonprofit organizations. It thus combines the vision of a nonprofit with the stability of a large bank. Since its founding, Southern Bancorp has originated more than $2 billion in development loans, primarily to those in the poorest areas of the nation.

Community loan funds are another form of intermediary often of particular use in rural communities. These funds have been around for decades and have a good track record in terms of managing risk. The Opportunity Finance Network, which has more than 130 loan funds in its membership, reports that not a single one of its members has ever lost a penny of investor capital. There are many community loan funds operating in rural areas and in the South. Seedco Financial in Birmingham, Ala., mentioned earlier, is one. In Jackson, Miss., there is Minority Capital Fund of Mississippi, serving both minority and women-owned businesses, and Enterprise Corporation of the Delta (ECD). Affiliated with Hope Credit Union, ECD serves the states of Arkansas, Louisiana, Mississippi, and Tennessee, and operates the Mississippi Economic Policy Center, which offers analyses of policy issues affecting low-wealth families. Bill Bynum, chief executive officer of ECD/HOPE, joined other CDFI leaders in late 2009 in a meeting with President Obama, exploring innovative ways to boost lending to small businesses. Other Southern and rural community loan funds include South Dakota Rural Enterprise Inc. in Sioux Falls; Southern Bancorp Capital Partners in Arkadelphia, Ark. (an affiliate of Southern Bancorp); Self Help Venture Fund in Durham, N.C.; and Rural Enterprise of Oklahoma in Durant, Okla.

Some examples of community loan funds and the investment opportunities they offer:

- Georgia Community Loan Fund provides loans, grants, and technical assistance to community groups in rural, low-income, and minority communities within Georgia. It has also pulled out-of-state organizations into Georgia for projects, including the Raza Development Fund and Equity Trust. One of the loan fund’s projects is the Georgia Manufactured Housing Initiative, aimed at assisting the one in eight Georgians who live in manufactured homes. The Georgia Community Loan Fund accepts both debt and equity investments, on terms negotiated with each investor. (http://gaclf.org)

- Equity Trust, in Turners Falls, Mass., helps farmers find alternative approaches to farm ownership through its Farms for Farmers programs. Its Equity Trust Fund is capitalized by socially motivated investors and donors. Investors make loans to the fund of a minimum of $1,000, setting their own rates of return between zero and the prevailing money market rate at the time of the investment. (www.EquityTrust.org)

- New Hampshire Community Loan Fund makes loans to small businesses, energy efficiency projects, manufactured housing, and other borrowers. It offers investors variable rates based on the length of loans. Loans of 10 years or longer receive 5 percent
annually. Loans of four to nine years pay 4 percent; those of two or three years pay up to 3 percent; and one-year loans pay 2 percent. The fund has had a spotless record of 100 percent repayment since its founding in 1983. No investor has lost a penny. (www. CommunityLoanFund.org)

Aggregators – Another level of intermediary for impact investors is the aggregator organization that allows investors to deal with many intermediaries or investment opportunities in one place. These include:

• **Kiva.org** – This website-based investing portal uses an investing approach that has been termed “cloud capital,” because it aggregates investments from around the world using the Internet. Kiva partners with existing international microfinance institutions, which make tiny loans to entrepreneurs, working with them to choose a selection of individual entrepreneurs and small businesses seeking loans. Kiva then features these entrepreneurs on its website. Investors browse loan requests at the Kiva site and select those they would like to fund. Minimums start at $25. Kiva borrowers boast a repayment rate of 98.84 percent. Kiva works with dozens of Field Partner microfinance organizations in geographic areas such as Africa, Asia, South America, Eastern Europe, and the Middle East. Only one of its Field Partners — ACCION — works in the U.S. (www.Kiva.org)

• **Calvert Foundation** – This 15-year-old nonprofit is affiliated with Calvert Group, one of the oldest and largest socially responsible mutual fund families. The Calvert Foundation was founded in 1995 to channel capital to disadvantaged communities. Today it manages more than $200 million raised from impact investors, as well as another $200 million in a special community fund created by Citigroup (see sidebar). These funds have been used in loans to all 50 states and more than 100 countries, for uses such as affordable housing, small business, the environment, and fair trade. Among the borrowers from Calvert Foundation are community loan funds. Through this wealth-creation process, the end result has been the construction or rehabilitation of more than 18,000 affordable homes, more than 450,000 jobs created, and financing that has flowed to over 26,000 cooperatives, social enterprises, and community facilities. Investors invest via Community Investment Notes, which can be purchased through brokerage accounts or online. With a minimum of $20, investors may buy the Notes on MicroPlace, an online brokerage launched with eBay in 2007. The notes pay a fixed rate of return, at market or below-market rates. They are available for terms of one to 10 years at rates up to 3 percent. Investors receive an annual Social Impact Statement showing the real-life impact of their investment and how it has improved lives and alleviated poverty. The portfolio of $200 million has security enhancements of more than $29 million, which means money is set aside to be available to investors in case of portfolio loss. In 15 years, the portfolio has incurred losses of less than 1 percent, and no investor has ever lost money (neither principal nor expected interest). As one Community Note investor, Tom Clayton, put it, this form of impact investing is “helping investors shift from ‘me’ to ‘we.’” (www.CalvertFoundation.org)
• Coastal Enterprises Inc. (CEI) in Portland, Maine, is a community development corporation and CDFI operating in Maine, New England, upstate New York, and beyond. It targets its development and financing efforts to areas such as waterfront and marine businesses, small farms, microenterprises, and women-owned businesses. Investors can participate through investments in a CEI Investment Note, which is purchased for a specific number of years at a fixed rate of interest. Interest is paid annually and the principal is repaid at the end of the term. (www.CEImaine.org)

• Enterprise Cascadia* is a non-profit CDFI that offers non-bank investment capital and consulting to rural coastal communities of Washington and Oregon that are experiencing the end of a long period of prosperity based on resource abundance. Starting in 2007, it expanded its services to include urban communities as well. Its aim is to accelerate the development of new forms of sustainable prosperity from natural resources. Investors can participate by making loans starting at $5,000, at interest rates from 0 to 3 percent.

Venture capital (v.c.) intermediaries are those that tend to seek the highest returns. Venture capital is the hardest financing to obtain and is reserved primarily for high-growth companies. One example of a v.c. intermediary specializing in impact investing:

• Patient Capital Collaborative includes a series of venture capital funds that invest in Investors’ Circle companies. PCC funds are typically raised every 18 months and are invested in three to five promising companies each. New Day Farms, an organic heirloom tomato grower, was one company that received funding recently. The managing principal is Sustainable Resource Ventures. (www.sustainVC.com)

C. INVESTING VEHICLES
In addition to special intermediaries, innovative investing vehicles represent another design element that can be used to channel impact investments to rural enterprises. These can be used in conjunction with intermediaries, or by enterprises that receive investments directly from investors, bypassing intermediaries. One example mentioned earlier in this report was the targeted certificate of deposit offered by Wainwright Bank, which enables impact investors to enjoy the security of a traditional bank CD while they target their funds to Equal Exchange, an employee-owned fair trade coffee and chocolate company. Among other innovations:

• Preferred Stock is a form of equity often useful in a long-term, patient capital context. Common stock — the other form of equity — is what is traded on public stock markets and is the most basic form of equity. Preferred shares behave more like debt. They offer a fixed rate of return, yet appear on a company’s balance sheet as equity, which is to the firm’s advantage. Preferred shares have limited voting rights. The shares themselves do not increase in value. When a person invests $10,000 and sells the stock back to the

* Its former name was “ShoreBank Enterprise Cascadia.” This autonomous non-profit corporation was not impacted by the failure of ShoreBank, and implemented a plan recently to completely separate itself from ShoreBank Corporation, which would result in increased local and regional ownership, according to President John Berdes. Source: Chinook Observer, Aug. 21, 2010. http://www.chinookobserver.com/main.asp?SectionID=1&SubSectionID=1&ArticleID=33341.
company five or ten years later, he or she gets back the $10,000; the financial return comes in the form of annual dividends. Preferred shares paying 6 percent annually were sold for many years by Organic Valley, a farmer-owned cooperative in Wisconsin. This was a way for the company to bring in outside equity investors, without giving up farmer control of the company.

- **Direct private offerings (DPOs)** can be used with either common or preferred shares of stock. A DPO means that an enterprise offers stock directly to investors, without going through an intermediary like a broker. There are legal restrictions on how this can be done, based on the requirements of the Securities and Exchange Commission. In order to avoid costly registration with the SEC, companies agree to certain restrictions, which generally mean they can only accept investments from high-wealth investors, or from their own “stakeholder” groups, such as friends, family, neighbors, customers, and so on. Berrett-Koehler, a San Francisco publisher of progressive business books, has raised several million dollars through this kind of direct offering to its own stakeholders. Organic Valley sold its preferred shares the same way, in many cases to local neighbors. It has held its annual stockholders meeting at the Kickapoo County Fair. Katovich Law Group in San Francisco has a network of enterprises, called Cutting Edge Capital, that support one another in doing direct offerings. (www.cuttingedgecapital.com)

**D. RECIPIENTS**

When investors are brought together and their dollars channeled for community impact, the ultimate points of investment are the recipients — those individuals, companies, or organizations that receive the investment and have a plan for paying it back, with interest or with other forms of financial return. Recipients might be individuals buying an affordable home. They might be enterprises just getting started, or those seeking expansion funding. Or investments might be targeted to community projects, seeking to address a community need.

**Venture capital recipients** tend to be the handful of enterprises in rural and urban areas that are high-growth firms, often called gazelles, according to rural equity specialist Patricia Scruggs. “By most accounts, these businesses represent less than 10 percent of firms, but more than 80 percent of new job growth, making them targets of investors and economic organizations alike,” wrote Scruggs. “These companies typically cannot find adequate debt capital, and rely on forms of patient capital for a significant part of their initial or expansion financing.” There are a number of mission-based venture funds that specialize in making equity investments in these firms. Examples of recipients:

- **Coast of Maine Organic Products** is one recipient enterprise. This producer of soils, composts, mulches, and fertilizers in Maine had 2008 revenues of $4 million and employed nine people full-time, plus up to seven more seasonally. It received $600,000 in three rounds of venture capital investments from CEI Ventures, Great Eastern Mussel Farms, and the Small Growth Fund.

- **FLS Energy** in Asheville, N.C., was another recipient of venture capital funding. This company plans, designs, and installs solar hot water and electricity systems, and its clients are primarily corporations located in North Carolina, South Carolina, Tennessee, and Virginia. It had 2008 revenues of $1.4 million and received debt funding of $100,000 from the Natural Capital Investment Fund.
The Septic Loan Program of Enterprise Cascadia is one example of financing being provided to a series of individuals, on a project basis. In 2004, Enterprise Cascadia began offering a unique loan product to property owners with septic systems that were non-functioning. The loans were targeted to properties close to marine waters in Washington state, and were designed to preserve water quality and protect the shellfish industry, and to protect the property values of low-income residents. Because families in the area were often employed in low-wage service jobs and had little household cash flow, it was often difficult for them to pay to repair a failing septic system. Yet such repairs were vital, either because of regulatory compliance issues, or because quality of life was threatened by sewage backing up into yards and homes. Enterprise Cascadia provided loans at 100 percent of the cost of replacing or upgrading a septic system, at interest rates from 2 to 6 percent, based on household income. The program involved an extensive partnership that included three counties, two tribes, local health departments, the septic loan industry, and other government agencies.

E. TECHNICAL SUPPORT
Guidance and advisory services are often provided alongside capital in rural development projects. These technical support services are especially important in rural regions where they help fill critical gaps in knowledge and services. And they often go beyond traditional business assistance. They might involve helping enterprises develop financial controls and capital strategies, increase market access and revenues, or implement high-performance management practices. These services are expensive to provide. To help pay for them, equity funds and community development corporations often look for government programs, grants, or charitable contributions.

F. FINANCIAL RETURNS
Among the key aims of design innovations in the impact investing process are managing investor expectations and delivering acceptable returns, which work hand in hand. To be successful, this generally involves building long-term relationships, rather than simply making short-term transactions. It means helping investors think about returns in new and broader ways. It can mean having intermediaries take steps to reduce risk, as a way of making lower returns acceptable. And it can mean combining other sources of capital (such as philanthropic and government dollars) with private capital, so as to reduce the need for high returns. In some cases it can mean tax credits as a way to supplement financial returns.

These various approaches are among the ways that impact investments can begin to compete with the out-sized demands of the traditional investing world. Consider, for example, the hundred or so community-development venture capital funds in the U.S., which work to support disadvantaged areas. “They struggle mightily to raise capital from banks and well-intentioned investors,” Woody Tasch said in a recent interview with The Sun magazine. “The problem is they have to offer ‘competitive’ rates of return, which is virtually impossible. They’re behind the eight ball before they even start.”

The capital stack is one way to cope with this problem. Instead of obtaining all capital from private sources seeking high returns, a project can bring in various sources of capital — philanthropic donations, government funds, and private investments — and essentially
stack them up. Funds that need not be paid back are layered in with private investments which do need a return. The net result is to lower the project’s overall demand for financial return. This means that the needs of investors can more readily be satisfied. Some examples:

- **Minwind Energy** is a locally owned, rural wind energy company based in the small town of Luverne, Minn. The company has developed a series of nine wind farms on farmers’ land, which are owned by the farmers and by local small investors. Engineering, equipment, and construction costs — which are the primary costs of any wind project — were funded by a capital stack that combined capital from two sources: federal renewable energy grants from the U.S. Department of Agriculture, and the sale of equity shares at $5,000 apiece to local investors. When Minwind I and II were first opened to investors, 66 investors from the local area snapped up all available shares within just 12 days. Today Minwind Energy’s nine wind projects are owned by hundreds of investors, many of them farmers. The ownership design of the projects is that of a limited liability company, which means gains and losses flow through to individuals, for tax purposes. Because Minwind’s aim is to run these companies cooperatively, it has a policy that no individual can own more than 15 percent of any company. All shareowners must be Minnesota residents. And 85 percent of owners must be from rural communities. Shares are also designed to be transferable among family members, so they need not be sold off to outsiders. These ownership design criteria ensure that investment opportunities, and potential financial returns, stay local. And the benefits go not to a few but instead to many small investors. Financial returns to investors come in three ways: dividends, tax credits, and depreciation. Together, these provide income that is modest yet stable over a long period of time. The forms of wealth created by this project are many. Farmers are able to stay on the land. Skilled jobs are created in turbine maintenance. Consumers enjoy renewable energy. The environment takes one step away from global warming. Investors enjoy dependable, long-term returns. The local economy is nourished; a 2004 study by the U.S. General Accounting Office found that when wind systems are locally owned, they generate an average of 2.3 times more jobs and 3.1 times more local dollars, compared to absentee ownership.

- **Little Hogback Community Forest** in Monkton, Vt., is a community-owned forest that involves both an innovative ownership design and multiple sources of capital (a capital stack). There are three elements to the ownership design. At base, the forest is owned by 16 community residents who came together to become shareholders in a single 115-acre parcel of forest land, at a cost of $3,000 per share. This represents the price of the property at forest value, meaning its value for small-scale timber harvesting (not clear-cutting) and other uses such as recreation. Because the land’s forest value is lower than its value on the real estate market, other ownership elements were introduced to bring down the price. The ownership was essentially sliced into three parts. One part is a conservation easement that prohibits development. This easement means that one particular ownership right — the right to develop the land — was stripped off and sold, ensuring that the forest will forever remain undeveloped and available to wildlife. To bring the price of the forest land down even farther, a second ownership element was introduced — a newly developed affordability covenant, which was paid for by a
charitable contribution. These two ownership elements permanently reduced the resale value of the property, which means the forestland can never be sold for more than its “forest value.” This ownership design was made possible by a capital stack that combined investment by the local community, government funding for land conservation, and charitable dollars. The Little Hogback Community Forest is a limited liability corporation, managed by the nonprofit Vermont Family Forests. The conservation easement is held by the Vermont Land Trust. The ownership and capitalization design was created by Deb Brighton and others, through the Ford Foundation’s Community-Based Natural Resource Demonstration Program.

New Markets Tax Credits help spur growth in distressed communities by catalyzing private investments. They do this by providing a tax credit for businesses and individuals that make investments in qualified low-income community investments. If an investor invests, say $100,000 in a community development entity, he or she can claim a credit of 39 percent of that investment over seven years. In the first three years, the credit is 5 percent of the total; for the final four years, the credit is 6 percent annually. The tax credit results in a dollar-for-dollar reduction in an investor’s federal tax liability. In the example cited, $39,000 would be wiped off taxes owed. But that credit isn’t redeemed until the end of the seven-year period.

“Distressed communities and their small businesses have a hard time attracting investments even in the best of times,” said Treasury Secretary Tim Geithner. “The New Markets Tax Credit helps these communities attract new investors and ensure they stay invested long enough for businesses to overcome obstacles and grow.” The kinds of projects aided by the tax credit have included alternative energy companies, schools, health care facilities, timberlands, child care providers, supermarkets, and manufacturers. A Native American businesswoman, for example, received a loan to operate a pharmacy in western Montana, enabling her to own her business facility for the first time and to create jobs in a high-poverty rural community. In rural Iowa, the tax credits helped fund a manufacturer of wind turbines.

For a fact sheet from the U.S. Treasury Department about New Markets Tax Credits, see www.cdfifund.gov/docs/nmtc/2010/nmtc-fact-sheetFINAL.pdf.

**Tax credits** are another way to help provide the financial returns that investors need. These are often combined with a capital stack employing various sources of funding. Thus a project can have not only multiple sources of financial input (from government, charitable, and private funds) — but also multiple forms of financial output (combining traditional financial returns with tax credit income). Minwind’s wind farms employed Production Tax Credits, for example. Seedco and CEI are among the organizations operating in rural areas that are experienced in the use of tax credits in development. The West Grand Lake Forest project, mentioned earlier, is an example of a CEI project where New Markets Tax Credits were used.
Part III: Creating beneficial impacts on the community

Lasting positive impact on the community is precisely what impact investing is designed to produce — in addition to financial returns to investors. Measuring just how rural communities benefit from impact investments is today a work in progress. An excellent starting point for understanding this impact is the framework of seven kinds of wealth. The **Triple Bottom Line Collaborative**, an alliance of community development groups brought together by the Ford Foundation, has begun using this framework in evaluating the financing work of a number of projects, as outlined in the 2008 paper, “Assessment of Triple Bottom Line Financing Interventions,” by Jason Bailey from the **Mountain Association for Community Economic Development**. Below are a few of the projects done by Collaborative members, with an analysis of how each contributed to creating multiple forms of community wealth. (The effects on creation of “political capital” were not explored in Bailey’s paper, because that concept was added to the framework at a later time.)

- **Coastal Enterprises Inc. — Look’s Gourmet deal**: As mentioned above, CEI is a community development corporation and CDFI in Portland, Maine. One of its initiatives is to operate small business development centers on behalf of the state of Maine. One CEI counselor met Mike Cote, the new owner of Look’s Gourmet — a struggling 90-year-old seafood business — and urged him to contact a CEI subsidiary, CEI Ventures, which operates a venture capital fund. CEI Ventures gained interest in the enterprise when it learned of the owner’s sales experience, his plan to shift to an all-natural product, and his interest in moving the business to Maine’s poorest county. In 2005, two CEI venture capital funds each made a $350,000 equity investment in the business. They also assisted the firm in obtaining technical assistance grants that helped it write a business plan, do a marketing plan, and improve management. And they helped build a board of directors. CEI had Look’s Gourmet sign an **Employment Training Agreement**, requiring the company to make a good faith effort to hire economically disadvantaged people. When the company needed further funding in 2007, CEI connected Look’s Gourmet to a private venture capital fund focused on sustainably sourced seafood, and also helped the company obtain venture financing from the state. CEI Ventures tracks the social and economic impact of its investments through a quarterly **Social Benefits Report**. The multiple impacts of this deal:
  - **Economic impact**: 10 new jobs created, many of them semi-skilled, low-income. $150,000 in leveraged investment.
  - **Financial capital**: Company owner built value. Investors in CEI Investment Notes received interest. Capital will be repaid to CEI and can be invested again.
  - **Natural capital**: Company switched to all-natural and then sustainably certified seafood.
  - **Social capital**: New partnerships created with other venture capital funds.
  - **Individual capital**: Helped build owner’s and company’s skills.
  - **Built capital**: Company re-developed warehouse.
  - **Intellectual capital**: Company better understands opportunities in sustainable products. Seafood certification represents advance in intellectual capital of living economy.

- **Montana Community Development Corporation — Smallwood Utilization Network**: The Montana CDC provides loans, operates a small business development center and an
advanced business consulting network, and runs the Smallwood Utilization Network. This network was started in the wake of disastrous forest fires in 2000, which showed that western forests needed economically and environmentally feasible thinning and harvesting regimes. The Smallwood Utilization Network is now a network of wood products businesses, industry suppliers, researchers, and government agencies — with a weekly e-newsletter list of 10,000 — collaborating on projects to develop more uses for small-diameter wood and wood manufacturing residues. The project has facilitated financing for a company that generates wood shavings for animal bedding which has created 12 jobs, and for a company developing a technology to collect slash from forests. Funding for these kinds of financing deals comes in part from investors in Montana CDC’s Revolving Loan Fund. Investors make investments starting at $5,000. Among the community impacts of this project:

- **Economic impact:** Jobs created, such as the 12 jobs from Big Sky Shavings. Also job retention. Many job opportunities are for low- and moderate-income workers at mills and in trucking.
- **Financial capital:** Companies gained value. Investors received income.
- **Natural capital:** Forest health improved through thinning and harvesting.
- **Social capital:** Greater industry knowledge and collaboration created.
- **Individual capital:** Online access helped people gain skills and information.
- **Intellectual capital:** Methods developed, such as collecting slash from forests, represent advances in the intellectual capital of sustainable forest management.

**Northern Initiatives – Garden Bouquet deal:** Northern Initiatives is a community development corporation serving rural Michigan. It obtains financing from investors through its Northern Initiatives Notes, administered in cooperation with the Calvert Foundation. Investors invest a minimum of $10,000 for terms up to 10 years, at interest rates up to 3 percent. One company that benefited from this capital was Garden Bouquet, a retail florist that contacted Northern Initiatives in 2007 about a micro-loan to restructure existing debt. The company was at the same time looking to purchase a building and relocate to a neighborhood beginning to be revitalized. Northern Initiatives made a loan of $175,000 to fund the purchase and renovation of a building that had been abandoned and contaminated, and that would be turned into a green building. An upstairs apartment would also be made available at affordable rent. The impacts of this investment:

- **Economic impact:** 5.5 jobs created.
- **Financial capital:** Owner is creating equity through purchase of building. Business income likely to improve. Investors in Northern Initiative Notes received interest up to 3 percent.
- **Natural capital:** Five acres of local, organically grown flowers maintained. One ton of toxics reduced or eliminated. 2,840 sq. ft. of buildings re-used and made healthy and energy-efficient.
- **Social capital:** Micro-neighborhood being created in this community.
- **Built capital:** Affordable unit of housing created. Building re-used.
- **Intellectual capital:** Promotion of awareness and synergy among green businesses in the area.

Creating these kinds of beneficial impacts on communities can be the result of efforts to bring more impact investing to rural areas. The aim of this kind of investing is unlike that of traditional investing, which often focuses on goals like creating the next major corporation.
corporation, such as Stonyfield Farm, which will be sold to a multinational corporation. “Once a business reaches that scale and is publicly owned, it’s difficult for it to maintain its connection to localities,” said Woody Tasch. He pointed to the example of Butterworks Farm in Vermont, a 300-acre, one-family farm that makes organic yogurt with its own 50 cows, and also grows its own feed. “It is the most sustainable food-production business I’ve ever seen,” Tasch said. But after 35 years it is a $1 million business. “A million-dollar yogurt business might be viewed enviably by small farmers in this country, but it’s nothing to an investor.” What he would like to see, Tasch said, is investments that help create 500 Butterwork Farms, not one Stonyfield.

Investing for that kind of outcome means changing the expectations and possibilities open to investors, because it’s generally the demands of finance that cause companies to grow too large. When food production or other kinds of rural enterprise become consolidated, biodiversity often suffers; large-scale, absentee ownership is by its nature out of touch with local, on-the-ground reality. Communities also suffer, because consolidation means local ownership is lost to absentee owners. In order to preserve the health of the natural world and the health of rural communities, it’s important to begin investing to preserve the diversity of many small enterprises. There are unique challenges to this kind of investing in distressed rural areas. But as the example of many creative efforts shows, when rural assets are developed in innovative ways — and when impact investors tap the unique array of new tools being developed — there can be a significant potential for wealth creation, benefiting local enterprises, local communities, and local investors.

Footnotes

2 CDFI Coalition, www.cdfi.org. This site has a list of CDFIs by state.
3 Ivan Holloway, vice president of Seedco Financial’s Birmingham, Ala. office, was part of the working group involved in the Emerging Change Makers project for which this report was created; www.seedcofinancial.org.
6 For first quarter 2010, annualized net charge-off rates for the CDFI industry were 1.23 percent, compared to 2.84 percent for all FDIC-insured banking institutions, as shown in Tables 1 and 2 of the Opportunity Finance Network Market Conditions Report; www.opportunityfinance.net. Performance was even better for the first three quarters of 2009, according to OFN’s survey at that time. Net charge-offs for CDFIs in third quarter 2009 (not annualized) were 0.8 percent. The FDIC reported an annualized net charge-off rate for banks at third quarter 2009 of 2.71, the highest annualized net charge-off rate in any quarter since insured institutions began reporting in 1984 — and more than three times the CDFI charge-off rate. Bank data for third quarter 2009 is from the FDIC Quarterly Banking Profile; www2.fdic.gov/qbp/2009sep/qbpall.html. Note that OFN membership includes all four types of CDFIs (community development loan funds, community development banks, community development credit unions, and community development venture funds) but the vast majority of our members are community development loan funds,” reported Lina Page, executive vice president, strategic communications at OFN, in a private email to the author, July 21, 2010.
8 The Harvard Business School/McKinsey study was cited at www.investorscircle.net/as_investment-statistics.
9 Green America Guide to Socially Responsible Investing, 2009 edition, www.greenamericatoday.org. This is a comprehensive financial planning handbook for individuals interested in socially responsible investing. For
information on community investing, see the Community Investing Center at www.communityinvest.org.


14 From the draft paper, “Rural Mission Investing: A Brief Overview of Stakeholder Perspectives,” an interim report for discussion at the PRI Makers Conference, May 10, 2010, Chicago, prepared by the Initiative for Responsible Investment at Harvard University. The paper was part of a project, funded by the Annie E. Casey Foundation, to explore the state of rural mission investing, its potential for growth, and barriers to and opportunities for bringing rural mission investing to scale. Contact katie_grace@hks.harvard.edu.


17 Scruggs, p. 51.

18 Scruggs, p. 56.


20 Scruggs, p. 6.


23 The Little Hogback Community Forest was designed by Deb Brighton and others, as one component of a larger project conducted by Vermont Family Forests, through the Ford Foundation’s Community-Based Natural Resource Demonstration Program. Brighton has written a paper about the design, “Incorporating Social Equity in Conservation Programs in the Northeastern U.S”; contact Brighton at brighton@sover.net. Also see Marcy West Lyman, Community Forest Collaborative, “Community Ownership and Equity: A Case Study of Little Hogback Community Forest, Monkton, Vermont,” www.usendowment.org/images/CS6_Little_Hogback_2_.pdf.
