

Robert J. Milano Graduate School of Management and Urban Policy

Conference Recap Summary

Reality Check: CDCs Access Wall Street As They Shift from Funding to Financing

Friday, March 16, 2001

Robert J. Milano Graduate School of Management and Urban Policy
National Congress for Community Economic Development
and
Capital Markets Access Program

This is a publication of the proceedings of the March 16, 2001 conference.
The accounts of policy and events quoted herein represent the recollections and
opinions of the panelists and have not been edited for factual accuracy.

Letter from Edward J. Blakely, Dean Milano Graduate School

Dear Conference Attendees:

"Reality Check" was an important conference for the field of community-based economic development. As community-based organizations move from the funding to the financing mode, there must be an entire rethinking of these organizations, not just a rethinking of their sources of funding. Most community-based organizations were built to transform local conditions and to work on difficult social problems. Now, these same organizations are not only being asked to find solutions to social problems, but also to find the resources to do the critical work in economic development and finance. In essence, social issues have to become business opportunities. This will be a difficult transition for many organizations.

Moreover, many of the inner-city and distressed rural communities that are the targets for new investment do not have the human capital skill sets to take advantage of the new public and private market opportunities. It will take a new configuration of the human resources of these communities to develop new financial institutions and other mechanisms to capture the wealth being developed within them. This means that community-based organizations will have to find or develop new staff and new organizational capacities.

This conference focused on who is ready and how to get ready for the new focus on market-based solutions for distressed communities. There is no doubt that the market approach will define the agenda and dictate the terms. The real issue is how well the parties on both sides of this new agenda of public and private capital and community institutions learn to work together to refine the tools necessary to make this orientation a winner for both capital and community.

A handwritten signature in black ink, reading "Edward J. Blakely". The signature is fluid and cursive, with a long, sweeping flourish extending from the end of the name.

Edward J. Blakely
Dean

Letter from Roy O. Priest, President, NCCED

It was with great pleasure that the National Congress for Community Economic Development, the Robert J. Milano Graduate School for Management and Urban Policy and the Capital Markets Access Program welcomed you to New School University for this March 16, 2001 conference, *Reality Check: CDCs Access Wall Street As They Shift from Funding to Financing*.

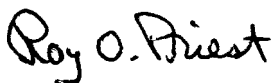
For thirty years NCCED has been the national trade association for the nation's nonprofit community development corporations (CDCs), now nearly 4,000 strong. Our communities are diverse and our CDCs are quite varied in their programs and capacities. But they share some essential issues. Most are involved in building affordable housing, small business development, and some human services activities. They all represent low- and moderate-income communities that are in need of affordable housing, more commercial services, improved education and training, and good jobs. However, they need to identify new ways to manage and support general operations as foundations and government agencies change program funding.

And though CDC communities are underserved, they have populations (each averaging about 20,000 residents) that are eager and able to own their own homes, to be entrepreneurs, and to buy goods and services where they live. In other words, CDCs truly represent ripe new markets for customers, business development and financial services.

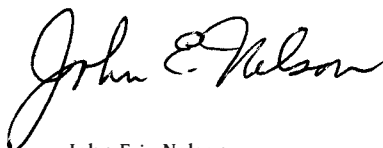
The financing of CDC transactions represents an ongoing opportunity for capitalizing CDC real estate and business deals to generate revenues to support general operations, as well as serving the businesses and individuals in their communities. And since the lifeblood of improvement in CDC communities is access to capital, especially equity finance, it makes great sense for us to work together in search of ever more innovative means of delivering affordable finance.

And that is why we gathered—CDC leaders, researchers, funders and executives of the financial services industry—to determine how to improve the capacity and opportunities for CDCs to access the capital markets for individuals and businesses to grow. We need to identify the competitive advantages for businesses to invest in their communities, determine how CDCs can better leverage their strategic assets, and assess how the financial industry can most effectively penetrate these emerging markets with their best and most appropriate products. This approach requires teamwork and creative thinking, so we appreciated your participation in the "Reality Check" conference as we work together to these ends.

NCCED, Milano Graduate School, Capital Markets Access Program and our sponsors will continue to convene CDCs, relevant public agencies and corporate partners in gatherings such as this as we identify problems and opportunities, develop new tools and strategies and create personal relationships that can help all of us.



Roy O. Priest
President and CEO



John Eric Nelson
Director, Corporate Partnerships



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Acknowledgements

"Reality Check" will be the first in a series of roundtables addressing the operating, human capital and finance capital needs of community-based organizations. "Reality Check II" is planned for April 19, 2002.

The conference was hosted by the Robert J. Milano Graduate School of Management and Urban Policy, a division of New School University, the National Congress for Economic and Community Development (NCCED) and the Capital Market Access Program (CMA). We thank the panelists for attending and sharing their experiences and the timely and "bankable" information they presented.

We thank the conference financial sponsors: *Manufacturers and Traders, The Calvert Foundation, Intrust USA, and Urban America, LP*, and we look forward to continuing to work with both the panelists and sponsors, who have shared their time, assets and talents with the community.

The Milano Graduate School is committed to providing the nation's premiere community development finance graduate program. The program is designed to provide the crucial financial skills needed by those interested in working in community-based organiza-

tions and to increase the financial skills of the administrators and executives already working in them. In addition, Milano Graduate School has started the Milano Finance Lab to conduct clinical and applied research projects, host finance forums, seminars and roundtables and document best practices and case studies that will enhance the capacities of community organizations. The Milano Finance Lab is supported by the Fannie Mae Foundation.

The National Congress for Community Economic Development (NCCED) is a Washington, D.C. trade association, which has represented the nation's nearly 4,000 CDCs for the past 30 years. The National Consortium for Community University Partnerships (NCCUP) was founded in 1999 to encourage information exchange between higher education and community practitioners to share the rich body of experience in this area. NCCED and NCCUP are engaged in an ongoing collaboration, a project to identify the core competencies needed by practitioners to enter and advance in the field of community economic development. Michael T. Savage, who has more than 40 years of experience in housing and community development programs, serves as a consultant to the Corporate Partnership Program at NCCED, and is vice chair of NCCUP. Edward J. Blakely, dean of the Robert J. Milano Graduate School of Management and Urban

Policy, New School University, is a former chair of NCCUP. The Corporate Partnership Program is funded by the Corporate Involvement Initiative of the Ford Foundation.

The Capital Market Access Program (CMA), directed by Greg Stanton, is a foundation supported financial technical assistance initiative. CMA is a multiyear initiative supported by generous funding from four U.S. foundations with grant programs in economic and community development. NCCED and CMA are collaborating on the creation of a pro bono technical assistance program—"Wall Street Without Walls." Wall Street professionals will provide advice and financial packages, helping to ensure access to capital at lower rates.

Special appreciation also goes to Kevin Walters, director of the Finance Lab, and Kevin Wedan, assistant to the dean, for their work in organizing the conference. A very special thanks must be given to Greg Stanton of Capital Market Access Program and John Nelson of NCCED for their tireless work in developing the topics and inviting such wonderful speakers and attendees. And, of course, we must thank Edward J. Blakely and Roy O. Priest and their talented staffs and organizations whose collective efforts made this conference possible.

Conference Overview

REALITY CHECK: Community Development Corporations Access Wall Street As They Shift from Funding to Financing

was a conference comprised of three round-table discussions held in New York City on March 16, 2001. Leading nonprofit industry experts, capital market experts and executives from community organizations detailed the future direction of the nonprofit financial market. The users of capital in the nonprofit market—social venture organizations (SVO), faith-based organizations (FBOs) and community development corporations (CDCs)—are referred to herein as nonprofit community-based organizations (CBOs). The providers of most of the financial capital to CBOs are foundations, community development financial institutions (CDFIs), government institutions, and to a lesser extent, private capital markets and Wall Street.

The inner urban community development markets are no longer insulated from competition from conventional developers or other business interests. America's inner urban communities, abandoned more than thirty years ago by the major finance institutions and majority employers for the safe haven of the suburbs, are now experiencing their return. Recent steep reductions in crime and the documented competitive advantage of locational inner urban real assets have spurred a migration of people and resources to inner urban communities.

Other conditions that have reversed urban decline include:

- Large-scale new immigration has regenerated the inner-city housing market in most urban communities. Immigrants have moved into space vacated by both blacks and whites, creating a new market for urban real estate.
- International and regional economic activities have created a demand for real estate in the inner cities where dot.coms and new entrepreneurs seek human resources, creating powerful forces that are shaping urban space and people.
- In a cyber-age, location has altered the value of all local real estate in prime areas where human capital can be agglomerated.
- Inner-city location assets have become increasingly transparent.
- Inner-city residential and commercial real estate have increased in value.
- Community development financial institutions (CDFIs) have emerged. The CDFIs and other community development financial organizations perform a host of financial due diligence tasks for larger banks and investors.

These changes, however, come with some cost to long-standing residents. Migration to inner urban communities creates competition for limited real estate assets. The wealth of these newcomers provides them with a financial advantage over under-capitalized inner-city residents. The wealthy often prevail, causing gentrification and a shift in community asset ownership. Residents who have lived in communities for many years are forced to leave because they can no longer afford to live in the area.





New competition poses challenges for CBOs with respect to how they do business, forcing them to rethink their funding strategies and deliberate about strategies to access private capital. Also, many CBOs realize that it may be in their best interest to work together with traditional developers. Community institutions must learn to work together with the private capital markets to refine the financial and development tools necessary to succeed.

CBOs are experiencing a funding shift from government and charitable foundations to alternative financing sources of private capital markets. Government funding and philanthropy are increasingly competitive, thus it is critical for CBOs to become self-sustaining. The shift is challenging for CBOs because many of their leaders have had limited experience with public and private market transactions. Many CBOs possess nontraditional assets including land, political relationships and strong community outreach capacity. They act as intermediaries for local and national financial collaborations by assisting local entrepreneurs with the purchase of retail opportunities and franchises.

Collaborations between national franchise companies and CBOs create opportunities for local entrepreneurs by lowering risk and capital requirements. CBOs must seek to capitalize on their assets and enter complementary relationships with private market financiers.

"Reality Check" was convened to examine how new public and private market forces are impacting the community development sector, and specifically how CBOs need to strengthen their organizations to attract these markets. It took the form of several roundtable discussions which addressed infrastructure, financing capital and the financial human capital needs of existing community-based organizations. The purpose of the roundtables was to detail solutions to transform CBOs into competitors, partners and efficient developers of the emerging inner-city markets. New skill sets and human capital capabilities will be necessary for CBOs to develop market-based solutions and obtain access to development capital and other mechanisms to capture the wealth of communities. This will mean that community-based organizations will have to train existing staff or find new stakeholders to develop new organizational capacities.

Through information obtained from a survey of conference participants, it was learned that "Reality Check" was an informational success. One overwhelming response to the survey was that additional roundtables should be held on specific topics.

Highlights of survey responses (There were 64 attendees and 22 responses):

- A. 100% of the respondents indicated that the information was relevant and that the conference met their expectations.
- B. Many of the organizations of those who responded had more than 50 employees.
- C. Panelists and attendees preferred the conference venue to a simulcast because the conference enabled people to network with their colleagues.
- D. Although all roundtables were viewed as valuable, the "Accessing the Capital Markets for CDC Transactions" was the roundtable from which the respondents derived the greatest value.

Lessons learned from survey responses:

- A. Presenters should have been allotted more time for more in-depth case study review.
- B. More time should have been allotted for questions and answers following each presentation.
- C. Information about sessions should be provided prior to the workshops.
- D. The conference should have addressed the needs of rural settings.
- E. Future discussion is recommended to determine the ways in which political landscapes of CBOs change when they begin to operate in the social venture competitive marketplace.

Realities & Wrinkles: Human and Business Infrastructure Development for CBOs

- *Sian Winship, Laufer Green Isaac*
- *Howard Cohen, Temple University Business School; formerly with Goodwill CDC*
- *Kirsten Moy, Aspen Institute Economic Opportunities Program*

The human capital and business needs of CBOs and CDFIs in the new market economy are more defined. Whose job is it to develop the human capital? Many CBOs have been organized and led by community residents and other stakeholders within the communities to solve community problems. The foundation upon which the CBOs were created is shifting because the operational conditions that produced the ghettos and urban decline have changed. CBOs must be aware of the shift and retool to meet the needs of the new market economy.

Money center banks stopped providing sufficient mortgages and small business lending in low-wealth communities due to community demographic shifts. CDFIs emerged to fill the capital void. The CDFIs operate parallel to money center banks. However, CDFIs have separate and unequal infrastructures, technology and staffing, and are often under-capitalized.

Growing CBOs rely on CDFIs for their capital needs only to find that the CDFIs fall short when it comes to serving their growing financial business needs. Although CBOs may possess a complete understanding of their financial pictures, they find that they do not have the financial skills necessary to successfully present to money center banks their ability to service their financial obligations.

"I provided my board of directors, most of whom had come from large, successful enterprises, all the analysis that I had required my students to do: charts, models, alternatives and options, prospective PGLs with different assumptions and three-year projections. If I only had that time back, I would not have done all that preparation and all those reports. I would have focused more on people and the human resources issues. The quality of managers, especially mid-level managers, in many inner-city enterprises and what we have to do to train and educate them to run small businesses is enormous. We're not doing the job. We need to allocate more resources to develop this critical human capital." Howard A. Cohen, Associate Dean, Temple University Business School



Kirsten Moy

"CDFIs are farther apart from their mainstream counterparts and money center banks than they were 30 years ago. The CDFI industry remains represented by over 300 CDFIs and 200 community development credit unions that are eclectic, inefficient and not standardized. These CDFIs are small, local and unique, geographically based, autonomous, vertically integrated with small volumes of customized products and rely on philanthropic and public capital. The ideology of localness and uniqueness mitigates against standardization and prevents growth and consolidation beyond community lines."

Kirsten Moy, Director, Aspen Institute Economic Opportunities Program

The growth of CBOs depends on infrastructure capacity, available skilled human capital and the financial capital required to fund operations and acquisitions. Financial capital is critical to fulfilling an organization's growth strategy. The existing infrastructure of CDFIs is not meeting the financing needs of the CBOs. The non-standardized culture and operating procedures of the CDFI industry perpetuate its inefficiency.



Howard Cohen

"Learn from someone who is a failed social entrepreneur—all wrinkles. Strategy is relatively easy; it is implementation that is hard, and this is where one frequently loses the game. And when you talk about the electronics of the modern-day capital and commercial banking markets, I can't tell you how often I stood at the bank, often at the tail end of a long line, waiting to verify an electronic transfer." Howard Cohen, Associate Dean, Temple University Business School

BUILDING SOLUTIONS FOR CDFIs:

- Standardize financial processing procedures to create higher volume.
- Customize non-standard loans and transactions to avoid conflict with the culture of the traditional finance industry.
- Encourage less specialization and more collaboration.
- Connect CDFIs to Wall Street and capital markets.
- Improve infrastructure: warehousing and pooling loans, utilizing credit enhancement mechanisms.
- Create generally accepted industry standards: industry risk and rating systems, industry data and performance measurements.
- Eliminate the capital and technology divide.

"Is it okay to voluntarily cap compensation levels in nonprofit organizations? If the market is talking about sustainability and attracting capital to engage in entrepreneurial activities, it's a serious problem. The current not-for-profit market cannot afford to buy the in-house capability that we need to develop and keep folks." Cliff Rosenthal, President, NFCDU

Mapping and Leveraging CDC Assets to Attract Investment

- *Mary Nelson, Asset Based Community Development Institute; NCCED*
- *Ann Habiby, Initiative for a Competitive Inner City*
- *Victor Hoskins, Urban America, LP*

As inner-city markets become efficient, undervalued assets are put to their most productive uses. Moreover, inner-city locational assets have become increasingly transparent and values have increased. New analytical tools help identify how community assets are competitive advantages for corporate investment.

“To compete in the capital markets, community-based organizations must be prepared to pay (what are to them) egregious rates of return.” Ann Habiby, Co-Executive Director, Initiative for a Competitive Inner City



Ann Habiby

Inner cities have a valuable inventory: undervalued real estate assets. Real assets such as churches, community centers and schools are important physical resources and may be utilized by residents or community stakeholders through citizens' associations, block clubs and cultural groups to leverage community participation in local projects. Stakeholders and residents must understand the significance of their assets and use them appropriately.

“When mapping the organization’s assets to attract investment, CBOs should establish social equity criteria measured by geographic targeting, composition of the development team, community benefit plans, strategies for community participation and connection to existing local initiatives, mechanisms to support local infrastructure, and the CBO must have in place a monitoring and evaluation plan.” Mary Nelson, Asset Based Community Development Institute; NCCED

Once a community has determined their strengths and weaknesses through asset mapping, stakeholders are provided with a blueprint upon which to build successes and avoid pitfalls.



Mary Nelson

Accessing the Capital Markets for CDC Transactions

- Moderator: Greg Stanton, Capital Market Access Program
- Joe Blair, Advest, Inc.
- Steve Joseph, Sandler O'Neill & Partners, L.P.
- Taurus Richardson, Inner City Venture Partners

What are the viable financing options for various CBO assets? Bankers in public and structured finance can look at possible financing mechanisms which have been successful in the for-profit sector, as well as recent emerging market transactions to create CDC financing solutions.

The assets of CBOs are not large, nor are they standard or homogenous. To continue the mission-driven work of CBOs, as well as compete for private capital to carry out their mission, many CBOs must increase their capacity to attract capital.

The funding and financing leaders of the not-for-profit community are reacting to competition for inner-city assets by facilitating financial capacity building among their staff.

"The major foundations with substantial program related investments (PRI) want to help improve the capacity of the not-for-profit organizations in helping them access market rate capital markets." Greg Stanton, Director, Capital Market Access Program (CMA)

The capital markets are extremely flexible for those who have knowledge of products, cash flows and deal structuring.

"The biggest challenge of accessing capital markets is finding the right people to work with who can get the transaction done." Joseph Blair, Managing Director, Advest, Inc.

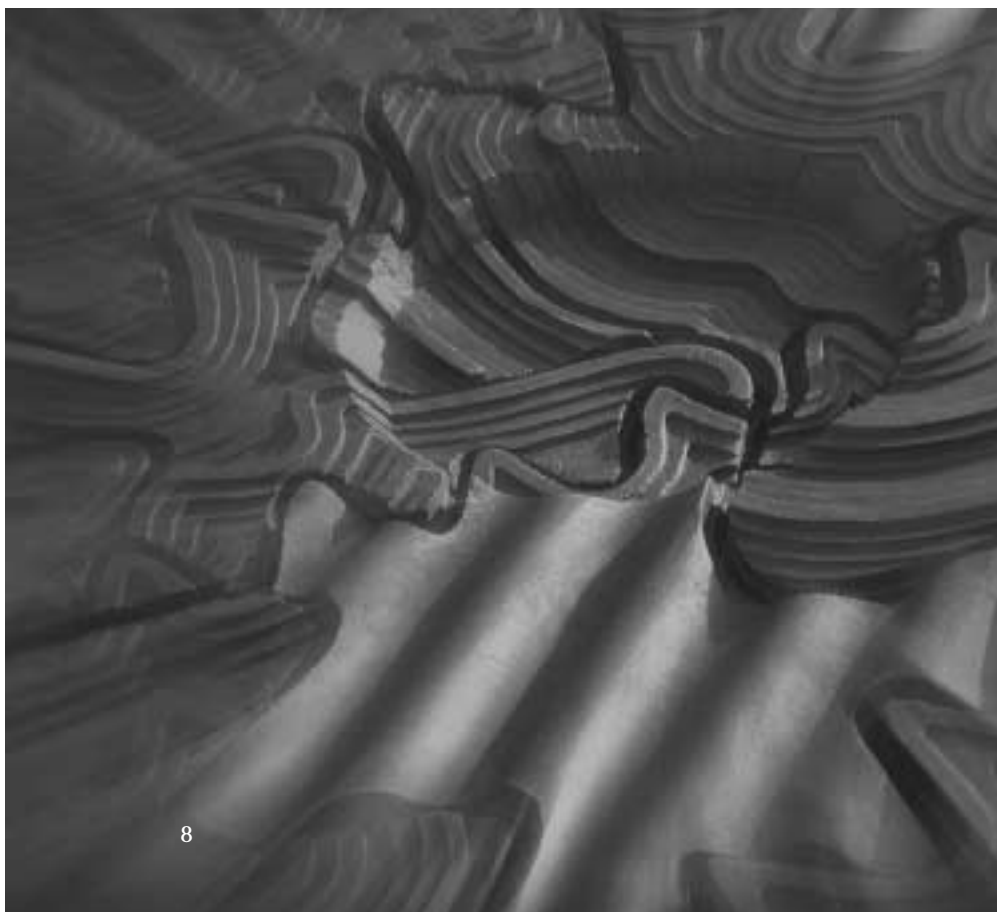
"The real capital markets are not mission sensitive. They only care about a transaction as long as the numbers pencil out." Greg Stanton, Director, Capital Market Access Program (CMA)



Greg Stanton

Valuable solutions to improve access to capital markets for CBOs:

1. Devise a long-term strategic plan, including a top-down mandate from the board of directors with a directive to access capital markets.
2. Identify bankable financeable assets with predictable cash flows.
3. Learn self-help and ask the right questions; hire the right human capital; use the right terminology.
4. Enhance credit through side insurance, structuring transactions, cash reserves or a combination hereof.
5. Establish data input systems that are standardized and accurate; ensure that internal financial controls and standard operating procedures are in place.
6. Develop a financing advisory board that is market savvy.



Lunch with Wall Street

- *Moderator: Kevin Walters, Director, Finance Lab, Milano Graduate School*
 - *Henry Lanier, Managing Director, Public Finance, Lehman Brothers*
 - *Glenn Porter, Chairman, Center for Societal Transformation*
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"The capital markets are extraordinarily dynamic. What is being suggested is moving the capital markets line and taking activities that weren't viewed as capital market activities and making a market." Henry Lanier, Managing Director, Lehman Brothers



Henry Lanier

Government and philanthropic organizations have traditionally funded community-based organizations. CBO work is mission-driven with strong social objectives for poor people in poor places. However, the required capital obtained through government and philanthropic funding vehicles is being reduced. As a result, the CBOs have to learn to do things differently to attract other than the traditional government and philanthropic funding sources.

"CBOs have social objectives and attempt to do good, while Wall Street has profit objectives and attempts to do well.

If and when the Wall Street and the CBO objectives meet, then all is well."

Henry Lanier, Managing Director, Lehman Brothers

Wall Street is a community where capital flows to ideas with the financial purpose of making an above average rate of return on the invested capital. Wall Street capital markets are very competitive, risk and interest rate sensitive, and unresponsive to small transactions. Larger, more sophisticated and financially stronger corporations with regular reporting structures are entering the community development sector to control the undervalued assets of the inner cities and are presenting challenges to CBOs.

To secure the funding and financing required to continue their programs, CBOs need to collaborate and/or transform into larger, more sophisticated and more transparent organizations.

Although some may express skepticism about Wall Street financing the work of the non-profit community, Wall Street is dynamic. Wall Street's structure is flexible enough to discover ways to bring capital market expertise to the nonprofit sector. Wall Street is looking for the following: big deals (size), liquidity of transactions, a fundamental exit strategy and good credit enhancements.

Major market changes are impacting the development and structure of community development participants.



Glenn Porter

"I believe that community faith-based organizations will become the pre-eminent community development market force."

Glenn Porter, Chairman, Center for Societal Transformation

To adapt the endeavors of community-based organizations to Wall Street and the new market initiatives, CBOs should consider the following actions:

1. Know and articulate problems to be solved by the planned project.
2. Facilitate management enhancement and capacity building before embarking on the project and going to the capital market.
3. Understand the mission of the financial institution.
4. Articulate the mission of the CBO to strategic partners and financial institutions.
5. Perform due diligence on proposed strategic partners and financial institutions.
6. Clearly know and articulate the CBO's value proposition.
7. Select a board of directors that can withstand rigorous scrutiny.
8. Know the community's political policy-makers and movers and shakers beforehand.

Real Estate: Leveraging Underutilized Assets (commercial / residential)

- *Moderator: Stephen Joseph, Sandler O'Neill & Partners, L.P.*
- *Paul Parkhill, Greenpoint Manufacturing and Design*
- *Frank Lang, Asian Americans for Equality*
- *James Mingey, Intrust USA/National Economic Opportunity Fund*

Greatly underserved by existing retail services, but enhanced by strategic location and transportation links to the rest of the metropolitan region, inner-city communities present a wealth of opportunities for commercial real estate development.

CBOs can identify capital to acquire properties at a discount, but have difficulties funding the enterprise after the properties are acquired. If CBOs have the core competencies for real estate development and management, then they will be able to earn sufficient fees on real estate transactions to fund the enterprise.



James Mingey

"Nonprofits have tunnel vision of core competencies, and they need to be planning farther in the future. If future funding is needed, they should be pre-planning, creating grant or joint venture opportunities to provide the necessary funding for operations." James Mingey, Chairman, Intrust USA/National Economic Opportunity Fund

How to take financial advantage of underutilized real estate assets to accomplish the mission of the enterprise:

1. Low-income housing tax credits.
2. Bargain sales.
3. New market incentive tax credits.
4. Grants as a form of equity.
5. Mortgages (15-year mortgages and 40-year amortizations.)
6. Land trusts.
7. Zero coupon acquisition bonds against 50% property loan to value (LTV).

"I believe that we are all talking about business. It's not nonprofit or for-profit business. It's rebuilding communities that are self-sustainable, and whether it's done with a surplus or a profit, it still has to be self-sustainable or nobody is giving you any more money." James Mingey, Chairman, Intrust USA/National Economic Opportunity Fund



Business Development: Franchising and Retail

- Moderator: Sean Moss, Empire State Development Corp.
- Karen Phillips, Abyssinian Development Corp. (ADC)
- Keith Cook, Fleet
- John Nelson, Corporate Partnership Program (CPP), NCCED

CBOs are often sitting on top of gold mines in communities that have enormous buying power but whose needs are going unserved by local entrepreneurs. Stores with competitively priced goods, trained sales staff, high-quality merchandise and good customer service are scarce in the inner city.

"A comprehensive approach to building a community requires stabilization, integration of economic revitalization, commercial revitalization, and quality of life."

Karen Phillips, President, Abyssinian Development Corp. (ADC)



Karen Phillips

Prior to the expressed interest in inner-city real estate by private developers, CBOs have been effectively developing the communities themselves. Abandoned properties previously owned by governmental entities have been rehabilitated by CBOs. As a result of this

rehabilitated real estate, crime rates have decreased. These changes, along with close proximity to business districts and easy access to public transportation, have attracted suburban residents and new immigrants to inner-city communities, creating communities that are densely populated. However, these communities do not have the requisite number of entrepreneurs to provide goods and services that are offered in more developed communities. As a result, the residents' demands for goods and services are unmet.

"Local CBOs have value in land, outreach to the community, political infrastructure, solutions of franchising and retail and collaboration with national and local franchisers." John Nelson, Director, Corporate Partnership Program (CPP), NCCED



John Nelson

The affordability of the rental and purchase housing markets in the inner city is mobilizing migration of recent immigrants and residents from the surrounding, more expensive suburban communities into the "ghetto." CBOs are now shifting their efforts from exclusively building housing stock to include the building of commercial properties as well. They are also acting as facilitators in providing goods and services, developing business coalitions and bringing capital resources into inner-city communities.

"The Greyston Foundation CDC is an owner/operator of a business that generates profits, and keeps money in the community, creates jobs but does not create entrepreneurial wealth. I like Karen's model (Abyssinian Development Corp.) that does what we do, but also creates wealth for entrepreneurs in the community." Julius Walls, Vice President, Greyston Foundation



Julius Walls

Many CBOs are identifying capital and seeking partnerships to collaborate with local entrepreneurs not only to provide goods and services to the community, but also to build entrepreneurial wealth within the community. Franchise businesses are the main preference for partnership and business development by CBOs. ADC has facilitated Sterling Optical, IHOP and Papa John's Pizza franchises coming to Harlem.

Deutsche Bank has a franchise program that provides low-cost capital to potential franchise owners in inner-city markets. Fleet has a venture capital program for potential owners of inner-city franchises. NCCED is also developing a national intermediary portal to help franchisers and retailers who want to connect with inner-city communities.

Evaluation Performance Measures and Impact Analysis

- Moderator: Dennis Derryck, Milano Graduate School
- Shari Berenbach, The Calvert Foundation
- Charles Lief, Greyston Foundation
- Tina Trent, Fannie Mae Foundation

Community-based organizations are being forced to compete with mainstream agents for control and development of community assets. The financing markets are requesting that community organizations become more transparent. As a result, CBOs will be subject to evaluation, performance measures and impact analysis.

CBOs have been reluctant to provide programmatic, operational and financial evaluation measurements in an organized manner. As the CBO market matures and conventional for-profit competitors compete for ownership and development of community assets, funding and financing agents are requiring more financial and nonfinancial information about the CBOs. Readily available and measurable information on CBOs must be organized and systematized to facilitate a financing market for the acquired assets, operations and programs of CBOs.

"When CBOs go to the market, they have to have uniformity. Here we have a movement that is resisting the notion of becoming a profession." Edward J. Blakely, Dean, Milano Graduate School

The Calvert Foundation is attempting to create a database that will be used by third party reviewers to better evaluate CBOs.

The Calvert Foundation has already developed (1) the community profile database and (2) a due diligence database to establish a system of CBO bankability. Both databases are available online at www.calvertgroup.com/foundation.

"The significance of transparency and availability of information about nonprofit markets will help the financing agents in capital markets view community development corporations as investable entities."

Shari Berenbach, Executive Director, The Calvert Foundation



Shari Berenbach

Evaluation is an organizational process to help CBOs better understand the effectiveness and impact of their programs and services. An organization that is actively involved in the learning process is one that engages in systematic participatory evaluation. This should be a core management function embedded within the culture of an organization, enabling it to continually measure and improve its products and services.



Edward J. Blakely

The ability of organizations to grow is dependent on their building capacity and demonstrated successes.

"CBOs' ability to access capital markets depends on their capacity, and continuous evaluation is one important element in the capacity building process." Tina Trent, Senior Director, Evaluation Research, Fannie Mae Foundation

Through standardization and demonstrated successes, CBOs have better chances of success in attracting private capital because there are no mysteries for investors.

"Providing better evaluation and impact data has increased our ability to obtain additional funding from philanthropic organizations." Charles Lief, President, Greyston Foundation



Charles Lief

The conference, **Reality Check: CDCs Access Wall Street as They Shift from Funding to Financing**, addressed many concerns, answered many questions and provided financial prescriptions for community development while leaving some questions and concerns unanswered. Moreover, over 90% of the conference attendees who responded to the conference evaluation survey indicated that a follow-up conference was necessary. We acknowledge the request and have scheduled April 19, 2002 as the date for **Reality Check II: CBOs Face-to-Face with Capital Markets**. After morning financing capital roundtable discussions, CBOs will have the opportunity to meet face-to-face with suppliers of capital to source funds for existing or future projects. The ultimate "reality check."

**For additional information contact the Milano Graduate School Finance Lab
72 Fifth Avenue, 5th Floor, New York,
NY 10011, 212-229-5311 x1406.**

SAVE THE DATE

Reality Check II: CBOs Face-to-Face with Capital Markets

NEW YORK CITY
APRIL 19, 2002



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