

WHAT PROBLEM ARE WE TRYING TO SOLVE?

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What is the problem that community development was created to solve? What is the problem it is solving today? And will it be able to solve the problems of tomorrow?

I think I know the answer to the first question. Community development emerged as a product of the War on Poverty to give disadvantaged people, neighborhoods, and communities a chance to lift themselves up by their bootstraps. It put resources directly in their control and circumvented the historical reliance on local and state governments. Even now, it is easy to understand how important this was in the Deep South in the 1960s. The creation of community action programs, community action agencies, and community development corporations in the same era introduced a new type of public-private partnership

embedded in locally controlled private and quasi-public institutions caring for communities.

These innovations spurred a movement that worked better than its proponents dreamed possible and served more purposes than its original supporters envisioned. Federal spending, often in partnership with states, municipalities, public foundations, and—much later—banks, leveraged the unique market knowledge and community dedication of local corporations—almost all nonprofits—to create jobs, build affordable housing, and provide vital community services.

But I don't think anyone knows the answer to the second question—or perhaps, everyone knows *an* answer, and everyone's answer is different.

Community development long ago became an ever-expanding big tent that morphed almost magically as if out of Harry Potter, to cover everyone making a claim to the name. Today, as an unfortunate result, that tent is occupied not only by people and organizations committed to serving underserved communities but also by those interested primarily in profiting from those same communities. Community development today is no longer focused solely on benefitting low-income and low-wealth people.

It seems easy to see that predatory mortgage and payday lenders do not belong in that tent, but people such as Angelo Mozilo, the one-time king of the predatory lending hill while running Countrywide Mortgage company, seem to see it another way. Mozilo claimed his intent was to help disadvantaged people gain access to the American Dream of owning a home. He was investing for a particular kind of impact.

If Mozilo seems an outlier, ask yourself if you can differentiate the values intrinsic to three different community-improving investment strategies: program-related investments, mission-related investments, and impact investments. They all serve important but different purposes. Most important to me is the various extents to which each benefits low-income, low-wealth,

and other disadvantaged people and places. That is what community development does. Or did.

Our best intentions and our willingness to be inclusive have produced a community development “brand” that is unmoored from its history, practice, and purpose. Community development is sliding down a slippery slope because of our unwillingness to delineate clearly the differences among strategies and, perhaps more important, the markets that those strategies target. The ride is exhilarating but sooner rather than later we will hit bottom and have to pick up the pieces. As a result, the answer to the third question—Will community development be able to solve the problems of tomorrow?—rests heavily on our ability to move quickly from amorphous ideas of community development to something more concrete, and to which we hold ourselves, our investors, and our partners more accountable.

We need to step past the community development paradigm, for all its successes and struggles, and into an approach that better suits what we have learned, what we have accomplished, and where we are going. One way to think of this needed change is for the community development industry to better understand and market its “brand.” Brand is more than just selling consumer products; it defines who we are as an industry, organizes and aligns the efforts of multiple players in a disciplined way, and effectively communicates with a larger world. At its best, your brand connects you to the right people in the right way and makes you more efficient and effective, which is the critical challenge in a time of scarce resources.

WHAT DOES IT MEAN TO BUILD A BRAND?

If we intend to transform our movement to meet the challenges before us, we need to double down on the core purpose and core values that spurred community development in the first place. That requires that we differentiate clearly what must never change—what is core—and what *must* change to ensure that our efforts are relevant and influential in the future.

Few things seem more important to me now. We must do this work first. It is the only way to answer, in more than a self-serving way, the third question: Will we be able to solve the problems of tomorrow? The last 20 years have revealed challenges and tantalizing opportunities that demand innovative responses. The last years have demonstrated convincingly that our nation needs a disruptive break in our financial, economic, and fiscal habits if we are going to better serve low-income, low-wealth, and other disadvantaged people and places. For people and institutions dedicated to that end, we need to think less about “community development” and more about what comes after community development.¹ I would suggest that what comes after community development—that is, what emerges to connect low-income, low-wealth communities to economic and social opportunities—will be shaped substantially by four factors, which also point to a promising role for community development financial institutions (CDFIs):

- Distressed markets have grown substantially (and unfortunately), and these markets will not shrink as rapidly as they expanded.
- CDFIs bring unique expertise and experience in serving distressed markets that translates into value for policymakers, banks, and nonbank corporations.
- Mainstream private and government leaders are beginning to recognize that high-performing CDFIs offer good, perhaps the best, options for extending economic growth and opportunity to distressed markets.
- CDFIs, in particular, are reaping benefits from a 25-year commitment to disciplined practice, innovation, pragmatic idealism, and patience and as such are well-positioned to help

¹ The emerging meme among impact investing leaders is that impact investing will supplant and replace community development finance. Impact investing has the potential to play an important role, but that role will have little to do with benefiting low-income, low-wealth, and other disadvantaged people and places. Mission-related investing followed a similar arc over the past decade or so; it is important but its value to the target markets that CDFIs serve is structurally limited.

lead an economic resurgence in a growing number of markets and communities.

That final factor also should increase the field's collective ability to advance the purposes that underlay community development from its birth: opportunity for all and better alignment of capital (and capitalism) with justice.

Brand reflects underlying assumptions and values. It tells other people who you are, what you believe in, and what you stand for. Done well, it captures and conveys what is at your core. It also amplifies how to act on your core—in these four instances, through proven efficacy; market relevance; a clear value proposition; and mature practices, policies, and systems. These are the founding principles of what comes after community development.

OUTWARD-IN THINKING

In 2003, Nic Retsinas, who then served on the Opportunity Finance Network board of directors, observed that working in community development finance was like working in a hall of mirrors. What we needed to do was learn to work in a hall of windows—to look outward to understand what others see when they look in at us.

One result of that observation was that Opportunity Finance Network commissioned a market study of how others, the majority of Americans, viewed community development and CDFIs. The results shocked and saddened me; to paraphrase the immemorial words of Pogo, “We had met the enemy and they is us.”

Our market research found again and again that the prevailing and consistent view of “community development” was, and no doubt still is, that it is government-driven, broken, ineffective, and often corrupt.

Still, we resisted fully accepting this perception until a final market research study put a price tag on our stubborn adherence to the community development brand. Working with a group

of financial market executives and high-net-worth investors, we learned two seemingly conflicting things.

First, as a group they liked and would consider investing in what we do: financing quality affordable housing, supporting small businesses, backing community facilities and services, creating jobs. When we asked them what financial yield they would expect on their theoretical investments, they offered rates that generally grouped at the high end of market-rate fixed-income yields. We were stunned. We did not expect to hear that we were market-rate investment grade.

Second, when we later reminded them what we do, using the list from the previous paragraph but slipping in the words “and community development,” pretty much every person said they would not invest. Why not? Community development, they believed, is ineffective and often corrupt. They might donate a little money but they would *not* invest.

We pushed them to name a price at which they would invest. With reluctance, they named yields that were about 600 basis points higher than what they had said they expected earlier. I consider 600 basis points the “community development premium.”

The bad brand caused problems in the policy realm, as well. When President George W. Bush proposed in 2005 to consolidate a wide swath of federal antipoverty and community development programs into a single block grant program, I thought it was popcorn policy—a kernel of truth surrounded by a lot of hot air. While the community development movement defeated that effort, we missed the opportunity to embrace the brutally honest, and long overdue conversation about that kernel of truth: Not all programs work well and not all merit ongoing federal, state, socially responsible, and philanthropic support. The truth is that community development, like so many other things, is imperfect. Some is effective, but some is not. Some is a wise use of limited resources, some is not. Some approaches worked well once but no longer do.

BUILDING A BETTER BRAND

Opportunity Finance Network embraced “opportunity” in its name and brand in part because our research told us that people liked that we finance opportunities. Many of the several thousand career community development professionals in and around our membership were upset by the proposed change, though most now understand why it was necessary.

A brand that is associated with opportunity has a value that can be monetized, leveraged, and grown. It can make an organization (or an industry) more attractive to partners, investors, funders, and policymakers. The corollary, of course, is that brand value can decline, taking resources and opportunities with it.

Since last summer, Opportunity Finance Network has partnered with Starbucks on the “Create Jobs for USA” movement.² This experience has taught me many things, but I am struck most by the extent to which the senior management at Starbucks focuses at every moment on brand—brand for Create Jobs, brand for Opportunity Finance Network, and brand for Starbucks. It is a very precise metric against which they size up decisions. For Starbucks, the metric is “coffee”: does a decision lead to a better coffee experience for its customers? For Create Jobs, the metric is “jobs”: will a decision help create or retain jobs?

Before Create Jobs for USA, I would have said that the defining CDFI brand characteristic was “opportunity.” It seemed to capture the essence of what CDFIs offer. Create Jobs for USA has changed my mind. I now think that the CDFI brand is something much more powerful and important—“solutions.”

Community development is an intervention strategy, a set of programs, a movement, a dynamic list of outcomes, a career, and more. We need to get specific, and particular, about which elements are core. From that, we can begin to drive a strategy and a brand that is built for enduring success at providing

² For more information see www.createjobsforusa.org.

solutions for low-income, low-wealth, and other disadvantaged people and places.

I would suggest four key attributes of the CDFI brand:

- 1 We build and operate organizations and approaches that are profitable but not profit-maximizing. Although there are many important things that are not profitable (public goods), these are not what CDFIs can provide—government and philanthropy must take the lead role.
- 2 We operate as private-sector enterprises and not as byproducts or extensions of government programs or foundations; we retain the ability to make independent choices and to put mission before self-interest.
- 3 We measure success by both financial results and impact—quality jobs, quality affordable housing, quality facilities and services—that produce opportunities for low-income, low-wealth, and other disadvantaged individuals, communities, and investors. We must sustain ourselves *and* our beneficiaries now and in the future.
- 4 We hold ourselves accountable to our customers and our funders, our beneficiaries and our investors, and our communities and our nation. Our success or failure is collective, as each of our institutions alone lacks the resources and scale to provide relevant solutions proportional to the challenges our nation faces.

Put another way: Our solutions must be authentic, sound, sustainable, and scalable.

These attributes may be enough to build a movement brand that both maintains discipline internally and inspires confidence to a larger audience. When the rubber meets the road, brand is not just what you want to believe about yourself. It is what you do and how you do it. If your actions, services, products, and decisions are not true in an obvious way to your idea about your organization, your brand is inauthentic and worth very little.

When you fall back on an inauthentic brand in a tough moment, it does not support the weight of your good intentions.

OUR FUTURE

Will our work be relevant to the problems of tomorrow—the challenges that low-income, low-wealth, and other disadvantaged people and communities will face?

I spoke recently at a graduate school to an audience of students passionate about community development. One young woman spoke of her frustration as an intern in the federal government, witnessing the passion for cutting discretionary government spending and the lack of passion for community development. When, she asked, can we turn the debate on its head to focus on the good things that community development does?

I stumbled to reassure her by explaining the progress I believe CDFIs are making: the increasing number of federal agencies reaching out to CDFIs, steady funding for 2012 for the U.S. Treasury's CDFI Fund, the potential of the Small Business Administration's Community Advantage program, and more. But I could not leave my answer there. I wanted to be honest about my hope that she and her peers will lead us beyond community development. "As long as we are talking about 'community development,'" I told her, "we are going to lose."

MARK PINSKY is president and CEO of Opportunity Finance Network (opportunityfinance.net), the leading U.S. CDFI network, where he is responsible for vision and strategy. He chairs the boards of the CDFI Assessment and Ratings Service (CARS, available at CDFIratingsystem.org) and Net Impact (netimpact.org) and sits on multiple other advisory and governing boards.