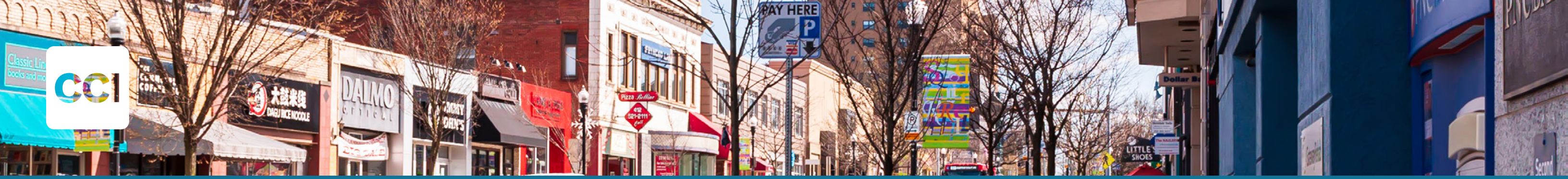

Shaping the Enabling Environment

AN INTRODUCTION

center for community investment

WHAT IS THE ENABLING ENVIRONMENT?

The enabling environment is the setting in which community investment* takes place. It includes everything that makes it easier or harder to identify a shared priority and develop and fund projects* to make that priority a reality. This ranges from policies, institutional practices, funding sources, and other resources to skills, relationships, and the community's understanding of its history and future. Federal policies affect community investment, but local, state, and regional conditions also have a significant impact–and can be easier to change.

In communities with strong enabling environments, more deals can be completed more quickly and more smoothly. Ultimately, this means the community can move its pipeline forward and accomplish its shared priority more effectively. This is why strengthening the enabling environment is a critical function of the capital absorption framework.

As with shared priorities and pipeline, every community's enabling environment depends on its unique opportunities and constraints, including the impact of mainstream loans and investments. But whatever the local circumstances, the seven actions below can make a meaningful difference in your enabling environment:

1. Influencing government policies and regulations

Example: Creating laws that allow tenants or non-profit developers to buy buildings when the owner wants to sell can help long-time residents stay in their homes.

2. Adjusting institutional practices

Example: Aligning state, city, and local foundation application deadlines for project development funds can make it easier for projects to get the funding they need in a timely fashion (which in turn helps keep down project costs).

3. Locating additional sources of funding

Example: Adding a fee on new luxury developments and applying it to affordable housing projects, securing investments from major local institutions like hospitals or universities, and shifting funding previously allocated to other priorities can create additional sources of funds for community development projects.

4. Ensuring the availability of needed skills and capacities

Example: Funding additional staff to help a local community development corporation work in new neighborhoods, sending a staff member to a training to acquire new skills, or convincing a national or statewide community development financial institution (CDFI) to open a local office in a community that needs more resources for community investment can make it easier to complete deals.

*Definitions of these core terms can be found on the final page of this brief.

5. Fostering formal and informal relationships
Example: Introducing a hospital that wants to increase the supply of affordable housing in its community to a local CDFI can make more deals possible and generate political support for housing development.

6. Building forums and platforms for ongoing collaboration
Example: Organizing a monthly breakfast where local community leaders, developers, and foundation staff meet to share ideas, updates, and partnership opportunities can jumpstart existing deals and generate new ones.

7. Shifting narratives
Example: Focusing on a community's strengths and assets can change people's sense of what is possible and inspire positive action for change.

WHY DOES THE ENABLING ENVIRONMENT MATTER?

Strengthening the enabling environment is essential to creating more equitable, effective, robust community investment that supports equitable, healthy communities.

This country's long history of structural racism and disinvestment* has left many communities of color without the resources they need to thrive—like good jobs, affordable homes, healthy food options, and safe, clean parks. Not surprisingly, disinvested communities that have fewer deals and projects tend to have weak enabling environments. Overcoming this history and effectively supporting these communities requires equitable community investment that transforms not only what gets financed but also how deals happen. Strengthening the enabling environment helps local community investment systems create and complete a pipeline of projects to achieve a shared priority, rather than arduously advancing one project at a time.

The elements of the enabling environment may seem unchangeable, but that is not the case. When you analyze your community investment system to see what is and isn't working and then identify the specific shifts that would most improve the system, you can effect change. Sometimes that change comes quickly. Other times it comes more slowly. But change can come, and community partners can influence and direct it.

A regional collaboration created a forum to increase affordable housing development. Leaders from various cities began comparing notes about local processes, regulations, and success in obtaining state funding for projects. They noticed that some communities had procedures to expedite affordable housing developments that others lacked. They also realized they could create a joint online system for permitting that would simplify permitting and be more cost-effective than each city creating its own system, both of which would make housing development easier and faster. Finally, they decided to join forces to change state regulations that were preventing them from successfully securing state funding for projects in their region.

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WHAT CAN WE DO ABOUT THE ENABLING ENVIRONMENT?

The first step in improving your enabling environment is to figure out what's preventing your community investment system from working as well as it could. Start with your shared priority and pipeline of projects and deals. Look carefully at individual deals and the pipeline as a whole to see what's working well, what isn't, and what's missing as you try to achieve your priority. Then figure out what might be changed to help things work better. Get input from people and institutions involved in community development and investment (community-based organizations, developers, lenders, philanthropy, government agencies, etc.), and engage them in your efforts.

Once you've identified the changes you want to make, you may need a combination of inside and outside strategies. This means that you will need to work with staff inside the relevant institutions while simultaneously organizing to put pressure on the institutions and hold them accountable from outside. In order to do this, you will need to mobilize support for both strategies from others who want to advance your community investment system and shared priority.

Your effort to change local funding priorities could include forging a partnership with the Mayor's Economic Development team to develop an economic plan that shifts city funding to projects aligned with community priorities (inside strategy). At the same time, you could coordinate with local community organizations, residents, and developers to pressure City Council members to change their funding priorities (outside strategy).

This inside/outside approach inevitably generates tension, but healthy tension can be productive. Collaboration among the different sectors, institutions, and individuals in your community investment system is essential to assessing and addressing the issues you face. Sitting together at the table doesn't mean you will always agree, but you can still listen, learn, figure out what's possible, and make it happen.

TIPS

Remember that policies are only one part of the enabling environment. Questions to ask as you consider how to make change include:

- Where are our opportunities for shifting practices? Shifting policies? Shifting how people and organizations understand and approach community investment?

- How could we help current funding sources work together? Are there new funding sources we might be able to create or attract?

- Who is currently part of our community investment system? Who has been overlooked or excluded, and how might we bring them in? Do the people affected have a say in what gets done? What other community members (organizations or individuals) might be able to help with various parts of the work? Could those currently involved be taking additional or different actions to support community investment? Are there needed skills or roles that we might have to bolster or look for outside our community?

As you create a strategy for improving your enabling environment, keep both the short and long term in mind. A quick win can benefit morale, and small changes can make a real difference, especially if major changes will take a long time. Consider:

- What will be your early wins? Move simultaneously on short- and long-term goals and activities; early wins help build momentum toward major long-term shifts in the enabling environment.

- What is low-hanging fruit that will make a difference to your pipeline and shared priority? There may be easy and/or quick changes that can have an impact on your work and show your community that you mean business.

- What policies already exist but are not being used? Try to find and activate policies that will advance your cause.

- How can you work on changing practices while pursuing other changes that might take longer? Seemingly small things, like harmonizing application deadlines, can go a long way.

Mobilize your community to support efforts to transform the enabling environment. Some questions to ask as you move your strategy forward:

- Who supports you? Who might object to what you're trying to do? Think strategically and politically about how to mobilize allies and address objections.

- What can others contribute to your effort? Don't hesitate to engage partners who might have different but equally important perspectives on what's possible, what can be changed, and how to change it.

- How can local foundations help? Consider what philanthropic support might accomplish. For instance, grants for adding staff can make a big difference. Foundations generally have lots of connections in the community and can help bring together different people and organizations to support and participate in the work.

- What can the government do? As well as local government, don't forget state and federal agencies and elected officials, as well as regional bodies. Sometimes collaborating with colleagues in other towns, cities, or regions can make big changes happen.

- Which capacities can you bring in from elsewhere? There are many regional, state, and local funding sources, technical assistance providers, and other resources that can help your community while you build your own skills and capacities.

To learn more about the enabling environment, read our brief, Strengthening the Enabling Environment.

Core Community Investment Terms Defined

Community investment finances projects whose primary goal is to improve social, economic, and environmental conditions by meeting community needs–like good jobs, affordable homes, healthy food options, and climate resilience–rather than making a lot of money. It is designed to support projects and places that mainstream investments usually avoid (because they tend to be more complicated, expensive, and perceived as financially risky).

Disinvested describes communities that have lost (or never had) sufficient investment to meet the economic, educational, health, and social needs of their residents. In the United States, **disinvestment** is largely caused by two factors: 1) systemic racism, its practices (such as historical redlining and contemporary discriminatory loan practices), and its effects (such as segregation and white flight); 2) national and local business trends and policy changes (such as US industries moving abroad and the decline of family farms). As a result, most disinvested communities are communities of color and/or low-income communities.

A **deal** is a financial transaction that brings together investors, who supply money, with people who have a need for that money. Deals may be done directly by the people or organizations who supply and use the money, or they may involve intermediaries, like banks or community development financial institutions, whose role is to connect the suppliers and users of money. Deals result in **projects**, which are the actual things being funded, like a block of townhouses, a supermarket that will train and employ local residents, or the expansion of a local business. The words deal and projects are sometimes used interchangeably.

About the Center for Community Investment

The Center for Community Investment at the Lincoln Institute of Land Policy works to ensure that all communities, especially those that have suffered from structural racism and policies that have left them economically and socially isolated, can unlock the capital they need to thrive. Our work is supported by the Robert Wood Johnson Foundation, the Kresge Foundation, and JPMorgan Chase & Co, and The California Endowment.

For more resources, visit centerforcommunityinvestment.org/resources.

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