

Defining Shared Priorities

THE CAPITAL ABSORPTION FRAMEWORK: PART 1

I. INTRODUCTION

Communities across the country need similar things to thrive: access to good jobs, affordable homes, safe places to gather and play, healthy food options, and opportunities for residents to have a voice in decisions that affect the community. Research shows that outcomes like life expectancy and economic mobility are deeply influenced by where we live. Yet many places suffer from chronic disinvestment, resulting in communities where the most basic conditions necessary for a decent quality of life are not met.

Note: This brief is the first of three in a series on the core functions of the Center for Community Investment's (CCI) capital absorption framework. Each brief begins with the same introduction that provides context on CCI and our work. If you have read either of the other two briefs in this series, please feel free to skip the introduction and proceed directly to the second section of this brief where we define shared priorities and discuss their role in an efficient, effective community investment system.



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Disinvestment has its roots in structural racism and intentional policies and practices that have left some communities economically and socially isolated – disconnected from opportunity. Systematic practices like redlining, in which racial composition and other factors were used by public and private actors to designate places as not fit for investment, were major contributors to the problem. Such policies and practices have impacts that reverberate even today. Many formerly redlined communities are places where poverty is concentrated and vulnerability to forces such as climate change is especially acute. Community efforts to transform such places are made that much harder because conventional financial investments often take the path of least resistance, flowing most readily to places that are already thriving.

The well-being of our communities is tied to how we invest in them. One of the smartest investments we can make in our nation's future is to help all communities unlock the capital they need to thrive. For our society to prosper, we need to ensure that everyone has the chance to reach our highest potential. This is the goal of community investment.

We define community investment as transactions designed to improve social, economic, and environmental conditions in communities that lack adequate investment, while producing an economic return.

Community investment is critical to creating and preserving affordable homes, promoting health and wellness, growing businesses, and fueling economic vitality. We use community investment as an umbrella term for a large spectrum of transaction types—including loans, bonds, tax credits, structured investment vehicles, and more—that draw on public funding, philanthropic grants and investments, and capital from banks and insurance companies, individuals, and other impact investors.

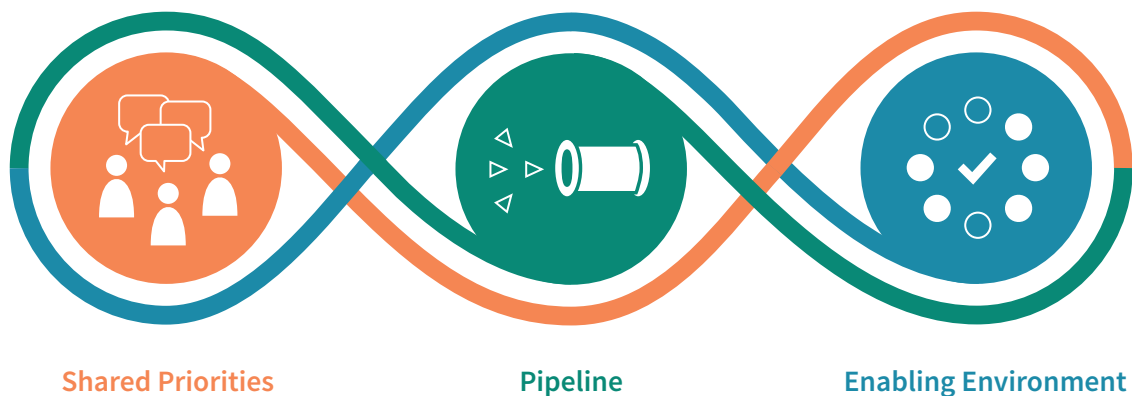
The goals of community investment differ from those of traditional financial investment and so its approaches differ too. Traditional financial investments seek to maximize the return on investors' money, with any resulting public good being purely incidental. Community investment seeks to serve the public good and may result in varying degrees of financial return.

Community investment attempts what the conventional finance system cannot or will not do, directing resources to people and places that would otherwise be left out. It does so by putting together out-of-the-box deals that are often complex, time-consuming, and politically sensitive, and that require participants to balance the interests of many stakeholders and blend different sources of capital with varied constraints and requirements. Practitioners often speak about their work in metaphors like filling gaps (where markets aren't working), providing cushions (to absorb risk that others won't bear), and taking haircuts (to adjust prices to "market" rates). These metaphors suggest the high level of expertise and the values required to complete these deals.

Since 2011, the founders of the Center for Community Investment have been testing and refining a framework for better organizing and deploying community investment. Called the **capital absorption framework**, it approaches community investment as a system.

We believe that working at the level of the community investment system—looking broadly not only at who is involved but also who could be involved, creating opportunities for continuous learning and improvement, pooling resources and batching deals to create efficiencies—can help reduce transaction costs, increase the scale and impact of investment, and assist local leaders to better understand and strengthen their local community investment system. It can also help to engineer a context that is more supportive of achieving community priorities.

Capital Absorption Framework



Although many community investment efforts focus on increasing the supply of capital, we believe that this alone is not enough. Equally critical is a more coordinated, strategic approach to **organizing the demand for capital**. This belief arises from our experience with impact investors who want to invest in a certain place but can't find investable projects, sometimes because there aren't any deals in progress, other times due to a lack of clearly articulated community priorities that could guide the creation of such projects. We developed the capital absorption framework to help make communities investment ready, that is, capable of receiving and effectively using community investment.

Instead of focusing on individual transactions or particular subsets of community investment practitioners, the capital absorption framework casts a much wider net, reframing all investment activity designed to advance the public good—the deals, the players, the resources—as part of a larger community investment system.

The idea of investment-ready communities is critical to the capital absorption framework. Anyone active in community investment knows that the aspirations of communities cannot be achieved by any single project or by grant funding alone. The scale of problems like a lack of affordable homes, health disparities across racial and economic lines, and unequal access to economic opportunities is such that communities need to use not just government subsidies or foundation grants, i.e. funding that does not expect to be repaid, but also the much larger pools of capital available from banks, anchor institutions, pension funds, motivated individuals and other impact investors that expect some form of repayment and/or economic return.

In order to attract the broadest range of resources and be ready for unexpected opportunities, communities must have in place a shared understanding of their goals, a set of deals and projects that will help achieve those goals, and the policies, practices, and relationships that can make those deals and projects happen in ways that advance community interests and protect community assets. This is what it means for a community to be investment ready.

The capital absorption framework centers on these three core functions: establishing shared priorities, creating a pipeline of investable projects, and strengthening the enabling environment of policies and practices required to achieve the desired results. The functions are highly interdependent, with each function evolving in response to new information and progress throughout the course of the work. The framework is meant to be applied iteratively, as effectively implementing the capital absorption framework hinges on aligning the three functions so they are mutually supportive.

In this brief—the first of three in a series on the core functions of the capital absorption framework—we examine in more detail what it means to establish shared priorities across stakeholders and why doing so is an important precondition to an efficient, effective community investment system. Our goal is to share what we have learned to date about formulating priorities, provide examples of the capital absorption framework in practice, and offer guidelines for tailoring the framework to an individual community’s unique needs and objectives.

II. WHAT ARE SHARED PRIORITIES AND WHY ARE THEY IMPORTANT?

Every community has competing needs and priorities. **When it works best, community investment can help a community realize its shared vision and ensure that there is alignment between where investment is going and goals the community is trying to achieve.** But this isn’t easy. By design, community investment targets places and people that the market either doesn’t reach or fails to serve adequately. Community investment practitioners operate in a landscape of limited and fractured resources, with access to siloed pools of money that may be hard to blend and diverse investors with differing expectations around risk, return, and impact. This complex financing landscape complicates the already difficult task of attracting sufficient resources to community investment projects.

It is imperative that community investment practitioners be able to speak clearly and compellingly about community goals and how investment opportunities contribute to achieving them. Investors want to understand how their resources can be deployed to make a meaningful impact; drawing a clear line of sight between capital requirements and community results helps align investors and encourages them to stay the course when projects hit the inevitable bumps in the road.

Developing and communicating a clear vision of what is at stake and how a set of investments can move a community towards the realization of its vision not only helps to attract capital, it also reduces the risk of failure by demonstrating focus and commitment.

To accomplish these goals, we suggest establishing what we call **shared priorities**. Shared priorities are not the same as targeted results or outcomes. A result or outcome identifies a desired end state (“reduce by 50% the number of residents of a particular neighborhood who spend more than 30% of their income for housing”), while a shared priority is a collective understanding across stakeholders that encompasses both the problem they’re trying to solve and their strategy for addressing it at this moment (“reduce housing cost burden in a particular neighborhood by developing 200 new rental homes affordable to residents with incomes of 60-80% of area median income”).



Result: a desired end-state or outcome; e.g. Reduce the number of families paying more than 30% of their income on housing by 50%

Shared priority: collective understanding of the problem to be solved and the strategy for addressing it now; e.g. Develop 200 new rental homes for low income families

A strong shared priority helps position stakeholders to make appropriate decisions among competing needs, align and maximize scarce resources, and bridge the gap between planning and implementation so they can move more quickly to action.

For example:

- Detroit lost nearly two-thirds of its population between 1950 and 2010. The car industry was in crisis; unemployment, foreclosures and vacancies were rampant; real estate appraisals were too low to support mortgage lending; the city had lost a good deal of its tax base and went bankrupt. Civic leaders developed the following shared priority: to jump-start the revitalization of the city, they would focus on creating greater density of residents and local businesses in the Woodward Corridor, a north-south artery that runs through the Midtown neighborhood, where three important anchor institutions are based.
- In the San Francisco Bay Area, a state mandate to reduce greenhouse gas emissions led to a new regional housing and transportation plan that called for most new housing to be concentrated in neighborhoods near transit. To figure out how to close the gap between the need for affordable housing projected in this plan and the reality on the ground, the Great Communities Collaborative created a Transit-Oriented Development Implementation Working Group consisting of staff from regional planning and transit agencies, public officials, foundation staff, advocates, and community investment practitioners. The Group formulated a shared priority of maximizing the development of affordable housing units on land owned by transit agencies in key neighborhoods.

Case Study: Shared Priorities in Richmond, Virginia

In 2018, CCI launched **Connect Capital**, an initiative that assists communities to attract and deploy capital at scale to improve residents' health and increase their access to opportunity. Six teams were competitively selected to receive customized coaching, facilitated peer learning, and a two-year grant to fund a local staff position dedicated to advancing the team's work.

In Richmond, Virginia, the Connect Capital team was focused on housing as a way to improve health and economic outcomes. Initially, the team sought to facilitate the creation or preservation of 500 units of affordable housing. At a workshop that focused on developing shared priorities, they examined the needs of residents, as well as market pressures and opportunities.

According to Mark Constantine, president and CEO of the Richmond Memorial Health Foundation, "We had a moment when the whole team was flummoxed and didn't know how to move forward. The facilitator had asked us questions that made us think about why it is that there wasn't more affordable housing in Richmond. Why isn't this working? As a city we've got these great institutions. We've got a lot of money. We've got a lot of good stuff going on in the region. Yet we don't seem to be making any progress on housing. It was a catalyst for a really honest conversation. The facilitator pushed us to slow down, to not default to blaming NIMBYism or a problem with the government or a real estate market that isn't on our side. That was a really pivotal moment for us."

Through those conversations and additional research, the team identified bottlenecks in the processes for developing and preserving affordable housing, especially units in mixed-income developments that would accept housing vouchers. The team also identified the need to develop a narrative that would ground this work in broadly shared values and a vision of a Richmond for everyone. The team now embraces a new shared priority: removing barriers that limit housing choices for low-income people by ensuring that at least 500 families currently earning less than \$21,000 annually have quality choices in where they live so that they can reach their full potential.

The Richmond example illustrates several of the components we consider critical to an effective shared priority. Their priority considers the system, taking into account the actors, resources, and constraints that collectively accelerate or impede the production and preservation of affordable housing. Equally important, the priority is neither too broad nor too narrow in its scope. Instead, it puts forward a goal that can galvanize a wide range of actors while also remaining relevant and actionable in the community. The priority is easy to articulate and easy to understand, which is important when soliciting engagement from investors and other key stakeholders.

III. WHAT DO GOOD SHARED PRIORITIES LOOK LIKE?

There is no universal formula for establishing shared priorities. They are products of a community's unique combination of stakeholders, resources, opportunities and needs. Shared priorities do not remain fixed but evolve as work progresses and new opportunities and constraints appear. Shared priorities can be created in a number of different ways (see Section V below) but the best ones follow common guidelines, summarized below.



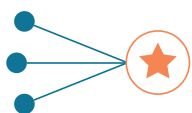
1. Legitimate and widely embraced

At CCI, we believe that everyone is entitled to live a healthy and productive life rich with opportunities to thrive. We believe it is imperative that shared priorities include a fundamental commitment to equity and empowerment, and that the people most likely to be impacted by community investment activity have a voice in determining their community's shared priority. If a shared priority does not reflect the needs and desires of the people who will be most affected by the work, the priority won't appeal to or inspire the wide range of stakeholders who must engage to achieve meaningful impact and may even be harmful. Shared priorities thus must be articulated by those whose lives will be most affected and also agreed to by those with a stake in the problem and the resources to help with a solution.



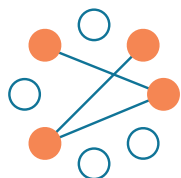
2. Appropriately specific

The best shared priorities are not overly broad. They do not focus on, say, improving the “health and well-being” of people living in Buffalo, New York, because “health and well-being” is a subjective term and every stakeholder will likely define it differently. Nor can a shared priority be so ambitious as to target all Buffalonians at once, as there are too many people and too few resources to make a meaningful impact across the board. Starting with a more specific shared priority that identifies stages—first we will do this, then we will do that—is one way for communities to build on targeted successes and avoid spreading their work too thinly. A good shared priority also avoids focusing too narrowly by, for example, specifying that we seek to build a grocery store on the corner of 3rd and Main, which will have too limited a reach. Instead, strong shared priorities sit somewhere in the middle, both broad enough to galvanize a wide range of actors and sufficiently specific to be actionable and guide decision-making.



3. Straightforward

If they are to galvanize a broad range of stakeholders and inspire investors, shared priorities should be clear, compelling, and easy to articulate.



4. Focused on the system

Community investment does not exist in a vacuum. Rather, it is the product of a system of actors, resources, policies, and practices that collectively shape the flow of resources toward community needs. Creating a good shared priority entails taking these elements into account, considering how they interact, which interventions can improve the system, and how current actions will affect future investment opportunities. It can be useful to choose priorities that will help build momentum and create precedents for future work, whether that means expanding into new geographies, leveraging funding sources in new ways, or completing deals no one thought possible.



5. Timely

As with any goal, it is important that shared priorities be timely. This may mean taking advantage of a unique, use-it-or-lose-it opportunity—what we call “wet cement” moments—to achieve meaningful progress. The construction of a new transit system or the arrival of recovery funds after a disaster are examples of “wet cement moments.” In such instances, it is important to act quickly to identify a shared priority to optimize the deployment of resources and avoid dissipating stakeholder energies.

Shared priorities are inevitably works in progress that shift according to changes in stakeholders, resources, opportunities and needs. Once established, they should be reviewed periodically to determine whether they are still appropriate or in need of revision. By periodically reworking shared priorities, communities can ensure that they are responsive to evolving community needs and preferences.

IV. ESTABLISHING SHARED PRIORITIES

While there's no single way to establish shared priorities, it is our experience that most evolve from a three-step process:

- First, an individual or group identifies a problem that they believe needs to be addressed.
- Next, there is some sort of convening process. Because it is human nature to engage people we already know, the convening process usually starts with people who know one another and perhaps have even worked together on previous community investment deals. However, it has proven helpful to reach beyond the “usual suspects” to engage the broader set of stakeholders who are affected by, or have the resources to help solve, the problem under discussion. It can also be useful to gather data to help understand the problem, its scale, and its differential impact on different groups. Stakeholders together craft a shared priority as the basis for a wider community discussion.
- Finally, participants in the convening process share the priority with the broader community to test its appeal, make any necessary adjustments, and identify other potential participants in community investment activities.

We recognize that each community will create shared priorities in a slightly different way. Some processes will be relatively formal, perhaps done as part of a statutory requirement, such as a comprehensive plan or a transit expansion. Others will be shorter and less formal. Some of the most effective efforts we have seen have been sparked by individuals who simply decided they will no longer tolerate something, and started to organize for change.

Any of those scenarios can work, as long as members of the communities most likely to be impacted by the work participate meaningfully in the process. In other words, **what matters most is who is included, not who is in charge**. It can be helpful to include a body widely perceived as neutral, such as a community foundation, in the convening group. When the work originates with an elected official, it is especially important to broaden the convening group, so that the effort does not get painted as political, and remains sustainable when elected offices change hands.



V. COMMON MISTAKES

Agreeing on strong shared priorities can be difficult. Despite good intentions, it's easy for stakeholders to focus more on areas of disagreement than opportunities for alignment. We have observed a set of common mistakes in our fieldwork, and below we suggest strategies for avoiding them.



1. The priority isn't shared.

When collaborating with multiple partners, it is easy to unintentionally let a more vocal or powerful stakeholder dictate the priority or to shorten or sidestep community engagement efforts in order to expedite the process. When this happens, the priority lacks the legitimacy it would otherwise gain through a community-driven process in which those whose lives will be most affected by the decisions shape the priority. For a priority to be truly shared, it must be agreed on both by the stakeholders most engaged in the work and those most impacted by the outcomes.



2. The priority fails to make choices needed to achieve critical mass.

Sometimes people think they must address a need by investing equally in all communities. For example, a city might tackle a housing issue by splitting its Community Development Block Grant funds or other discretionary resources equally by council districts. Unfortunately, discretionary resources generally are insufficient to effectively support such an approach and spreading them so thin dilutes their effectiveness. Instead, priorities should be appropriately scoped to maximize the impact of available resources and ensure that stakeholders can make real progress, even if it means that one community receives more investment than another in the near term.



3. The priority gets set in stone.

Shared priorities are not intended to last forever. Rather, they evolve over time as work progresses and stakeholders encounter new constraints and opportunities. But community investment has to start somewhere. Ideally, success generates momentum and lessons learned that can be built upon when tackling the next challenge.

VI. CONCLUSION

Formulating shared priorities is a critical step in galvanizing and focusing the energy required to make community investments happen at scale and with impact. In our experience, resources follow coherence. Deciding as a community where resources should flow makes the difference between being positioned to take advantage of unanticipated opportunities—such as the sudden availability of a new statewide or federal funding source—or being left behind. Well-defined shared priorities help shape the deals that make up a relevant pipeline and clarify what aspects of the enabling environment could better support progress. Making thoughtful choices about shared priorities is the cornerstone of an effort to unlock community investments.

We are excited by your interest in CCI and the capital absorption framework. To learn more about the framework, please see our *Community Investment: Focusing on the System* paper. The three functions of the framework are interdependent, so it is important that you read the other two briefs in this series: *Analyzing, Building, and Executing a Pipeline* and *Strengthening the Enabling Environment*. If you have questions, please feel free to contact us. We will be happy to assist you.

For other resources, please visit www.centerforcommunityinvestment.org.

ABOUT THE CENTER FOR COMMUNITY INVESTMENT

The Center for Community Investment at the Lincoln Institute of Land Policy works to ensure that all communities can unlock the capital they need to thrive. We believe that as communities develop better coordinated, more strategic approaches to organizing demand for capital in their communities, they will begin to see meaningful improvements in both social and environmental outcomes. We provide thought leadership, training, technical assistance, and coaching to build the capacity of community leaders committed to equitable and sustainable community development, and to strengthen the ability of communities to attract and leverage community investment, bringing private capital to serve public purpose. Our work is supported by the Robert Wood Johnson Foundation, The Kresge Foundation, the John D. and Catherine T. MacArthur Foundation, the Surdna Foundation, and The Annie E. Casey Foundation.