

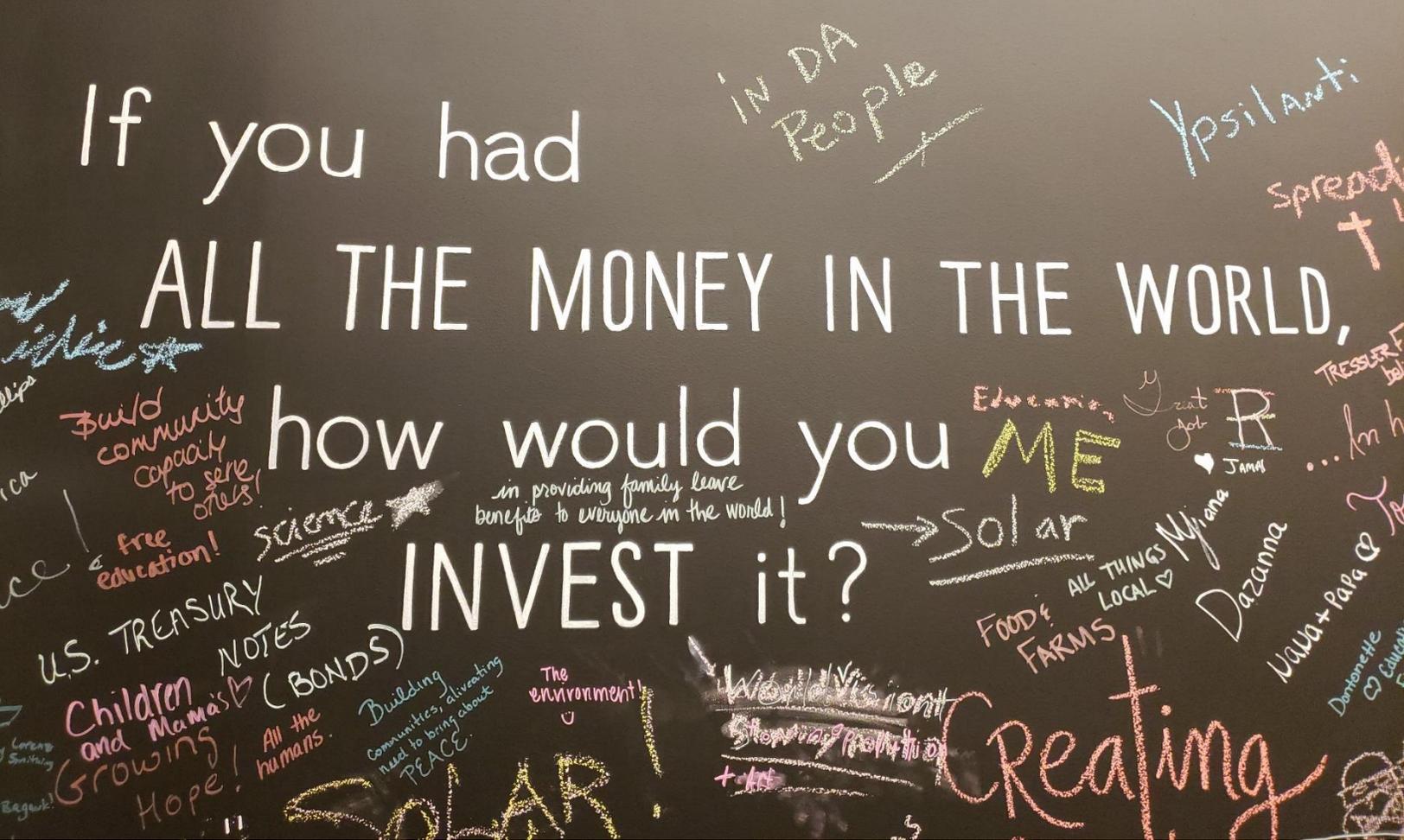


# Accelerating Michigan's Community Investment Ecosystem

## **2020 Innovation Fellowship Final Report**

---

September 17, 2020



## Mission Statement

Revalue is a home for people passionate about cultivating an abundance mindset in service of community resilience and future generations. We are financial navigators, connecting people to their purpose by crafting values-aligned financial plans and creative educational programming in partnership with those we serve. We are redefining wealth, for good.

## We are a Certified B Corporation®

B Corporations are leaders of the global movement of people using business as a force for good™. B Corporations meet the highest standards of verified overall social and environmental performance, transparency, and accountability, and aspire to use the power of business to solve social and environmental problems.

Check out our public profile at <https://bcorporation.net/directory/revalue> to learn more about how we prioritize people, place, and profit as a financial services firm.





**Revalue © 2020**

We have prepared this report based on our best judgment and care using the information provided to us and our understanding of the data. Revalue was not engaged in this contract to provide investment or legal advice. The information included in this report is not a solicitation to invest in any specific offering.

Any external links, data, or references provided are neither the property nor responsibility of Revalue and although we have a reasonable belief that the information is factual and up to date, we cannot guarantee the accuracy of the information on these websites.

For additional information about our firm and our services, refer to our ***ADV Form 2B Client Brochure***, which is available upon request or on our website.

# Table of Contents

- Summary .....5**
  - Taking a 100-year view
- Equitable community capital framework.....6**
  - Key principles
  - Social capital
  - Storysharing
  - Infrastructure
  - Flow acceleration
- New insights .....10**
  - Frequently cited pain points
  - Magic wand moments
  - Marketplace developments
- Community capital developer program concept.....14**
  - The three key champions
  - Training components
- Conclusion .....16**
- Appendix A .....17**

## Summary

We are delighted to report that the *2020 Innovation Fellowship* project is complete! Due to convenient timing, we were able to leverage this research initiative with two other projects we spearheaded in the 2019-2020 research season at Revalue – capital flow mapping with suggested solutions for [Ann Arbor Area Community Foundation](#) and the development of community investment educational content for peer financial advisors for the [Local Investing Resource Center](#). We have included details about these complimentary projects in this final report, for the MSU project team's information.

Each project informed the other, leading to a more comprehensive picture than what could have been achieved if they had been done in isolation of one another. We are delighted that the project planning could be aligned, underscoring the power of cross-institutional collaboration for tackling systemic and structural change. Major components of the *Innovation Fellowship* project included:

- 23 qualitative interviews with professionals across Michigan and beyond to better understand the pain points in today's community investment ecosystem
- Online searches for current stats about amount of capital invested and available resources
- Creation of a framework for discussion about the community capital marketplace in Michigan
- Outline of a training program concept for community capital developers
- Submission of a proposal in July 2020 for EDA funding that was informed by this work

In addition to this final report document, we are submitting the following as attachments:

- Graphics for social media use
- Innovate Michigan slide deck

### **Taking a 100-year view**

When I began this work in 2012, and especially when the laws had changed in 2013 and 2016, my colleagues and I thought surely change would occur quickly. It has been a hard lesson to accept that an economic system built on 400 years of oppression, and systemically ingrained especially in the last 100 years, is highly unlikely to change in just 10 or 20 years of effort. Us

and other like-minded organizations, along with so many others in our community and country, must take a long view – a grandchildren's grandchildren view.

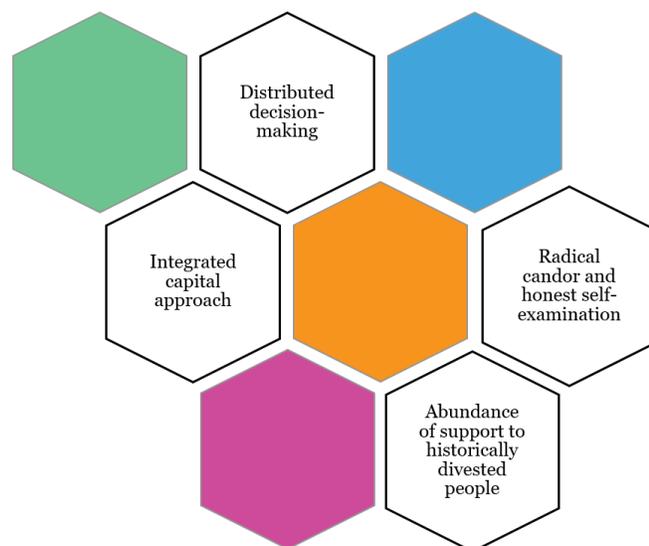
The challenge for many investors, especially as it relates to their investment decisions, is that public market securities are predicated on quarterly earnings-based short-termism, and success is often evaluated on an annual basis. We recognize how difficult it is to balance short-term financial and mission management with long-term multi-generational change initiatives. While our economic justice time horizon may extend beyond our lifetimes, the best-laid plans never survive contact with reality unscathed. Economic change is an iterative process, forged by many hands, wrapped in a 100-year view. This concept is a critical underpinning to the journey on which Michigan investors, community developers, and other peer institutions are embarking.

## Equitable community capital framework

To help explain the fundamental elements of a functioning local capital market, we are leaning on a metaphor borne out of biomimicry. If the goal is a *resilient and equitable economy*, then we must tend to the needs of the soil. The bounty of our economic crop is dependent upon the fertility of our ground – improved soil results from promoting biodiversity in a system that is in constant motion and change. We must think and act holistically, with distributed relationships and agency at the core.

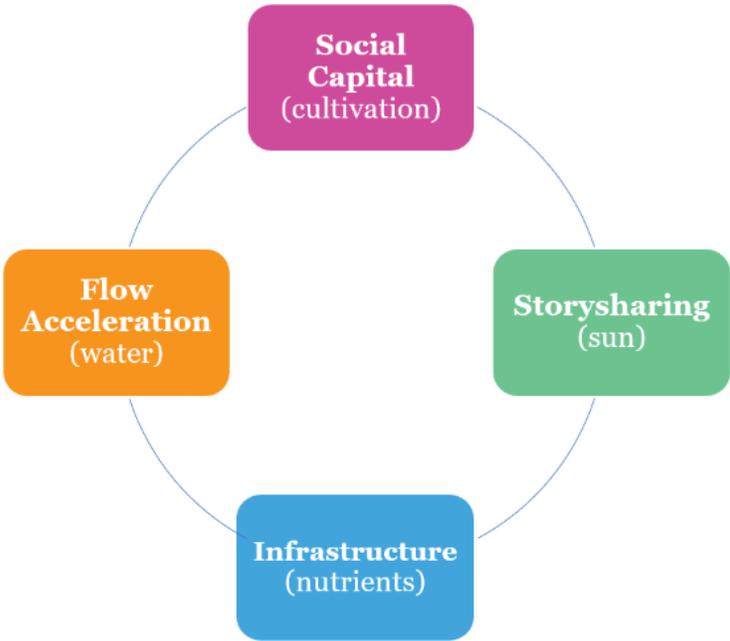
### Key principles

There is a generally accepted set of principles emerging in economic justice communities across the U.S. that are building the foundation for organizations to refer to as they proceed in their work. While each organization has a variation on these core values or they might have a much more extensive list, these four principles are a common thread.



While most of these concepts are self-explanatory, we would like to take a moment to highlight the *integrated capital approach*, due to its applicability to Michigan investors. This is the idea that the resources available to any type of investor include multiple types of capital that are best viewed holistically. Most investors view their financial capital as broken down into three broad categories – giving, investing, and spending. Additionally, Michigan investors have social capital and built capital available to leverage when it comes to investing. Most investors tend to view their financial capital separately, leading to unintentional undermining of their values, while not acknowledging the role that social or built capital can have altogether.

Community investors would be wise to continue to drive a consistently integrated view to ensure that *all* resources are ultimately serving their mission of local impact. This view is a genuine 100% commitment to impact. To provide some color to this already colorful graphic, we have highlighted examples of each of these components based on our own backyard of Washtenaw County.



**Social capital (naturally cultivating the soil)**

Social capital is the invisible hand behind our local economic ecosystem; it is why investment capital goes where it goes. Most people are well familiar with the saying, "It's all about who you know, not what you know." Our experiences before this research initiative, as well as the qualitative data collected during the project, repeatedly point to how important 'who you know'

is when it comes to circulating capital, obtaining jobs, and growing businesses. Examples of what social capital investments look like on the ground in Washtenaw County include:

- Engagement networks; such as Friends In Deed Circles Program, Engage Ann Arbor, Ypsi's 9<sup>th</sup> Hour, and the Ann Arbor Area Chamber of Commerce.
- Peer-to-peer advocacy and referral-making; exemplified by learning that is taking place between investment firms like ours and Pearl Planning in Dexter, or referrals for capital between SBDC, WCC Entrepreneurship Center, Invest Detroit, and the Michigan Good Food Fund, for instance.
- Collaboration for pipeline development, due diligence, and market testing; such as the test that Revalue and AAACF did in Fall 2019 to host deal sourcing collaboration calls with 5-10 other organizations to uncover investment opportunities.
- Opportunities for active listening within communities; like the roundtables hosted in 2019 by the William Davidson Foundation and the Leaders of Color program hosted by Nonprofit Enterprise at Work.

### **Storysharing (illuminating the soil)**

Storysharing is what brings people to the table and shines a light on what is already happening, allowing people to engage and co-create off those examples. When we change the story and the constructs, we change the experience and reality. With a different experience, a person can become more resilient; storytelling helps them see the path and make the shift from scarcity to abundance. Note that we do not call this *storytelling*, to emphasize that this is a participatory experience, where all parties involved share their perspective, versus speaking *at* people in a one-sided engagement. Specifically, storysharing helps this movement by doing the following:

- Drawing upon the ancient practice of wisdom sharing, which is a universally accepted cultural norm
- Describe the world as it already is and as it can be in the future
- Make knowledge accessible to all levels of learning; breaks our community out of the habit of hoarding knowledge
- Acknowledges that people operate in silos, so this strategy allows people to go deep with others in their *native tongue*

## **Infrastructure (adding nutrients to the soil)**

Infrastructure refers to the technical needs of our evolving ecosystem to allow all residents to participate in the economy, so they can best serve in their roles. As a group of technicians operating in this marketplace, this is perhaps the area Revalue most intimately understands. The list of pain points or missing links is lengthy, but they generally fall into the following broad categories.

- Audience-specific education
- Easily accessible and publicly available templates accepted by pillars of the community
- Standardize Triple Bottom Line (TBL) reporting standards
- Access to affordable legal services for businesses
- Creation and distribution of tools and handouts
- Public policy change and advocacy

## **Flow acceleration (water that carries nutrients throughout the soil)**

Flow acceleration is what allows social and financial capital to flow, frictionless, through the community to the places that need it most. An essential element of this component of the framework is that once stakeholders identify friction, instead of immediately working to remove it, try to learn from it to determine what is behind the point of resistance. What we are witnessing may be a symptom of a more significant systemic issue that needs to be resolved.

For instance, the reason why businesses may be raising capital without registering the offering as a security (and thereby operating in the underground economy) is that legal services are cost prohibitive. The reason legal services are cost-prohibitive may be because attorneys often do not have access to template documents to work off to reduce the time spent. Therefore, subsidizing legal services might look like the best solution. Still, arguably a more cost-effective solution may be to hire attorneys to create templated documents and open source those with the community.

This approach of identifying, learning from, then addressing friction and barriers relies on an agile philosophy of iterative movement built on accumulated knowledge with systems thinking approach. It ensures that while we do not know all the answers today, we will discover the solutions as the challenges present themselves, and we respond with an open inquiry. An entity

or group of entities in Washtenaw County must give attention to the entire system, on an ongoing basis, to continue to uncover and address friction.

## New insights

Now that we have a way of naming and categorizing the community capital ecosystem, let us dive into the new information we gathered during this project. In addition to the interviews, Revalue has collected over 3,000 other data points over the last three years from investors and stakeholders across the State of Michigan, giving us the most up to date and comprehensive perspective on the market.

In the interviews, we asked the following questions:

1. Where does your organization/efforts intersect with the community capital ecosystem?
2. What do you think is working well in the ecosystem?
3. What do you think is not working well in the ecosystem?
4. Who do you go to or refer people to when they want to learn more about community capital?
5. When you think about all the professionals involved in a functioning local capital market, like attorneys, platforms, marketing firms, business consultants, etc., who do you feel solid about?
6. What types of professionals are you at a loss for when asked for a referral for what they do?
7. What solutions is your organization working on right now that you would like others to know about?
8. If you could wave a magic wand to improve the marketplace, what would you do?

## Frequently cited pain points

While there were many bright spots and developments in progress that people were eager to share (highlighted later in this report), the majority of respondent commentary was an expression of frustration and appreciation that someone was asking *what wasn't working well*.

These friction points present opportunities for ecosystem improvement in the coming years. They include the following pain statements:

- Businesses do not understand how to access community investment mechanisms because those counseling them do not understand the mechanisms themselves.
- Investors cannot find businesses who need capital because businesses cannot gather interest without registering a security, which requires an upfront legal expense that they cannot afford.
- Federal and state legislative and regulatory policy have overcomplicated the landscape, leading both investors and businesses to being steered toward low/no risk outcomes by fear of litigation, rather than toward shared risk outcomes for inclusive economic prosperity.
- When Licensing and Regulatory Affairs (LARA) has interacted with the marketplace it has been punitive and without a sense of partnership or co-creation for public good.
- Every step of the supply chain is siloed, creating inefficiencies and inability for nimbleness in a quickly changing landscape.
- There is little help for facilitating the alignment between various types of investors and various types of businesses when it comes to capitalizing the business.
- There are approximately 50 (maybe as much as 100 when support staff are included) people developing and managing Michigan's community investment ecosystem, often without adequate resources to do their best work.
- Due to chronic under-resourcing of this growing sector, many of the people interviewed cited harm and negative effects to them and their families financially, emotionally, and physically due to financial stress and lack of systemic support.
- Public and private institutions have affected the marketplace through oppressive interactions, exclusionary policies, and concentration of power and resources.

### **Magic Wand moments**

Where we saw the most excitement was in our final question, *the magic wand question*. Everyone was delighted to get their specific perspective onto the list, with some overlap in responses. Those things most on the top of people's minds were:

- Statewide clearinghouse for all parties to get routed to next steps and people

- Free legal services for businesses
- Inclusive capital education for business owners (diff. between types of capital)
- Free education for investors
- More nonprofit real estate developers
- Federal legislation to incentivize local investment
- Public listing website for companies wanting to raise capital and investors wanting to invest to connect
- Community-based ongoing educational programming
- Affordable due diligence technical assistance for investors
- An institution that has reduced transaction costs and includes a social capital lens
- Public pressure on institutional investors to diversify into community investments
- A mutual aid roundtable for community investment players that meets regularly
- A significant multi-year funding commitment to ecosystem developers
- Defunding of public institutions that have concentrated power and resources

## **Marketplace developments**

As was mentioned, Revalue had the opportunity to leverage all three ecosystem development projects we lead in 2020 to produce tangible value for the marketplace, while we studied the subject. This value can look like supply chain friction being removed, new tools or programming being created, strategic partnerships being formed, or support for existing solutions that are working well. We have outlined developments we expect to come to market in 2020-2021, with any details we can provide at this time. Some of these developments involve Revalue, while others do not.

- *Recorded presentation for Innovate Michigan Summit* – graphic depiction of the supply chain, overview of pain points and prominent players in the supply chain, collective calls to action.
- *Information handout for stakeholders* – current survey of resources by silo, overview of Michigan problems/solutions, refined calls to action by silo.

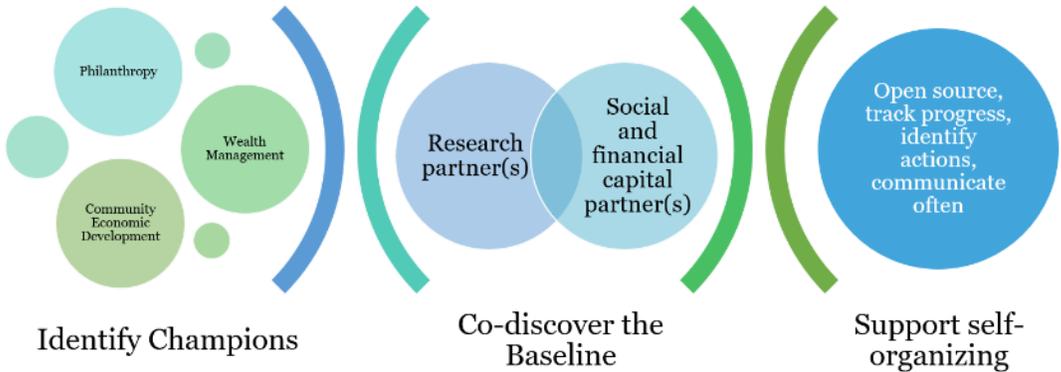
- *Updated Michigan community investing fact sheet* – this is an existing resource used in public education settings that will be updated with current information.
- *Advisor Local Investing Resource Kit* – created by Revalue; this will go live on the [Local Investing Resource Center](#) website; it will include a video explaining to advisors how they could engage with their clients and this movement; handouts for advisors, clients, compliance officers, and the public; a client *Ideal Deal* worksheet, template portfolio tracker, template financial checklist, and due diligence questionnaire.
- *2020 Washtenaw County Capital Report* – this is expected to be published in mid-October and will detail how much capital has flowed into our home County, from whom, and to whom, with a public statement about possible solutions.
- *Institutional investment management partnerships* – we are currently exploring partnership opportunities with large investment firms whose high net worth clients want to invest for direct impact in ways that are generative to the entrepreneurs and ecosystem; if successfully forged, these kinds of partnerships could serve both to match community investments but also to support infrastructure development.
- *Resource guide for Technical Assistance providers* – Revalue created for MEDC in 2019 as part of our work with them, but has not yet been published; we anticipate a publication date before the end of the year.
- *Investment club proliferation* – an initiative is launching to allow community members to indicate their interest in investing locally, then the organization will make it easier for them to form a local investment club.
- *Impact real estate development programming* – there may be a few initiatives launching to help accelerate the creation of impact real estate developers, either in a nonprofit or for-profit model.
- *New platforms entering the market* – there are at least three new funding portals (also called platforms) who are planning to enter the Michigan market.
- *Community-funded power in the UP* – with the confluence of the Governor expressing concern over Line 5, the energy costs and inaccessibility to power in the UP altogether, and the local utility's agreement to consider other solutions, we could see a significant local power project come to market in 2021 or 2022 that is supported by community investment.

# Community Capital Developer Program Concept

One of the advancements that MSU project leaders and other community economic development professionals have expressed interest in is a training program concept for those who want to learn how to develop the marketplace in their own town. A training or accelerator program can not sit in isolation of the broader community economic context. When we have seen a single community champion, or even a single champion organization, try to carry the torch throughout the community on their own without buy-in from key voices, progress lags. Therefore, before launching a training program, partnerships must be first forged to ensure the time and money spent on the training are not in vain.

## The three key champions

First, three key industries need to come together, as they each have a valuable perspective on the local economy: philanthropy, community economic development, and wealth management. Indeed, other essential organizations will make this work successful, including community-based organizations, incubators, university partnerships, and technical assistance providers; however, if one of the three primary champion industries are missing, we believe it will be difficult to advance this work in a community.



Once champions come together, a baseline assessment must be launched to determine where the community currently sits relative to its local capital market and entrepreneurial ecosystem. It will also be helpful for the champions to settle on a multi-year longitudinal partnership that ensures the ecosystem will be periodically assessed to gauge the effectiveness of the training program and any resulting initiatives.

Finally, partnered champions in the community must commit to open sourcing their findings, tracking the progress of market-tested solutions, continuously identifying those friction points, learning from them, actively listening to the community, and communicating with stakeholders regularly. The partners involved in this work will have an easier time doing this if they are supported, giving them the ability and capacity to take a long view of the work and their participation.

## **Training components**

Now that the key voices and champions have been identified, an investment in training can be value-added to the community's local investing progress. This training should arguably cover *at least* the following, although an investment in program development would likely add more to this agenda. While some of this could be taught in a full day class, this could also be expanded into a 6-12 month Fellowship or Accelerator program.

- Context, grounding, and history
  - Review of economic and legal history
  - How this relates to economic and social justice initiatives
  - Economic history of the town itself
  - Review of local centers of economic and community influence
- Overview of the community investment ecosystem and mechanisms
  - Introduction to the framework and key principles
  - Friction points and current challenges
  - Case studies
  - Currently available resources
- Listening tour/guest speakers
  - Technical assistance providers
  - Investment advisors
  - Investors
  - Entrepreneurs
  - Field trips to companies that included community in their capital stack
- Initiative acceleration
  - Project ideation
  - SMART goal setting
  - Funding partner identification

## Conclusion

This body of work has occurred during the most impactful era of our lives. Today, all Americans are experiencing the massive effects of COVID-19, *and* a stark recognition of the systemic oppression, violence, and economic theft deeply rooted throughout our culture. Michigan residents, organizations, and institutions are reshaping the economy in response to a call for a better way of living and doing. The 2020 Innovation Fellowship project has undoubtedly added value to the vision of a *resilient and equitable economy* – something all residents can support right now. While we have done great work here, there is 100 years of work ahead still to be accomplished by us and those who will come after us.

Revalue would like to thank the MSU REI Center project team for supporting this work. Organizations like Revalue and those interviewed for this report are on the ground providing direct services to those who have neither financial capital, nor social capital with people who have financial capital. We can only do this work by partnering with those who have had the opportunity to obtain and grow wealth to underwrite the work. Our partnerships matter and continuing to have these conversations with those that can impact those without wealth is incredibly important to the audiences we serve. We look forward to being co-creators with institutions like yours and the community at large as we all advance the mission of an accessible, equitable, resilient, and vibrant economy.

**Thank you for the opportunity to serve,**



**Angela Barbash, CEO, Revalue**

## APPENDIX A: Informational Interview Roster

- Jenny Kassan, Angels on Main Street
- Eric Hanna and Marilyn Crowley, Michigan Community Capital
- Chris Miller, National Coalition for Community Capital
- Melissa Milton-Pung, Michigan Municipal League
- Jennifer Oertel, Bodman Law
- David Palmer, Community Capital Consultant
- Evan Adams, BUILD Institute
- Suzanne Perreault, MEDC
- Charlie Penner, SBDC
- Luke Forrest, CEDAM
- Matt Grocoff, Thrive Consulting
- Melissa Davis, New Power Tour
- Kwaku Osei, Cooperative Capital
- Sean White, Develop Detroit
- Lolita Nunn & Mark Watson, Michigan Good Food Fund
- Chuck Warpehowski, AAACF Impact Investing Committee
- Yodit Mesfin Johnson, Nonprofit Enterprise at Work
- Gayle Jennings, WOCstar Fund
- Heather Hiscox, Possibility Project
- Adam Berk & Judith Albert, SALT Collaborative