

A "new direction"

Rediscovering community wealth building in an age of gentrification

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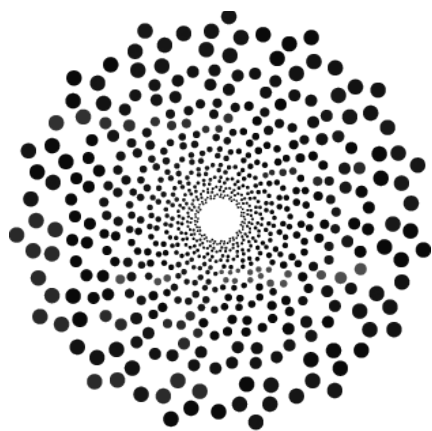
Gentrification is a sinister contagion spreading through Black communities across America. After years of economic oppression and deprivation, the Black community now stands at the edge of perhaps the greatest displacement since the Great Migration.

Over the years, the federal government has attempted to redress economic and housing discrimination through various community development programs. However, these efforts have largely failed, in part because they have not incorporated creative solutions for community wealth building and collective ownership. Moreover, despite a rising new generation of social justice and cooperative movements, especially since the financial crisis and Great Recession of the late 2000s, home ownership and economic inclusion remain out of reach for many.

During the early days of the Trump administration, the federal government introduced opportunity zones, the latest in a long series of efforts to spur economic development in low-income communities. Opportunity Zone (OZ) legislation (part of the 2017 Tax Cuts and Jobs Act) provided tax abatements for investment in "economically distressed" communities. As a result, poor communities, particularly of color, became tax shelters for the wealthy in a way that "revitalized" spaces without consideration of the economic and housing needs of people living in the designated zone.

For instance, in 2020 the Urban Institute found that despite the stated goal of the OZ program being job creation, the vast majority of investment was flowing into real estate development. "To the extent that the OZ incentives were intended to foster equitable development outcomes—such as by creating quality jobs, affordable housing, community-oriented amenities like grocery stores, and improved quality of life for low-income people—our evidence suggests they need to be redesigned to more effectively allocate government dollars to help project sponsors achieve those outcomes," the report found.¹ When the Biden administration took over, it began considering what to do with the OZ program with an eye toward, at a minimum, imposing new regulations aimed at trying to curb some of its worst effects.

The Opportunity Zone program demonstrates that without safeguards and



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community inclusion and intervention, federal programs can easily conjoin with and exacerbate gentrification to widen the void between work and housing dispossession, hampering development scalability and halting community inclusiveness. In short, they threaten to supercharge the destruction of any culturally defined space considered a “Black community.”

Residents in the throes of forced displacement need communal-based tools for economic resistance. However, the looming crisis undermines their ability to effectively apply cooperative economics as a constructive method for economic inclusiveness, let alone any sort of systemic alternative such as democratized capitalism or socialism. To halt this process, cooperative movements and new economy advocates must pivot in a new direction that blends place and the democratic economy into a holistic solution that sustains and preserves community over the individual.

Ironically, this “new direction” isn’t new. It borrows from an idea nearly 50 years old, originating in the tumultuous era of Black activism and economic development during the 1960s and 1970s. At the forefront was one of the leading civil rights organizations of the period, the Congress of Racial Equality (CORE), which fashioned its own “new direction” economic policy geared toward group empowerment.

In 1968, a collaboration of Black power advocates from CORE, key congressional fellows Gar Alperovitz and John McClaughry, and presidential advisors and policy wonks, drafted congressional legislation that would establish a national economic development corporation alongside federally backed local and regional community development corporations. The Community Self-Determination Act (CSD) attempted to tap federal grants to encourage broad community wealth building and ownership among workers and neighborhood residents. In the process, they extended the worker-centric cooperative model to incorporate the underemployed and unemployed, along with the general local populace. Though their efforts faltered, the cooperative project suggested innovative new ways to transform the geography of poverty and enhance group ownership as a broad-based, full community model that continues to have utility for present-day activists.

LEGACIES OF THE PAST

CORE was formed in Chicago in 1942. It was among the first civil rights organizations to actively promote nonviolent direct-action protest. CORE rose to prominence during the 1960s, and became famous for the Freedom Rides, which challenged southern segregation in interstate travel. Such protests led to a massive expansion of membership and increased activism in non-Southern states. In particular, CORE’s growth on the West Coast and in the North tremendously impacted the organization’s direction. What

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began as a Southern-focused desegregation strategy eventually turned toward urban inequality. CORE called this pivot into political activism a “New Direction.”

In November 1964, James Farmer, a Black freedom activist and executive director of CORE, held a press conference announcing CORE’s change in civil rights strategy. CORE would now pursue “rent strikes, urban renewal projects, the formation of cooperatives by ghetto residents and participation in local political activities.”² For one hour, Farmer argued that CORE’s new programmatic shift “combines the militancy of the past with the new directions of the future.”

CORE’s “new direction” was driven by a rash of uprisings in cities where Black people were economically and politically suppressed and was a forceful call for structural change that translated into a philosophy of and insistence on Black empowerment. Racist federal policies had created spatial divisions in the post-World War II era that racially demarcated suburban formation and concentrated poverty in inner cities. American deindustrialization and urban renewal further fed city decline and hardened residential segregation. By the 1960s, “urban” became a euphemism for concentrated, poor Black populations. Rural communities received some attention as a mirror to urban decay. Meanwhile, the suburbs occupied an amorphous, often ill-defined autonomous middle where financially secure, predominately white residents resided.

Ghetto uprisings spurred attention from civil rights groups and the federal government, followed by studies and federal commissions that produced a plethora of policies and programs designed to alleviate abject poverty in the inner city. These programs hinged on two key policy frames. First, poverty was geospatially identifiable as either urban or rural. Second, race overwhelmingly defined urban realities, highlighted particularly by the vulnerability of housing insecurity, resident dispossession (often referred to as “Negro removal”), overpopulated domiciles, and deteriorated hous-

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Customers are served at a Cleveland, Ohio McDonald's restaurant franchise purchased in 1970 by the Hough Area Development Corporation. (Photo: Hough Area Development Collection at Western Reserve Historical Society.)

ing. These two central belief systems—poverty as place, race demarcated space —permanently informed state and activist policies designed to break down economic inequality. As a consequence, Black empowerment programs often centered on urban-based solutions.

Though multiple groups declared support for Black power, CORE was one of the few to transition toward an actual program for political and economic liberation. Farmer's declaration reflected CORE's recognition that empowerment programs required a targeted focus on place and a whole community strategy that advanced economic development and political engagement.

CORE's first experiment in urban cooperative economics occurred in Cleveland, Ohio through an economic development program called CORE Enterprises (CORENCO). CORENCO borrowed heavily from Louis Kelso, an economist known for his work on democratized capitalism. (Kelso was, for instance, instrumental in the creation of employee stock ownership plans.) CORE shared these ideas through a formula for wealth distribution expressed in CORENCO's objectives to facilitate community and employee company share purchase. Though CORE billed CORENCO as a "corporate subsidiary," its membership and participants would come from throughout the Black

community. The corporation was meant to reproduce and morph from neighborhood to neighborhood, reflecting the surrounding community as it expanded.³

Other nonprofit organizations in Cleveland heavily utilized the CORE approach, and the philosophy culminated in a community- and employee-owned McDonald's restaurant controlled by the Hough Area Development Corporation. Funding for CORENCO ended before it expanded to another city, however. CORE had intended for the CORENCO plan to overhaul economic relationships with and within the Black community, but the company lacked the capital to scale up to meet its goals. This dilemma became the basis for the Community Self-Determination Act of 1968, a legislative effort to create economic development corporations at various scales and democratize capitalism for broad access.

In late winter 1968, the national office sent CORE's associate director, Roy Innis, to Harvard's Institute of Politics at the John F. Kennedy School of Government. He was joined by Gar Alperovitz and John McClaughry, two political counterparts who came to economic development via different models. McClaughry was a lifelong Republican elected to the Vermont State House in 1968 and 1970. McClaughry later became a speechwriter for Gov. Ron-

ald Reagan's 1980 presidential campaign, and then a state senator in Vermont. Gar Alperovitz, a well-known historian and legislative director in both houses of Congress, built a career constructing alternative models of economic development. Alperovitz eventually went on to become co-founder of The Democracy Collaborative.

Alperovitz and McClaughry crafted with CORE a bill for a government-sanctioned model of community-based development. With them at the institute and adding more elements were southern Black activists, northern Black power advocates, legal experts, tax attorneys, economists, businessmen, graduate students, and campaign staffers from Richard Nixon, Hubert H. Humphrey, and Robert F. Kennedy. After weeks of debates, arguments, and late nights, the group hammered out a legislative plan that provided financial and structural support for a federally backed community economic development corporation (CDC) combined with smaller regional and city-based replicas of the national prototype. The legislative proposal became the Community Self-Determination Act (CSD), CORE's second step to Black economic liberation.⁴

The CSD limited participation to population groups of between 5,000 and 300,000 and resident branches determined services and defined neighborhood needs through a localized referendum process (early attempts at participatory planning). The law prohibited profits from any business going to a few individuals. Instead, local CDCs could finance community service projects such as health care, housing, legal aid, day care and education and/or disperse profit among hundreds of community members. The bill also authorized the creation of community development banks as well as a secondary financing institution similar to the Farm Credit System. Attached to the bill was a tax amendment that granted unique status to community development corporations.⁵

Any community could form a local CDC and request a charter with five or more persons. The national CDC Board would then assist and suggest changes prior to formal submission. The CDC's articles of incorporation defined spatial boundaries or CDC zones; incorporated information on community population, local rate of unemployment for preceding three years, and median income; and demonstrated community support from 5% of the population. Additionally, all local groups had to establish a development index, which determined the basis for actual need defined by unemployment or sub-employment, median income, migration rate, and other factors of economic debility.

The national board aided local initiators with the establishment of a temporary branch office. The national board also took responsibility for advertising and notifying the broader community and CDC zone about the local entity's intent. The bill insisted that the national CDC prominently inform the community for seven to 10 days through bill-

boards, mailings, leaflets, newspaper ads, radio, and television. After a minimum of 60 days, the national board would give final evaluations to applicants and decide on certification. Prospective local CDCs could challenge the national board's decision and bring its case before a judicial review if denied certification. The legislation also embedded a checks-and-balances system throughout the process to confirm participation, group interest, local financial banking, and CDC sustainability. Additionally, dual or overlapping CDCs could exist in areas with 80% support by residents, though residents could only receive shares from one of the entities.

Not only was the structure democratized, but so was the internal relationships and CDC income. All CDCs had to be at least 10% owned by residents in the area, and power and control were centered with the community shareholders. Management was led by a nine-person board of directors selected by the owners.⁶ The board then hired day-to-day staff. The bill required CDC management to provide an annual report and allowed community owners to examine books at any time after six months of participation.

Proportional ownership went only to residents whose median income fell below the national poverty level. Corporation stocks sold at \$5 and each member had one vote regardless of shareholding. The share requirement had a number of caveats, including:

- Shares were restricted to residents 16 years or older.
- Non-residents could only purchase with a two-thirds vote by the main body. The vote also determined the number of shares per purchase.
- Shares were issued only with full payment of either monetary or sweat equity (labor/services performed in return for participation in corporation ownership).
- Shares were non-transferable.
- Share ownership ended 120 days after a person left the neighborhood.
- Shareholders had no liability.

The share purchase framework operated to enhance income in an open approach that limited liability to the CDC and community members. The sweat equity was particularly useful for persons who either worked elsewhere or were chronically unemployed without income. Even taxes were handled by the CDC to avoid impacting community remuneration.

On the other side, CDCs could not avoid share income distribution and were mandated to minimally dispense 20% of company income, while the other 80% could be used only as working capital for redevelopment and implementation.

The development corporations could also use funds to provide or facilitate welfare, health care, consumer education, business ownership, home ownership, neighborhood re-

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newal planning, and community representation regarding public policy. Most importantly, all CDCs had to apportion some of its income to a kind of "tithe" or reserve fund which kept the nonprofit financially backed by funds other than from government. In other words, the CDCs created an economic security net that operated to support the nonprofit regardless of funding prerogatives and the vagaries of changing political winds. Although the bill required the CDCs to "pay back" some of its income to the U.S. in taxes, taxation was limited to a franchise fee of 25% after the local and regional CDC repaid and tithed itself.

While the legislation actively democratized membership, structure, and income, the financial services component was its strongest tool to ensure continued expansion of the CDCs work and community benefit. The bill proposed the creation of a national community development bank to serve as a secondary financial institution and source of technical, managerial, and financial expertise for local community development banks in order to promote community economic development.

These community development banks (CDBs) were limited in their investment area to CDC zones, along with urban areas with high concentrations of unemployed and low-income people, American Indian reservations, and low-income rural areas. Any CDC that served a population of 25,000 could create a community bank. Like the CDC, the CDB format required certification, and bank directors, like CDC managers, were selected by shareholders. Like all banks, they were backed by the Federal Reserve.

The Community Self-Determination Act required these community development banks to lend to small businesses. While there was no requirement that these businesses be cooperatively organized, companies had to maintain minimal assignment of 75% voting power by resident stockholders. Bank loans first went to CDC businesses, local cooperatives, businesses with 75% resident-owned stock, and nonprofits. As community development banks, the financial institution intentionally operated to support community economic development, so the bill banned high interest rates and placed penalties on lending that engaged in usury. The CSD bill also placed lending limits on all such banks, and insisted that overall debt could not exceed 50% of the bank's capital.

The Community Self-Determination Act garnered support among legislators across political parties. However, legislative support did not move beyond this initial group. There were many reasons for this, including rising concern that the project had "socialist" and "communist" elements. Additionally, some politicians expressed concern over the massive transfer of power from municipalities to community nonprofits. Others became lost in the multiple layers and complex approach to community development. Despite the bill's failure to pass, McClaughry led efforts in 1970 and

1971 to push the bill through again, though to no avail.

Simultaneously, the initiating political force of Black power also dissipated. The Congress of Racial Equality underwent leadership changes that drove its Black power policy in a different direction. Worse, by and large the wider civil rights movement no longer held radical visions of economic development as a center-stage concern. The community self-determination approach and all its groundbreaking vision disappeared as the 1970s wore on, buried under gas shortages, Watergate, the conservative takeover, and disco.

WHAT THE NEW LEFT BEHIND

Since the 1970s, economic development movements have spasmodically materialized in response to deindustrialization, employment decline, recession, wage stagnation, and urban renewal-induced population displacement. Subsequent groups often forgot CORE's history and, in doing so, tended to "reinvent the wheel" or localize economic development activism, transforming the larger national movement to a state-by-state and city-by-city process.

However, CORE's forgotten past of moving beyond hyper-localized cooperative experiments and advancing an interconnected, broad community based, and multi-scalar approach to economic development is only becoming more relevant in the current moment. CORE created a holistic wealth building model to protect and uplift both workers and the Black community itself, particularly given that employment was only one part of a larger financial ecosystem that incorporated business ownership, homeownership, taxing structures, and the like. Further, CORE interwove community development banks into its legislative bill partially to intervene in this complex network/system, and also to shield its CDCs from dependence on the vagaries—and sometimes conflicts of interest—of government or philanthropic dollars.⁷ These two elements—community-based income building and independent income sources—are particularly instructive to many of current efforts to revive collective uplift.

On such effort is Cooperation Jackson, which has gained prominence in recent years for its community-based cooperative movement and participatory political engagement in Jackson, Mississippi. The organization has its origins in the same period of CORE, descending from a small Black power organization condemned by the federal government for its radical ideas about achieving Black self-determination. Named the Republic of New Afrika (RNA), this group emerged from a 1968 meeting of the Malcolm X Society. Its initial leadership consisted of NAACP-leader-turned-Black-nationalist Robert Williams as president and Betty Shabazz, widow of Malcolm X, as second vice president. Edwin Finley Taliaferro followed Shabazz as second vice president in 1971. By the mid-1970s, some members of the Republic of New Afrika (RNA) moved to a community

near Bolton, Mississippi called “El Malik.” Taliaferro soon joined the group, garnering a strong reputation as a stalwart public defender under the name Chokwe Lumumba.

From the 1990s to the early 2000s, RNA began to rebuild aspects of ’60s strategies, merging economic development with Black power. In 2005, the events around Hurricane Katrina bolstered efforts to enhance self-determination strategies and political empowerment. A coalition of activists from the Jackson community created a nonprofit to aid disaster victims. The group eventually became known as the Jackson People’s Assembly. The Assembly pulled from two cornerstones of 1960s Black freedom activism: participatory democracy and cooperative economics.⁸

The Jackson movement slowly built a coalition of supporters and groups interested in economic development via cooperative economics and became something of a cause célèbre when it helped Chokwe Lumumba Sr., became mayor of Jackson in 2013 (Lumumba tragically died in office a year later and was, after a brief interregnum, succeeded by his son Chokwe Antar Lumumba).

Among the many organizations interested in these developments is The Democracy Collaborative, a research and development organization focused on community wealth building. Founded in 2000, The Democracy Collaborative seeks out strategies that enhance community revitalization through inclusive and democratic ownership models. Gar Alperovitz, a co-writer of the Community Self-Determination Act, co-founded the organization with Ted Howard, who at the time was a social entrepreneur who had partnered with peace activist Jeremy Rifkin on the People’s Bicentennial Commission and the creation of the Foundation on Economic Trends.

In the mid-2000s, The Democracy Collaborative coined the term “community wealth building” to describe efforts emerging around the country to advance an alternative form of economic development based on democratic forms of ownership and control. Later in the decade, at the request of local stakeholders, it helped support a worker cooperative project that happened to be at the original location of CORE’s Black economic project, Cleveland, Ohio. Without realizing it, TDC reconfigured CORENCO into a worker cooperative initiative called the Evergreen Cooperatives. The organization and its partners “designed Evergreen as a pilot project demonstrating how community-based worker cooperatives, supported by local anchor institutions, could bring much needed green jobs to disinvested urban communities.”⁹

Evergreen has received widespread attention and strong praise for its innovation in cooperative ownership among unemployed and returning citizens. Evergreen also took the significant step of assisting its employees with home-ownership, and while that effort has yet to reach most of its employees, its help for people generally locked out of

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the mainstream credit system is unquestionably commendable.¹⁰

However, compared to the more comprehensive vision expressed in the CSD, Evergreen should be considered a partial model. Specifically, while it does have a community-controlled corporation designed to ensure that the individual cooperatives are responsive to community concerns (and cannot unilaterally move out of the community or demutualize), it does not currently allow for direct community share-ownership. Furthermore, while Evergreen runs a limited housing program for workers and their families, it doesn’t currently intervene more broadly in the local land and housing sector (for instance by establishing and operating a community land trust). Lastly, while it has created a revolving loan fund for cooperative conversions, Evergreen has not yet established a more formal, self-controlled financial vehicle (such as a credit union).

The Evergreen Cooperatives are partly based on the much-lauded Mondragon Cooperative model founded in 1956 in the Basque region of Spain. The Mondragon Co-operative Corporation seeks to generate wealth, economic development, and broad-based prosperity in the region through a shared economy model, incorporating democratic participation and broad ownership.¹¹ By some measures, Mondragon has been incredibly successful and currently stands at around 100 cooperatives with more than 81,000 workers, including retail, health care equipment, automobile parts, architecture and engineering, and language training and education enterprises.¹²

In general, however, worker cooperatives like those at Mondragon (which are relatively autonomous) don’t include a community income-building incentive beyond the wages and dividends they provide to their specific worker-own-

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ers.¹³ It also bears noting that the use of wage labor is common in larger worker cooperatives and that international workers, centrally located in global south and periphery countries, are not currently full cooperative members in the Mondragon system, although Mondragon claims that its goal is to extend cooperative membership to workers in its international subsidiaries.

This not only undermines the cooperative model, but also generally ignores the rich history of cooperatives throughout the global south. For instance, in the 1960s, the Harambee movement in Kenya led to a strong build-up of cooperative-inclined businesses and community building. Indeed, the meaning of "harambee"—"to pull together"—embodies the philosophy. Similarly, the Ujamma cooperative economic model promulgated by Julius Nyerere in Tanzania has had an enduring influence on Black self-determination movements in the US. Meanwhile, the United Nations Committee for the Promotion and Advancement of Cooperatives has documented a wide spectrum of cooperatives from Indian farmers to indigenous groups in Argentina. Additionally, some of the most acclaimed cooperative experiments are undergirded by universities that prepare and perpetuate cooperative philosophies and strategies as evidenced by Manchester College and Cooperative College in Nairobi.¹⁴

The Mondragon model certainly has helpful solutions, but only up to a point. Often, in the effort to get to the next system, theorists and activists push for the idea before pushing for the people. Mondragon's participation in international capitalism comes at the expense of workers in its foreign subsidiaries and the limitation of a cooperative infrastructure. Additionally, as Black Socialists of America correctly note, Mondragon is specifically concerned with creating jobs. However, inequality in the Black community is tied to a triumvirate of factors—economic, home, and social inequity—intimately linked together. As a result, solutions that address one or two aspects of oppression will not lend itself to an overall act of freedom. The legacy of Black-owned land loss, for example, speaks to the ways that economy and home and social capital combine to undermine Black participation in the body politic.¹⁵ The Black community in the United States, especially, needs a more culturally guided solution that closely aligns with historical responses to racial inequity and considers the suppressive forces which constantly operate to undermine stability and economic equality in all areas of Black life.

Two recent reports illustrate aspects that are particularly relevant to the Black community. The first, *Community, Democracy and Mutual Aid: Toward Dual Power and Beyond*, a report authored by John Michael Colón, Mason Herson-Hord, Katie S. Horvath, Dayton Martindale, and Matthew Porges for The Next System Project in 2017, suggests a more communally focused and cohesive model for development.¹⁶ The report focused particular attention

on the Black Panther Party survival program. Specifically, although the Panthers embraced socialism as an overarching systemic alternative, the survival program reflected the pressing day-to-day realities of discrimination and oppression, and thus sought a holistic approach to food insecurity, housing instability, education inequity, and health care disparity.

The second, *Community Control of Land and Housing*, authored by Jarrid Green and Thomas Hanna in 2018, highlights the racist underpinnings of displacement and argues that land and housing are fundamental factors in creating "inclusive, participatory, and sustainable economies built on locally rooted, broad-based ownership of place-based assets." In other words, housing (not necessarily cooperatively owned) is intimately tied to shared, inclusive ownership, especially given the sordid history of exclusion, dispersal, and dispossession faced by communities of color.¹⁷ Indeed, *Cooperation Jackson* comes out of this understanding of a shared relationship of advancement intimately tied to politics, economy, community, and individuals.

Combined, these reports suggest that the new economy and cooperative movements must consider two somewhat conflicting realities: the building block of economic and social stability is work, home, and community. Second, shifting currents in the metropolitan landscape have and will continue to disrupt all three components of stability without aggressive intervention through massive funding and communal engagement. Without this, the approaching storms of gentrification and opportunity zones will threaten to upend local community development efforts from Cleveland to Jackson and beyond.

For example, many anchor institutions are both working to support community economic development and are responsible for forced displacement of their low-income, predominantly Black neighbors. This is due to a paradox in community economic development whereby gentrification is seen by some as being necessary for deprived communities (those with low property values, poorly performing schools, and high vacancy and foreclosure rates), without consideration of the potential for displacing existing residents. For instance, while many of Cleveland's civic and institutional leaders feel that Cleveland's problem continues to hinge on abandonment, dispossession is front and center in areas like Glenville.¹⁸ Residents of the newly declared "technology corridor," for instance, face the early indicators of gentrification as evidenced by a barrage of home purchase offers, new neighborhood signs, and increasing taxes.

Indeed, anchors historically have often played a decisive role in forced displacement. The result is a conundrum of major proportions. Individual economic parity neither sustains nor secures the whole community. Without community participation—and community presence—even

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the most well intentioned and designed economic development efforts are destined to fail. In other words, the most sustainable, long-term partners in economic equity development are the people who live in the community and the network of groups similarly involved in revitalization.

Still, there certainly is no guarantee that “people-powered” investment can alleviate economic disparity alone. The People’s Assembly model (like the one in Jackson) certainly embraces the role of community in revitalization, but alone it lacks infrastructure and resources to tremendously transform its surroundings. Its progress can be slow and difficult in that it either has to build its own autonomous institutions from the ground up or rely on unstable municipal government support. Unfortunately, alone the model is limited in its ability to nationalize impact and expand the principles of democratized wealth to help other cities undefended by the encroachment of “revitalization” policies. Backing from well-funded institutions with a national presence is needed to scale up and expand the model, which of course brings its own challenges of co-optation and co-dependency.

The complications revealed in the above models have not diminished the work of these cooperative movements, but the issues raised are central to understanding why efforts to democratize wealth in the United States will likely falter with the arrival of the next approaching storm without a more collective wealth building approach. The early 1990s witnessed settlement patterns that reshuffled localities of poor populations. By the early 2000s, this reshuffling was driven by rezoning, increased taxes, the 2008 housing crisis, and other circumstances that fed the pernicious expansion of gentrification. More recently, the opportunity zones favored by the Trump administration created the circumstances to rev up gentrification and create community-destroying levels of dispossession.

These two revitalization phenomena in particular—gentrification and opportunity zones—expressly imperil community development efforts across the United States. Worse, the speed of both manifestations relentlessly alter the defining economies of the urban landscape, and impede community sustainability. The unfolding processes now force a reconciliation with small-scale solutions and new markets restructuring the definition of neighborhoods. This has tremendous import for Black people in the city as changing

migration patterns push Black folk to secondhand suburbs or back to the rural South.

The resulting fluctuations expose two fundamental, urgent questions: How can cooperative strategies maintain and expand ties to the city and what is the future of Black communities without funding and communal solutions to halt gentrification and opportunity zones?

THE APPROACHING STORM

“Gentrification” continues to elude definition for many. Truthfully, the innocuous sounding term tends toward a pretense that hides the more ominous and deliberative aspects of its nature. British sociologist Ruth Glass introduced the term in 1964 to describe neighborhood turnover from working class and poor to middle and upper income residents. The Centers for Disease Control added to this precise description by noting that the transformation in neighborhoods changed not only structures, but also people who suffered from increased physical and mental health risks when dispossessed by gentrification.¹⁹

Despite multiple variations in meaning and interpretation, what is not in doubt is that gentrification is a calculated reclamation of urban spaces for new purposes and new residents (usually homeowners who are financially affluent and, given the racial legacy of the United States, White).²⁰ Numerous articles and studies implicate universities, city officials, investors, and other entities in the gentrification processes.

Even a cursory review of over 200-plus articles and reports point to multiple strategies by investors, cities, banks, universities, companies, and other entities that promote and propagate gentrification.²¹

One method of gentrification centers on the subprime ripple effect. Communities devastated by foreclosures became open to investors who quickly targeted abandoned homes for rehab and resell. The ensuing increase in home value led municipalities to increase taxes, sometimes doubling every year, which pushed poorer neighbors out of their houses. The second method entails landmark targeting, often utilized by cities to break open a given community. These targets—churches, historical buildings, cultural sites—generally make way for road expansion, stadiums, and other revitalization projects that expand into adjoining Black and Hispanic neighborhoods. Usually, sound and space gentrification follow close behind with new infrastructure, rebranding, and noise ordinances designed to increase community transformation from the old to the new, trendy community. Finally, institutional expansion (universities) and developer land seizure (facilitated with city tax abatements, land devaluation, and rezoning) are both key tools in the gentrification arsenal. In all cases, city and institutional policing operates to advance policies of dispossession.²²

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Still, some groups question the pervasiveness of gentrification and suggest that media alarm exaggerates its actual extent. For instance, a much-touted National Community Reinvestment Coalition report in 2019 identified Washington, D.C. as the country's most egregious case of forced displacement, but had questions about actual impact elsewhere. Despite this uncertainty, data continues to appear in multiple cities suggesting widespread removal. In 2017, for instance, the Nashville Tennessean examined population decline and migration patterns and found clear evidence of removal to second-hand suburbs.²³ Overall, Black suburbanization rates increased by 39%, according to the local newspaper. It also bears noting that the NCRC report pulled its data from a 10-year period ending in 2013.²⁴ However, the increasing intensity of gentrification's appearance in communities and media attention across the United States likely indicates that these numbers could drastically change with information from the 2020 census and additional collection of local sources. Indeed, the Tennessean is an older source (2017) than the NCRC study published in 2019, but the paper utilized data from a more recent period than NCRC's source years, making its information more germane to current reports that gentrification has virally spread.

The impact of gentrification cascades across all indices (socially, politically, and culturally). Dispossession restructures previous notions that linked poverty with urbanity, and reinstates it outside the city. Poverty expulsion from the city, however, produces a different obstruction to economic equity. As *Governing* noted in 2008, "throughout the suburbs, a culture that was built on a single model—cars and sprawl—is caught between an exploding population that can't afford to sustain it and a state political leadership that resists making the investments needed to change it."²⁵ Meanwhile, nonprofits, which normally occupy the front line for reinvestment and development, persist in classifying poverty (and by extension proffering solutions) based on previous constructs of urban and suburban. The decision is impactful in other ways as well. Not only are economic equity advocates unresponsive to suburban poverty, but this thinking obscures the need for other strategies to forcefully launch an aggressive offensive against dispossession that hampers exodus from the city. Meanwhile, the Southern gentrification problem has pushed past second-hand suburbs to now include the outer rural communities. Certainly, farming cooperatives and/or land retention are crucial equity issues. However, increasing numbers of communities now require more strategies to sustain incoming migration.

The advent and proliferation of opportunity zones presents economic community developers with an even more daunting issue. Described as "gentrification on steroids," its core idea was to level out economic recovery in untouched areas following the 2008 housing and financial crisis and recession.²⁶ The irony, of course, was that subprime loans, as

well as historic patterns of racialized disinvestment, gutted the Black community, and paved the way for the current wave of gentrification in the first place.

The opportunity zone idea came from the Economic Innovation Group, a public policy entity that says it is seeking to promote economic stability and investment in the United States. The legislation was the brain child of Black Republican Sen. Tim Scott of South Carolina and tech billionaire and former Facebook president Sean Parker. The policy was conceived as an "an innovative approach to spurring long-term private sector investments in low-income communities nationwide," and a solution to uneven economic geographic disparities. However, *Forbes* called it one of "the greatest tax-avoidance opportunities in American history, in the service of underperforming American cities and neighborhoods."²⁷

The IRS defines an opportunity zone as "an economically-distressed community where new investments, under certain conditions, may be eligible for preferential tax treatment."²⁸ Only states can select areas for an opportunity zone, which are then certified by the secretary of the U.S. Treasury after a specified determination period.²⁹

The state may not designate more than 25% of the low-income communities within its borders as opportunity zones. Most importantly, low-income is not the only defining component of an opportunity zone. According to the legislation, "a population census tract that is not a low-income community may be designated as a qualified opportunity zone under this section if— "(A) the tract is contiguous with the low-income community that is designated as a qualified opportunity zone," and "(B) the median family income of the tract does not exceed 125 percent of the median family income of the low-income community with which the tract is contiguous." No more than 5% of designated opportunity zones can come under this category.

Opportunity zones span a period of 10 years and investors who might otherwise pay capital gains taxes can instead participate in opportunity zones and delay or decrease tax obligations from previous capital gains income until 2026 or when an investment is sold. Participants can only contribute through an institutional instrument called an "opportunity zone fund." These funds form a corporation or partnership that specifically holds at least 90% of its assets in an opportunity-zoned area.

Opportunity funds can issue stock in said corporations as well. For each year the capital gains monies remain invested in the fund, the taxes owed reduces by up to 15%. The IRS also excludes any capital gains accumulated after investment in an opportunity zone fund if it's held for 10 years.

Example: An entrepreneur sells their business for \$100,000. If its original worth was \$0, then the business owner must pay taxes on the full \$100,000 (or minus its original value).

If the owner assigns the taxes to an opportunity zone fund, they delay having to pay taxes to the government. For each year the fund holds the investment, the owner receives a reduction in taxes owed. By the end of seven years the business owner reduces their taxable capital gains to only \$85,000. However, should the owner make more money through the opportunity zone, none of it will be taxed as long as the investment remains for 10 years. So, if the investment makes \$100 or \$100,000 more than the original \$100,000 investment, none of it will be taxed. Only the \$85,000 can be taxed by the IRS.

Under the Trump administration, opportunity zones were made part of the US tax code by the Tax Cuts and Jobs Act on December 22, 2017. While the law was roundly criticized for its aid to the wealthy, within it lay a small subsection on opportunity zones intended to expand assistance to low-income communities. The New York Times suggested that the legislation incentivized “long-term investment to parts of America that continue to struggle with high poverty and sluggish job and business growth.” It also claimed that “the provision is the first new substantial federal attempt to aid those communities in more than a decade.”³⁰

Still, there were major questions about the Times’ assertion that opportunity zones constituted “aid” to suffering communities in America, particularly after the Trump administration issued opportunity zone regulations. Not surprisingly, less than a full two years later, the Times published a second article noting “How a Trump Tax Break to Help Poor Communities Became a Windfall for the Rich.” The article acknowledges that many of these investments simply allow

“...billions of untaxed investment profits...to pour into high-end apartment buildings and hotels, storage facilities that employ only a handful of workers, and student housing in bustling college towns, among other projects.”³¹

Effectively, the opportunity zones opened an investment frenzy driven by the federal government’s decision to leave billions of investment dollars untouched in the name of “reinvigorating” local economies.

It’s worth noting that the majority of opportunity zones exist in major urban settings. According to the opportunity zone advisory firm Develop LLC data, major cities exist within the top 40 counties with the most designated opportunity zones. On its face, communities disproportionately impacted by this “reinvestment” are most likely communities of color, particularly Black and Brown residents. Non-Profit Quarterly confirmed that rural areas appeared to miss the “opportunity zone” wave of investment.³² According to their reporting, although 40% of opportunity zones are located in rural areas, the focus remains mostly on urban parts of those areas. Additionally, although states can designate opportunity zones in rural areas considered

“Indian Country,” Non-Profit Quarterly notes that an “oversight” barred tribal governments from participating in opportunity funds.³³

Opportunity funds currently also lack any tracking or reporting metrics, and operate on self-certification. According to the IRS, “A. To become a Qualified Opportunity Fund, an eligible corporation or partnership self-certifies by filing Form 8996.”³⁴ Much of the rationale for opportunity zones hinges on the notion that increased investment lends itself to jobs and affordable housing. However, the forced removal effects of gentrification demonstrates the exact opposite. Additionally, according to the Rockefeller Foundation:

the program differs markedly from past tax incentive programs designed to improve low-income communities. It is market-driven, does not require impact reporting, and focuses on equity investments as opposed to traditional programs which focus on debt. And—because there is no cap to the number of Opportunity Funds that can be created nor limit to the total dollars that can be invested, Opportunity Zones have the potential to become the largest community development program in our nation’s history.³⁵

This can have the added impact of usurping communities in their own development process. The result, catastrophic in its import, is a future of community development led by and for the benefit of private enterprise.

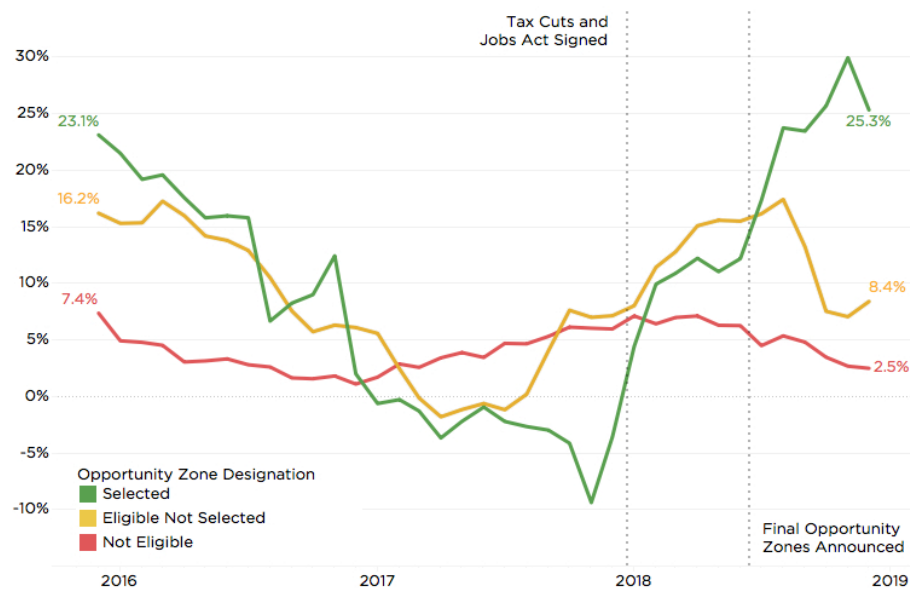
To see what this looks like, one has only to review the history of 3CDC in Cincinnati, Ohio. In 2001, the mayor abolished the Economic Development Department. Into this void stepped 3CDC, a private nonprofit funded with corporate money and led by a board of directors that includes representatives from Western & Southern, Towne Properties, North American Properties, Kroger, Macy’s, Cincinnati Bell, Scripps, and Procter & Gamble. Public officials avoided condemning or challenging 3CDC, insisting it had no say because the organization was a private entity. However, this ignored its very egregious consumption of public dollars. Its own intern later wrote in a master’s thesis, “3CDC has contributed to, rather than helped to ease, conflict between local institutions. Although 3CDC has held public information sessions, the organization has not engaged the public in any decision making and has provided no opportunities to create linkages with or among local residents...3CDC is attempting essentially to create new neighborhoods rather than improve conditions for those in the community...”³⁶ The final outcome demonstrated itself in R. J. Smith’s piece, *The Rise and Fall of the African American Community in OTR Cincinnati*, in which Smith noted that:

3CDC, a privately financed community designing and economic development company, was created

Recent evidence has already suggested that opportunity zones have increased sale prices for property owners compared to eligible tracts that weren't selected.

Sale price spike in Opportunity Zones

Year-over-year change in the 12-month moving average sale price



Zillow Economic Research | Source: Zillow Sale Price Data.

to primarily obtain federal funds using a new program called the New Markets Tax...and engineered a lasting renaissance and gentrification of the community that left most local African-American residents almost completely out of the redevelopment process and seemingly powerless to define their own destiny.³⁷

In other words, private sector investment through government tax incentives more often left the investor to evaluate efficacy, a decision which was and is tantamount to the fox guarding the hen house.

NCRC noted a similar set of concerns, asserting that:

The Tax Cuts and Jobs Act of 2017 created 8,000 Opportunity Zones throughout the country to lure investment to struggling neighborhoods. Although those Opportunity Zones were not fully determined by the states when this study began, preliminary analysis indicated that 70 percent of gentrified neighborhoods were within or adjacent to defined Opportunity Zones.³⁸

Consequently, Black communities were being set up for dispossession under the guise of “improvement.”

Other problems arise from the legislation as well. Opportunity Zones do not appear to include homes as investment properties nor do they facilitate assistance for small business owners not versed in the intricacies of limited liability or partnership corporations. Plus, very few individuals from the community can participate or dictate the terms of an opportunity zone fund investment. The immediate emer-

gence of opportunity zone investment groups showed multiple forces were already at work. Some of these groups, like CapZone Impact Investments, claimed to connect “financial, intellectual and human capital to benefit low income communities and generate ESG + Resilient investing at scale.” In other words, CapZone asserted that it evaluated companies based on environmental, social and governance investment behaviors that demonstrated environmentally sustainable projects. However, the truth of this assertion or others remains unclear.³⁹ For instance, Access Ventures, also listed as an Opportunity Zone LLC Manager Fund, claims it will “build on work that we have done in communities such as Louisville, Tulsa, and Columbus.... We’ve piloted direct investments in local businesses, placed strategic bets in real estate, and backed national growing companies that we think have the potential to strengthen communities across America.” However, this sparked fears in one Louisville community that this places it on the brink of gentrification.⁴⁰

Even institutions that were created for community-based, community-led investment are getting in on the act. Clearinghouse CDFI Fund, a community development bank, had a \$25 million investment to underwrite a range of residential and commercial projects, including hospitality development, mixed-use development, multifamily residential, and workforce housing.⁴¹ However, in its 2018 report, Clearinghouse CDFI noted its acquisition of “vacant land in Los Angeles, CA for development into a 31-unit, multi-family apartment building” that would only “include” affordable units. The basis of this affordability was undetermined. However, if the CDFI operates based on average

median income (AMI), then the likelihood of actual affordability is negligible given that AMIs rarely match the neighborhood income but the broader district or adjacent areas, unaffordable to persons currently in the community set for revitalization.

Recent evidence has already suggested that opportunity zones have increased sale prices for property owners compared to eligible tracts that weren't selected. Real Capital Analytics found that sales of developable sites in the zones rose 24% in the year after the law passed. However, neither accounted for the increase in property taxes and the lack of affordable housing should residents or renters sell or lose their homes and attempt to move elsewhere.⁴²

Finally, the government has yet to set standards for what constitutes investment choices that empower the community. An article by ProPublica essentially confirmed how opportunity zones were rigged at the outset and geared toward mass projects, from malls to luxury condos.⁴³ These exposés also reveal how these funds fail to provide job training for positions that produce a livable wage, and prevent average community organizations or residents access to the funds needed to start their own businesses.

Bruce Katz and Jeremy Nowak recently hailed the activities of cities on the vanguard of “urban problem solving,” and included Louisville’s Over the Rhine neighborhood as an exemplar of public-private partnership, though neither author mentioned the word gentrification nor the ways in which corporate control of municipal departments is anything but localism.⁴⁴ However, Katz and Nowak’s piece minimally revealed how the city has moved to embrace these private investments without community members.

To reverse this trend, community development organizations must require opportunity zones to channel monies in ways that support the whole community and invest in businesses that incorporate community ownership or worker-owned cooperatives. Investors will get a return, but so will the community, with a clear understanding that opportunity zone profit will be limited in order to benefit the community over the individual. If community organizations fail to require opportunity zones to collaborate with them, larger investment funds will simply run over neighborhoods to produce development projects of their choice without the direction of communities.

Although the COVID-19 pandemic greatly slowed opportunity zone investment, in 2020 opportunity zone funds totaled more than \$10 billion. Even in the early stages, the concerns outlined by the U.S. Impact Investing Alliance and the Rockefeller Foundation demonstrate the problems of development without genuine community partnerships and participation. The Urban Institute’s 2020 early assessment confirmed the predicted outcomes: Community development groups have difficulty accessing opportunity zone funds. Opportunity zone fund incentives

incline investors toward high-return, big-profit endeavors versus community need-based development. The result is a focus on large real estate investments (i.e. hotels, retail, etc.) instead of small community businesses. Also, while community-centered groups intend to empower residents long term, opportunity zone rules generate an “in-out” approach that encourages divestment after the 10-year profit deadlines are met.⁴⁵

According to the Urban Institute, “most observers appear to agree that a primary benefit of the program is that it elevates the visibility of neighborhoods and deals that investors might not have considered otherwise.” However, this “visibility” poses a dilemma for residents, who rightly understand that these changes will also drive gentrification. At a minimum, the Urban Institute recognized some failures of the opportunity zone legislation and argued for policymakers to make alterations that included:

- Shifting focus from profit incentives to social impact projects, including restructuring regulations to push opportunity zone fund investment toward smaller businesses
- Evaluating opportunity zone funds based on quality and number of jobs created
- Including “stakeholders in low-income communities” through tax credits
- Engaging foundations and pension funds or other entities more inclined toward community development
- Supporting mission-driven funds that are accountable to the community
- Encouraging equity investments in community development financial institutions (CDFIs), and other institutions with a history of supporting business and homeownership in low-income communities⁴⁶

Interestingly, the Urban Institute in many ways rearticulated CORE’s earlier approach for utilizing large-scale funding for community development. The Urban Institute proposal functions as a corrective that incorporates broader investment participation by residents and situates CDFIs as major conduits facilitating community access to opportunity zone funds. In lots of ways, the Urban Institute’s report also reflected a larger conversation about broad participation in investment and development by community members themselves.

THE PROSPECT OF COMMUNITY WEALTH BUILDING

Rather than the sledgehammer approach of opportunity zones, successful strategies to transform neighborhoods will depend on proposals that incorporate a long view. Economic equity advocates must merge past and present to put forth a contemporary blueprint for a dynamic economic

There are some signs that the demand for community-centered investment and oversight is being taken seriously.

development movement for the future. Here is where the Community Self-Determination Act provides a unique historical precedent. It does so in three ways: via a national activist network, a community cooperative system, and community development financial institutions (CDFIs).

First, the CSD's vision of a national activist network empowers linked-up political activism that can pressure legislatures and municipalities to act in the interest of voters over corporations. Though the CSD's original vision of a federal entity probably resides outside the realm of possibility in the current political moment, the conception of a national network of communally owned entities is not implausible. Indeed, such a movement will be essential to halting or reforming opportunity zones and municipal open-door policies for opportunity zone funds. Opportunity zones are here, and whether they become "gentrification on steroids" or a community investment pot will greatly depend on an aggressive watchdog presence and pressure tactics.

Some community and philanthropic groups have already acted to "shape the rules of the game."⁴⁷ And while the deadline to provide feedback to the IRS passed on July 2019, any institution can step into the void to provide data on actual opportunity zone impact. Though this will not change the program, such reporting can spotlight fraud and improprieties, and apply political and social pressure so that opportunity zones better serve the communities they claim to help.

Moreover, there are some signs that the demand for community-centered investment and oversight is being taken seriously. Rockefeller, for example, partnered with the Kresge Foundation to request letters of intent from prospective fund managers around investments and investment strategies that create wealth, assets and opportunity in low-income communities, based on the federal Investing in Opportunity Act that requested information on impact and equity. The request stated:

Policymakers at the federal, state and local levels must leverage appropriate incentives and regulation to protect the voices and advance the priorities of Opportunity Zone residents in this new market. Effective policies, in tandem with civil society and impact investors, should ensure that mayors, county commissioners, local nonprofits and other community stakeholders on the frontlines of this work can access the tools and resources they need to connect

with investors and effectively advocate for community interests and outcomes.⁴⁸

The U.S. Impact Investing Alliance likewise sent out a call for opportunity zone funds to seek more involvement from residents, giving a particular focus to equity, transparency, impact metrics, and definable outcomes.⁴⁹

Rockefeller also intervened to support city oversight and pressure opportunity zone funds to work with communities. The foundation provided a \$5.5 million grant to help six cities shape strategies around opportunity zones. As quoted in *Non-Profit Quarterly*, Rockefeller announced that Newark's grant "will allow a local nonprofit, the Newark Alliance, to hire a chief opportunity zone officer who will be embedded with the city, and two 'community engagement specialists.'" Cities will play a particularly important role given that most land bank properties are in opportunity zones. In September 2019, the foundation announced a second grant of \$3.7 million to the cities of Washington, Oakland, Dallas, and St. Louis "to help drive responsible private investment in Opportunity Zones."⁵⁰

Groups like Community Reinvestment Fund USA and the Beeck Center at Georgetown University also pushed opportunity zone funds to invest in sustainable development groups like Orthogonal, which invests only in companies that benefit people or the planet. There is a potential opening for a national network or individual community groups to also partner with opportunity zone funds, which could stymie forced removal and refocus investment on small community businesses. Community business ownership will also prevent financial fallout when investors exit. In other words, a national network could pressure opportunity zone investments to become the basis to float resident-based businesses and ensure longer-term economic stability.

One of the few groups appearing to head in this direction is Catalyst, an opportunity zone fund created by Utah investor Jim Sorenson. Using the framework designed by US Impact Investing Alliance and the Beeck Center at Georgetown University, Sorenson seeded \$150 million toward opportunity zones. Catalyst is also seeking to add services such as job-training programs, community health clinics, pre-kindergartens and affordable grocery stores to its development with the intent to enhance the value of the properties and benefit residents.⁵¹ In other words, there are groups that community organizations can link with that already consider resident concerns—while building an opportunity zone community funding network.

Second, the Community Self-Determination Act's vision calls on economic development equity advocates to construct cooperative systems that move beyond a simple worker-focused approach and towards a community participation approach. The worker must connect to the business and the business to the neighborhood in order to

give the community genuine buy-in. Without this thrust, worker cooperatives are left stranded and isolated with laborers who increasingly cannot afford to survive in the city and numerous pressures to cut corners in order to compete with capitalist businesses. Additionally, broad community inclusion means an all-encompassing consideration of those Franz Fanon refers to as the “lumpen”—the underemployed, unemployed, and participants of the underground economy—as equally concerning as the worker. This means low-cost company stock and sweat equity are important tools for including those of all economic ranges, and thus sustaining a healthy neighborhood and expanding the operations of small companies like the Evergreen Cooperatives.

Most importantly, community stock dispersal is perhaps the most important idea for turning the opportunity zone on its head, if done correctly. IRS regulations allow opportunity zone funds to assign investment shares. There are no rules that hinder nonprofits from creating their own investment structures for opportunity zone monies. Ostensibly, nonprofits may offer majority or half ownership in community-owned businesses. Nonprofits, then, become conduits for socially conscious investments in community-owned and controlled institutions.

This is already under operation by Harambee Opportunity Fund, sponsored by a Huntsville, Alabama based nonprofit development organization. Harambee (coincidentally also the project title for CORE’s cooperative economic program during the 1960s) raised \$150 million to help fund its Waste to Energy projects. The Fund acts to develop community through removing toxic waste, improving education, addressing food scarcity and housing insecurity, and building up employment training. Though the nonprofit focuses on individual workers, the investment profits expand out to the community in forms that enriches local residents in multiple levels of healthy living.⁵²

Third, and finally, opportunity zones are not the only plat-

forms for initiating revitalization and providing development advocates with massive funding. Community development financial institutions (CDFIs), another idea with links to the Community Self-Determination Act, were designed to alleviate housing dispossession and facilitate widespread business investments (including in local businesses and cooperatives), separate from dependence on either government or anchor institutions (although the federal government does play a prominent role in funding CDCs and some anchor institutions have deposited some of their funds in CDCs). CDFIs can also play particularly important roles as intermediaries for holding back outside investors taking advantage of the federal opportunity zones program.

Community Control of Land and Housing similarly asserted this point. The report traces various efforts and trends, starting in the 1980s, that led to the adoption of “several laws that deregulated the mortgage industry, allowing large mortgage companies and commercial banks to replace credit unions and savings banks as the predominant issuers of mortgages.” The report contends that advocates will likely only be successful in pushing for limited equity housing cooperatives or permanently affordable homes if they move away from conventional lenders to “community-based and mission-based lenders like credit unions and community development financial institutions.”⁵³

CDFIs and community development banks remain one of the most underutilized tools of economic revitalization. Although the 1968 Community Self-Determination Act advocated for government supported community banks, Congress only allotted monies for a similar program in 1994 through the Riegle Community Development and Regulatory Improvement Act. The bipartisan legislation sought to encourage economic development in six ways:

- Directly invest in, support, and provide training on CDFIs that provide assistance to “underserved populations”



KEY HISTORICAL DATA (CUMULATIVE BY PROGRAM)
CERTIFIED CDFIS

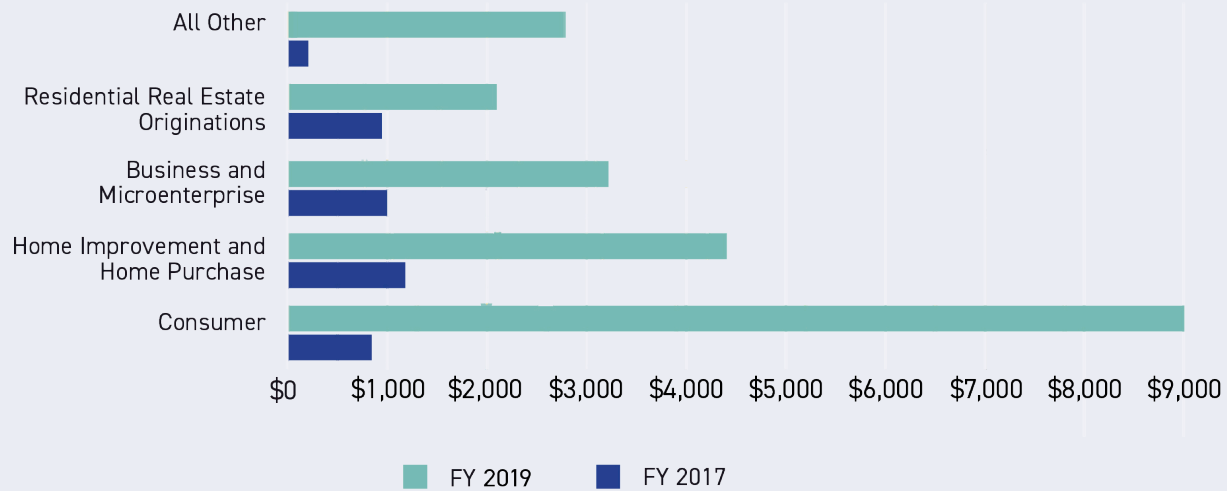
196	Total number of certified CDFIs in 1997
1,112	Total number of certified CDFIs at the end of FY 2018, including 73 Native CDFIs
83	Number of CDFIs certified in FY 2018

AWARDS, ALLOS, AND GUARANTEES SINCE INCEPTION

\$291.5 million	Capital Magnet Fund awards
\$470 million	BEA Program awards
\$1.5 billion	Bond Guarantees through the CDFI Bond Guarantee Program
\$2.47 billion	CDFI Program and NACA Program awards
\$54 billion	Allocated in tax credit investment authority through the NMTC Program

Source: CDFI Fund 2018 Year in Review

CDFI PROGRAM AWARDEE INVESTMENTS FY 2019 V. FY 2017 (IN MILLIONS)



Source: CDFI Fund Fiscal 2018 and 2019 agency financial reports

- Allocate tax credits to CDCs that aid investment from the private sector
- Incentivize traditional banks to participate in community investment or give aid to local CDFIs
- Allot funds directly to Indigenous groups to help create reservation-focused CDFIs
- Issue guaranteed bonds to support CDFI work; and
- Offer award grants to CDFIs financing affordable housing⁵⁴

Congress initially allocated around \$50 million a year for this program. However, since the mid-1990s funding has dramatically increased.⁵⁵ Under the program, \$248 million in 2017 went to real estate, microenterprise, housing, home repair, and consumer education.⁵⁶ Though billions of dollars in total reached CDFIs across the United States since their inception during the 1990s, by 2018 there were still only 1,112 CDFIs in rural and urban areas (most concentrated in Mississippi) representing just 0.4% of banking in the United States.⁵⁷

However, local groups can establish community banks far more easily than might be implied by the low numbers. The CDFI program offers a high level of assistance in the application and formation process, including webinars, instructional manuals, and direct contact. Local community groups can first assess whether a CDFI already operates in their locale. The CDFI program provides a searchable mapping tool for applicants that helps to determine eligible areas and specific available programming. Qualifications for CDFI certification include being a legal entity; having a mission of promoting community development; serving

an investment area or targeted population; becoming an insured depository institution or otherwise having the offering of financial products and services as its predominant business activity; and being accountable to a target market and nongovernmental entity rather than being controlled by any governmental entity.⁵⁸ The program accepts applications year-round and holds monthly certification conference calls.

Although the program requires annual reporting, the CDFI Fund assists this process as well. The program also funds newly created CDFIs that achieve certification. Certified CDFIs may apply for grants that help newly established development banks with lending for “first-time homebuyers, flexible underwriting for community facilities, and commercial loans for businesses in low-income areas.”⁵⁹

CDFIs already demonstrate noticeable results. In 2016, *Yes!* magazine featured a special report on the impact of CDFIs in Mississippi that found they filled the space left by traditional banks in multiple ways.⁶⁰ Small local banks and credit unions actively changed the relationship between community members and banks. These financial institutions provided financial planning classes, focused on housing for repair and purchase, and directed monies to cooperatively owned businesses projects. Mississippi CDFIs made 30% of the home loans in the state, especially for residents who made less than \$30,000 a year. Other community development banks dedicated themselves to helping Black farmers. Their centerpiece investment was the Delta Regional Mule Train Farmers Market, a 30,000-square-foot converted textile factory, which the city rents to a cooperative called the Delta Regional Market Cooperative.



yesmagazine.org

Yes! magazine did a special report on the impact community development financial institutions in Mississippi.

The Yes! special report also noted the larger impact on individuals not classified as low-income. In 2008, when the number of bank loans fell 10% in response to the housing crisis, CDFI loan volume was 18% higher. The following year, when lending dropped across the board, CDFIs were still lending at a higher rate. However, while CDFI overall funding totaled over \$2 billion, Yes! notes that Bank of America alone received \$45 billion during the 2008-2009 bailout. Part of the reason for this imbalance might be that CDFIs lack recognition. Increased demand could give the CDFI Fund the support it needs for a larger budget, if CDFI expansion requires it.

Furthermore, CDFIs could receive a shot in the arm through the American Housing and Economic Mobility Act, legislation reintroduced in Congress in April 2021 that would hold the financial sector accountable for the service it provides to low-income communities as well as offer down-payment assistance to eligible residents purchasing homes in historically redlined communities.⁶¹ Meanwhile, in early spring 2021, the Treasury Department allocated \$9 billion to CDFIs and minority depository institutions as part of multiple methods to enhance CDFI financial backing.⁶² And, as previously mentioned, in some cases, CDFIs have utilized opportunity zone funds themselves, expanding on their efforts to provide low-income housing.⁶³

CDFIs represent a critically important tool that can be uti-

lized by local community groups and nonprofits to pursue and scale more equitable and sustainable forms of economic development. However, if nonprofits and local CDCs don't take advantage of CDFIs, outside investors certainly will. The Department of Treasury has already created a designated online site for advertising CDFIs as banking services for opportunity zone sites. The result is a two-fold benefit for external investors who avoid taxes on capital gains and then utilize a CDFI's low-interest, easy credit assistance.⁶⁴

A further concern is that as more funding is routed to CDFIs, local community participation will suffer. For instance, the National Community Investment Fund (NCIF) and the Initiative for Responsible Investment at Harvard University (IRI) have started to "encourage socially responsible investors and others to place their operating accounts in community-oriented banks and particularly CDFI banks and Community Development Banking Institutions (CDBI)." Although this urges organizations and individuals to primarily focus "on local economic development" in their communities, particularly in communities of need, it provides no guarantee that these persons or entities come from the community.⁶⁵

In general, the CDFI Fund wants to support growth and ensure that resources reach hardest-to-serve markets to the greatest degree possible. To that end, the CDFI Fund has updated its efforts to promote four main goals:

A "NEW DIRECTION"

- Increase aid to small- and medium-sized CDFIs that serve these areas and collaborate with regulators to support inclusion of the unbanked
- Improve research, study, and utilization of data to assist the CDFI Fund in improving accountability and providing best model examples
- Simplify the application process to accelerate new CDFIs and reduce application and reporting costs
- Increase awareness, given that “too many potential partners remain unfamiliar with the work of CDFIs”

The CDFI Fund’s mission presents an opportunity for community development groups to build an individual or a CDFI network with cooperative values and to develop large-scale projects for multiple communities across the United States, thus expanding the movement for the next system.

Despite the many strengths of CDFIs, it’s important to note that there are other proposed financial tools that could provide assistance to the unbanked or credit-deprived. Postal banking has become particularly popular idea as a low-cost financial services entity that could facilitate check cashing or small loans (replacing payday loan companies) for those without access to traditional financial institutions. Multiple presidential candidates have embraced the concept, and the postal service recently began a limited pilot project in four localities. But postal banking remains on the political periphery. Similarly, the idea of public banking in general has grown in popularity (especially in states like California) as activists and communities look for more community-sustaining and building models of finance.

On the other side of the spectrum, a far more sinister and controversial trend is emerging. Specifically, Big Tech companies like Facebook—and tech-based strategies more generally—are increasingly influencing the financial services industry. For instance, in 2019 Facebook announced that it was working on launching a cryptocurrency called Libra and had established a Libra Association of large companies like Visa and Mastercard. (Libra has subsequently been renamed The Diem Association and some of the corporate members have left the project.) Libra’s early white paper claimed that people who “remain ‘unbanked’ point to not having sufficient funds, high and unpredictable fees, banks being too far away, and lacking the necessary documentation,” to explain their disconnect from financial institutions.

Facebook suggests that “blockchains and cryptocurrencies have a number of unique properties that can potentially address some of the problems of accessibility and trustworthiness.”⁶⁶ However, it bares noting that previous associates of Facebook were also the ones who promulgated opportunity zones, which should give communities pause when considering claims about how “beneficially” FinTech promulgated by large corporations and financial interests will be.⁶⁷ It also means that if community financial institu-

tions don’t do the job, fintech companies will eagerly operate within this vacuum.

Postal banks, at least, offer a publicly-minded alternative, but they too will not alone solve larger economic problems of investment and disinvestment. These two frameworks—fintech and postal banks—certainly reflect some banking participation that can reach low-income communities, and both have built-in scalability. But significantly, none of these finance institutions provide a pathway to community ownership and control of land and housing nor support for cooperative business ownership. In the current context, only CDFIs can step into this void (although local public banks are also a future option, if they can be established), but it must be done on a scale to match both the extent of the problem and reach multiple locales.

RECOMMENDATIONS FOR COMMUNITY SUSTAINABILITY

Most current development models problematically concentrate on only a portion of what’s needed to genuinely transform a city. Despite long-held beliefs that poverty was geographically identifiable, gentrification and diminished housing affordability have radically altered the fundamentals of where to find the poor. The forced shift instigated by gentrification, and accelerated by opportunity zones, has redefined class as place and undermined the previous consensus on urban, suburban, and rural spaces as geo-defined economies marked by poverty or financial well-being. More directly, proposed solutions to economic disparity now appear out of line with current dynamics as traditional poverty intervention models continue to center activism around the worker, while also lacking a scalable response to these changing circumstances.

A new direction based on the concepts outlined in the 1968 Community Self-Determination Act may serve to meet these challenges and point toward a trajectory for activism and economic development.

1. Community investment and cooperative empowerment
 - a. Expand the scope and scale of cooperatively owned businesses, and ensure that cooperative ownership is extended to community residents (not just workers within a specific enterprise).
 - b. Allow community residents to purchase stock or acquire sweat equity in cooperatives as a way of ensuring maximum participation and community buy-in.
 - c. Establish an activist network of nonprofits, community development corporations, unions, and cooperatives to campaign and dispute any investment projects that fail to incorporate community residents and their concerns.

2. Funding sources and scalability for cooperatives and nonprofits
 - a. Community development financial institution recommendations
 - i. Create and maintain up-to-date lists of CDFIs in local communities and regularly ensure these institutions are compliant with federal regulations to support community over investors.
 - ii. Support nonprofit and local organizing efforts to create CDFIs
 - iii. Encourage CDFIs to (re)establish themselves as credit unions or another form of democratically owned and controlled business; encourage existing credit unions to become CDFIs (if they are not already).
 - iv. Establish holistic benefit standards centered on community needs (rather than simply return or profit) and ensure that CDFIs are accountable to these.
 - v. Encourage, train, and assign local residents to run for CDFI and or credit union board membership
 - b. Opportunity zone recommendations:
 - i. Create a national network to maintain an updated list of opportunity zones
 - ii. Aggressively monitor activities in opportunity zones, and investigate noncompliant or unsanctioned opportunity zones in individual communities.
 - iii. Identify socially conscious opportunity zones and actively recruit these funds for community investment.
 - iv. Ensure cooperation of cities and municipalities in collaboration with opportunity zones designated as acceptable for investment.
 - v. Prepare to expose and protest offending opportunity zone funds that do not demonstrate neighborhood improvement centered on the community's needs over investors.

The 1968 Community Self-Determination Act is not just the civil rights past; it's the key to community development's future.

Importantly, in relation to all of these efforts activists and policymakers should be prepared to look beyond the city and create or include new studies that help formulate development projects in suburban spaces. New attention must be given to transportation, infrastructure, and a new economy in a space never meant to serve as such an engine. Otherwise, the parasitic and economic engines built on police enforcement, city citations, and other forms of state-created income that many witnessed in Ferguson, Missouri will proliferate. Additionally, consideration should be given to how to reconstitute the layout of cooperatives in “second-hand suburbs” and rural communities along with housing.

Finally, if there is but one lesson from the Community Self-Determination Act of 1968, it is this: Local advocates can no longer operate individually. A mass economic system needs a mass response. With it, there is the ability to push through legislative tools that provide the financial and legal backbone to stop dispossession in its place. A national, nonprofit network can act as a response team or facilitator for mass action that helps local organizations access opportunity zones funds for their own benefit and develop alternative designs for broad based economic empowerment.

The 1968 Community Self-Determination Act is not just the civil rights past; it's the key to community development's future. Its community inclusiveness can inform solutions to gentrification, expanded economic cooperatives, and the creation of a national movement to transform capitalism. However, to do so requires that the call be urgent, for the need is now.

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