

Emily Garr Pacetti ([00:00:00](#)):

All right. Thank you all for being here. We still have a pretty packed house, which is amazing. We promise that this last hour or so will fly, even though it's after lunch. My name is Emily Garr Pacetti, and I am a Senior Principal here at the Federal Reserve Bank of Cleveland. I have the honor of introducing our last panel, Making Big Bets on our Communities. Before I do that, I'd like to take a step back in time and think about what this term, big bets, that we've been using means for each of us. If you were here yesterday morning, you'll recall Dr. Raj Shah, President of the Rockefeller Foundation, speaking about his journey. In his book, he defined a big bet as a "concerted effort to fundamentally solve a single pressing problem in your community or our world."

([00:01:02](#)):

One of the things required, and there's a few, according to Dr. Shah, is developing broad alliances often among unlikely partners like government and business that can summon sufficient resources and diverse capabilities to break through constraints that often limit social progress. Many of you here today are working on that single pressing problem, and collectively, I do believe we can make a real difference in lower-income communities, whether that's related to food access, financial inclusion, quality jobs, transportation, small business, childcare, affordable housing, you name it.

([00:01:44](#)):

I am also hopeful that we in the Federal Reserve System will continue to stay engaged with you to hear about your vision and your aspirations, your big bets, and that you see us as a resource to assist in your endeavors. One thing that I've come to appreciate about the Policy Summit is that it really does bring people from diverse backgrounds together from different sectors and disciplines around data-informed solutions and best practices. I'd like to take a moment to thank my Reserve Bank colleagues from across the System for being here and supporting this year's Policy Summit.

([00:02:19](#)):

What once started as a small collaboration of two or three Reserve Banks challenged with deindustrialization and population loss in the early 2000s has now become a national convening to address a wide variety of community development-related topics. Over the years, we've realized that many of the issues that are occurring in our individual Federal Reserve Districts are not unique to us alone, though they come in various contexts and with various solutions, but there is a power in coming together to understand what is similar and what is different. David Erickson is one of our Reserve Bank partners. Thank you, David, who have helped support that vision.

([00:03:03](#)):

David is a Senior Vice President and Community Affairs Officer at the New York Fed and also a giant in the community development field. I now turn the mic over to him to moderate this incredible panel of community and economic development experts from different sectors to talk about their big bets and where they see opportunities to make large-scale change. Thank you.

David Erickson ([00:03:31](#)):

Thanks, Emily. Thank you, Emily, and thanks to the Federal Reserve Bank of Cleveland for putting on such an amazing couple-day conference. Let's just give another round of applause for that. If you get a chance, you've got to poke your head behind these curtains. It looks like mission control back there. I mean, there's literally like hundreds of screens and whatnot. This is pretty impressive. So, what I'm going to do here is I'm going to start with a few opening remarks about my take on making big bets, and then I'm going to introduce the panelists, and then I'm going to ask them to talk about a big bet or two that they have to share with you, and then I want to go to the audience.

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The tradition so far has been to have questions at the end, but we want to move that up and I want to get your ideas about what you think are big bets and questions you have for the panelists as well. So, I'm going to give you a sign of some sort to start queuing up at the two microphones you see here that are on stands in the left and center right of the room. So, be thinking about what your question is or a big bet that you want to share with the group. So, just really quickly, some overarching remarks. So, I had a good fortune to be able to have dinner with colleagues last night, big group, and I was complaining about something because I do that all the time.

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Emily always told me, she said, "Keep it positive. This is like the end of the conference. Keep it positive." One of my colleagues from New York said, "Was there ever a good time in community development? Was there ever a time that was exciting?" I was thinking about it. I thought that is such a good question. I've thought about it a lot actually since she asked me that. There was a moment, and I'd say it's 1996 is what I thought was the moment. I was working for my first job. I was working for the California Housing Finance Agency. There had been some changes to CRA that had happened in 1995. The CDFIs, the CDCs were getting much more sophisticated.

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My experience was really focused on San Francisco Bay Area and it was just a wild time. The Bank of America, originally the Bank of Italy, founded by an immigrant, by the way, was a dynamic bank in the state of California. They took over one of the branches that was on California Street. It was built like a Greek temple. I remember like yesterday walking up the stairs through the columns of this in this beautiful space. On one end of the room, I could see Don Turner who had started Bridge Housing arguing, talking about some affordable housing investment he was working on. Over in another area with Sister Lillian Murphy and she was a nun, but she was a shark. That lady was tough. She was a good negotiator. She started Mercy Housing.

[\(00:06:33\):](#)

Mercy became the largest affordable housing developer, nonprofit affordable housing developer. The creativity that was in that room was just palpable. It just sparked. We're going to use depreciation and we're going to think there were all these hippies from Berkeley who had remembered the Internal Revenue Code and they knew everything about how to use depreciation and how to set up the partnership structure and all the rest. There was all this creativity going on then, and I really missed that time. I contrast it with now and now, sorry, Emily, I'm going to get it negative a little bit. Also, please don't tell Raj Shah that I'm going to talk some smack about the Rockefeller Foundation.

[\(00:07:20\):](#)

He's on my board of directors and so I don't want to get into trouble, but Rockefeller hosted with Kaiser Permanente an event during climate week in New York City. This is the same week as the United General Assembly Week. The focus was on climate and health was the theme. So, there were the fanciest people you could imagine. There was Harvard researchers, National Academy of Medicine, the Wellcome Trust from the UK. All the major foundations were there and everybody got up and said pretty much the same thing.

[\(00:07:52\):](#)

One after the other got up and said, "If we're going to solve this problem and really think about the root causes of how climate and health are connected and how we need to address it, what we need are three things. We need more money, we need more research, and we need more partnerships." I

thought, "This is remarkable. This is the highest paid room full of people that are totally wrong than I have ever come across." We don't need any of those things. Those are absolutely wrong. We spend \$5 trillion on medical care in this country every year. We think about \$1 trillion of that is spent on the chronic disease. That's the byproduct of living in poverty. That's a lot of money.

[\(00:08:40\):](#)

We spend more money on social welfare per capita than any other country in the world except for France, spends a little bit more than we do. So, people think maybe we spent like Sweden, we would solve the problem. That's not true. Sweden spend less than we do on social welfare. People never believe me when I say that. So, you look that up on your phone. It's just OECD social welfare spending per capita and you'll see that we rank second in the world. We spend a fair amount of money in realms as well. So, almost \$1 trillion in the community development finance field, at least half \$1 trillion counts towards the Community Reinvestment Act of 1977. There's a lot of money in the system.

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The other thing, but research, and this is something that I figured out. I had a very talented person on my staff put these heat maps together in one day. For those of you who didn't attend that session, this is What's Possible: Investing Now for Prosperous, Sustainable Neighborhoods, a joint project between the Federal Reserve Bank of New York and LISC and Enterprise about how climate financing can be combined with community development financing to make neighborhoods that are both climate resilient and economically opportunity rich. But there's these heat maps in the book of Manhattan and the Bronx. If you look at life expectancy, as you go up the island, this is the best summary statistic for health.

[\(00:10:05\):](#)

As you go up the island, the life expectancy begins to drop. As you cross the river into the Bronx, it really plummets. If you look through another lens, an economic lens, and we looked at poverty, but we could have looked at overcrowding and housing or access to a bank branch or a lot of other things. The same map appears. But if you look at heat and where are the parts of the city that are hotter on heat islands on hot days, the same map appears. It's hotter in Harlem and the Bronx. If you look at air quality, again, the problem is the same. The air quality is worse in Harlem and the Bronx. This would be true in any community you're from. This is not unique to New York City. This is why we don't need any more research.

[\(00:10:49\):](#)

We could understand the problem slightly better, but we don't need any more research to act. The last thing that they were focusing on was partnerships. You heard about Emily's quote from Raj saying that you need to be making partners across aisle, across sector. There was never a barrier to that. It was only our lack of creativity or turf or ego or who knows what, but we could do partnerships all day, every day. Thank you. So, the power is within us. We have the money, we have the know-how, we have the partnership capability, and we have smart good people who try and do the right thing. We should be doing better than we are. So, that is where I get to this idea about big bets because we have to start thinking more creatively.

[\(00:11:41\):](#)

That's what we're going to depend on this group to help us with that. So, I'm going to introduce them. I'm going to start with Carol Naughton. Carol and I met about 13 years ago in a book we called Investing in What Works for America's Communities. We're trying to look at these place-based interventions that seem to work and they seem to have five factors. They were place-based, you knew what neighborhood you were talking about. They were cross-sector. They were data-driven. They had an overarching entity.

We called in that time the community quarterback and what was the fifth thing now? They had trust from the community. The community believed in that partnership. We highlight a couple other...

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Harlem Children's Zone is in that book, but we said the ones that are really successful, they're led by a charismatic super genius who has a close friend who's a billionaire. Here before you is the charismatic super genius. Carol has two billionaire friends actually. So, that's part of the secret sauce, but they were able to figure out a formula at East Lake in the Atlanta area that now 25 communities across the country are trying to emulate and many more are trying to come in behind that. I'll let her talk a little bit more about that program. On the end, we have Lyneir Richardson, professor at Rutgers University, director of the Center for Urban Entrepreneurship and Economic Development, and really someone at the nexus between theory and practice of the reflective practitioner.

(00:13:36):

Because not only does he study these things, not only is he a scholar of investing into low-income communities to make them more opportunity rich, he invests in them. He runs a fund that's invested as much as \$40 million with big investors, but the secret ingredient for Lyneir is that he brings in small investors too. He brings in the people of the neighborhood to make small investments alongside the big investments to create wealth. It's a fantastic model and we're really looking forward to hearing from him.

(00:14:06):

Then finally, we've got Kenan Fikri and he is a senior fellow at the Economic Innovation Institute and is somebody who is a policy and economics expert. He has worked on policy at the Department of Commerce. He has been a researcher at the Brookings Metropolitan Policy Program and worked at the World Bank. He is a policy economic genius, and it's his birthday today.

Kenan Fikri (00:14:34):

Thanks, David.

David Erickson (00:14:35):

Yeah, so that is pretty impressive. So, we're going to go down the list. We're going to start with Carol. We're going to talk a little bit about your big bet and then Lyneir and then Kenan.

Carol Naughton (00:14:47):

Okay. Thank you, David. Hi, everybody. I hope you're ready to come with some energy now. This is a hard time to stay focused Friday afternoon right after lunch, but we want to be provocative and we want you to engage with us. So, please feel free when you have a question to line up at the microphones. My name is Carol Naughton. I'm the CEO of Purpose Built Communities. I am a neighborhoodist. Say it with me, neighborhoodist. It does not roll off the tongue, but what it means is that I recognize that neighborhoods are really powerful engines of change and they impact everything about how we live and what our opportunities are.

(00:15:29):

They create ecosystems that either support us and create pathways to prosperity and choice-filled lives, or they throw obstacle after obstacle after obstacle in front of us. Purpose Built works with local leaders and communities around the country where those policies and practices have created barriers to opportunity for folks. We work to identify what those unjust systems are and figure out how we replace

them with just, effective systems that are designed to lift people to become who they're supposed to be, to live those happy, healthy, economically mobile lives that we think is really part and parcel of the American dream. We have a very specific model of what we do. It is resident-centered, from the very front.

[\(00:16:18\):](#)

We're thinking about resident voice and power, building those relationships, building that trust. As that is happening, we're thinking about three or four really functional areas of work, if you will. One is around how do we create an improved housing stock in a neighborhood? I am known around the country as mixed-income woman. I believe we should always be delivering affordable housing in a mixed-income model, that we should not be isolating, warehousing, or marginalizing people based on their incomes. So, it's harder to do mixed-income housing. The financing is harder. We should be pushing all of the policymakers who make it harder to do mixed-income housing to find ways to make it easier.

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We can talk about that in a little bit. So, mixed-income housing, the first thing we think about, both rental and homeownership, then we think about how do we work with our local group to create a neighborhood-serving, cradle-through-college education pipeline that starts with really high quality early learning that supports every little genius and gets them ready for kindergarten, middle school, high school. Everybody graduates from high school with an actionable financeable plan for the next part of their education because we know everybody's going to need something beyond high school in order to be competitive in this rapidly changing world.

[\(00:17:43\):](#)

The third element is thinking about community health and wellness. What are the kinds of things that everybody wants in their neighborhood that are too often missing in low-income neighborhoods? Who are the partners? Who are the folks who can execute on that community wellness strategy? It's more than just access to healthcare. That's part of it, but it's all the other things that create places for us to be able to connect with one another, to develop a sense of trust and belonging at the neighborhood level. What are those spaces that we need to create? The fourth thing is around economic vitality that my friend Lyneir is going to help me with. How do we think about the economics at a neighborhood level?

[\(00:18:22\):](#)

So there's healthy economics, there's opportunities to build wealth and create wealth, but the secret sauce to making this really complex, long-term, cross-sectoral work work is an organization that as David called a community quarterback organization. We call it that just to distinguish it from an organization that delivers direct services. It is in the strategy business. It's thinking about, "Who are all the partners? How do we bring residents to the table, not once, not twice, but over and over and over again?" So residents are really integrated into every decision that is made in the process. So, that reflects their dreams and aspirations because residents are the visionaries for their neighborhood.

[\(00:19:08\):](#)

How do we scaffold the public and private sector investment in a neighborhood so that it is done with both excellence and equity? How do we make sure as this capital work is done that it all works together? Again, so that everyone who lives in the neighborhood benefits from this work. So, that's what we do, 25-ish, another 40, and there are 5,000 neighborhoods in this country that need this intervention. So, we're hitting roughly 1%, right, 1%. When we talk about the need and the scale, we need to really be thinking about that going forward. So, I want to talk just briefly about a big bet that

we're participating in. Our first big bet really was thinking about the neighborhood as we used to call it the unit of change.

[\(00:19:53\)](#):

Now, we realize it's an engine of change. That's fundamentally different, but as we have learned, strengthening neighborhoods these 15 years, we know that works. About a year and a half ago, Wes Moore, the governor of Maryland, invited us to meet with him and a few other organizations to think about his dream of passing something called the ENOUGH Act. I can't tell you what ENOUGH stands for. It's like everybody and it's all the groups getting together to end childhood poverty at the neighborhood level across the state of Maryland.

[\(00:20:29\)](#):

What he wanted to do was create a new grant program that would stimulate community organizations to go through a process and be able to compete for grant dollars to work on basically what the purpose-built model was in their own community, get more people who want to do it and create a pipeline of folks who are newbies starting it, people a little bit more mature, and then people who are really ready to get some big grant money to execute. But the other thing that was so exciting about it is he wanted to reorganize the government to center children and to think about, "How do we focus on every decision that this government makes to say, will this be good for children?" Because if it's going to be good for children, it will ultimately be good for everybody. So, we've been part of that.

[\(00:21:14\)](#):

We helped them get the legislation passed. We provided technical assistance both to the governor's office and to the community groups around the state who are doing this work. We're working in partnership with others who are related to us like Strive Together based here in Ohio and Cincinnati, Partners for Rural Impact, and the William Julius Wilson Institute at the Harlem Children's Zone, all of us bringing our expertise together to bring additional philanthropy, additional business leaders, and additional private sector investment to neighborhoods in order to be able to strengthen them so that everyone can thrive.

David Erickson [\(00:21:52\)](#):

Ending childhood poverty, that's a big bet.

Carol Naughton [\(00:21:55\)](#):

Across the state.

David Erickson [\(00:21:56\)](#):

Yeah, Carol, that's great. Thank you. Lyneir, over to you.

Lyneir Richardson [\(00:22:00\)](#):

Good afternoon, everyone. I think David may have forgotten to mention that all of you who are in the room, there's a free beer ticket underneath your chair. So, thank you for staying with us and being energetic part of our panel. I want to take a quick minute and just mention three things. Most people in this room probably think of themselves just like me. Some days I'm a tree shaker and some days I'm a jam maker, right? Every tree shaker needs a jam maker. Every jam maker needs a tree shaker. Somebody's got to shake the trees and make the apples fall to the ground. Somebody's got to make the pie or the apples will go bad. What that means in my context of being an academic and a practitioner is

some days, I'm thinking about theory and I'm working with very diverse group of colleagues on new strategies and envisioning new opportunities.

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Other days, I'm getting out on the street and knocking on doors and trying to put transactions together. That combination has been the most rewarding dozen years of my career. I'm a faculty member and I lead the Center of Urban Entrepreneurship at Rutgers Business School. About 12 years ago, probably three months after I started in that role, what started as a research assignment for the MacArthur Foundation about the importance of commercial corridors in ethnic and underserved neighborhoods has now morphed into a social enterprise that owns commercial real estate, owns six shopping centers with over 380 community investors.

[\(00:23:46\):](#)

What's fun about the duality of that work is on some days, I'm shining light on new projects and working with people. On other days, I'm in neighborhoods where I'm knocking on doors and I'm saying, "When is the last time that someone ever gave you an opportunity to own something in your neighborhood?" My work has focused on the commercial property. MacArthur Foundation had a theory that your first impression of a neighborhood is the commercial corridor. If it's blighted or disinvested or underleased, it attracts crime, it lowers property values. It becomes a liability for the neighborhood as opposed to an asset.

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So, our focus initially was finding ways, and I'm sure many of you in this room do this work or have thought about this work of trying to help local entrepreneurs and community development experts to just get small businesses to open, to do facade renovation grants to make the commercial corridor look better, to revitalize the property. About five years ago, right after George Floyd was murdered, there was a guy standing in front of his store and there was civil unrest in the very Chicago neighborhoods where we were working, where a guy stood there and the sign said, "Don't wreck my store. It's Black owned." That was a data point that day.

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About 5:00 PM, I was watching the news and there was all of these announcements about racial justice investing or neighborhood investing in a different way. Then finally I had a friend who said, "We got to help people own stuff. Wealth is created by owning assets, assets that generate revenue and appreciate over time. So, if we're going to close the racial wealth gap, if we're going to make neighborhoods better, we got to figure out a way to help more people own assets." That very next day, it all came together for me that our big bet was that we could identify promising potentially profitable commercial real estate opportunities and that we can intentionally democratize ownership by structuring a vehicle that combined both institutional capital and then I found a little FinTech tool crowdfunding platform.

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I used old school community organizing. So, we have meetings in church basements, in apartment building common areas, and public libraries where we invite people. We're going to buy this shopping plaza. We've done the due diligence and the financial underwriting. We have MacArthur Foundation and Penny Pritzker's Foundation, a former US Commerce Secretary investing. Each have invested over \$2 million in our fund, but we now have 380 individuals who on average have invested \$2,270. People with a little ownership state will patronize, protect, and respect the shopping center in a different way. If we're going to have coffee, I'm going to say, "Let's have coffee at the coffee shop at the shopping center we own."

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We don't talk about the community investors as investors. We talk about them as owners. We have a hashtag, #weownthis. So, the big bet now is can we get from 380 people to 1,000 and 1,000 to 10,000? Can you scale ownership and the ownership mentality and the benefits of ownership? There's risk and there's rewards, but at the end of the day, I think there's a moment in time now where we initially raised \$15 million of philanthropic capital. I think the next fund will be \$100 million of capital and we'll get to 1,000 or 5,000 community investors. That ownership and the ownership mentality and the ownership and the benefits of ownership will be spread more democratically. That's the big bet I want to make.

Carol Naughton [\(00:27:54\):](#)

Love it.

David Erickson [\(00:27:55\):](#)

Lyneir, thank you for that. It's so interesting because even it's small amount of money, but there's this psychic return that you're an owner in your own community and that you're creating space for maybe small businesses in that community to spring up and fill in those spaces. I think it's prosperity. Now that asset building organization has this data point that for those who have \$500 or more in a savings account for college, they're four times more likely to go to college, even though it could be a very small amount, but it totally changes the mindset. So, I think this is really powerful.

[\(00:28:30\):](#)

We've talked a little bit about neighborhood as the engine of change using markets to create local ownership and create those ladders of economic opportunity into place. We're going to switch to Kenan now talking about policy and how that can be used as a tool or a big bet. So, we'll pass it over to you, Kenan.

Kenan Fikri [\(00:28:46\):](#)

Okay. Yeah, thank you. Thanks everyone for having me. This is my favorite conference by far, and I want to bring some inspiration with respect to big bets at the federal level today. So, I know that's a high bar, but work with me here. For a long time, I think for around two decades, really from the late 1990s up until the late 2010s, there was no big federal place-based initiative, nothing coming from Congress. Then the Obama administration would have some organizing principles for grants, but no meaningful new federal funding streams. Then come 2017, Opportunity Zones is enacted with broad bipartisan backing for Opportunity Zones through the Tax Cuts and Jobs Act. Fast forward to 2021, you have the Build Back Better Regional Challenge.

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Fast forward to 2022, you have the CHIPS and Science Act that had EDA's regional tech hubs. It had EDA's Recompete Pilot Program. It had NSF engines. It had a whole smattering of place-based policies that were in the pipeline and were ready to run once the space opened for that to happen. Then fast forward to today and depending on your politics, you may want to put up your blinders, but dig into the Senate version of the One Big Beautiful Bill and the community development section offers a permanent extension to the new market's tax credit, permanent extension and enhancement of the low-income housing tax credit, and makes Opportunity Zones a permanent provision of the tax code.

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That's the possibility to be really meaningful and a big bet. I think that's also incredible validation of the work on the ground, often unappreciated that folks in this room have been doing in this room and in the country for a long time. So, cheers to you all for that. Yeah, so I think that could be a big event and something to watch out for. So, in terms of other big bets within those spaces, go back. I mentioned the Recompete Pilot Program. That is trying to do the hardest work in economic development of connecting prime-age workers who are completely detached from the labor market back to work in the most distressed corners of the country.

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It doesn't get harder than that, but actually in this region and I know he was here yesterday and this morning, but Colby Hall leads the Shaping our Appalachian region, which is one of the Recompete grantees in Eastern Kentucky. They're working whole-of-person efforts to try to help these lives find work again and stability. That is a really big bet happening locally now. The problem with that model is that it's very difficult to scale though. CHIPS and Science Act had 39 billion in semiconductor subsidies. It had 200 million for six grants for Recompetes to do this work of getting prime-age workers back to work in distressed geographies in the United States. It's not enough. We need to learn everything that we can from those experiments. We need to scale them.

[\(00:31:50\):](#)

We need philanthropies and others to study those models and adapt them, but at the same time, we need to think bigger and think of some new and innovative tools as well. So, go back to now Opportunity Zones, which I've had a privileged position to watch that market unfold. I think it would surprise most people to hear folks learned about Opportunity Zones in 2018, maybe read an article or two in 2019, and then have not thought much about it again since. In that time, more than 100 billion in equity has come into investing in low-income communities, most of which was not there before. It has reached 5,600 census tracts. So, 20 years of new markets tax credit have reached 5,500 census tracts nationally.

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Five years of Opportunity Zones investment has reached 5,600. That's the steepness and scale that I think we need to learn from that model. Not all of it is impact oriented at all, but that's starting to be a sea change. The big bet, I think, inherent in Opportunity Zones was can we redefine the tax code to reverse the cycle of disinvestment? That's a big bet. That's a laudable goal. I think it's good. As a policy person, I'm glad to see actually that a number of the learnings from Opportunity Zones in the market as enacted in 2017 are currently reflected in reforms and adjustments in the policy that's working through its way through Congress right now.

David Erickson [\(00:33:26\):](#)

That's great. I don't know why I keep on coming back to Sister Lillian, but it's like Mendel had these ideas about genetics and whatnot. Really if you cross a nun with a real estate developer, you get a real estate developer basically. She just made things happen. So, you have to use these tools. It takes agency, it takes people on the ground with imagination to use these tools to bring together an ecosystem of players and take advantage of these opportunities that like the OZ tax credits provide.

[\(00:34:00\):](#)

I wonder, Kenan, before we open it up, and now I'm giving you the signal to get ready to ask your questions or share your big bets with us. So, we can have a roomful of conversation. But we talked about the Selma Hotel as an example of where people... To be very honest, some people build yacht clubs with Opportunity Zone tax credits, and we've seen those articles in the paper about how there

seems to be some misuse of it. Give us an example of how it can be used when the agency has executed with those tools to do something really wonderful.

Kenan Fikri ([00:34:35](#)):

Yeah, yeah, happy to. I mean, at the end of the day, it's nothing more or less than a provision of the tax code that is there by right for people to use or not use. So, I think who wields the tool, who's the craftsman really matters. One of the most inspirational stories that I've come across in the past few years comes from Alabama. There's this wonderful, relatively new organization called Opportunity Alabama that was started by a lawyer who was reading Tax Cuts and Jobs Act and said, "You know what? This could be transformational for Alabama. We could also get nothing from it and completely lose out." Since starting the organization, I think they've undergone a whole learning process too. But they've realized that one, you need that quarterback.

([00:35:19](#)):

You need to develop that ecosystem. But for Opportunity Zones and making it work for rural Alabama, just rural Alabama, they needed to cultivate, organize, and get together a base of local investors and folks who wanted to invest locally. They also needed to create project pipelines and in some cases help invest in pre-development work to get investments or to get projects investment ready. Now, in deep rural Alabama in Selma, cradle of the Civil Rights Movement, you would think that they had a tourism infrastructure and that they would have hotels and things for people to visit, but it's an extremely distressed community and they didn't have that.

([00:36:00](#)):

But Opportunity Zone Capital was able to come in, was able to revitalize a historic hotel or help really cement a local economic strategy and build the heart of a community there. That I think is a wonderful model, but it wouldn't have happened without innovators and entrepreneurs and people trying to get creative with tools and networks and being open-minded about who they want to partner with to come together and make something transformational a reality.

David Erickson ([00:36:27](#)):

That's great. Thank you. All right. Now we're going to go to the audience. I'm going to give you just a little bit of ground rules before we get started. So, I want you to ask the question and then step aside and let someone behind you ask their question. We're going to take all of the questions. I see about seven people so far, eight people. We're going to take all of those questions. We aren't going to answer them immediately. We're going to then use those as questions. We're trying to weave them into the next round that we're going to go through with our panelists. So, I'm asking you keeping that question ideally 30 seconds or less and ideally one sentence. You can use a semicolon, but keep it really brief. We'll start on this side and we'll just alternate back and forth.

Speaker 6 ([00:37:10](#)):

Hi, thanks very much. So, I don't have a question, but I have a big bet. My big bet is Promise Neighborhood. So, this is a program, US Department of Education, initiative started in 2010, actually the ENOUGH Act. So, I'm really glad, Carol, you mentioned that. We are also partnering with Maryland on that at the Urban Institute, but it is based on the Promise Neighborhood model, which has helped 39 communities around the country. Over 348,000 kids live in Promise Neighborhoods. It's a cradle to career investment in community-based activities. So, that's my big bet.

David Erickson ([00:37:40](#)):

And under 30 seconds, well done. All right, now the standard has been set, over here.

David Palmer ([00:37:48](#)):

Hello, David Palmer from Detroit. My big bet's on normal humans. The acronym soup of capital stacks that were just detailed is inaccessible for most normal folks. So, we have over \$14 trillion from non-accredited investors locked into Wall Street capital markets that have never been invested in Main Street, not since before the Great Depression. So, how do we unlock non-accredited retail investors to own equity in their community through investment-based crowdfunding platforms, instead of dealing with the acronym soup of consultants and high-powered folks that get access?

David Erickson ([00:38:27](#)):

Great, thank you. Back over here.

Jim Bennett ([00:38:30](#)):

Hi, my name is Jim Bennett and I have a question. How many people here are from Northeast Ohio? Show of hands? I'm a team member of the City of Cleveland's Site Readiness for Good Jobs program. How many of you have heard of that? Well, it's a goal. We are funded with \$100 million from the city and the Cleveland Foundation. We are in the process of acquiring 1,000 acres between 55th Street and the 105th between Chester and the Opportunity Corridor. What we are doing in a 15-year program is everything this conference has talked about in neighborhoods. We have a big bet here in Cleveland. The mayor talks about 25,000 jobs every time he has a state of something and holds us accountable for what will be a \$1 billion program.

David Erickson ([00:39:33](#)):

That's awesome.

Jim Bennett ([00:39:34](#)):

So all of you, I want you to think about the big bet that we're having here. Thanks.

David Erickson ([00:39:39](#)):

That's fantastic. Thank you. Back over here.

Lourdes Aceves ([00:39:41](#)):

Okay. Hi, Lourdes Aceves from the National League of Cities, and I have a big bet and a question. I'll be as fast as possible. We're trying to stand up a local policy innovation center. It's predicated on the fact that with everything going on with the federal government, we believe local government is in need of help to create policies and do good governance. I believe that cities and citizens will be the last bastion of democracy. So, we're looking for help to do that and that is underway. I was especially interested in the Purposeful Built Communities, and I was on your website.

([00:40:23](#)):

It says that you're doing that because policies and practices have historically created barriers to opportunity. Given that most of those policies and practices were put in place by local government, how

are you engaging cities in the work you're doing at the neighborhood level? Because unless you address those policies and practices and get them changed, it's not going to break the cycle. Right.

David Erickson ([00:40:47](#)):

Thank you. Back over here.

Speaker 10 ([00:40:49](#)):

Good afternoon. Question, Kenan. A couple questions. I'll do this real quick. You talked about the number, the millions of dollars of investments in Opportunity Zones and how they transform neighborhoods. Could you also talk to the disconnect of the indigenous people who live there who are not benefiting from those economic investments and who have been displaced from the neighborhoods.

([00:41:16](#)):

Not that gentrification is a bad thing, but can I get your perspective on that, on how those investments can benefit the people who live there? And one real quick, and then the other question is your perspective on what structural shifts must occur within financial systems for community investment to be seen not as charity, but as sound scalable community investments. Thank you.

David Erickson ([00:41:42](#)):

Great. All right. So, we will start with some of the specific questions. We'll start with those specific questions. So, you two are already on the hot seat. Okay. Back over here. We're going to try to go through this quickly. We've only got 28 minutes left.

Speaker 11 ([00:41:55](#)):

So in the tax credit programs that you talked about, opportunity zones, enterprise zones, low-income housing tax credits, I think the fundamental flaw with those is that they condition the well-being of one group of people on somebody else's ability to profit off of them. So, I think the challenge or the big bet that I want to see is to change the underlying premise of the conversation. Housing tax credit isn't necessarily designed specifically to increase the number of affordable housing units. It's a byproduct, but it's designed for someone who doesn't need a home to earn a profit off of somebody who does. So, if we change the underlying discourse around shelter, food, education, uncontaminated land as more than commodities to be profited from, we necessarily change what we are able to accomplish with that new understanding.

David Erickson ([00:42:49](#)):

Good question. Sorry, you're on the hot seat here, Kenan. Okay, so we're going to take these last three. Okay, go ahead.

George Williams ([00:42:59](#)):

So I have a big bet and a question. So, first, I'm George Williams, Economic Recovery Corps fellow housed here in Cleveland. I made a big bet moving here from Lisbon, Portugal to Cleveland, Ohio. People thought I lost my mind. But the program I'm with is called Economic Recovery Corps, and the whole idea is to reimagine how we're doing economic development, centering community-centered outcomes from the outset. So, a lot of what we're doing is strategic silo breaking, I like to call it. That's the big bet I've made, is that I'm strategically breaking a silo moving across the world. I'm curious if there are success

stories you've seen in a particular silo or a particular place that could be unleashed or scaled in another silo applied in another place. Thanks.

David Erickson ([00:43:39](#)):

Great. Last question or big bet.

Speaker 13 ([00:43:43](#)):

Good afternoon. My question is simple and broad. Most of the literature on creating... I am also a neighborhoodist. I agree with you, it does not roll off the tongue. About 55% of America lives and works in suburbs, not the central city. How can we make suburbs function better in this time of change?

David Erickson ([00:44:07](#)):

Carol, why don't you take the first one about local government, and then Kenan, I hope you've had a time to... Because you had two tough ones.

Carol Naughton ([00:44:16](#)):

Yeah, thank you for the question on engaging local government. So, the system's been in place by federal, state, and local governments that have created obstacles and barriers for folks who live in different neighborhoods. We all know the historical precedents for those. So, identifying what those barriers that you're going to tackle one at a time is really important. Who has the levers of change? Some of them are just illegal and have long sticky tails now. So, part of it is engaging with community members and developers and other city agencies to get them to think about how to do things differently.

([00:44:54](#)):

One of the things I try to do on our team is we try to hire folks who are what we call trisector athletes, which means that they've got experience both in the private sector, government, and nonprofit world. So, they understand what the pain points are of people who work in different elements. So, if you've got somebody who has worked in the city and understands how the city thinks, it's easier for them to have a conversation with the city about what those pain points are. It's easier for them to understand how you get city council or the mayor to take a position in order to be able to change something. So, it is engaging with experts, engaging with community, and identifying what those processes are.

([00:45:34](#)):

We've had lots of success in changing city policies around zoning, around mixed income housing. We've changed qualified allocation plans at the state level for how low income housing tax credits are allocated. We've changed all kinds of things at the federal level in order to be able to do mixed income housing. We've worked with school systems to change attendance zones and to make neighborhood-serving schools a reality in different places.

([00:46:03](#)):

So, you have to figure out what those policies are that are stopping people from moving forward and then block and tackle and figure out how you work with your public sector partners to change that. It's not going to happen immediately. It's long-term, one step at a time, hammering, hammering, hammering home for probably five years until you get to the place where you've got enough policy change that you can begin to really move forward.

David Erickson ([00:46:32](#)):

Thanks, Carol. Kenan, we'll come to you with those two tough questions, but Lyneir, I want you to be thinking about which one of those questions you want to grab. We'll go to you next. Okay.

Kenan Fikri ([00:46:41](#)):

Yeah. Thanks. So, I'm going to try to weave a couple themes together here in a way that, yeah, I think hopefully just helps us all think about these complex tough issues better because we're operating in an environment of scarcity. We do not have too many tools. Yes, there's a lot of money, but there's not enough of it in community development. I think that that's really important to keep in mind. Our capital markets are great at taking your savings and flinging them around the globe. They're really bad at taking your savings and allowing you to reinvest in your community, and I think that we need more vehicles to do that. I know, Lyneir, you've written about community investment funds.

([00:47:23](#)):

David, you've thought a lot about this too. One local tangible and Opportunity Zones-adjacent example is that Ohio was the only state that passed its own complementary opportunity zone tax credit for Ohio investors to reinvest in Opportunity Zones in Ohio. As a result of that, the top five cities for housing construction from Opportunity Zones are Phoenix, DC, Cleveland, Nashville, and I forget the fifth one, but basically, it's a sunbelt list in which Cleveland doesn't usually appear. That's direct policy consequence. I'm a Cincinnati boy, so sorry for the shade. I think that that is interesting as an economic developer, as a thinker, as a scholar of geographic inequality, the fact that you can see that policy response in real time.

([00:48:18](#)):

We have to learn from that. I believe coming in on the RTA, I saw the median opportunity zone project out the train window. I think it was Sydney Flats. It's an old industrial part of town where the land was blighted. It was not residential before. Now there are multiple opportunity zone projects creating housing and in neighborhood in Cleveland in a city that's known not much other than depopulation for far too long. I think that that's really important. Are they affordable? I don't know. It depends on the city's affordability covenants for that land, but as we struggle with these ambiguities, we heard about the importance of housing yesterday. We just know that cities and neighborhoods to be vital need people in them.

([00:49:05](#)):

I think we should learn what we can from that tool. Sorry, last I'll say. Opportunity Zones, if they do pass again, they will be fact of the tax code. So, I want to dodge by shifting and putting agency and action back in the room and ask and challenge folks to think, "How are you going to try to get the greatest outcome from this tool in your community?" Another round of opportunity zone census tract designations would come up. You can work with community groups, work with city governments, work with counties, work with the land banks to figure out, "Okay, where do we want to channel this money if it might come in here?"

([00:49:45](#)):

If a new residential, mixed-use, multifamily development with street-level retail does come in thanks to opportunity zone investment or any other program, what policies might you be able to think up to allow minority or women business owners first rights at some of those retail opportunities and in those storefronts? How can you ensure that the construction companies have apprentices and tradespeople from local communities? How can you build the developer ecosystem? I think there are all sorts of things that can be done to build the connective tissue from investment once it starts to come into a community. Again, that I would like to encourage folks to think about.

David Erickson ([00:50:26](#)):

Great. Thank you.

Lyneir Richardson ([00:50:27](#)):

Yeah, and I want to double-click on just ownership lens, the ownership lens investing. I'm very happy to see people thinking about that in a different way, right? Ownership, you can hire contractors, hire professional service providers, implement different policies and programs that result in inclusive outcomes. So, what's been accepted as a practice right now is inclusionary housing. What if there was inclusionary ownership in some of the work? So you mentioned the paper that we wrote at Brookings about a new way of thinking about a community investment fund that would allow non-accredited investors through the Job Acts to invest \$1,000 or \$2,000 in big projects and projects that are receiving the tax benefits.

([00:51:21](#)):

Just so people not only have the community cohesion benefits of ownership and the financial benefits of ownership, but really start to figure out an on-ramp to what it means to be an investor, to be an owner. Some of my most enjoyable days in this work is we will have a community investor call and there'll be a 12 or 13-year-old on asking a question because he's with his mom. I got Facebook messages where people will say, "I used to do crime at that shopping center and now I'm part of the ownership."

([00:52:01](#)):

So there was someone who asked the question about, "How do we think about displacement and creating opportunities for local people to feel connected to it?", I think these new tools and us, the people in this room who analyze and advocate for different structures, I think trying to continue to democratize it and push it down so that the everyday individual actually is connected to the mega projects. Even I sit on the Site Readiness Fund board and been on the opportunity corridor here, it very rarely comes up. Site Readiness is thinking about it some, but it very rarely comes up of, "Oh, how about community having an ownership stake here?" We're building a new distribution center for Amazon or whoever.

([00:52:49](#)):

What if 1,000 Cleveland residents have a little ownership stake? How do we structure that? How do we incentivize that? How do we get one of the foundations to co-invest or de-risk it for local individuals? That's a different mindset about ownership. It's not just about create a job or create a small business opportunity, which are all necessary. It's not either or. It's and, but it's just a different way. Finally, someone made a point about \$100 million. To me, when you talk about big bet, something about that \$100 million dollars is the right number for me, right?

([00:53:30](#)):

Because so often when we talk about community development, we talk about it as capacity building and microprograms and training. I always think so much about community development. It's like workforce development training without a job at the end, right? Community development got all this training, but there's never any money at the end. So, there's now models and individuals pulled in this room. We got to pick some and just say, "Let's figure out how to get them enough capital to scale. They're smart, they got experience, they've done a pilot. Let's give them \$50 million, \$100 million to scale the opportunity." That's what the moment calls for now.

David Erickson ([00:54:15](#)):

Yeah, that's really helpful. Yeah, please.

Carol Naughton ([00:54:17](#)):

Thank you for that. I'm thinking about the community ownership idea and side by side with this idea that we have about neighborhoods competing for people, right? Neighborhoods can't compete for people. People will vote with their feet and they will leave. So, as Purpose Built is invited into communities, we work with local leaders and residents to think about, "What would make people really want to stay?" What makes people want to invest and say, "I want to stay here because it's going to be great for me and mine"?

([00:54:52](#)):

The idea of being able to invest in ownership, even if I'm a renter and I'm not able to buy a house today, but if I could invest in your fund because I live in this neighborhood, to me, that is one of those things that would make a neighborhood more competitive and a reason why I would want to stay, because I see I can share in the upside here even where I am today. It'll help me get to where I want to be down the road. I think it's a game changer.

Lyneir Richardson ([00:55:19](#)):

Well, I got a thousand story, but just 30-second story where a lady came up. We were in a church basement and she said two things. Our offerings are registered with the Securities and Exchange Commission. First of all, she said, "Baby, I printed out your offering. It's 92 pages." I never knew you could print it out first thing. Then she said, "I've lived in this community for over 40 years, but I'm a renter. I never owned anything until I invested my \$1,000 in your shopping center." Then she said, "You better do right by me." So it comes with responsibility, but it's a different way of thinking about it, right? I think it'll change.

Carol Naughton ([00:55:57](#)):

It's a different way of thinking about investment, a different way of thinking about who I am in the world and recognizing this fundamental sense of human dignity that too often gets pushed aside.

David Erickson ([00:56:10](#)):

So these are really helpful comments, and we're coming to the end of our session. So, I'm going to reserve three minutes of time for each of you. So, we'll see that we're getting close to 9:00 here. So, one thing I'd just like to mention in terms of what I'm hearing in this conversation, it's something that we're working quite a bit on at the Federal Reserve Bank of New York is this idea of making missing markets. This overarching concept is that all of these are pieces of a bigger whole, right?

([00:56:41](#)):

At the greatest level, what we basically have, and we very conservatively estimate that in those 5,000 neighborhoods that you mentioned, Carol, that have those overlapping vulnerabilities on health, economic opportunity, and climate vulnerability, there's about \$2.4 trillion spent every year in those neighborhoods. That's a lot of money. So, I have a PhD in US History, which I work with economists. So, there's always a little bit of a disconnect when we talk to each other, but I always remind myself \$1 trillion, that's a lot of money. That's a thousand billion dollars.

(00:57:17):

So, 2,400 billion of resources and there's easily 2,400 billion in need, but how do you connect them? How do you create a secondary market that makes it easier for the person from Detroit asking, "Well, how can the regular investor participate in these markets?" How can you break the silos by creating a ready to learn at kindergarten bond that makes sure that the early childhood enrichment people talk to the affordable housing people, who talk to the local schools in order to break those silos, to deliver on some multi-solving objective that is necessary to get every kid that's born in this country into adulthood with the skills they need to thrive. We all are dependent on that project and we have the resources to do it.

(00:58:07):

We just have to be smarter about the tools we use, how we think about agency. You have to channel your inner Sister Lillian and think about how you're going to bring all of these people together to a table. It starts with a conversation. It really is that simple. I mean, people often ask me, "What's the answer?" I had an opportunity to go to speak with the community development people at the Federal Reserve Bank of South Africa in Pretoria. They're like, "Oh, you're from the Federal Reserve in the United States. You've got all the resources in the world. You must have the answers." We sat down and they said, "So we've been having this debate. We want you to solve it for us. Should we focus on investing in people or places?"

(00:58:47):

I thought, "Oh, my God. That's the forever question that we've never been able to answer." Everybody is struggling with the same set of problems, but none of those problems are unsolvable if we work together, if we pool our ideas, pool our goodwill, and pool our creativity to get over that hurdle. So, I think big bets is a good way to be thinking about it. I'm going to be watching very closely that Northeast Ohio example with \$100 million dollars. I think that's really interesting and we just need more examples of that. Because in the end, you just need a few examples to out-compete the disorganized and chaotic world.

(00:59:35):

If we have a few examples where we managed to harness all of the capital to produce better outcomes in a way that is replicable in other places, those models will out-compete the status quo and will have a much fairer and more prosperous society for it. So, I'm super glad. That's why these kinds of conversations are so important. That's why you being in this room is important. That's why you being online is important. So, thank you very much for your time, your energy, your effort, and please trade as many business cards as you can. We look forward to seeing you next year. So, now we're coming in. This is the closing arguments. Who wants to go first?

Lyneir Richardson (01:00:16):

Two minutes of closing arguments. So, what's the closing argument?

David Erickson (01:00:18):

Three minutes each.

Lyneir Richardson (01:00:19):

What's the prompt? Okay. What's the prompt?

David Erickson (01:00:20):

You have three minutes each.

Lyneir Richardson ([01:00:21](#)):

Tell me the prompt one more time.

David Erickson ([01:00:24](#)):

Your last words.

Lyneir Richardson ([01:00:25](#)):

Last thoughts. Again, I think this room is room people who have a seat at the table and an opportunity to speak truth to power and truth to money. There's a clear wealth supremacy in capitalism. The question I'm asking you all, my closing arguments is, can we think about how to do capitalism a little different? I still think it's the best system, but can we do it a little different? You mentioned nuns, right? One of the early investors in my fund was an order of nuns. It was one meeting and I'm like, "I got to get to know more nuns." They wrote a 500,000 check after one meeting. I got to know more nuns.

([01:01:10](#)):

But the question is, are there other philanthropically motivated impact investors who want a return of capital, may want a return on their investment, but it doesn't have to be a 25% return on investment. I make the case all the time that if I can strengthen neighborhoods, can lower crime, can change social determinants of health issues, the impact of our work will have educational outcomes that are different. I got your money back with a 5 or an 8 or a 10% return. Wouldn't you feel like that was interesting, right? Don't you cringe when you read a headline or see a news report about youth being murdered or the negative outcomes of poverty?

([01:01:57](#)):

So we got to find more philanthropically motivated impact investors who have capital that it doesn't have to just be government. We benefited from large charitable organizations, but there's our individuals who created outstanding wealth and could invest in our work. I'm asking you to join me in inviting them to the table to see the change that we want to have happen in capitalism.

David Erickson ([01:02:27](#)):

Fantastic. Thank you. Kenan, you want to go next?

Kenan Fikri ([01:02:31](#)):

Sure, sure. Yeah. Building on that, see the change that you want to see again. So, starting there with Opportunity Zones, and I'll go back out again. The most impact I've seen has come from folks in community development leaning into the incentive. It's having trusted partners, be they PNC Banks or Fifth Third Banks, community reinvestment arms anchoring opportunity zone investments with their own capital in their own communities. Erie Insurance into the Erie Downtown Development Corporation and helping revitalize Downtown Erie or really small dollar things like in outskirts of Columbus.

([01:03:04](#)):

A small big bet on creating completely affordable housing, 50 units for folks coming out of the criminal justice system with a faith-based nonprofit where they couldn't get that deal to pencil without the OZ equity slice and the OZ capital. They tried to find that locally. Then a very large anecdote bank of similar moments of inspiration of how people have recognized this is a tool and it's not going to be what I want

it to be unless I deploy it. Then just zooming back out, I think big picture, one, I'm inspired by the amount of the appetite for local investing. I think that that is such a huge area of possibility and we're just on the cusp of really tapping that potential.

(01:03:59):

So, I hope that we're able to find more, create innovation in capital markets and more innovation in public policy to unleash that pent-up demand. Then looking back at the other place-based policies, some of the ones that I mentioned at the start, like the Recompete Pilot Program and the tech hubs and good jobs challenge, every one of those competitions had more applications for than the one that came prior. There, I think about 600 individual communities ended up applying for Recompete. They were only able to award 1% of those grants. But that's a huge bubbling up of local creativity, of local passion, and potential to cultivate.

(01:04:43):

Philanthropy in some cases has been really great at saying, "Okay, you didn't win that federal award, but this is a great idea. Let's invest in it together or let's try to make it work without the federal grant money." Unfortunately, I think we are in an environment where figuring out, okay, who can substitute for the federal government maybe something that we all have to work on too.

David Erickson (01:05:05):

Thanks.

Carol Naughton (01:05:06):

So three quick things. First, we are living in a disruptive time. Let's take advantage of it. David used to say, I think in his most recent book, *The Fifth Freedom*, says that the status quo is stupid, expensive, and unfair. I love that line. I steal it. I use it. Sometimes I give him credit for it. But I think those in the not-for-profit space have been sometimes in the last six months trying to hold on to what we had that wasn't really working all that well, right? So let's think big, let's think expansively, and let's think about how we take advantage of this disruption to create more opportunities for different investment in different partnerships that can do the things that really need to be done.

(01:05:56):

Second, look for places where you can create, and I think this is true about Purpose Built, where there's room for people with different political philosophies, people of goodwill with different political philosophies, who love their communities, who can sit down together and work on solving local problems. That's really important for neighborhoods. It's really important for cities and states, and it's really important for our country as a whole. The third thing, I am inspired by the young people in my life. I am really inspired.

(01:06:31):

I mean, young people get a bad rap sometimes, but I will tell you the young people I'm working with are smart and driven and creative and thinking about all the things that they might be able to do to help make the world a better place. I want to wrap them up. I'd like to get them out in the world, and I hope you'll have that same experience.

David Erickson (01:06:49):

That's great. We would love to keep you involved in this conversation at the Federal Reserve Bank of New York. We'll be having a conference on November 19th called Making Missing Markets. All of these

ideas that you've been bringing up are relevant to that. We have a non-zero chance that Bad Bunny is going to be there because he really thinks he's making missing markets in the way that he tries to focus on a circular spend for his concerts in Puerto Rico and capture that spend back to local businesses, local hotels, and restaurants and whatnot. But this is a bigger movement, and you are part of it. I hope you'll stay in conversation with us. I just hope you'll join me now in thanking these brilliant panelists and we'll see you next year.