Do I Need Special Glasses? Seeing Arts and Culture as Part of Community Development for Financial Institutions

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The financial sector often attempts innovation by creating new products and services to reflect new trends and needs in the field. However, true innovation is just as often a matter of looking at the world with new lenses and tapping into creativity to adapt existing structures.

There is a growing body of evidence that seeks to validate arts and culture as viable for investment by financial institutions. In the 2014 Community Development Innovation Review, former Deutsche Bank Managing Director Gary Hattem laid out a case for building stronger relationships among cultural institutions, community development organizations, and community development financial institutions (CDFIs).[1] CDFIs, such as New Jersey Community Capital and The Reinvestment Fund, have long been supporters of arts, culture, and creative placemaking projects.[2] Emerging funds, such as the NYC Inclusive Creative Economy Fund by LISC, are attracting new capital to the table.[3] And there is a continued push to look at guidelines for bankers approaching arts-related investments with Community Reinvestment Act (CRA) regulators and how creative-economy investments might qualify for CRA funds.[4]

And yet, it is often through experience and dialogue that we actually begin to understand how to change our own practice. In this piece, I share my own journey and examples in learning how to **recognize, reimagine, request, reinvest, realign, remix,** and **reframe** to support arts and culture at Northern Trust, all while tackling some pervasive myths about what it takes to support work in this sector.

Recognizing: Arts and Culture in Community Development

I started my work in finance as a commercial lender for Northern Trust, a bank headquartered in Chicago, where I happily work today. Over my career at Northern, I have taken the principles of traditional finance and tried to find new ways to fill capital gaps in communities that often have no access. It has been a 25-year learning curve for me; we started with

1 Gary Hattem, "Financing Creative Places," *Community Development Innovation Review* (December 2014), Federal Reserve Bank of San Francisco.
2 Lillian M. Ortiz, "Need Capital for Your Creative Placemaking Project? There's a Loan for That," *Shelterforce* (July 6, 2016).
3 LISC, "Inclusive Creative Economy Fund Impact Report" (New York: LISC, March 30, 2019).
4 Laura Callanan and Ward Wolff, "The Community Reinvestment Act and the Creative Economy: Investing in Creative Places and Businesses as Part of Comprehensive Community Development," *Open Source Solutions* (October 29, 2018), Federal Reserve Bank of San Francisco.

investments in CDFIs and have expanded to become an early adopter of new finance tools, such as Pay for Success. Even with this deep experience, I did not see investments in arts and culture as part of community development finance. There was, frankly, no intersection of arts, culture, and community development in my work.

My personal knowledge of the arts sector was based in visiting cultural institutions. These were wonderful experiences, but they often reflected the arts and culture of primarily those in power, not those in underserved communities. Often funded with large philanthropic commitments, they were distinctly different from community development investments and grants we were working to provide in fulfillment of CRA obligations.

As our definition of community development rests with the CRA guidelines, many arts and cultural institutions serving audiences with a broad range of income levels have not been viewed as meeting the CRA's focus on low- and moderate-income communities. Many institutions have had a hard time understanding how to document the impacts for CRA consideration.

So, from a bank perspective, while supporting arts and culture was recognized as important, arts and culture was not seen as part of our work in community development. Even as we moved into comprehensive, place-based strategies that considered a variety of systems to support development without displacement, arts- and culture-based strategies were not part of our conversations or the activities we looked to support through finance.

Reimagining: Expanding Ways of Looking at Arts and Culture

In my own journey in pushing the boundaries of traditional finance in underserved communities, our conversations at Northern Trust have continued to expand. In meetings with new partners, I often talk about our view of low-cost, patient capital as a key tool of community development, as well as our specific interest in places where capital is not currently flowing.

One such conversation resulted in an introduction to ArtPlace America, where I learned of its intentional focus on how arts and culture can be integrated into community development work to achieve critical, place-based outcomes. From their investments and leadership, I learned how artists were applying their talents and skills to address community problems; how supporting cultural expression in communities was helping to stave off cultural displacement; and how creative engagement, planning, and design processes were changing the ways communities were able to articulate what was important to them. In short, I saw how arts and cultural strategies were not only contributing to community development outcomes, but also were a central lens for successful efforts in development without displacement.

Arts and Culture Belong to Everyone

Trips to Appalachia and Pine Ridge Indian Reservation made the critical connection between cultural expression and shaping successful community futures real and reinforced for me that culture, cultural expression, and creativity lie at the heart of every community–

regardless of income and level of disenfranchisement or disinvestment. Just as capital can be viewed as the grease of economic engines, arts and culture are the glue that holds communities together. Those of us working in community development have too frequently been trying to organize comprehensive community development without the "glue." Communities are made up of the people who live there and the way they interact with each other and their environment, not pretty buildings. Viewing communities through the lens of culture and the potential roles that art can play allows investing institutions to promote development that reflects and recognizes aspirations and connections of individuals and families.

Community Development Investments in Arts and Culture Go Beyond Real Estate

When people in the field talk about financing creative placemaking, often that means support for real estate development that includes arts spaces and arts uses. These are important endeavors, but there are many additional ways that arts and culture might show up in a community development investment frame. For example, arts and culture can be seen as

- **Community assets** that drive critical community outcomes. Banks could provide financing to stabilize and advance arts and cultural organizations whose missions align with critical community goals.
- Part of **risk mitigation and due diligence.** An understanding of local culture, beloved cultural assets, and the narrative of a place can play a role in community development finance underwriting decisions.
- Part of **entrepreneurship strategies,** where artists as entrepreneurs are a key building block for local economies.
- A focus of **asset-building strategies,** where artists as culture-bearers advance their own financial capability and stabilization strategies.

Requesting: Becoming Intentional About Arts and Culture

Although I was excited about the concept of an intentional intersection of arts, culture, and community development, I wondered how I would be able to actually execute this strategy. The first thing I did was to insert specific questions about arts and culture into conversations. I started asking such questions as, "How might arts and cultural strategies help?" or "What is the role arts and culture might play in this project?" or "What is important about local culture and cultural assets that we need to support?"

Arts and Culture May Be New for Bankers but Is Part of a Community's History

What I have learned is that many community development entities are already incorporating arts and culture into community projects and plans, but they do not always call it out specifically. They already understand the work as integral to the "community" part of community development; it is the lenders and funders, like me, who did not understand.

This lens has also given me a new view of community development projects. We often focus on projects based on amenities provided, services embedded, community input, and community decision-making in the development process. We, as investors, spend less time on how the project will contribute to and/or change the existing neighborhood culture. This could be especially important in communities that may be on the brink of gentrification, where many of the new developments will not have been developed with community input and could create a "scrape and replace" situation, where culturally important buildings are torn down and replaced with new buildings that have no tie to the community culture.

Culture Should Be a Central Concern of Community Planning and Development

If we are going to try to maintain neighborhood culture, we need to be intentional as investors and lenders in asking about how arts and cultural strategies might be part of the projects we finance, or how local culture might be reflected in the projects. The good news is that most of our community development partners are already doing this and provide an easy entry point.

Reinvesting: Community Development Financial Institutions

Community development financial institutions (CDFIs) are designed to be vehicles for effective community investment, as they are nimbler and more adaptive than traditional banks to meet the needs of communities. They exist to plug capital gaps and are therefore critical partners in the flow of capital to the arts and culture sector.

One example is an investment we made in Propel Nonprofits, a CDFI headquartered in Minneapolis. Using a holistic approach to community development that engages and serves nonprofits of all kinds, Propel has worked with many nonprofits focused on arts and culture. We invested in Propel by providing useful, low-cost capital to support its lending (see Table 1). Because arts and culture projects are already embedded in Propel's training and lending offerings, I did not have to create a separate fund to support this work–Northern Trust was able to easily connect with and support arts and culture through a direct investment into an established CDFI.

Table 1: Examples of Arts-Related Investments by Propel Nonprofits

Organization	Loan Products	Relationship to Community Development
Juxtaposition Arts is an organization in North Minneapolis that provides education, training, and mentorships for youth, along with the creation of social enterprises to generate revenue, and has redeveloped several buildings that anchor the neighborhood.	Propel has supported Juxtaposition Arts' growth and projects with facilities loans, term working capital, and a line of credit.	• Real Estate • Community Asset • Entrepreneurship
Walker West Music Academy (WWMA) offers music lessons and concerts for everyone rooted in the African American experience. The organization's history is steeped in jazz and its location in a historically African American Saint Paul neighborhood.	Propel provided a term loan as part of WWMA's expansion to a new facility, especially the signage and exterior improvements, making its presence known and defining its creative presence in the neighborhood.	• Real Estate • Community Asset • Risk Mitigation
Ka Joog is a nationally recognized Somali nonprofit that uses education, mentoring, employment, and the arts to motivate Somali American youth to pursue higher education while promoting and building communities' ties throughout Minnesota.	Propel's loan provided Ka Joog flexible working capital to support its tremendous growth.	• Community Asset • Risk Mitigation • Entrepreneurship • Asset-Building

Existing Finance Tools Can Be Used to Supports Arts and Culture

There is often a push to create new finance tools to address specific issues. Many CDFIs interested in increasing their lending to arts and culture have explored the idea of creating a special targeted fund. The goal for doing so might be to attract new resources from investors who have a special interest in the topic, or to make it easier to define particular products and market them to an arts and culture audience.

I believe in simplifying community development finance and using existing tools and partners that have proven to be successful to bring this work to scale, with a focus on the cost of capital, rather than creating a separate targeted investment fund or other standalone structure. The issue with standalone funds is that the capital can sit unused until a specific project that meets the defined program is found and approved. Funds also require a beginning or deployment period, middle or hold/expansion, and an exit at the end of a five- to seven-year period. They also typically aggregate capital based on investor return expectations rather than the cost of capital needed by the community development project. These differences can create a mismatch between the funding available and the specific funding needed.

CDFIs have successfully used loan loss reserves, lower-cost capital, and guarantees to bring needed capital in support of arts and cultural strategies to neighborhoods and provide partnership opportunities between banks and foundations who are interested in community development finance. For example, what Propel needed most was patient, low-cost capital to subsidize its commitment to arts and culture so that it could provide below-market loans to arts and cultural organizations whose missions reflected critical community outcomes.

Another lesson from Propel is that it is a CDFI that has internalized its support of arts and culture–it is part of its narrative. Propel has not necessarily changed the way it lends; instead, it has developed relationships within the arts and culture sector and made intentional choices to acknowledge the value those institutions bring to their communities. Many CDFIs have adopted strong narratives around their investments in charter schools, food systems, or community facilities. A similar approach to elevating investments in arts and culture can help better normalize the practice. One first step to generating this narrative is to begin to track arts-related investments and report them as part of regular communications about lending activity.

Foundations and CDFIs Should Partner to Expand Access to Capital

One warning on a recent trend I have seen in this area is the entry of foundations as direct lenders into community development projects. The expansion of foundations as investors in community development is a welcome addition, and many are filling an important need in allowing the overall expansion of community development finance. We have seen examples, however, where a CDFI has been outbid by a foundation on specific high-profile community development projects, including some arts and culture projects. In these cases, the foundation often offers the same terms as the CDFI–but at a slightly lower rate. This type of direct lending is not expanding access to community development finance and can be detrimental if foundations lend only to the higher-profile, lower-credit-risk borrowers. This "creaming," where stronger finance transactions are originated directly by foundations, leaves CDFIs to do the higher-risk, more complex transactions and hurts overall access to community development finance for the communities and projects that need it most. A better course would be for foundations to partner with CDFIs to expand access to finance, including those specific projects in which they have a special interest.

Realigning: Community Development Organizations

Northern Trust has also been part of supporting the creation of a new focus on arts and culture within nonprofit developers. In Denver, we invested in the Urban Land Conservancy (ULC) to expand its ability to finance new community development but also to support a stronger focus on arts and culture.

Banks Can Support Arts and Culture in Community Development Beyond Financing

ULC's mission is to preserve real estate assets through land banking, community development, and preservation in underserved areas in the greater Denver region for community benefit. The Bonfils-Stanton Foundation, a local foundation in Denver with a major focus on arts and culture, had shared an interest with Northern Trust in pursuing the creation of an entity that could do land banking, community development, and asset preservation. What it described already existed in ULC, and bringing the two entities together to meet and discuss solutions made use of Northern Trust's partnerships and relationships, not just our assets.

Existing Organizations Can Adequately Support the Intersecting Work of Arts and Culture in Community Development

ULC understood that cultural assets are not mission-drift but are central to how it can help benefit underserved communities in Denver. However, it was not aware that there were potential funders and investors interested in supporting this work. Northern Trust not only helped to facilitate the discussions, but also made a $6 million investment in ULC, with $1 million of the total investment specifically carved out for arts and culture development. A new entity did not have to be created or imported, but as is often the case, an existing entity can help solve an identified problem, given the right capital.

Remixing: Affordable Housing

In another example of the intersection of arts and culture with community development finance, Northern Trust worked with the Denver Housing Authority (DHA) on a New Markets Tax Credit transaction for its Mariposa development. The project included art woven throughout the development, a music studio for youth residents, a youth culinary program, and a large meeting space for community gatherings. DHA included all of these in its plans because it knew it would improve residents' quality of life. It did not need to be asked to do it, nor did it need special finance tools to include it. We have seen similar work in housing authorities across the country, including at Cook Inlet Housing Authority in Anchorage, AK, one of ArtPlace America's Community Development Investments participants.

And it is not just housing authorities. Theaster Gates's Rebuild Foundation spearheaded the Dorchester Art + Housing Collaborative as a partnership with the Chicago Housing Authority (CHA), Brinshore Development, and Landon Bone Baker Architects. They used Low-Income Housing Tax Credits to convert a former CHA property into a mixed-income community that features a mix of artist, public, affordable, and market-rate housing and a new art center with a dance studio, community meeting space, and community garden. The Chicago-based CDFI IFF sponsored the Federal Home Loan Bank of Chicago Affordable Housing Project award and holds the first small mortgage (which, to refer back to the important role of CDFIs, is far too small for a traditional financial institution to have an interest in holding).

Incorporate Arts and Culture into the Earliest Stages of Housing Development and Finance

Affordable housing is one of the largest challenges facing many communities. Tension can exist between creating finance strategies that produce as many units as possible and creating strategies that support the development of communities as a whole.

In a 2015 report on the intersection of arts, culture, and housing,[5] ArtPlace America found that arts and cultural strategies can achieve affordable housing goals by helping to

- Articulate invisible housing challenges
- Nourish individuals and communities who have experienced housing-related trauma
- Organize housing campaigns
- Bridge disparate neighborhood residents
- Stabilize vulnerable communities
- Generate economic development for communities that are structurally barred from access to capital

Providing a housing unit is just one piece of a larger puzzle in addressing critical housing outcomes for underserved populations. Arts and cultural strategies that work in tandem with the goals of affordable housing providers are often able to achieve better outcomes on a number of measures.

How can we, as investors, better support the integration of arts and cultural strategies into affordable housing? We can be intentional in asking specifically how arts and culture are addressed or embedded in projects, and how financing is restricting or expanding community vision. We can ask:

- Are there gaps in financing (due to budgets) that have caused plans to be downsized or programs or projects to be cut?
- What things have been deemed important by the community but have not been included in the final budget?
- Does the development fit into the neighborhood and contribute to maintaining the neighborhood's culture?

If we find capital gaps that are keeping projects from reaching their full potential, we can try to fill those gaps with requests for specific grant funding or look to use flexible, lower-

5 Dayna Sherman, "Exploring the Ways Arts and Culture Intersects with Housing" (Brooklyn, NY: ArtPlace America, April 2016).

priced capital to allow the arts and culture work to be fully realized. When you remix arts and culture as a critical ingredient for successful affordable housing, the questions change from "Why is this important?" to "How do we think creatively to plug the financial gap that is critical for the project's success?"

Reframing: But Will I Get CRA Credit?

Building a Case for Investments in Arts and Culture to Qualify Under CRA

Lenders who find themselves having to compile CRA materials may doubt that they will ever get CRA credit for investing and lending related to arts and culture. CRA is a law in place to encourage banks to make credit available in low- and moderate-income (LMI) areas. It is important to note that the regulation that implements the law is based on regulatory interpretation. Although some lenders may not like the uncertainty of CRA, regulators' ability to interpret the context and key components of a project means lenders have the opportunity to make a case that the arts and cultural strategies they are supporting have a primary purpose of community development and can therefore be considered for CRA credit. Some ways to do this include the following:

- Describe the intended outcomes in a way that directly and intentionally ties the activity to a defined community development purpose. All of the examples provided in this article received positive consideration as qualified CRA activities with little to no question by examiners. Helpful resources, such as the ArtPlace America field scans[6] and the PolicyLink report on arts, culture, and equitable development, draw out and frame the relationship of arts and cultural strategies to particular outcomes in housing, transportation, health, safety, and beyond.[7]
- Take the extra time to follow up with examiners who deny credit to understand why and engage in discussion to help them better understand the materials you presented.
- Engage community development groups as allies in explaining the importance of arts and culture in creating positive sustainable change in communities and the benefit to low- and moderate-income families and areas.
- If possible, tour communities with your examiners so that they can see firsthand and understand the context of community development.
- Focus examiners on successful examples that have maintained or expanded the neighborhood culture, rather than those that may have scraped away the neighborhood culture in the development process.

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6 ArtPlace America, "Translating Outcomes" (Brooklyn, NY: ArtPlace America, 2019), https://www.artplaceamerica.org/our-work/research/translating-outcomes.

7 Kalima Rose, Milly Hawk Daniel, and Jeremy Liu, "Creating Change through Arts, Culture, and Equitable Development: A Policy and Practice Primer" (Oakland, CA: PolicyLink, March 2017).

Advancing a Clear Vision Forward

So, no, you do not need special glasses, but you do need to expand your vision to be able to see the power of the arts as a means of celebrating a community's history and culture–and a critical part of community development. The steps are easy:

- **Recognize** that arts and culture have often been left out of the conversation.
- **Reimagine** your own understanding of the roles that arts and culture can play in community development.
- **Request** that your partners consider the role of arts and culture in the course of their project development.
- **Reinvest** your funds through community-serving institutions with the flexibility they need to be creative in supporting arts and cultural investments.
- Help community organizations to **realign** their practices where arts and culture can help achieve their missions.
- Work with housing developers to fill capital gaps that help them to **remix** their core ingredients toward greater success.
- Spend the time to **reframe** the work in a way that centralizes the desired community outcomes over the arts-based activities so that CRA examiners can fit it into their filters.

A little creativity on the part of lenders can go a long way toward achieving a better vision of what community development can do.

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