

CultureBank: A New Paradigm for Community Investment

By

Penelope Douglas and David Erickson



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Penelope Douglas has spent the past two decades as a social entrepreneur, pioneer in community development investment, cofounder and CEO of Pacific Community Ventures, and Chair of the Board of Mission Hub LLC and SOCAP. She spent her earlier career in a succession of executive management and operating positions at Wells Fargo Bank, the law firm Morrison & Foerster, and the consumer products company Odwalla. Most recently, she has been developing CultureBank, an initiative to foster a new investment paradigm for community investment, currently in incubation at Yerba Buena Center for the Arts in San Francisco. Throughout her career, Penelope has been committed to building bridges across banking, community development finance, social enterprise, impact investing, and the arts. She currently serves as strategic advisor to RSF Social Finance and is a visiting scholar at the Federal Reserve Bank Community Development Division. She has been a frequent speaker and has been featured by media outlets, such as the *New York Times*, NPR, *San Francisco Chronicle*, and *California* magazine. Penelope is also an artist, an athlete, a native Californian, and a graduate of Smith College.

David Erickson is director of Community Development at the Federal Reserve Bank of San Francisco and serves as Community Development Officer for the Federal Reserve's Twelfth District. In this role, he leads the Community Development team toward its mission to advance economic opportunity for lower-income Americans. Erickson earned a Ph.D. in history from the University of California, Berkeley, with a focus on economic history and public policy, and an undergraduate degree from Dartmouth College.

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CHAPTER 1

"I hate this old elevator," Sam muttered to herself as she lugged two boxes into its cab. "If it weren't for these darn Board meeting books, I'd walk the three flights like I usually do." It was 7:00 P.M. on a Thursday, and she'd just come back from the printers.

She was exhausted. Pressing the button for Floor 3, she crossed her fingers that the old contraption would haul her and her materials up to her office. The organization had been lucky to find this space, and she had insisted they be located in this part of town because of the community they served. The building had historic-landmark status, and she loved its old façade and faded elegance. However, a lot of the place's inner workings were irrelevant in the 21st century (a coal chute?)—or simply way out of date, like the elevator.

Somewhat ironically, at least to Sam, her Board had spent hours of meeting time deliberating over the right location for the organization based on their commutes to the quarterly Board meetings. But for once, she'd remembered what an old mentor had told her and had remained expressionless throughout that particular debate, eventually winning over the Board with the strength of her CFO's financial analysis of alternatives.

As CEO for a mission-based social enterprise with a focus on underserved communities, Sam often felt the same sort of exhaustion she was feeling today. She had once spent an entire holiday on a self-imposed retreat to try to figure out the root cause of this periodic malaise. However, Sam being Sam, finding herself in a beautiful beach town with waves to surf and trails to explore, she quickly gave up on self-examination, laughed at herself for being overly serious, and spent the rest of the time having fun.

Safely out of the elevator on the third floor, Sam brought the boxes into the big conference room. Tomorrow was a Board meeting day. It was the annual planning meeting, and the big question for discussion this year was how to achieve real scale in the organization's second decade.

Each year, the notes from the annual planning meetings were kept on butcher paper, and Sam had spent a late evening recently reading over the notes from the past few years.

She'd been nursing a glass of wine that evening, and midway through her review, she'd actually examined the wine bottle to make sure she wasn't unknowingly sipping an extraordinarily potent varietal. "Weird," she'd said to herself. "I feel like I keep reading the same conversation. Am I somehow looking at one year's notes over and over?" Her husband helpfully confirmed she wasn't, and not so helpfully offered to pour her another glass of wine.

Now, as Sam set up the meeting room, repetitious threads were going through her head like a drumbeat. She liked to prepare everything the day before so that she could start the meeting focused. University friends used to deride her constantly for lack of camaraderie in marathon all-nighters. But focus and determination had always served Sam well, so she carried on.

Despite her efforts, the drumbeat in her head would not stop. Her colleagues' voices echoed in her head:

"You did well this year. Good work with fundraising."

"I defer to my friend Z because he is the reason I am on the Board."

"Let's hunker down for another year and watch our expenses."

"We can take their money and not agree with their values, given that the money comes from a different bucket."

"We know you can do the job and we trust you to keep growing the organization, so let's not make any big bets when we don't need to."

"If they are getting money from the Y Foundation, why aren't we?"

"What if you're wrong about your strategy?"

"We can't be their partners. Our definition of economic justice will be compromised."

"I don't think she can add value to this conversation. She left three years ago."

"Get a grip!" Sam told herself sternly. "You've been the CEO for 10 years now, you helped found the organization, and if anyone can gracefully steer the discussion, you can!" At the same time, she couldn't help but feel a pinch of despair. She felt trapped by the need to keep raising money every single year. What did the Board mean every year about trusting her when they still did not want to try her big ideas? She wanted to break through to a new level of impact. She herself had more questions than answers about how to achieve real scale at this point in the organization's growth. She felt convinced she had not made enough bold moves, and she felt caught in a cycle of growth that lacked tolerance for true innovation. Sam was not an insecure person and did not worry about failure. She knew how much she was appreciated. However, after annual planning meetings, she often left feeling certain that her honesty and lack of political savvy might be drawbacks. In the end, though, she knew she could not be anyone but herself in this work.

Having finished preparing the room, Sam checked her emails, turned off the lights, and headed for the stairs. However, the lights on the stairwell were flickering strangely, and the last thing she needed tonight was to fall down a flight of stairs. So with a sigh, she pressed the elevator button.

As the door slowly opened, she saw another occupant—a fellow she knew only by sight. One of her staff had told her he worked on massive art pieces up on the fifth floor.

"Hi," she said, and he nodded and smiled in return. The door slowly shut, and the elevator lurched into action. They began to slowly descend, and then—nothing.

With a shudder, motion stopped. "Uh oh," the fellow said. Sam let out a small curse. The lights flickered inside the cab. Nothing more happened.

For a minute or so, neither of them said anything. “I’m Nate,” he suddenly offered, “And I think we’re stuck.” Sam gave a wan smile in return and said, “I’m Sam.”

They jammed their thumbs on the emergency button and waited for a response from the intercom. Hissing and static gave way to a barely audible voice.

“If you can hold on, we’ve called for emergency assistance!” it rasped.

“How long?” yelled Sam into the box. “Just hold on—it shouldn’t be more than a half-hour,” came the reply.

Nate pulled out his phone and started texting. “I’ll be done in a sec,” he said. “I’m just telling my partner I’ll be late.” Sam thought better of texting her husband right away; she knew he’d gone to a movie, and there was no dire emergency—at least not yet. Slowly, she slumped to the floor, where she sat cross-legged, pulling her parka around her. Nate, too, took a seat on the floor.

“I never take this elevator,” Sam said in a burst. Nate smiled and offered that he used it often to haul his art pieces up and down.

“I know you run the organization on the third floor,” he said. “It seems like such good work you all do. I’ve read about your community investment model.” Sam just sighed. “I know; I want us to do more,” she finally replied. Nate nodded and smiled. “I always feel like I need to do more with my work, too.” Sam suddenly felt like she would burst into tears. Using a long-tested antidote, she managed instead to say, “Tell me about your work, Nate.”

“Well, I do these big pieces that aren’t really paintings as much as they are experiments with surfaces. I actually don’t see edges very well, never have. That’s what made me sure I would be an artist.”

Sam considered his remarks, realizing something. “Are those your works in the park near here?” she thought to ask.

“Yup,” Nate replied.

“So, if that’s your work, then it must be your piece that’s also by City Hall?” she asked.

“Yup,” he said again.

“How did you get commissions like those?” she asked.

Nate let out a big laugh. “I just put them where they need to be!” he said.

Sam stared.

Nate went on. “I had been foraging for some interesting materials behind the buildings downtown when I met a guy who works in maintenance at City Hall. He told me about a friend of his in the Parks Department. I cooked them dinner one night, and they helped me figure out how to get the pieces in place when no one was watching. I figured either they’d stay where I put them, because the community would make sure of it, or they’d go, which would mean they weren’t supposed to be there after all.”

“You put them where they need to be,” Sam muttered.

Suddenly she couldn’t help herself. “Nate, in five minutes you’ve explained to me how you’re incredibly innovative, make bold moves, and—oh yeah—aren’t afraid to challenge the status quo.”

Nate smiled. “Glad you heard me,” he said.

“Nate, I’m struggling because my Board, my organization, and I seem to be holding back. Or held back. I have a meeting tomorrow—the same one we have each year. I’ve read all the notes from every past year, and the themes always stay the same. Grow, but don’t risk too much. Keep the people with money happy. Be mindful of who got you here. Keep doing this good work and just remember to stay in the lead at all times.”

“Nate, listening to this, what do you think? What does it make you think?” Sam asked.

There was complete silence from Nate for an entire minute.

Then he quietly said, “Some of what you say makes me think about a friend, now in her nineties, who had patrons for her art work. The good will was there on both sides, but she could never escape the sense of needing to be careful so she wouldn’t anger anyone. She stopped being able to do her best work. She told me frequently that artists needed a new system. I spend most of my working time trying to create that system.”

He went on, “I think you need to get more committed to a new system, too.”

Sam felt a little unsettled. “We’re building from the work of decades that came before us. Now we can actually talk about social finance and social and environmental returns. Leaders of big institutions are deeply involved now.”

Nate replied, “It sounds like you and the others want to keep defining and redefining success, but it seems as though you’re still using a financial capital model from the 1970s. Maybe the idea of a new system is too scary.”

Sam stared at the cold floor of the tiny elevator. “You mean I need to think about a system that better supports our work and its value over time, while keeping our long-term goals in mind.”

Nate didn’t say anything.

She took a deep breath. “OK, what else?”

“What about culture? What about changing culture?” he probed.

A loud crackle of static startled them both. “We should have you out of there in a couple of minutes,” barked the intercom.

Sam and Nate both jumped to their feet.

Sam grabbed Nate’s shoulder and gently shook it. “You’re telling me something really important. What are you trying to tell me?”

Nate looked at her. “Just that I work and make art to allow people to talk, react, say something out loud about our society. You have a lot of tools I don’t have. But if you could use them to work on changing culture, would you...” he never finished the sentence, instead lurching sideways as the elevator suddenly jolted into motion. “Whoa!” they both said at the same time. When the doors opened at the lobby, Nate’s partner stood there waiting. “So glad you’re safe!” After quick introductions, the men started for the door. “Is that it?” cried Sam, rushing to give Nate a deep hug. Nate laughed and said, “Gotta go!”

But then, nearly out the lobby door, he turned back to her.

“You know the artist friend I mentioned? She told me once that she figured the reason it was so hard to support real creativity was fear,” he said.

Sam stopped fumbling for her cell phone and looked at him.

“When it comes to disrupting the current model and changing our culture, it very likely means giving up membership in networks that don’t have the courage to challenge accepted norms. See you, Sam!”

Now Sam really did start to cry. Then laugh. Then hiccups consumed her. She felt much better—and, in fact, very much like herself.

CHAPTER 2

Nate turned his full attention to Charlie, his partner of many years. “I’m so glad you waited for me. I’m starving! You look great, Charlie.”

“Hah! That’s only because you were worried you’d never get out of that place alive!” Charlie said.

Charlie worked for one of the city’s oldest philanthropic organizations. His thoughtful nature balanced Nate’s passion and creative energy.

Charlie, though, was the one whose moods ran long, for better and for worse.

As the two men walked toward a café called Flora’s, Nate told Charlie about his conversation with Sam. “There was something big I felt she needed to grapple with, Charlie.”

Flora’s was still serving dinner. The two men sat down at a table. Quickly they ordered their dinner and a bottle of wine.

“You know, Charlie, I couldn’t understand everything. But as I listened to Sam, I felt like there was a third being in that damned elevator with us—a beast lurking in the shadows.”

Charlie looked at Nate carefully, taking a sip, then a swig, from his wine glass.

“You know,” he said, “I’ve been trying to finish my paper for the foundation on the biggest opportunities in social finance and impact investment. I have to finish within the next week, because it’s supposed to be the culmination of my two years of work in the field.

“But after all the time I’ve spent out talking to people—heads of organizations, finance gurus, impact investors—I’ve had a total block about writing the paper. And I know I’ve been in a terrible mood.”

Charlie went on. “Then last weekend, when you were out of town, I spent some time in your art studio. I wandered around looking at your new piece of public art, and what you’re saying with it, and then I went over to your old darkroom and looked at some of the plates you’d left out. And that’s when I got it.”

Now Nate looked carefully at Charlie. “Um, what did you get? I feel like I’m back in the elevator.”

“What I got was, I think I identified the beast,” said Charlie. “I think it’s the same one you felt lurking in the corner of that broken-down piece of junk the two of you were stuck in.”

“Describe it for me then,” said Nate.

“The beast?” asked Charlie. “It’s our fundamental question as a society: Can we actually create a culture of equity? We’re so far away from that in our twenty-first century. Without a massive culture shift, change can’t happen effectively, no matter how much financial capital we pour into these issues.”

Nate grabbed his partner's wrist. "Culture is fundamental," he said. "We have to first create the culture from which we can make that change. Our current social finance tools aren't adequate, because our model is insufficient. It's an outdated system kept alive by our hope for change."

Nate took a big bite of his pasta, waved his fork like a baton, and then grabbed Charlie's shoulders and shook them gently. "I actually think we keep hold of our current model because of our fear of change," he explained. "That's what I tried to say to Sam, too. I just told her what I felt intuitively, about needing a new system."

Charlie took Nate's hands off his shoulders and put down his fork, saying, "OK, so maybe the reason I can't seem to write my paper is because I don't know how to say that—to say that we aren't committed to a new paradigm that starts with culture. That we should work on culture-shifting. We're trying to make impact and achieve social and economic justice without having to make such a radical and frightening shift. But that kind of shift is necessary."

Charlie looked off into the space beyond Nate's head for a brief moment, and then brought his gaze back. He continued, "Nate, you push for culture every single day with your art. You're fearless in your work. And like you say, culture is fundamental. I'd say that art is fundamental to a culture of equity."

Nate was now looking everywhere—for something to write with, as it turned out. He grabbed a crayon from a box of kid-friendly supplies on the table.

"C'mon, Charlie, let's write your paper right now!" he said. "How, then, do we make the shift? Where is a place to start?"

Charlie brightened suddenly. "I think, I think we have to move capital closer to culture. By capital, I mean human, intellectual, convening, financial, creative—all kinds of capital. By culture, I mean the underlying principles of a healthy society. We have to start from our current places and positions, and then slowly start to break our own rules and deal with the radical, opening up our imaginations to search for glimpses of a new paradigm."

Nate grinned. "Now you're talking like an artist. OK, I'll write notes here on our convenient paper tablecloth."

Their waiter took this moment to get a word in. "Would you like coffee or dessert?"

Startled, Nate and Charlie looked up. "Could we get two coffees, please? And how much longer before you close?" Nate was ready to bribe the fellow if he needed to.

"You've got another half-hour or so. I'll get the coffees."

"OK, Charlie, give it to me," Nate said. "Let's get the outline down at least."

Nate was worried that if they didn't keep working, the mood that had plagued Charlie for the past few weeks—until tonight—would fasten its grip once more.

"Break it down. Where do you start? How does art, and how do artists, help us take the first radical steps?"

By the time the two men left Flora's 20 minutes later, paper tablecloth folded under Charlie's arm, they'd scribbled the following topics:

- Think Differently
- Talk Differently
- Build Community Value Differently
- Invest Differently

CHAPTER 3

What Is CultureBank?

CultureBank is a radically different bank. It uses nonfinancial assets as a key component of the value exchange—or, as a traditional bank would call it, the investment and the return on investment (ROI)—between the financier and the artist-entrepreneur. Art is one such asset. CultureBank invests in artist-entrepreneurs, along with their enterprises and communities, to achieve high-impact solutions to very difficult social and economic problems.

CultureBank is also a beacon, pointing the way toward a new paradigm for how we invest in underserved communities. It was conceived as a new model for a more sustainable future, demonstrating how assets of all kinds can be used and valued in order to invest in and achieve the highest form of social and economic impact.

This new endeavor is called CultureBank because a culture of equity is placed at the center of the value proposition, rather than as a hoped-for outcome. CultureBank starts from the position that *in every place and with everyone* reside assets of value—that everyone has something of value to offer. Although there are many varieties of underused and undervalued assets, CultureBank begins with art, as well as the impact of art in moving culture and achieving sustainable social and economic change. In its target communities, the assets created by artists and through art will be a crucial component of the value exchange.

CultureBank operates with four innovations:

1. **The development of a creative financing product that leverages underused assets toward cultural impact.** Art itself will be used as an asset in a new financing product. The assets held by art collectors, for which a value can be determined, can be pledged and serve as either credit enhancement or collateral for borrowers.
2. **The development of an ROI that is based on returns of value in the form of nonfinancial assets.** The return of nonfinancial value is considered and established in different terms over different lengths of time, moving us toward social investment models that emphasize a longer-term, more holistic approach. These nonfinancial assets will include art.
3. **The education of a target group of impact investors, artists, social entrepreneurs, asset providers, and consumers and their engagement as they co-design the first CultureBank investment model.** The aim is to foster a new model by shifting the discourse about investment and conducting a process of inquiry into what a product that places a culture of equity at the heart of the value proposition would look like.
4. **The focus on the idea that there are vast numbers and types of underused assets hidden in our communities and that, when placed fully into an investment proposition, these assets move culture.** This is how change can occur. This is also the ultimate de-risking move for those who are ready to think about an exponentially better outcome for their community investment.

How Is CultureBank Organized?

CultureBank starts as a collaboration among individuals and organizations, rather than as a de novo organization. CultureBank will serve as a new type of investment firm, creative convener, educator, and networker. It will raise and deploy financial and non-financial assets in a truly integrated capital model. In other words, it will deploy investment capital using all sorts of asset types—including, for example, art pledges, membership assets, and service assets, as well as financial assets. It will make its investments using a variety of structures, integrating the type of investment with the desired long-term outcome.

Yerba Buena Center for the Arts (YBCA) and RSF Social Finance are the lead organizations executing this new concept. Other collaborating organizations and design participants include the Center for Cultural Innovation (CCI), Project Equity, and Inner City Advisors/Fund Good Jobs. Individual participants in the design process represent a rich mix of experience in investment, social finance, arts and culture, and entrepreneurship. The concept has already drawn the critical “bellwether” funding support of the Surdna and Kenneth Rainin foundations.

In addition to YBCA and RSF Social Finance, Penelope Douglas will serve as the director of CultureBank. Douglas and Deborah Cullinan, CEO of YBCA, are its founding partners. They are assisted in the design process by a highly experienced group of advisors drawn from investment, arts, culture, and social enterprise. Through three think-tank sessions, the first CultureBank investment product and the key features of the CultureBank organization model will be determined. In the second half of 2017, the investment product will be tested with the goal of commencing a formal pilot of CultureBank by year-end 2017.

Where Is CultureBank?

CultureBank’s investment product will be designed and tested in the Bay Area of California. An important design principle, however, is that the model is highly replicable in other places through similar collaborations. Ultimately, CultureBank should be accessible to anyone through an online network.

In time, CultureBank will thrive through the replication of its core design elements in a variety of places. A network strategy will allow access to and easy sharing of the ways in which CultureBank is refined for maximum impact in place after place. It’s difficult to predict the variety of places where a CultureBank can grow, but it’s very important to learn about every example.

How Will CultureBank Work?

To meet the borrowing and investing needs of a developing local economy, CultureBank will help foster a new supply of capital. Part of this strategy will be to tap traditional sources—foundation grants, government grants and subsidized funds, Community Reinvestment Act–motivated banks, and other community development financial institutions. But CultureBank will also devise a strategy to reach out to high-net-worth individuals and the impact investing community. To begin to engage differently about capital and assets, one approach initially is to tap the value of art collections to provide some guarantee to loans as a means of lowering the cost of capital to borrowers. But making the connection to owners of capital along the lines of art goes even deeper.

In the same way that CultureBank will try to “unleash the energy” of low-income communities, it will also strive to unleash the energy of owners of capital who say they want to marry meaning to their

money. This vast group of investors has had a good track record in investing in entrepreneurs who are interested in improving the environment or the conditions in economically developing nations around the world. They have a much less impressive track record investing in low-income communities in the United States.

CultureBank will tap these investors more effectively, in part because it will “tell the story” of the investible opportunity better. It is difficult to generate excitement about taking a small stake in investing in a “multi-family housing investment” that is the bread and butter of the community development finance world. To invest to transform a community is more compelling. The inspiration to invest for the value and importance of the investment becomes clearer.

CultureBank will also tap the growing phenomenon of outcomes-based, or pay-for-success, financing. With increasing focus on outcomes among impact investors and social finance experts, there is an opportunity to attract a new audience. This audience of private- and public-sector participants wishes for more of a direct connection between entrepreneurial vision, community assets, and sustainable positive outcomes.

What Are the Terms of the Investment?

CultureBank structures its investments around the central concept of three streams of returns, each yielding value over short, medium, and very long (a generation’s) timeframes. CultureBank structures its investments, whether grants, loans, or other investment forms, to fuel the potential returns for all three streams. Using the analogy of a three-legged stool, each of the three legs represents one of these investment streams.

The first leg yields basic economic returns, and the repayment stream is financial revenue. Over the short-, medium-, and long-term timeframes, these are revenues with which to repay the financial portion of the investment.

The second repayment stream incorporates the accruing assets of the community. In the short term, these might be improved community amenities, such as street murals that spark engagement in the community around the art. As another example, the community might gravitate to and increase its social participation in improving a school-based theater program that engages students and all sorts of residents in new ways. The theater becomes a catalyst for community improvement. Over the medium term (8–10 years), you will start to see measurable evidence of positive outcomes associated with the increasing value of community assets.

The artist-entrepreneur’s work will create the opportunity to talk about the problems that have lingered in a community, whether they are 1) poor health outcomes, 2) violence and crime, or 3) access to opportunities, such as good jobs. Because we believe that everyone can “invest” in these solutions, you start to see a new type of problem-solving. Solutions could be small changes in behaviors around exercise and food; around social activity that combats isolation; around deeper ownership of a place that puts “eyes on the street” and helps reduce crime. Art might help a community heal from a past injustice.

These changes in attitude and behavior begin to yield measurable and monetizable changes in a community over the medium- and long-term. Health improves. Crime drops. School engagement increases. These changes create value in the sense that the community has more cohesion, quality of

life, and power. They also happens to create financial value, in terms of reduced visits to the emergency room, fewer prisoners, and more productive workers.

The third leg of the stool yields the actual shift in culture within the community. This goal may not fully be realized for many years, perhaps even decades. This goal is a community with shared prosperity, connectedness to opportunity, and inspiration from the belief in a promising future. This, ultimately, is the shared investment strategy for all members of a community. Each citizen makes a commitment to invest assets in this strategy on an ongoing basis. It is not static. And we will know this cultural shift has happened when the community maintains and promotes everyone's equitable future first.

Even though this is a long-term goal, there will be positive indicators of movement along the way. This is relatively easy to prove. It is remarkable and true that people have an amazingly accurate sense of their own health. Something as simple as an annual survey can indicate our progress. Another tool might be the growing popularity of "photo voice," an effort to engage residents to take photos of what they see changing in their community.

An Integrated Repayment

In every case, the terms of the investment will include assets other than money as part of the investment, as well as part of the return objectives. This is the radical innovation of CultureBank. Successful returns of investment will include many asset forms. Valuable returns might include the production of art, jobs in an entrepreneur's enterprise, community-sponsored performances, participation in certain community-building activities, the value of real estate improvements, specific health outcomes, community-led investments in public spaces, and money.

Whom Does CultureBank Invest In?

CultureBank will invest in artist-entrepreneurs. These are individuals and teams who build enterprises in order for art—in all forms—to be the powerful agent in solving social, economic, and environmental problems. This is a tremendously underdeveloped opportunity.

For example, if CultureBank existed today, a potential client might be the artist-entrepreneur Anthony Eric Myint, the moving force behind Mission Chinese and other vanguard restaurants.

Anthony Myint is a founder of Mission Street Food, Mission Chinese, and several other successful restaurant concepts. In 2010, *Food & Wine* magazine listed Myint among the "Top 40 Under 40" big thinkers in the food world, and Myint was celebrated as one of YBCA's 100 most inspiring people in 2015. But as successful as he has been, for Myint, it isn't about serving food. It's about changing culture. To do this, he combines his artistic and culinary sensibilities.



San Francisco Food Bank Warehouse

Consider Myint's effort to create a restaurant in the San Francisco Food Bank. Although initially it was intended as a way to bring a larger audience into the Food Bank—physically into the food warehouse!—it was also an effort to think differently about how food creates an ecosystem that affects many more people than the chef, waiter, and diner. It made it impossible to avoid thinking about food systems and a more equitable culture.

It was this same thinking that prompted Myint to develop another restaurant concept to help heal the environment. Perennial, cofounded with Karen Leibowitz and Chef Chris Kiyuna, is a restaurant that benefits the nonprofit Zero Foodprint. The restaurant promotes environmental sustainability in all its activities. "We first started thinking about what we can do to engage with our environment more closely—not just farm to table, but really deeply engage," Leibowitz says. The founders describe the restaurant as a "laboratory" where they explore their relationships with farmers and other vendors and their own sustainable practices as a web of relationships to improve the environment.

If we could invest in Myint, here is what we would propose: Through his artist-entrepreneurship, Myint and his team create three powerful streams of value. He would repay his loan by making financial payments. But he'd also repay his loan by building value in the community through creating jobs, improving the environment, encouraging healthier behavior changes around diet, improving real estate values, and increasing community engagement around activities of the restaurant. All of this would contribute to a more viable and profitable community. In a generation, through CultureBank's investment, Myint would help transform a community into one that shares a culture of equity.

How CultureBank Works: A Hypothetical Example

In a town we'll call St. Cloud, over \$400 million of financial capital has been invested during the past four years to bring better health outcomes to the town's very poor and marginalized citizenry.

The major providers of this capital assess their work and realize that they've accomplished nothing in their efforts to greatly reduce or eradicate chronic disease. After a substantial financial investment, the community is not healthier.

There is a young artist in the community. He is also a risk-taker by definition. He is a muralist named James who does street art. He calls his enterprise James Jones on the Wall and meets people from the neighborhood where he works, often offering them a chance to learn and paint with him. He has become very aware of the debilitating effect of chronic illness on the middle- and older-aged members of the community and he talks to them all the time about how they feel, as he paints his murals. They are often the ones who have time to sit on the street near where he works. He watches his younger siblings and friends engage in the same behaviors that create the health problems of the older people. They are often passing by as he works, and their energy swells the street when they do.

CultureBank's first investment in James Jones on the Wall is a grant of \$100,000. The terms of the grant are that he employs three people to paint with him whom he identifies as "asset holders" in the community. Their "assets" are a deep understanding about what makes their community sick.

The grant asks that they paint four murals about this insight in community gathering places. The work is shared among everyone who invested and participated in CultureBank.

Because of this work, James Jones on the Wall is sought after for more mural work by local property owners, who see the connection between his art and the community's response and the value of their real estate. With this revenue, James pays several people to work with him over a three-year period.

CultureBank's next investment in James Jones on the Wall is a loan of \$300,000. The terms of the loan include repayment in both financial and nonfinancial assets. The loan is to be used in part to hire three young adults into the enterprise. One of the asset investors in CultureBank has taken a very strong interest in James, and she pledges a percentage of the value of her art collection as collateral for James Jones on the Wall.

The financial repayment of the loan over the five-year term is a total of \$100,000. Although the remainder of the principal and interest is nonfinancial, it is able to be carefully measured, related to outcomes. James and his team meet with CultureBank to discuss and agree upon these terms. Together, they conclude that the terms of repayment will consist of 15 mural works and 10 community gatherings over the life of the loan. James agrees that his goal for the community meetings will be to bring the community together to discuss what he has heard from them, and to talk about what they'd like to see on the murals to help the community feel better physically and mentally.

Another CultureBank investor, St. Cloud's Sisters of Mercy Hospital, has also agreed to a reduction in its financial payback if the community begins to see some measurable improvement in health outcomes, such as reduced incidence of chronic disease or fewer trips to the emergency department.

CultureBank's collaborating organizations and its network support the enterprise and the community, and there's a viral increase in participating investors and citizens during the same time period.

All of CultureBank's investors are thrilled with the terms of the loan, and no one will let James down in terms of succeeding to make his repayment.

As time goes on, and the value of various assets in St. Cloud increases, investors of all kinds recognize the radical and powerful results CultureBank is achieving with James Jones on the Wall and several other artists and their enterprises. The evidence becomes clear that this community is uncovering hidden value and producing a neighborhood that has become known for its culture—which treasures what each

person has to offer—and its art. Its community members are sharing better health outcomes, among other positive returns. Local property values (and property taxes) are up, too.

CultureBank is asked to help a very large financial investor with a longer-term pay-for-success investment, and one community of interest is St. Cloud. The town's government has become very excited about the opportunity to repay investors for the longer-term social outcomes it's now confident it can see in St. Cloud, and the number of citizens who are powerfully involved in building assets has skyrocketed. But unlike in previous pay-for-success initiatives, the outcomes that need to be created for repayment of the original investor include a variety of assets, one of which is the artwork produced by those healing themselves from such diseases as substance abuse and obesity.

CHAPTER 4

Sam was frustrated that she was meeting the needs of an underserved community with out-of-date tools—a capital toolkit “from the 1970s,” as Nate said. Fifty years ago was the heyday of a mass production and mass consumption economic system. Artists like Andy Warhol helped us understand that system. There were certainly downsides in terms of cheapening our experience of quality and community ties. But there was also something liberating and democratic about it. As Andy Warhol famously said:

What’s great about this country is that America started the tradition where the richest consumers buy essentially the same things as the poorest. You can be watching TV and see Coca-Cola, and you know that the President drinks Coke, Liz Taylor drinks Coke, and just think, you can drink Coke, too. A Coke is a Coke, and no amount of money can get you a better Coke than the one the bum on the corner is drinking. All the Cokes are the same, and all the Cokes are good. Liz Taylor knows it, the President knows it, the bum knows it, and you know it.



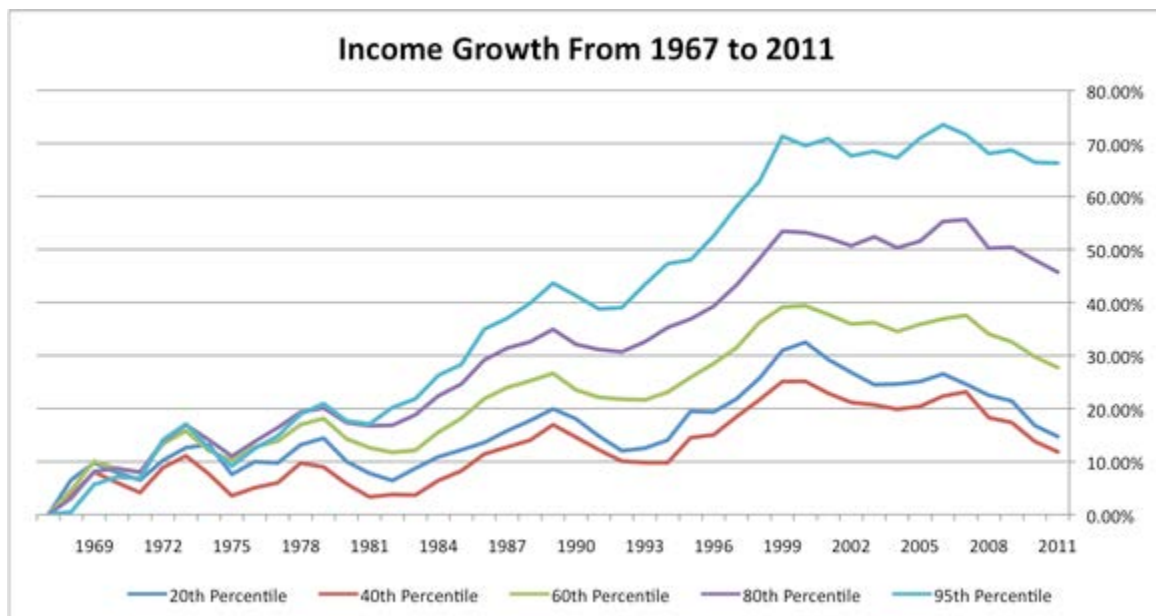
"Coca-Cola 5 Bottles" by Andy Warhol (1962)

That older system worked for many people. Those who were not served by it had social safety nets and charity to help them. The safety net was never as wide or strong as it needed to be, which explains why poverty dropped substantially after World War II but remained stubbornly persistent in the 12–15 percent range since the 1970s.

It's remarkable that even though we have become substantially wealthier as a society since the 1970s, we are still unable to overcome the persistent problem of poverty and to improve opportunities for all citizens of our country. And worse, more people (more than just those living in poverty) believe the old systems are not taking care of them. It is no longer a small group outside the system that needs more help; it is a growing group of poor and near-poor who are struggling.

Tools and approaches from the mass production/mass consumption era are not working for the low-income communities that Sam serves. Nor are they serving the needs of the near-poor. One

manifestation of this problem is the growing gap between those who are benefitting economically and those who are falling behind. The economic returns to the highly educated are increasing drastically, but others are experience very little growth in wages (see chart below).



Source: U.S. Census Bureau. Note: All data in 2011 dollars.

The costs of not addressing this problem are significant. A large and growing segment of the American population is not participating in the growth of the economy. And because there is increasing housing segregation by income, we are seeing this phenomenon play out at the neighborhood level as well. Many census tracts are thriving and experiencing runaway increases in real estate values, while others are languishing. Opportunities increasingly cluster in the wealthier communities. The consequences of being poor in a poor place are increasingly severe. We need new tools and new ways of building community and value in those low-income places so that they are communities of opportunities, too. CultureBank is an effort to do that.

“I actually think we keep hold of our current model because of our fear of change.” –Nate

CultureBank is a tool to hasten a movement that shifts a paradigm about creating value in low-income communities. CultureBank puts equity—social, economic, cultural, and racial—at the center of everything it does. And this is more than just talk; it is a new way of doing business. Here is how Nate and Charlie sketched it out on the tablecloth:

- **Art and artists help us think differently.** Artists see value in places where others see abandonment or hopelessness. Imagine how the murals of the Mission District in San Francisco breathed new life into that place; how Simon Rodia’s Watts Towers did the same in South Central L.A. Artists saw beauty in places the rest of society shunned. At root, artists help us ask better questions; they see connections in seemingly unrelated threads; they challenge us to overcome biases; and they listen more effectively. Above all, art and artists inspire us.
- **Art and artists help us talk differently.** Solving problems in low-income communities requires difficult conversations that none of us are good at: about racism, about addiction, about health,

about despair, about keeping promises, and about shame and stigma. Art and artists do not shy away from these conversations. And they give us a new vocabulary to talk about them.

- **Art and artists help us build community value differently.** As the two ideas above suggest, having a vision and communicating it are the preconditions to building a stronger and more viable community. Done right, this can heal old wounds and build on strengths that make a neighborhood or community one that serves the needs of all the residents, including new residents who may be key to building a stronger local economy. Of course, appropriate steps must be taken to guard against displacement of the current residents. But as the community improves, the local economy gets stronger, real estate values rise, residents feel more agency, and their health improves. As opportunities grow, resources become more abundant, and the costs of adversity (e.g., crime, incarceration, low productivity, poor education outcomes) decline. In other words, value is created.
- **Art and artists help us invest differently.** Building community builds value. Building value attracts capital. Making the appropriate investments helps unleash the energy of entrepreneurs like James Jones and Anthony Myint. The community's support of those activities—as consumers, employees, or owners and investors—helps reduce the risk of failure and financial loss. CultureBank is an experiment in how increased value—economic, social, and community cohesion—can be captured and used to repay the initial investment. It is not just financial repayment.

Taken together, the activities that Nate wrote on the tablecloth create an environment that both strengthens community and creates economic value. CultureBank's mission is to use this process to create a positive-sum value proposition.



"One Hundred Dollars" by Penelope Douglas

Creating Value and Capturing Value: Equity at the Center of the Transaction

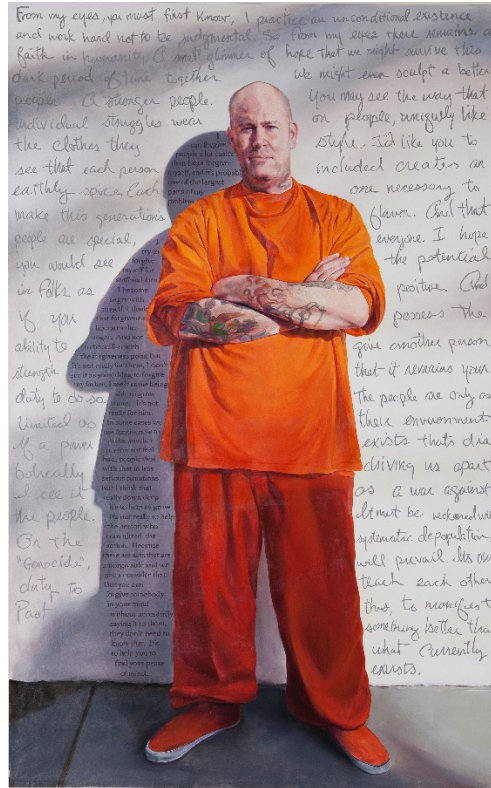
With a culture of equity at the center of the CultureBank investment value proposition, community building is an entirely different model. The system by which leadership in communities is built, nourished, and observed—both by members and non-members—is radically changed. Power will start to shift from today's reality, where, as Sam would tell us, "the most powerful voice in the room is the one with the money," to the potency of artists and community members with assets of all kinds. This is not just recognizing past wrongs, which, of course, is important. But even more important is giving people new tools and also new expectations.

The key to this concept is that the community itself creates the value and the artist-entrepreneur helps to imagine and unleash it. These two entities work together by thinking differently, talking differently, and building community value differently, all of which ultimately lead to investing differently.

Thinking and Talking Differently

Once we've fully experienced the new system of investment that CultureBank embodies, we will communicate entirely differently among community members and across communities. Rather than continue the process of "asking the community what it wants," we will engage in a shared process of inquiry about hidden value, investment needs, and ideas to increase valuable assets. Our dialogue will be better informed through an aesthetic- and culture-centric system. The hidden, the feared, and the untried can all be better seen and understood this way. Artists always know this, and if they are completely integrated into the system of investment, they will make whole communities more investable.

Consider the example of the muralist Evan Bissell, who paints pictures of people we tend to forget. Bissell helps us to see the creative impulse that resides in all of us—even ex-criminals in prison garb (see painting below). When we find ways to allow every member of a neighborhood to contribute to a stronger local community, we are on the road to creating a place that is also more economically viable.



"What Cannot Be Taken Away" by Evan Bissell

Consider Bissell's painting: It challenges us to see a member of a community in his prison uniform but surrounded by his own writing and observations. He is at once a convict, a scholar, a writer, and a neighbor.

Many thousands of ex-prisoners return to their communities every year, and many of them lack the support it takes to avoid falling back into criminal activity. In California, more than 60 percent of prisoners are back in prison after three years.¹ This is a tremendous cost to taxpayers. According to the Legislative Analyst Office, it costs nearly \$71,000 annually to house one prisoner.² But that is only a fraction of the costs that incarceration imposes on neighborhoods, families, and the incarcerated person's future. Artists like Bissell, in working with ex-prisoners, could be more effective in finding new ways to integrate prisoners back into their communities. That work creates value in all three streams that were explained in Chapter 3.

¹ California Department of Corrections And Rehabilitation, "2013 Outcome Evaluation Report," January 2014. Available at: http://www.cdcr.ca.gov/Adult_Research_Branch/Research_Documents/ARB_FY_0809_Recidivism_Report_02.10.14.pdf.

² Estimate is from the nonpartisan California Legislative Analyst Office. More details on this calculation are available at: http://www.lao.ca.gov/PolicyAreas/CJ/6_cj_inmatecost.

Building Community Value Differently

How do you capture the value that we are creating through CultureBank? We propose using an outcomes-based investment approach but in a new paradigm that rewards social entrepreneurs for solving difficult poverty-related challenges, such as closing the academic achievement gap, shrinking overcrowding in prisons, reducing neighborhood violence, and increasing employment. Entrepreneurs (CultureBank borrowers) would look for opportunities to measurably improve social outcomes. Those outcomes would be evaluated and affirmed by third-party evaluators and underwritten with broad participation by socially motivated investors.

Let's explore the ex-prisoner reentry example. The state of California passed Proposition 47, which has resulted in tens of millions of dollars to reintegrate prisoners back into civilian life.³ The effort was a response to a court-ordered reduction in the state's prison population to ease overcrowding. That funding could spur a new business model for reentry. There might also be some type of pay-for-success financing mechanism attached to this business idea, such as a social impact bond. On top of those two sources, there might be a way to generate revenue from some local social enterprises (for-profit businesses with a social mission), who might pay for a pipeline of new employees. (The organization REDF has several of these social enterprises, which place hard-to-employ people, like those with a criminal record.) This mix of: 1) government funding, 2) avoiding downstream costs with a social impact bond, and 3) revenue from local small businesses could repay an investment from CultureBank to finance Bissell's better reentry effort.

But what is even more important than paying back the loan or investment to CultureBank is a potential shift in the culture of the community. This value is what is created when a community is able to change its thinking. In this state, all residents feel more control over their destiny.

There is a collective sense of improvement. The community is successfully taking care of its own and demonstrating to itself that no person or place is "too broken to mend," in the words of Maya Angelou.

Culture Shift

"Culture shift" is a mindset of abundance and possibility. It is a place of collective efficacy where diversity and difference are sources of strength. It is a sense of hope that inspires children to dream big and achieve those dreams.

This change radiates outward. It begins to blend a long-suffering community back into the larger fabric of neighboring communities, blurring the lines that once separated them and allowing for ideas and value to flow out and be imported back in.

In short, culture shift helps to create a community of opportunity. It is a place with an ecosystem for investment that exists in today's highest-functioning communities. The community becomes an engine of growth and reduces inequality of all types—economic, social, racial, gender, religion, sexual orientation.

³ More information on Proposition 47 is available at: <http://www.lao.ca.gov/Reports/2016/3352/fiscal-impacts-prop47-021216.pdf>

“I just put the art where it needs to be.” –Nate

At root, CultureBank seeks to blur the lines between artist, entrepreneur, investor, and community in need. Ideas must come from everywhere. And no one sector (especially investors) must hold all the power. This, then, is the vision. But as has been true throughout our history, in executing this vision we will find ourselves at a fork in the road, where decisions will be made that can affect this outcome in irreversible ways.

Take, for example, the settlement of the arid American West in the late nineteenth and early twentieth centuries. In the second half of the nineteenth century, the explorer William Henry Powell returned from his western expedition to report to the federal government about settlement prospects. His expedition was the first to thoroughly chart the details of the Green and Colorado rivers. He told the officials he met with that the West would need to make decisions early on regarding water; they would have to build a sustainable future through the conservation of water or face extreme consequences. Among his suggestions was to organize the West’s political boundaries to be coterminous with watersheds so that new communities would be organized and incentivized to live in balance with their water needs and the environment. Instead, as we know, policymakers and wealthy leaders decided to plumb the mighty Colorado River to serve their interests in growth.⁴

Today, we face a similar fork in the road related to the issue of generating stronger and more viable communities in low-income neighborhoods across the country.

Interest in solving the problems identified in this paper mounts daily, and many of the nation’s most well-positioned institutions are keenly interested in a solution. Undoubtedly, it seems that we will find a solution. The question on the table now is whether we can solve problems, such as income inequality, health disparities, and lack of opportunity, using a model for sustainable communities and a culture of equity, or whether we’ll solve the problem using our current investment paradigm.

Maggie Super Church explores the tension between the investing paradigm we are in and the one we want to create in a blog post for the Build Healthy Places Network:

If you had the chance to invest in a blockbuster drug that was proven to reduce the burden of cardiovascular disease, diabetes, and asthma while cutting health care costs for thousands of people, would you do it? What if that same drug also reduced greenhouse gas emissions, improved mental health, and cut crime rates? The drug I’m talking about is deceptively simple—and we already know how to make it. In fact, it’s not a drug at all. It’s a neighborhood.⁵

Could CultureBank as a replicable model show the way to another choice when we look at this particular fork in the road? Can we find a way to invest in the neighborhood in addition to the drug? Can we spark the community itself to generate the value to repay the investment? And can the community capture that value for itself? We believe so.

⁴ For a good summary of this, see Donald Worster, *Rivers of Empire: Water, Aridity, and the Growth of the American West* (New York: Pantheon Books, 1992).

⁵ Maggie Super Church, “Building the Market for Healthy Neighborhoods,” November 11, 2014. Available at: <http://buildhealthyplaces.org/whats-new/building-the-market-for-healthy-neighborhoods/>.