

Thriving Downtowns:

*an investment playbook for
rural Appalachia*





Top photo credit: Sam Levitan
Bottom photo credit: Larry Epling

Table of Contents

| | |
|---|-----------|
| Introduction..... | 3 |
| Abbreviated Case Studies..... | 11 |
| Readiness Factors for Thriving Downtowns | 13 |
| Helping Groups Organize for Investment..... | 35 |
| Investment Strategies for Thriving Downtowns..... | 42 |
| Call to Action | 55 |
| Appendix..... | 59 |
| <i>Full Case Studies.....</i> | <i>60</i> |
| <i>Worksheets</i> | <i>74</i> |
| <i>Glossary.....</i> | <i>75</i> |
| <i>Resources.....</i> | <i>81</i> |
| <i>List of Community Leaders.....</i> | <i>84</i> |
| <i>Chart of Types of Investment.....</i> | <i>89</i> |
| About the Authors..... | 92 |

Introduction



BACKGROUND

This Playbook was commissioned by the Appalachian Funders Network (AFN) and the Central Appalachia Network (CAN), and funded by grants from the Appalachian Investment Ecosystem Initiative (AIEI), [Foundation for Appalachian Kentucky](#), and [Community and Economic Development Initiative of Kentucky \(CEDIK\)](#). However, this Playbook is a result of years of collaboration by more than a hundred community development leaders across the region working to connect investment to underserved communities and, ultimately, support downtown redevelopment and revitalization. This Playbook helps various stakeholders speak the same language of investment, identify key factors that enable investments to be successful, and provides examples of real investments that are leading to downtown revitalization in Central Appalachia. **Thank you to all the individuals that contributed to the development of this Playbook in the form of insight, case studies, photographs, and review.**

Primary Authors: Ruthie Caldwell (Vision Granted), Melissa Levy (Community Roots), Robert Donnan (Donnan Consulting), and Barbara Wyckoff (Creative Disruptors)

Project Advisors: [Hannah Vargason \(Partner Community Capital\)](#), [Andrew Crosson \(Invest Appalachia\)](#), [Thomas Watson \(Rural Support Partners\)](#)

Anchor Partners: AFN Downtown Revitalization Working Group, [CAN Creative Placemaking Working Group](#), [Invest Appalachia](#), Downtown Appalachia Center

Financial Supporters: [The Appalachian Investment Ecosystem Initiative](#) – managed by LOCUS Impact Investing and supported by Cassiopeia Foundation, Danville Regional Foundation, Greater Clark Foundation, Robert Wood Johnson Foundation, Thompson Charitable Foundation, UnitedHealthcare, and Wells Fargo – is a multi-year effort that builds on years of locally led work to strengthen and fill gaps in the community investment ecosystem in Central Appalachia, with the goal of helping the region attract and absorb capital in ways that strengthen regional capacity and advance social and economic opportunity that in turn leads to better health and well-being in the long-term.

Is this playbook for you?

If you care about developing a rural downtown and wonder how to pay for it, then this playbook is for you. So read it, use it, and share it with others who care about developing rural downtowns. This playbook provides examples, tools, and inspiration to help both investors and communities alike create a pipeline of investments in Appalachian downtown districts, which can ultimately lead to transformative and positive returns on investment for everyone involved. This playbook is NOT a step-by-step guide for community organizing, real estate development, or downtown revitalization. You can find links to such resources in the Appendix. This playbook focuses on the inner workings of investment, and is divided into 4 modules:

1. Case Studies: 7 real-world examples of downtown development investments throughout Central Appalachia.
2. Readiness Factors: an Investment Readiness Assessment Tool with a description of various factors that signal when a community is ready for investment.
3. Helping Groups Organize for Investment: an overview of the stages of investment in a downtown development project.
4. Investment Strategies: a breakdown of specific strategies and types of investment.

By utilizing real stories and drawing on decades of combined experience, this playbook will help investors and community members speak the same language. It also sheds light on innovative ways to blend multiple private and public sources to maximize return-on-investment for everyone involved.

So, if you are an investor seeking ways to maximize your return on investment, or you are a community member seeking investment to revitalize a downtown, this playbook will help you to make it happen.

WHY DOWNTOWN?

There has never been a better time for Appalachia to invest in downtown revitalization. Since the coronavirus pandemic began in 2020, how we organize as communities across the country has forever changed. In 2020 fewer people were moving closer towards city centers, and the widespread use of digital technology made it easier for Americans living in rural areas to work from home. The City of Hazard Downtown Coordinator Bailey Richards stated “When everyone shut down and started working online, people started moving home. We have had a huge influx of 25–35-year-old young professionals moving back, and lots of them have opened businesses. COVID has been this weird

blessing in disguise for us,” thus clarifying the silver lining of the COVID pandemic for rural communities.

We are currently seeing an uptick in companies moving to walkable downtown areas, and Americans are starting to support local

Now is the right time to invest in rural economies. Revitalizing downtowns will make them more attractive places for remote workers to live and companies to relocate. Investing in downtown redevelopment creates jobs, increases property value, and encourages tourism.

businesses now more than ever. Now is the right time to invest in rebuilding rural economies and support local business by revitalizing downtowns in order to make them more attractive places for remote workers to live and companies to relocate. Investing in redeveloping vibrant downtown economies creates jobs, increases property value, and encourages tourism.

Local, regional, and national stakeholders are laying the groundwork for significant investment in Appalachia. Local restaurateur CJ Rylands, provides meeting space and a discount meal every week for anyone to discuss and support community projects in Buckhannon, WV as part of the Create Buckhannon community group. To support local efforts like this, Invest Appalachia is creating training for those they refer to as “investment framers,” to help local leaders understand and capitalize

on investment opportunities in their communities. The investment framers are the catalyst who initiate the organization and structure the downtown revitalization opportunities their local communities need.

Additionally, the federal government is making unprecedented investments in the region by pledging hundreds of millions specifically to coal-impacted communities through the U.S. Economic Development Administration. Substantial investments are being made into rural broadband infrastructure and by reclaiming abandoned mine lands. Communities that can quickly plan and develop “shovel-ready” projects with significant impact will obtain this funding. COVID has created unprecedented opportunities that could level the playing field for Appalachia if local citizens and leaders can organize and invest wisely. A recent blog by LOCUS Impact Investing stated, “It is true that out of crisis often comes opportunity, and the launch of Invest Appalachia now is a case of ‘right place, right time.’”¹ They could not have been more correct.

WHY NOW?

Appalachia is a region of contrasts. Rich history, abundant natural beauty, and hard-working, good-hearted people co-exist alongside enduring poverty and unemployment, polluted abandoned mine lands, chronic poor health, and widespread opioid abuse. Appalachia is historically under-resourced and underinvested. A 2017 report showed granting foundations spent only \$43.00 per person in Appalachia versus the national average of \$451.00.² This means the average Appalachian resident had access to less than 10% of the charitable giving funds available to most Americans; yet, the need for investment and charitable giving in Appalachia is greater now than ever due to higher rates of poverty and unemployment, struggles with educational achievement, and poor health outcomes.³

These current facts do not have to be the final story of Appalachia. Geoff Marietta, an Eastern Kentucky investor and founder of Invest 606, eastern Kentucky’s business accelerator and pitch competition, said in a recent interview that “if you want to be successful in investing, you have to know a secret...you have to know something no one else knows, because if everyone else knows, it becomes price competitive.” The secret Geoff knows is simple: Appalachia is one of the best places

¹ LOCUS Impact Investing, 2021.

² National Committee of Responsive Philanthropy, 2017

³ UAB Institute for Human Rights, 2021.

in America to invest. There is a movement across the region with local residents leading the charge to rewrite the story of Appalachia as people are currently investing in their communities like never before. After over a century of relying on coal, a single extractive industry, locals are spurring an entrepreneurship renaissance and making their hometowns places where they want to continue living and others want to start visiting.

This playbook builds on the momentum of the Appalachian Investment Ecosystem Initiative, Invest Appalachia, Central Appalachian Network, Appalachian Funders Network, and countless other efforts to foster sustainable economic development across the region, and provides communities with tools and resources to stimulate downtown revitalization.



WHAT PRINCIPLES GUIDE THIS WORK?

This playbook is built on 7 underlying principles that can help communities across Appalachia strengthen and build thriving downtowns.

7 Underlying Principles



Flexibility



Communities Lead



Better Together



Care for Rural Assets



Investing for the Long Haul



Skin in the Game



Building Community Wealth



Flexibility: At times investing in rural places like Appalachia can feel like trying to solve a puzzle. To get the various elements and individuals aligned and working together, patience and flexibility are needed to enable community-determined projects to move forward.



Communities Lead: Ultimately residents must decide what is best for the vision and development of their own community. Approaches and strategies must be customized by local residents to fit their own needs.



Better Together: The expression “better together” applies to downtown revitalization. All types of organizations must work together to ensure that investments are truly designed by and for all local residents. We cannot waste community manpower and good ideas by excluding them from the action.



Care for Rural Assets: These principles must be essential design features of downtown revitalization efforts from the start. We must investigate innovative ways to revitalize rural downtowns while protecting the natural, cultural, and historic assets that make both Appalachia and rural America national treasures.



Investing for the Long Haul: Most downtown revitalization projects have a double bottom line. For example, a historic downtown building is revitalized into a boutique hotel, thereby preserving a beloved building and generating a financial return to investors. Innovative approaches to investing that layer different types of capital with different social and financial return expectations can spark development in a way that grant funding alone will not.



Skin in the Game: Successful projects have what some locals refer to as “skin in the game.” Investing by local residents, foundations, and local businesses demonstrates to outside investors that this is a community that is willing to invest in itself.



Building Community Wealth⁴: Downtown revitalization is a community wealth building strategy, and successful efforts require more than just financial assets. Building community wealth is a cyclical process in which growing communities build on and invest in their assets which in turn builds more community wealth. Community wealth encompasses the eight different forms of wealth in a region. These include:

- **Individual** - Health, well-being, and skills of the population.
- **Intellectual** - Knowledge, creativity and innovation of the region.
- **Social** - Trust, relationships and networks between people and organizations.
- **Natural** - Natural resources such as land, plants, animals, water, and air.
- **Built** - Physical and information infrastructure like buildings, roads, and telecommunications.
- **Financial** - Cash and financial investments.
- **Political** - Connections and influence of individuals and organizations.
- **Cultural** - Values, traditions, and identity.

⁴ Wealth Works

TRANSFORMATIVE INVESTMENTS & KEY TERMS

The overarching goal of this playbook is to help investors and communities think holistically about downtowns so each community can develop a series of priority investments where one successful project leads to another, and they all add up to transformation. This is known as the *investment pipeline*.

Transformative investments help change the relationship between communities and capital. Disinvested communities are transformed into places of more equitable opportunity where market fundamentals work, and locals themselves drive new possibilities for economic and social activity. Transformative investments also generate Return on Investment (ROI), both financial and social, to the community.

The stories, frameworks, and lessons found in this playbook point to exciting things already happening in Central Appalachia and includes projects with a high likelihood of future success. As a region we are awakening to the power of working together to develop best practices and share insights. This will enable us to refine and accelerate the implementation of these cutting-edge investment strategies in our own communities.

Our shared work will proceed more fluently if we can speak a common language about community investment. You'll see some key terms here; a more complete set of useful terms and definitions are included in the [Glossary](#) in the [Appendix](#).

Fundamental Terms in Community Investment

Capital stack—The different components of investment including their value, sources, and individual grades of risk, that have been put together to finance a specific project. This is a snapshot in time of the funds that went into a project. It includes a variety of funding sources and outlines who gets paid when.

Catalytic capital—Dollars for grants, credit enhancements, and forgivable loans where financial return is not a consideration. Catalytic capital may support pre-development work, such as technical assistance and capacity-building, or it may flow into the capital stack later as a way of making sure the deal is completed. In both instances, it helps

get low-resource communities and shovel-worthy projects ready for repayable investment.

Readiness Factors—Community conditions and assets that lay the groundwork for making effective investments. If not in place, the absence of these enabling factors can compromise a proposed project's transformational potential.

Return on investment (ROI)—the financial, social, or environmental benefit to be gained from an investment in a specific enterprise, often used as a metric used at the outset of a venture to anticipate those possible benefits. From the construction or renovation of a property, to the launch or expansion of a business, ROI compares the gain or loss from an investment relative to its cost.

Investment capital—Repayable capital where investors want a financial return on their loan or equity investment. Investment capital primarily comprises two types of capital: Market Rate Capital and Concessionary Capital. The former expects an ROI consistent with current market expectations for investment adjusted for risk, while the latter is willing to accept a lower-than-market-rate return in exchange for accomplishing desirable social or environmental outcomes.

Predevelopment—The due diligence phase of any planned project after the team drills for information that will help map out the feasibility of accomplishing said project. It is characterized by technical services related to: architecture and engineering; assessing likely sources of investment, as well as tax credits; refining a business model; preparing a well-crafted prospectus; and finally, putting together a capital stack that will finance the project.

In its simplest form, when done right:

$$\text{Readiness Factors} + \text{Catalytic Capital} + \text{Investment Capital} = \text{Transformative Investment}$$

To explain, **Readiness Factors** are the fundamental attributes a project needs to have in place to be successful. Having some or all of these factors will enable the project to be successful. Once there

are sufficient enabling factors, **Catalytic Capital** can be added in the form of non-repayable seed money, predevelopment work funds, or gap funding, to plan and help develop a shovel-ready project. **Investment Capital** (i.e., repayable capital) then generates the most significant amount of capital, and often completes the total amount of funding needed to actually develop or construct a project. When all three are combined, this leads to a **Transformative Investment**. This playbook provides case studies and other examples of how communities have partnered with investors to realize their own transformative investments.

MEET THE PLAYERS

As with any playbook, there are different players occupying various positions needed in order to win. Across all the featured case studies, you will see five key functions and roles identified. One role may be filled by many people, or one person may fill several roles, especially in small towns. Once these five functions are filled by passionate individuals with a shared vision, a synergy occurs that propels the project forward. The group organizes, recruits others to the team, and becomes ready for investment.

Key Functions & Roles

Spotter - The Visionary. The spotter sees potential opportunities (buildings, enterprises, and individuals) and connects people to move opportunities forward. For instance, Lori McKinney in [Princeton, WV](#) is a spotter who sees an empty building as an opportunity and then pulls people together to make something happen. A spotter may work with an engager to create connections around an opportunity and encourage the framer.

Framer - The Deal Maker. The framer can assess whether a project is investable, describe the project, navigate discussions with investors, and help put the capital stack together. Framers have the language, tools, and connections to move opportunities forward.

Engager - The Engager earns the trust of the community and local government, identifies unmet needs, and shares community stories and desires with the developer and investors. This could be a single person

or an entire organization; for instance, University of Kentucky's CEDIK program helped [Pineville, KY](#) host community listening sessions to develop a shared vision for downtown.

Developer - The Risk Taker. For something great to happen, someone has to be willing to take on the initial risk. For example, The Appalachian Arts Alliance in [Hazard, KY](#) bought a former bus depot from a local bank to repurpose and develop it into a performing arts center. Developers often manage construction and renovation, build to specifications (if there are known clients), and then manage the tenants or sell. Some framers may also be "activist developers" who come early and see new opportunities and plan/implement the project development before managing construction and renovation.

Primary Contact - The Connector and Primary Point of Contact. This can be someone filling one of the above roles or even an additional team member, but somebody needs to be driving the train. Bryan Phipps, Senior Vice President of People, Inc. says, "It's good to have an internal planning group but there needs to be one person who is responsive to emails/calls and is knowledgeable enough about the project to respond quickly to questions and things to do for the project to move it forward."

Once the core team is complete, they can identify other individuals needed for their specific project. Here are some other skills and stakeholders to consider including on a team:

Key Skills

Other key skills needed may include:

- Engineering/Architecture
- Historical Preservation
- Housing
- Legal
- Accounting
- Real Estate Management
- Research and development, which can include market studies, feasibility studies, sustainability plans, etc.

Other Stakeholders

Common partners helping the core team:

- Municipalities/Elected Officials
- Educators
- Retail/Service Sector Businesses
- Property Owners/Developers/Realtors
- Chambers of Commerce/Business Associations
- Local and regional development corporations, housing corporations, industrial development agencies, and business improvement districts
- Consumers
- Media
- Cultural and historical organizations
- Local non-profit and advocacy organizations
- Civic Clubs
- Hospitals/Healthcare organizations & practices
- Housing/Social Service Organizations
- Diverse groups representing the full spectrum of residents including gender, race, religion, ability, orientation, and socio-economic status

Abbreviated Case Studies



CASE STUDIES

Full case studies are located in the [Appendix](#).

Grafton, West Virginia (pop. 5,016)

A non-profit in a former railroad town takes the lead to transform a historic building into The Station: A Cohen Collaborative. The renovated structure will be a mixed-use facility with office, retail, co-working, and conference space. As a “twin deal” utilizing New Market as well as State and Federal Historic Tax Credits, this project, which is located in a qualified Opportunity Zone, features a diverse capital stack.

Hazard, Kentucky (pop. 5,046)

A non-profit organization teams up with a local foundation and municipal government to renovate a vacant downtown bus station into a performing arts center. By gaining community support, coupled with a patient bank loan and innovative community foundation investment, they raise the remaining funds and begin leading an entrepreneurial renaissance for downtown.

Hyden, Kentucky (pop. 398)

A small rural community has secured an investment to begin renovating a historic downtown building, yet decides to shift its priorities when a roadblock presents itself and a new opportunity arises. Hyden demonstrates the importance of meticulous pre-development work and then knowing when to pivot. The town has the initial investment to move forward with a strategically important alternative renovation and also has time to reconsider how to best reimagine their original first choice.

Pineville, Kentucky (pop. 1,831)

A town seeks help from the community and local business owners to develop and implement a complete downtown revitalization plan. They use bonds, loans, grants, and local investments to transform downtown from being 20% to 100% full of businesses and local activities, including restaurants, boutiques, and an active nightlife.

Princeton, West Virginia (pop. 5,831)

Princeton shows the importance of technical assistance and foundation grants. Using a district-wide planning approach, The Mercer Street Grassroots District transforms downtown through music, the arts, and food. A local non-profit, a foundation, and government entities work hand-in-hand with community members in a grassroots effort to renovate vacant buildings, with 30 new businesses having opened on Mercer Street since 2013.

Pulaski, Virginia (pop. 8,799)

In 2014, a developer buys a local baseball team, refurbishes the ballpark, and turns an old warehouse into a boutique hotel. Around the same time, to escape traffic, another developer serendipitously drives through Pulaski and sees vast investment potential. Soon he begins mentoring a group of young entrepreneurs who renovate downtown buildings using loans, equity investments, grants and tax credits.

Shawnee, Ohio (pop. 391)

Local organizations partner to connect the nearby trail system to downtown. Then, non-traditional partners help fill the previously vacant downtown buildings by leveraging technical assistance grants, federal grants, loans, and private equity. A non-profit offers technical assistance to help new adventure tourism startups; the local college opens a distillery and brewing company to train students; and developers partner with the college carpentry program to build tiny homes around the lake providing unique lodging options for tourists.

Readiness Factors for Thriving Downtowns



HOW DO COMMUNITIES KNOW IF THEY ARE READY FOR INVESTMENT?

HOW DO INVESTORS KNOW WHICH COMMUNITIES ARE READY FOR INVESTMENT?

While there is no magic formula that will tell communities and project developers exactly what they need to do to be investment ready, or to tell investors which communities or projects are sure bets, there are readiness factors that can help create the conditions necessary for success in rural communities. These factors can also signal to potential investors that a community or project is likely to offer a good return on investment for them. Generally, these factors help create a healthy environment for investment. While not all factors need to be in place for a community to be investment ready, each factor can build on the others to help the community become more investable.

The first step in downtown revitalization is to identify and build on existing assets. The Environmental Protection Agency (EPA) states: "Identify the assets that offer the best opportunities for growth and develop strategies to support them. Assets might include natural beauty and outdoor recreation, historic downtowns or arts and cultural institutions."



This research has identified factors that promote investment readiness for rural communities wanting to pursue downtown revitalization. They have been divided into the following categories:



Community Assets



Local Government and Civic Structures



Economic Ecosystem



Built Infrastructure



Natural Environment

The following readiness assessment helps identify which of these readiness factors can be leveraged for downtown revitalization in your community, while also providing context for how the community can overcome any acknowledged challenges. There are readiness assessment questions after each section allowing you to gauge your community's readiness in that particular area. At the end of the section, you will see a scoring sheet to help you understand your community's readiness based on each group of readiness factors. You can take the assessment as you read through each section or find the complete assessment in one place in the [Appendix](#).

Photo credit: Sam Levitan

COMMUNITY ASSETS

Community assets include partners, leadership, and networks, and the capacity these groups have to plan and achieve shared priorities.

Partners

Beyond the usual partners (municipalities, Main Street organizations, economic development authorities, etc.), there are unusual partners that may be interested in engaging in this work. For more information about partners, see Meet the Players in the Introduction.

- **Community foundations** can make direct grants and/or invest in for-profit businesses; many people mistakenly believe they can only invest in nonprofits. Community foundation boards need training and education to show them what is possible. In Nelsonville, OH, a group of foundations came together to make Stuart’s Opera House work.
- **Community banks** are connected to the fate of the community. Banks often need to participate in their community to fulfill federal Community Reinvestment Act (CRA) requirements. Community bankers are great to have on a team and may be able to connect you with access to grants, loans or technical assistance. First Bank & Trust in Christiansburg, VA played this role in [Pulaski, VA](#), by buying the Historic Tax Credits in this project. Their local leadership may help in unexpected ways, such as the bank that offered a patient loan in [Hazard, KY](#).
- **Regular people** can also be part of the investment mix. In [Princeton, WV](#), a co-op of 10 people is putting in \$42/month to buy a 10% share of a downtown building.
- **Educational partners**, such as community colleges and universities, have a stake in making a community’s downtown attractive for their staff, faculty, and students. Most are eligible and prepared for grant funding, so they can be a lead applicant for grant applications. Many want to provide unique opportunities for their students like in [Shawnee](#) where Hocking College invested in Black Diamond Distillery and Star Brick Brewery downtown to create hands-on opportunities for students in their Fermentation program.

- **Young people** are an asset worth building on. Rusty Justice, a founding Board Member of the nonprofit “Accelerate Kentucky,” which focuses on improving the entrepreneurship ecosystem of Kentucky, says:

“Appalachia produces these amazing people with all kinds of skills, and if we don’t keep them or leverage the fact they have a connection here, then they leave. The solution to the problem of Appalachia will be growing a thriving **innovation driven** small business private sector that provides rewarding opportunities that entices our youth to stay. And secondly by recruiting our diaspora [those who have moved away] to come back home, live, and work; or at the very least to reconnect their existing networks and skills to the place they still call home.”

In [Pulaski, VA](#), Steven Critchfield of West Main Development assembled a team, tapping Virginia Tech graduate Luke Allison and Austin Stromme, another enthusiastic entrepreneur, to round out his development team. These two were among a group of millennials referred to as “the tribe,” who are investing their time and money into Pulaski’s future. In [Pineville, KY](#), much of their downtown redevelopment plan and subsequent project assistance came from students. Even now, Pineville has hundreds of volunteers from the local high school and college who help with downtown projects. Engaging young people encourages them to see opportunities and want to stay and work in their community, bringing life to a downtown.

“Appalachia produces these amazing people with all kinds of skills, and if we don’t keep them or leverage the fact they have a connection here, then they leave. The solution to the problem of Appalachia will be growing a thriving innovation driven small business private sector...[and] recruiting our diaspora [those who have moved away] to come back home, live, and work.”

— *Rusty Justice, founding Board Member of the nonprofit Accelerate Kentucky*

- **Businesses** also have a self-interest in engaging, as they will benefit from a vibrant downtown. In Pulaski, VA, there are over 1,000 unfilled jobs due to a lack of affordable housing. Having these businesses engaged to showcase the need for housing will be key to recruiting developers and investors. In a different context, businesses can also support fundraising efforts. In **Hazard**, KY, local businesses ran special promotions and donated money to the capital campaign to raise \$25K for the Art Station. One business donated \$1 for every dozen donuts sold. Every business, no matter how big or small, could be a potential ally, so don't forget to include them as potential partners.

NON-TRADITIONAL PARTNERS

Partners in rural downtown revitalization are varied, typically including municipalities, economic development authorities, and main street organizations. In some places, however, unusual partners can step forward to engage.

Colleges/Universities

Colby College, Waterville, Maine

Vacancies outnumbered tenants in Waterville's Main Street when this community lost four mills and thousands of jobs. David Greene, president of Colby College in Waterville, saw the value in reconnecting the college with its host city in ways that would be mutually beneficial. Colby started buying distressed properties on Main Street in hopes of building a dormitory and began talks to create a fund to provide loans and grants to small businesses. Now the college is the largest property owner on Main Street, having bought five buildings downtown, for a total of \$1.3 million in 2016. These are not meant to be permanent acquisitions, but are intended to be a catalyst for the community's revival.

Together, the City and Colby College embarked on an inclusive visioning process for a revitalization plan. Waterville's assets are historic architecture, local businesses, and anchor institutions. Strategic projects funded by Colby College and the Harold Alford Foundation are leveraging additional private investment throughout the downtown.

Colby development includes a mixed-use building with student apartments and retail, a Main Street boutique hotel (the Lockwood Hotel), the Paul J. Schupf Arts Center, and the renovation of a historic office building. The foundation also helped found and support Waterville Creates!, which is a collaborative consortium of community art and cultural institutions including the Waterville Opera House, the Maine Film Center, and Colby College. Waterville Creates! is now working with Colby College to raise funds to create a new 'Center for the Arts' at the site of the old Stern's department store. In the words of the College, "Waterville is now seeing a growing population, rising property values, and unprecedented investment."

Hocking College, Shawnee, Ohio

Hocking College is engaged in Shawnee, Ohio's revitalization efforts. Hocking College purchased Black Diamond Distillery and Star Brick Brewing to create a hands-on opportunity for students of the college's Fermentation Program. These college-owned and operated businesses create, produce, and sell local beer/spirits produced by students. Black Diamond Distillery and Star Brick Brewing are partnering with an area development agency focused on revitalizing the community - Black Diamond Development. Together they plan to develop and launch a new line of craft beverage products to be featured at the new Black Diamond Tavern, which will drive commerce, development, and tourism in Shawnee.



Corporations

Mike Workman started Contraxx, a custom hospitality furniture company, in McConnelsville, Ohio in 1976. His advice is to utilize the second stories of downtown buildings and offer free rent for start-ups for a year or more, as a way to trade built capital for human capital.

In 2015, Workman moved his company from one building in McConnelsville to another. In partnership with two other individuals, Mike bought the building for \$30,000 and invested a total of \$600,000 in it. They attracted a physical therapy business and an eye care business to occupy the first floor. The building then attracted a potential investor at Miba, an Austrian company. The Community Improvement Corporation built a \$25 million factory in the area which Miba then leased. Between the two facilities in the area Miba employs 500 people. People are coming in from Austria, China, Brazil, and Canada to work at the facility. Because there were no hotels in McConnelsville, Miba asked Contraxx if they would be interested in converting the second story of the building into apartments for Miba's employees. Miba is now on its second 5-year lease.

Since this arrangement, neighboring property owners are fixing up their own buildings. According to Workman, "It's the broken window theory that Malcolm Gladwell suggests. When people see improvements, they are more likely to follow the lead. It's very simple, start the fire and let others stoke it."

Leadership & Networks

In the Meet the Players section, we identified five key roles in the core leadership team for successful rural downtown revitalization: Spotter, Framers, Engager, Developer, and Primary Contact.

According to Geoff Marietta, founder of Invest 606, "In every community, you have to have someone herding the cats." It helps to have someone wake up each morning thinking about this. Who is the right person to do this? And what do they need to be successful? This is the Primary Contact or Connector, who is responsive to emails/calls and is knowledgeable enough about the project and players to respond quickly when needed.

Non-Traditional Leadership

Leadership doesn't always have to be traditional. For example, New York Mills, MN is in vacation country but not on one of Minnesota's 10,000 lakes. It doesn't have a lot going for it in terms of location or natural assets. However, in the 1990s, the community started something called "Thursday Economic Development." People in the community – politicians, bankers, real estate people, and a fishing boat company - had a coffee hour every week and talked about what was on their minds. Anybody could come, and you never knew how many people might show up. It could be anywhere from 2 to 100. What this did was create a collective leadership atmosphere in this community. Everybody who wanted to know what was going on had the opportunity to do so. One early project was a downtown façade cleanup. With help from the West Central Initiative, the community had funding for structure removal, and they were able to give grants of up to \$5,000 per lot that was made available for affordable housing in the community. This led to delinquent properties being taken over and redevelopment of their downtown. Through these conversations, the community realized that the housing problem was because of housing locked up by senior citizens who had nowhere to move, but who wanted to downsize. As a result, the community developed assisted living and higher end senior townhomes. The downtown is thriving and tourists are coming. One of the key enabling factors for this success was collective leadership.

Leadership can take many forms in downtown revitalization - including local government leaders, private business leaders, institutional leaders, and nonprofit leaders - but it is more robust when shared. Investors are seeking projects with a strong core leadership team, including local leaders. A leadership team needs to have vision and community trust.

This team could be a downtown revitalization group or business group that understands how to get things done in the community, how to engage with various programs, funding sources and income streams, and how to navigate federal and state programs. The Gloucester Revitalization

Organization (GRO) was key to [Glouster](#), Ohio's success, because of its combination of public and private partners.

Networks can also provide direction and leadership. What's Next EKY?!, for example, is a network of communities and local leaders in Eastern Kentucky focused on connecting, collaborating, and celebrating shared progress on key goals around a thriving Appalachian KY. While the network has a paid Coordinator, there is no single organization leading; all members have a voice. The network is currently developing a Community Accelerator program to help multiple communities work together to share ideas, plan, and take action on economic development projects in their own communities.

Collaboration is the key to making downtown revitalization happen. Investors will want to work with local entities that already are successfully collaborating and getting things done. Investors may seek collaboration across:

- Public, private, philanthropic, and nonprofit entities
- An entire geographic region. It may be helpful to look at assets regionally and connect stakeholders who will be building on those assets.
- Much of collaboration is about people having a sense of willingness to help each other and collaborate not just in a meeting, but also informally. This requires investments in social and cultural capital. For example, in Hazard, KY, the community action group, InVision Hazard, built a positive relationship with the local government. It took time to show InVision [Hazard](#) truly wanted to work with the city government. One of the early members of InVision Hazard, Melissa Vermillion, illustrates this: "To start something like InVision [Hazard], you have to earn the trust of your local government... Find those things they need, earn their trust, and be a partner, and THEN you can start working together."

Capacity

The term "capacity building" is all about helping a person or organization gain the skills, knowledge, or abilities they need to succeed. Accessing

and building investment capacity is a key readiness factor for downtown redevelopment. This is about building the capacity to understand investment by engaging spotters and framers and technical assistance providers. There are many who have the desire but are not sure how to go about investing in downtown revitalization. Being familiar with government programs and what other communities in the state/region have tried can be a big help.

Often one single organization does not have the capacity to handle all the administrative requirements for a project with multiple investment sources. These roles may need support from grants or technical assistance. The [Hazard](#) Art Station, according to Lora Smith of Appalachian Impact Fund, "was completed because the city hired Bailey Richards as a Downtown Developer and completely transformed the downtown. This is a great example of how a very small coalfield-based municipality can totally revitalize their downtown when they partner with other philanthropic and private groups to really focus on that." AIF's parent organization, the Foundation for Appalachian Kentucky (FAKY), provided technical assistance and backbone administrative support. Bailey pushed the Art Station project forward by seeking information and partnerships to help build her investment capacity. She said "having a degree in fine arts, being a Project Manager on this was a learning experience...when you're dealing with commercial spaces it's a whole different ball game!"

Downtown revitalization investment deals can be complicated. There is a perception that even banks and CDFIs don't always know how to frame these deals. Many institutions need to be trained to provide that technical assistance.

Aggregate Capital is a company dedicated to creating vibrant, mixed-use rural communities through revitalization of historic infrastructure. Uniquely stacking multiple sources of capital reinvents blighted parts of a community and creates affordable spaces that are: demanded in the region, economically feasible for the lenders, and produce great returns for the investors. Aggregate Capital has created a template to duplicate these efforts in other rural communities with dilapidated and blighted properties; their initial focus was [Pulaski](#), VA.

Planning & Shared Priorities

Shared priorities in the form of a plan, vision, or pipeline of projects and opportunities with local support, help pave the way for downtown revitalization that meets community needs. Early wins are necessary along the way to keep the momentum going. If you plan for one project, you will get one project; whereas, if you plan for a larger vision the results will be true transformation.

In [Pineville](#), KY, Economic Development Director Jacob Roan partnered with University of Kentucky's CEDIK program to host listening sessions in the community. Rather than just asking everyone interested to come to a single meeting, they also went to meet people where they were and listened to community members not traditionally included in these conversations – people like high school students and affordable housing residents. This led to shared priorities, and is one reason why their plan has been so transformative. It's important to reach out to people who are not the usual suspects. Nontraditional ways of doing this may include ice cream socials, music in the park, etc. Keep in mind: it does not always have to be a planning meeting and the outcome does not always need to be a plan.

The vision may evolve into a community's identity. One way of identifying opportunities is by looking at gaps. For example, if a community lacks a grocery store and is considered a food desert, then this could lead a community to consider food-related developments as a way to close that gap. That lack of available healthy food options can be the basis of recruiting investments for market-driven, appropriately sized enterprises which can serve the community and populate the downtown. Other themes, like tourism, the arts, and healthcare, may provide something to build investments on.

It is also important to be flexible and ready to seize opportunities as they arise. You cannot map out everything. Sometimes opportunities come along that you must respond to quickly. Having a shared vision to follow, with residents' desires in mind, can help leaders make the best decision.

Community assets are the foundation of downtown revitalization investment. The focus should be on building trust and networks (social capital), creativity and imagination about what's possible (intellectual

capital), and community members' and partners' skills (individual capital) - three of the foundational community capitals useful in pushing any initiatives forward. It may also be useful to track and share ongoing progress around building community wealth with a community dashboard and intensive local media coverage. Progress can be celebrated with community events.



COMMUNITY ASSESSMENT QUESTIONS

Instructions:

Think about your own community or region and whether you have these community assets in place. Note what you have and what you need. In the left column, mark 1 point for each you have in place.



Photo credit: Sam Levitan

| | |
|--|---|
| | Leadership: Leadership that is willing to learn, think out of the box, and be responsive to input from local stakeholders and residents across formal and informal structures |
| | Primary Contact: A Connector who is responsive to emails/calls and is knowledgeable enough about the project and players to respond quickly when needed. |
| | Engagement: Ability to engage diverse stakeholders and a broad range of local community members, fostering respect, openness to new perspectives, and collaboration |
| | Shared Vision: Vision, goals, and a plan for your downtown shared by diverse stakeholders and residents, and an inclusive process in place to adjust as community priorities and opportunities shift |
| | Existing Skills: Inventory of relevant existing skills and expertise held by local residents |
| | Opportunities & Constraints: Analysis of the opportunities and constraints to developing your downtown in a way that engages a diverse array of residents |
| | Quality of Life: Assessment of quality-of-life assets: recreation, arts/culture, third spaces (informal social gathering), entertainment, etc. |
| | Property Inventory: Inventory of building stock (ownership, quality, square footage, required upgrades, etc.) and potential uses identified |
| | Investment and Investment Capacity: Capacity on the ground to put investment deals together |
| | Local Brand: Strong brand/identity for the region that draws on local history, culture, emerging industries, ongoing innovation, etc. for area |
| | Education Assets: Access to education (K-12, quality early childhood education; post-secondary certificate programs, etc.) |
| | Health Assets: Access to, and affordability of healthcare assets. |
| | TOTAL SCORE |

LOCAL GOVERNMENT AND CIVIC STRUCTURES

Civic structures entail community self-identity, and how the local government can help via the use of municipal tools. In smaller communities, informal citizen networks can support units of government that rely on part-time elected officials. In very rural communities, citizen engagement can substitute for public sector capacity.

In [Hazard, KY](#), the town saw a need for someone at the municipal level to focus on downtown revitalization. They hired Bailey Richards as the Downtown Coordinator which is when downtown revitalization really accelerated. A downtown revitalization working group, or a Main Street organization, may be able to play a similar role to a downtown coordinator.

A land bank, such as the Athens County Land Bank, can be a civic structure that eliminates a gap and focuses downtown revitalization efforts. Land banks are nonprofit organizations whose mission is to strategically acquire properties and return them to productive use. This reduces blight, increases property values, supports community goals, and improves the quality of life for residents.

Even in places where local landowners do not want to sell their land, local governments can use tools at their disposal like ordinances, taxes, etc. When property owners in the Grassroots District in [Princeton, WV](#), would not renovate or sell their buildings at reasonable prices, the city began enforcing the “2018 rental compliance program.” With this program, owners need to have and implement a plan of action to maintain their properties, or risk paying the City a fine.

Other roles local governments can play are in promoting streetscape improvements, incentivizing affordable commercial spaces, and employing appropriate zoning regulations. Municipal economic development committees may be helpful in incentivizing redevelopment and marketing the community as a place with potential.

Municipalities have access to grants and public funding to renovate buildings that small businesses do not. For instance, *brownfield funding* is a type of federal funding for vacant land or properties that may have been contaminated by previous owners. Only local governments and non-profits can access this funding. Brownfield funding can help by assessing

whether potential hazards exist and then removing contamination. Municipal governments can help in other ways too. The City of Hazard, KY, for example, renovated a historic building for a local bookstore, the “Read Spotted Newt” at the request of the shop owner. Now she is paying rent and taxes to the city and the building is no longer vacant/blighted.

COMMUNITY ASSESSMENT QUESTIONS

Instructions:

Think about your own community or region and whether you have these elements of local government and civic structures in place. Note what you have and what you need. **In the left column, mark 1 point for each you have in place.**

| | |
|--|--|
| | Downtown Group: Downtown revitalization working group, main street organization, and/or downtown coordinator supported by local residents and businesses |
| | Local Government: Civic groups that promote streetscape improvements, affordable commercial space, and appropriate zoning regulations. A plan or process to incentivize redevelopment |
| | Virtual Gathering Places: Including online meetings of civic organizations, local residents and visitors, as well as access to free webinars about tools/strategies for transforming downtowns |
| | Marketing Capacity: That effectively leverages downtown revitalization as an economic driver, and could be housed within organizations like local government, Chamber, or merchants association |
| | TOTAL SCORE |

Profile: The Power of Land Banks in Glouster, Ohio

Ohio Land Banks

In Ohio, in 2008, new legislation allowed for the establishment of county land reutilization corporations - also known as county land banks - which is now a model for other states. County land banks are nonprofit organizations whose mission is to strategically acquire properties and return them to productive use. This reduces blight, increases property values, supports community goals, and improves the quality of life for county residents.

While each county land bank is customized to the unique needs of the community it serves, land banks typically have three main functions:

1. Acquire and consolidate vacant parcels through purchases, donations, or intergovernmental transfer from public foreclosure holdings.
2. Clear title to land and prepare parcels for transfer to a third party for redevelopment or reuse.
3. Prioritize land for disposition or reuse and sell land for redevelopment to a third party.

The success of Ohio's first land bank led to subsequent legislation expanding eligibility to all counties in the state.

Athens County Land Bank

In 2018, Bridge Builders, an Athens County group, formed to address the drug epidemic. Their work resulted in the formation of the Athens County Land Bank, whose mission is to eliminate blight and rebuild and revitalize dilapidated buildings.

The Land Bank receives 90% or more of its funding from delinquent tax payment. In the last two years, the Land Bank has received half of those fees, ultimately resulting in about \$360,000 over the past two years. The Land Bank also takes property donations as long as there are no other property liens.

Glouster Revitalization

At first the Land Bank focused on residential properties and acquired them through foreclosure or tax delinquency. Glouster has seen a great deal of success. As houses are donated to Habitat for Humanity, properties are offered at below-market values.

Turning to the commercial side, a dedicated group of residents and businesses are attempting to revitalize Glouster through the nonprofit Glouster Revitalization Organization (GRO). Their hope is to bring badly needed businesses, tourism, community engagement, and foot traffic back to the town's downtown area.

GRO started with the Wonder Bar building. The Land Bank covered the cost to transfer the property ownership and to do the demolition work. This property became a community venue: a greenspace with a stage. Jane Cavarozzi, owner of Dirty Girl Coffee and part of GRO, hosts a First Friday event there with music and food trucks. This project became the proof of concept to show that Glouster was a viable community for additional downtown revitalization.

Other projects are now on the horizon, including a building that Dirty Girl Coffee is acquiring to house their own bean roasting and a small espresso bar. The facility will have an upper level for R&D, barista classes, and a meeting space for other nonprofit partners. GRO was also recently awarded a \$100,000 grant for

another building, the Knights of Pythias, a three story 9,000 square foot structure. GRO is seeking an investor who cares about the community. GRO envisions it as an entrepreneurial space with room for 3-5 food vendors on the first floor, a business incubator with co-working space and childcare on the second floor, and a ballroom with 16 foot high ceilings that could be an ideal venue for weddings/ community events on the third floor.

By people working together that want the best for Glouster, the downtown looks better than it has in years. Blight is being driven out, and others are making investments in improving their own properties.



ECONOMIC ECOSYSTEM

The goal of an economic ecosystem is to nurture a local economy to become regionally connected, innovative, and rooted in the assets of its local residents and businesses.

One way of understanding the economic ecosystem is by understanding the focus and diversity of businesses and organizations best suited to the sustainability of your downtown, including retail, food, attractions, services, small manufacturing, educational institutions, residential areas, and recreation businesses.

It is also critical to understand demand and end users. Who are the individuals who spend money that makes the proposed economic development viable? Are they residents, or are they tourists/visitors? If the latter, why do they come? What is our competitive advantage for attracting spenders and spending? Often these are natural assets, parks/trails, cultural destinations, attractions, etc.

See the [Pulaski](#) case study for an example of how Virginia Tech students helped the economic ecosystem by undertaking demand research and technical assistance to support downtown revitalization efforts.

It's also useful to know what products/services are not available locally and where people travel beyond the community to purchase them, and a strategy to bring those products/services back to downtown. Residents may be spending more for products than those local businesses are selling, indicating unmet demand and the ability to support additional retail space. Another word for this is "retail leakage." Undertaking a retail leakage analysis can help a community understand:

- How well the retail needs of local residents are being met
- Unmet demand and possible opportunities
- The strengths and weaknesses of the local retail sector
- The difference between measuring actual and potential retail sales

Finally, it is essential for a community to make more plainly visible to its own community investment system the full set of active stakeholders, policies, practices, resources, platforms, and relationships that either facilitate or constrain the flow of investment capital in their particular place. Mapping and consistently striving to improve the community investment system can determine whether or not the community can successfully unlock the capital needed to finance its declared pipeline of priority deals.



What are the key economic ecosystem pieces that investors will want to be in place for them to engage?

- **Workforce.** Is there a workforce available to help firms expand?
- **Education.** Are there educational assets that offer training and professional development in diverse topics including pathways to funding and investment, financial management, marketing and communications, and results-based accountability? In **Marion, VA**, Popup Marion Bootcamp focuses on building the capacity of entrepreneurs. This boot camp gives local banks confidence that business owners have the financial literacy to be successful, allowing the bank to entertain pitches.
- **Financial sustainability.** Are businesses in good financial shape?
- **Business-friendly environment** with existing demand for local products and services.
- **Marketing expertise** and communication outreach tools/strategies focused on downtown revitalization.
- **Networking opportunities** for businesses and economic clusters, including investment, marketing, communications and informal mentoring. Maine Grain’s expansion in downtown Skowhegan spurred other downtown redevelopment and a business cluster building on the grain economy.
- **Grassroots support for buy-local campaigns.** Is there a movement to buy locally?
- **Nonprofit technical assistance.** In **Shawnee, OH**, regional business supportive nonprofits provide technical assistance for business development, which helped Shawnee start a tourism guide co-op.
- **Downtown events and experiences** that help draw people to the downtown. This could include experiential tourism and recreation.
- **Access to investment partners**, including local banks, community foundations, Community Development Finance Institutions (CDFI), and regional and national foundations.



Photo Credit: WV Community Development Hub



Profile: Small Manufacturing Remakes Skowhegan

Rural downtowns are home to a variety of businesses and institutions, but often have a history of manufacturing. Some communities are deliberately creating spaces for small-scale manufacturing operations to return.



Maine Grains

In Skowhegan, Maine (population 8,589), a decommissioned jailhouse has found a second life as a gristmill, and was the spark for the community's revitalization. Hoping to revive the area's grain legacy, Amber Lambke and her partner Michael Scholz combined their own money with several gifts and grants to cover the start-up costs for Maine Grains. For the wider Skowhegan community, Maine Grains is a new employer and an "engine of transformation helping remake the town as the hub of a statewide grain renaissance." The

New York Times called Maine Grains "The return of true agricultural localism. The local mill is the missing link in a local food economy that sees regional trade between farmers, bakeries, beer breweries and raisers of livestock." Maine Grains Grist Mill also houses a radio station, yarn shop, a full sit-down restaurant, and a creamery, while the Skowhegan farmers market operates in the parking lot. Maine Grains has spurred other businesses, including The Miller's Table, a café at Maine Grains. Amber's sister has also launched a new pizza dough company (The Good Crust) at the grist mill.

Amber's enterprise is inspiring further downtown revitalization. Lambke's ultimate goal is to see a corresponding community comeback. "This has not only revitalized this particular space", she says. "This project has catalyzed a lot of relationships and cooperation that I think is at the heart of what many communities need to restore right now. It's a point of pride."

Amber is leading a new real estate company, Land & Furrow LLC, which has purchased the former Kennebec Valley Inn property in downtown Skowhegan from the Somerset Economic Development Corp, which will house a variety of enterprises - housing, entrepreneurs looking to grow their business, and a home for the farmers market during the winter months. Funding from the Cummings Fund has been instrumental in exploring the feasibility of a future building in the adjacent lot to fill the needs of Skowhegan food businesses. A hybrid model is being explored, allowing occupants to come into the new building having an equity stake in the project with an upfront cost to get into the building and potentially paying monthly dues. When they choose to leave, they can sell their equity space. Housing and childcare are critical needs in the area and will be part of the new construction, in order to attract new workers to town.

Profile: The Pop Up Marion, VA Entrepreneurial Boot Camp

In the wake of the 2008 recession, Marion, VA's historic downtown was suddenly in deep trouble.

For the previous 14 years, Marion (pop. 5,016 in 2019) had been making steady progress. The upswing began in the mid-1990s when local business owners hired Marion native Ken Heath as the town's first Main Street director. Ken guided streetscape renovations and helped inspire an arts revival that saw the old high school evolve into a thriving downtown arts center. In 2004, after a long citizen-led effort, downtown Marion welcomed the reopening of its historic Lincoln Theater.

Following the recession, though, many downtown businesses faltered and closed. Within just a year, vacancy rates topped 17%. By mid-2011, Ken had realized the next wave of downtown renewal would depend upon Marion's small businesses. He began to ask three key questions: 1) How can we invest in our own entrepreneurs? 2) How can we strengthen their financial literacy skills? And 3) How can we develop our financial capacity and link local business ambitions to a widely shared vision for Marion's downtown?

"We asked the local community what types of businesses they'd support here in our town," said Ken, who is now Marion's Director of Community and Economic Development. "The next step was to train these entrepreneurs, teaching them everything we can in a compact class that leads to pitching a business plan. Next, we'd sign them up for at least six months with a mentor who can look at the books, listen and observe, and help keep the fledgling business on track."

Today Marion's "Pop Up Boot Camp" is a celebrated five-week annual training event. Completing the program makes participants eligible for \$5,000 in startup grant funds and a \$15,000 low-interest loan. Financial support has come from the Town of Marion, Wells Fargo, the USDA, and the Commonwealth of Virginia's popular Community Business Launch program (modeled after Marion's Boot Camp).

Since 2011, Pop Up Marion has trained 302 people, sold 12 downtown buildings, filled an additional 27 storefronts, created 37 new businesses and 138 new jobs, assisted with 3 facade improvements, and attracted more than \$2.8 million in private reinvestment. Downtown storefront vacancy rates are now under 4%.

Early on Marion residents told Ken their downtown needed more restaurants. He encouraged would-be restaurateurs and brewmasters to sign up for the Boot Camp. Today, thanks to a growing presence in Marion by Emory and Henry College and Wytheville Community College, Ken is seeking entrepreneurs who can renovate downtown spaces into mixed-use structures combining retail shops with affordable housing.

October 2021 marked the 10th anniversary of Marion's Pop Up Boot Camp. "To me, the best thing that's happened is that our community once again believes in itself," Ken said. "You can have a pretty Main Street, but if you don't also have businesses that are thriving and bringing people downtown to shop and eat, what's the point?"



Left: Local participants at the 2021 Pop Up Marion Entrepreneurial Boot Camp, held upstairs at the Wayne C Henderson School of the Appalachian Arts in downtown Marion, VA

Right: Ken Heath, Marion's Director of Economic Development, congratulates Tessa and Nick Brown for their successful completion of the five-week Pop Up Marion Entrepreneurial Boot Camp in August 2021. About a month earlier, Tessa and Nick had founded Broad Street Coffee & Treats. They used their Boot Camp experience to help plan an expansion, adding lunch to their already popular breakfast offering at their downtown destination.

COMMUNITY ASSESSMENT QUESTIONS

Instructions: Think about your own community or region and whether you have these elements of an economic ecosystem in place. Note what you have and what you need. **In the left column, mark 1 point for each you have in place.**

| | |
|--|---|
| | Diversity of Business: An understanding of the focus and diversity of businesses and organizations best suited to the sustainability of your downtown, including: retail, food, attractions, services, small manufacturing, education institutions, residential spaces, etc. |
| | Business Engagement: Business engagement and networking opportunities |
| | Business Friendliness: Business friendly environment with existing demand (may be local and/or from outside of the area) for products/services. This also includes the public sector business environment. |
| | Small Business Development: Supports for small businesses, such as a one-stop shop for small business development, licensing and local incentives, education and training, strategy and plan development, market analysis and more |
| | Business Accelerator: Access to a local and/or regional business accelerator program that offers a range of support services and funding opportunities for startups including mentorship, office space, supply chain resources, access to capital and investment (often in return for startup equity). |

| | |
|--|---|
| | <p>Investment Access: Access to investment partners (two or more of the following):</p> <ul style="list-style-type: none"> • Local banks • City/county investment programs targeted to supporting downtown • Revitalization • Community or other local foundation • CDFIs • Regional/national foundations • Regional/national investment organizations (for example: Invest Appalachia) • Developers (local and/or regional) • State and/or federal grant programs |
| | Town identity as a whole |
| | Buy-Local: Grassroots participation in buy-local campaigns |
| | Downtown Experiences: Events/experiences that help draw diverse residents and tourists to the downtown |
| | Demand: Understanding what products/services are not available locally, where people travel beyond the community to procure them, and a strategy to bring those products/services back to downtown |
| | Media: Who are equipped to report progress in downtown revitalization |
| | TOTAL SCORE |

BUILT INFRASTRUCTURE

Built infrastructure like water/wastewater utilities, roads, sidewalks, and broadband are key resources for enabling successful downtown revitalization. However, they must be accessible, flexible, and advance community health and resiliency. Technology amenities are especially critical to attract remote workers to rural places. The COVID-19 pandemic has shown just how valuable broadband can be in allowing people to work remotely, connect to schoolwork, access healthcare, and even connect with each other.

- **Updated water, wastewater and storm water infrastructure** is vital for protecting downtown assets. Many downtowns in Appalachia suffer from frequent flooding, which makes investment in revitalizing those downtowns more challenging.
- **Main Street Programs or equivalent organizations** can promote streetscape improvements and affordable commercial space.
- **Building inventory** [Hazard](#), KY undertook a building survey assessment of available properties which are now used and updated by the Downtown Coordinator to help recruit businesses. [Pulaski](#), VA, had historic buildings and architecture with which to build its downtown efforts.
- **Affordable and vibrant housing** mixed use buildings with retail on the ground floor and affordable rental residences on upper floors, allowing people to live, work and play downtown.
- **Outdoor structures** that serve as gathering spaces for community events.
- **Technology** current with modern economic sectors. For example, experiential tourism requires key technology to be in place.
- **Design aesthetics** embedded across multiple public, private, and nonprofit realms.
- **Effective roadways** that allow for easy access to the downtown.
- **Street lighting** that makes for a welcoming environment.

- **Directional markers and wayfinding signage** from the highway leading into and around downtown. Main Street groups play a strong role in cosmetic streetscaping such as adding planters to be more welcoming.
- **Adequate accessible parking** to allow for easy access to downtown.

Improvements to the built infrastructure require financial investment and access to investment partners, including local banks, community foundations, community development finance Institutions (CDFIs), and regional and national foundations. Having a plan or process to incentivize rehabilitation and bring viable downtown buildings back into productive use that may otherwise be vulnerable to neglect and decay is key. Having access to a catalytic development company, akin to the roles that Coalfield Development Corporation and Woodlands Development Group play in WV, is a bonus.

Broadband is the new frontier for infrastructure development and economic development in rural areas. The Center for Rural Innovation works with communities to reimagine their downtown innovation ecosystems. In Cape Girardeau, MO, two residents saw an abandoned building downtown about to be demolished. No local organizations at the time were dedicated to the tech startup ecosystem, so The Center started their own. Codefi was born: the first ever technology and entrepreneurship incubator in southeastern Missouri. Since its inception, Codefi has helped support the launch of over 50 startups, raised more than \$20 million in equity investments, and has created nearly 200 jobs. They have trained 150 adults how to code, and have introduced computer programming to over 1,000 youth. Through this work and the work of Old Town Cape, downtown Cape Girardeau has more than 300 businesses and 4,500 residents all within 130 blocks. There are shops, restaurants, and businesses, including a creative corridor with the addition of new co-working spaces and creative labs.

As a result of COVID, communities began considering their outside greenspaces as outdoor gathering and eating spaces. These “third spaces” encourage mixing and socializing among diverse cultural groups. For instance, the Appalachian Impact Fund gave \$30K to Whitesburg, KY, during COVID to help get people to support local restaurants by having

a place to eat outside. What started as a response to COVID has shifted the community’s perspective as they see how profitable it is to provide these opportunities. This is one COVID practice that will remain in place.

How to Know When It’s Time to Pivot

A successful pivot may be called for when a new opportunity supersedes another priority that’s not quite working out. After an ARC grant had been awarded and pre-development work began, Hyden discovered those grant funds could not be used for renovating the S&T Hardware Building - the last remaining underdeveloped built structure in its historic downtown.

Things were at a standstill until Frontier Nursing University donated another significant property, Mary Breckinridge’s Wendover, to a local nonprofit. Negotiating transfer of a portion of the R3 funds to the renovation of this revered cluster of buildings located a few miles outside of town enables its reopening for use by the broader community. Meanwhile, the town is reassessing its options and eventually will seek new investment for the S&T Hardware Building.

COMMUNITY ASSESSMENT QUESTIONS

Think about your own community or region and whether you have these elements of a built infrastructure in place. Note what you have and what you need. **In the left column, mark 1 point for each you have in place.**

| | |
|--|--|
| | Broadband Connectivity: Access to broadband |
| | Aesthetics: Design and aesthetics embedded in downtown planning |
| | Water: Resilient water/wastewater infrastructure |
| | Roads & Lighting: Effective road systems and lighting |
| | Walkability: Sidewalks, walking trails, and/or outdoor structures/places to connect or gather in person |
| | “Third Spaces”: Local places that encourage mixing among diverse cultural groups |
| | Wayfinding: Signage and directional markers |
| | Parking: Adequate parking in proximity to downtown businesses and activity |
| | Housing Proximity: Access to affordable housing |
| | Historic Assets: Historical and cultural markers; historic or creative districts |
| | TOTAL SCORE |



NATURAL ENVIRONMENT

Connections to the natural environment through local parks, bike trails, and walking paths can make rural downtowns more attractive. Rural downtowns may also be a jumping off point for natural assets that are farther away. The way communities build on and promote their natural environment can improve the success of their downtown revitalization efforts.



The recreation economy is strong, with 5.2M direct jobs nationally and \$788B in consumer spending. To have a successful recreation economy, it is important to have healthy natural assets that people want to engage with, as well as attractive downtowns to visit in between recreation opportunities. [Pineville, KY](#) is building its downtown revitalization efforts to support nearby Boone’s Ridge tourism, whose development is about to bring 1M expected visitors per year which has big economic expectations.

[Shawnee, OH](#) offers experiential tourism and leverages local guides to provide historical and natural experiences beyond just hiking and

biking. Greenspaces like greenways and bike paths can connect people to downtown. The Buckeye Trail (BTA) is a 1,440+ mile long trail that winds around Ohio, and passes just 0.2 miles - a five minute walk - from West Main Street in Shawnee. But until now, the path connecting the two has not been clear and accessible. BTA is working to complete this critical piece of infrastructure by opening up the trail to town visitors and encouraging thru-hikers to visit downtown Shawnee.

According to Catherine Van Noy who worked with [Pulaski, VA](#):

“We have one of the most beautiful landscapes in the world. Mount Rogers is one of the most ecologically biodiverse hot spots on the planet. The Appalachian Trail runs through the area also, as does the Virginia Creeper Trail. We have the northern trailhead of the New River Trail State Park, the 2nd most visited VA State Park, bringing in \$14.5M annually. The town was smart, in building a spur off the main trail into downtown. A private individual built miles of mountain bike trails looking into downtown. The Trans Virginia Trail just launched, which is a gravel bike trail from DC to Damascus.”

Community Assessment Questions

Instructions: Think about your own community or region and whether you have these elements of a natural environment in place. Note what you have and what you need. **In the left column, mark 1 point for each you have in place.**

| | |
|--|--|
| | Natural Assets: Access to and maintenance of natural assets |
| | Connection to Other Green Spaces: Greenways and/or bike paths that connect to downtown |
| | Green Spaces Within: Parks, pocket parks, trees, flowers, or other greenery are included downtown |
| | Outdoor Recreation: Recreation focused on nearby natural resources |
| | Protected & Maintained Land: Protection of scenic and ecologically valuable land |
| | TOTAL SCORE |

READINESS

The secret sauce for making downtown revitalization investments that catalyze other investments and support what communities truly need is:

- ✓ **Community Involvement:** The community is involved in creating the shared vision for downtown development.
- ✓ **Demand:** There is demand for the uses being discussed.
- ✓ **Primary Contact:** At least one person wakes up every day thinking about this project to keep it moving forward.

Having these 3 key ingredients in place, plus the right combination of factors in a given community leads to investment readiness. Communities need to assess whether they are ready before soliciting investment. The questions in the Investment Readiness Assessment help a community check off the assets they have, while giving them ideas for next steps they can take to become more ready. The scoring is meant to help community leaders figure out what they have in place, what is missing, and what they can do better. This will signal to investors the community is ready for investment.

Communities taking this assessment are given up to 4 thumbs up based on their score; yet, a community can start attracting investments even with just one “thumbs up.” Each Investment Readiness Factor builds on the others. The point of the assessment is not for the community to gain all the factors, but to assess where a community is, and then to look back and see if there is any “low hanging fruit” that could help the community become more investment ready.

Readiness Assessment Scoring

Instructions: Look back at the “Total Score” for each of the previous “Readiness Factor” sections. **Remember, 1-point is given for each asset on the list.** Now record the total score for each section next to the appropriate readiness factor below. **Then add each together to calculate your Total Investment Readiness Score.**

| Readiness Factor | Score |
|---------------------------------------|-------------|
| Community Assets | _____ of 12 |
| Local Government and Civic Structures | _____ of 11 |
| Economic Ecosystem | _____ of 4 |
| Built Infrastructure | _____ of 10 |
| Natural Environment | _____ of 5 |
| TOTAL SCORE | |





Take a moment to review the score. Analyze how the community scores in each of the 5 Investment Readiness categories: Community Assets, Local Government and Civic Structures, Economic Ecosystem, Built Infrastructure, and Natural Environment. Is the community stronger in some categories than others? If so, a next step will be to target the categories that need the most improvement and identify next steps to gain more readiness factors in those areas. Then, review the Total Score. Here’s how to interpret the results.

Don't worry if the community has one "Thumbs Up" or less. Taking this readiness assessment is just the beginning. Rural communities are at different places in terms of readiness for investment and are not expected to instantly earn "4 Thumbs Up." This tool is designed to take a baseline of where a community is on the spectrum of readiness and give leaders some ideas of what to tackle next to improve. All of this is in the pursuit of being ready for downtown investment. The next step is to review the readiness factors that are not yet in place and determine what the next steps should be to improve the community's readiness.



Photo credit: Sam Levitan

Investment Readiness Scoring Guide

| Readiness Factors | Thumbs Up | Interpretation |
|-------------------|--|--|
| 1-10 |  | This community is in the early stages of investment readiness. Try analyzing the current factors that have been checked in the assessment and plan how to build on those assets to gain additional readiness factors. Examples of Investments to seek now may be Technical Assistance or Planning Grants to help increase investment readiness. |
| 11-20 |  | This community is gaining momentum and may have some downtown projects ready for investment. It is often best to begin working on small projects with the greatest impact to help build more momentum and excitement for downtown development. The community should continue identifying assets to build upon and analyze the readiness factors it does not have to see if there are any that could be quickly achieved. This will help propel downtown redevelopment forward. It may be time to seek early investments like: Technical Assistance, and Pre-development or Planning Grants. The community may also begin attracting early Equity and Debt investors, and investigate properties that may qualify for alternative opportunities like tax credits. |
| 21-30 |  | This community is actively engaged in downtown development and is likely working on a “pipeline of projects” that build on one another leading toward a shared vision and overall transformation for downtown. Multiple investors are now interested in investing because they believe their investments will gain a greater return as they leverage the investments of others. It may be time to seek Developers, Equity and Debt investors, moderate-sized Implementation Grants, or other subsidies, and connect entrepreneurs and small businesses with programs that help them gain technical assistance, funding, and financing. |
| 31-40+ |  | This community has experienced a series of successful downtown development projects. Because of this, the community has gained a track record of success and can make a compelling case to investors that they will receive a good return on their investment. This community is a strong candidate for large investments from Equity and Debt Investors, as well as Implementation Grants, which can be used as matching funds to fill gaps and complete large projects. Investors will be especially interested in projects that have gained significant community support, as well as those that leverage local assets and align with local and regional economic development efforts. |

PLAN YOUR NEXT STEPS

- What is needed to move your downtown to the next level?
- What are three actions you can commit to taking in the next 6 months?

Helping Groups Organize for Investment



5 STAGES OF INVESTMENT

Ready for investment? Congratulations! Just as a football game consists of four quarters and various plays needed to win, there are certain stages and next steps to expect when making downtown investments. This section explains the common stages, and a later section will explain how investment moves each stage forward. The Appendix contains links to additional resources and toolkits to guide you through specific types of projects. For instance, the Community Action Partnership (CAP) has two highly recommended toolkits -- one for Community Facility Development and another for Mixed Use/Mixed Income Development.

Community Action Partnership is a national, 501(c)3 nonprofit membership organization that provides technical assistance, training, and other resources to Community Action Agencies, nonprofits, and public groups. This playbook bases the stages of development on visual aides provided in these CAP toolkits with a few minor revisions.



There are four primary stages: Planning, Predevelopment, Development, and Management. CAP calls the first and last stages “Planning,” but for clarity our playbook refers to the final stage as “Management.” It also emphasizes the “Go/ No-Go Decision.” The Go/No-Go Decision represents a point in time that either makes or breaks a project. It separates the stages into two parts, and provides an opportunity for the core team to evaluate their performance and regroup. On the left side of the diagram, work consists of ideas that only exist on paper. On the right side are physical actions being taken - construction, etc.

Here’s a brief description of what to expect in each stage:

Planning- In [Pineville](#), KY, Jacob Roan said: “Sometimes I asked, ‘why are we spending \$30,000 on plans when we already know what we want to do,’ but looking back we could never have done this without them…we would have left out so much.” This stage includes the initial Discovery phase of the project with preliminary planning. Gather your core team and recruit partners, engage the community, perform a preliminary needs analysis, and develop a shared vision.

Predevelopment- Framing some of these complicated investments may feel impossible without a guide/navigator to help. You may consider adding others to your team with specific expertise like an architect or engineer. There is also help for specific types of investments like New Market Tax Credits (NMTC). The NMTC can seem wildly difficult to understand, but a navigator/TA provider like People, Inc. can help simplify complicated processes. During predevelopment you will finalize the project team, create architectural and engineering plans, perform an in-depth market analysis, attain the rights to develop the site, and secure funding and financing. You may consider creating a prospectus like the one in the [Appendix](#). Hazard, Kentucky used AmeriCorps VISTA and a regional fellows program to start the pre-work for renovating the Art Station. Hazard also implemented a building inventory which drew attention to the need for downtown revitalization. The inventory also engaged the local government in realizing it was important to invest in staff to work on downtown revitalization.

Go/No-Go/Modify Decision- Does the project have all the funding it needs? Is there enough demand to move forward as-is, or should the team go back and modify plans? It’s not always a clear black and white

decision. Often, the team decides to make adjustments and must return to the planning or predevelopment stage before it can move forward to the last two stages.

Development- Here the biggest investment takes place. If construction is needed, it starts now. Staff members are often engaged to manage and administer the project.

Management- This stage may last indefinitely and involves the ongoing administration of the property. It’s important to include sustainability into the initial plans to get the greatest return on investment.



The Pre-Work Before Investment

What pre-work needs to happen before investment? How do communities, developers, and entrepreneurs know the business ideas they have for their downtown have a viable market? Approaching downtown revitalization from the demand side can be a valuable way of beginning.

Downstream Strategies

Downstream Strategies is a WV environmental/economic development consulting firm and source for objective, data-based analyses and plans. The firm provides the types of predevelopment work needed prior to downtown revitalization investment.

Many of their projects start as Brownfield projects. Restoring blighted industrial/commercial properties can have a transformative effect on communities. Before redevelopment, steps might include:

- Property assessment to determine if there is contamination and to what extent.
- Remediation plans.
- Economic impact/market assessments. This can help identify what the town has that can serve a particular market, so the best way to move forward can be determined.

In the Upper Kanawha Valley of WV, the neighboring communities of Smithers and Montgomery are targeted for large-scale trail development. Community leaders hope to draw more tourists into their downtowns to help stabilize and revitalize the local economy.

Downstream Strategies provided:

- A roadmap to help them achieve their goal of a trail-based tourism economy, specifically how the River Cities can develop their community capacity for tourism and take advantage of new market opportunities in the outdoor economy
- Comprehensive market assessment for trail-based tourism
- An assessment of existing tourism infrastructure, comparing what visitors look for in a trail town with what they currently have
- Identification of specific opportunities for tourism-sector business development: detailed business startup scenarios for tourism-sector opportunities linked to specific local brownfields properties
- A checklist guiding leaders in launching their nascent tourism economy

Reclaiming Appalachia Coalition

The Reclaiming Appalachia Coalition pays for the Downstream Strategies team to provide very basic project assistance to selected communities across the Appalachian region. In the past, Downstream Strategies worked with the West Virginia Community Development Hub and the West Virginia Brownfields Assistance Centers to offer these services to WV communities. Clients have increasingly funded this work through Brownfields redevelopment grants, trail planning grants, and general operating budgets. The EPA Brownfields program can also fund these kinds of projects. Services such as these can range anywhere from \$2-5,000 for smaller projects to \$100,000 for the larger projects.

Profile: Philippi, WV

What does it take to turn a downtown around? The Downtown Appalachia Center has estimated that it might take revitalizing 5 buildings to attract 5 businesses.

The Barbour County Economic Development Authority (BCEDA) was interested in experimenting with this concept in the City of Philippi, WV. The hoped-for outcome was that redeveloping 5 buildings would spur other businesses to locate in the downtown and perhaps even motivate other business owners to work on their own properties.

The BCEDA purchased and renovated three buildings, while Woodlands Development Group purchased and redeveloped 2 other buildings. The plan was for commercial operations on the bottom floor, and living space on the second floor. There are now businesses in these buildings, including a successful ice cream shop on the bottom floor of one with market rate apartments above. BCEDA had to be flexible on renting commercial space by giving tenants three months with no rent to allow businesses to get on their feet. According to Cheryl Wolfe, Executive Director of BCEDA, “For us, it’s a win. It’s been great for us. We’ve had no trouble getting tenants. These are income-producing properties.” BCEDA is not as focused on a ROI, and because of that, they’ve been able to attract entrepreneurs to these properties. The experiment was a success.

However, BCEDA laments that their investments have not been transformative overall for the downtown. There are property owners in town that have money that they could invest in buildings and attract businesses, yet this hasn’t happened. According to Cheryl, “I thought once we showed that we could attract new businesses and residents to the downtown, some of the existing property owners would rehab their spaces. ROI is key for potential investors. Some are hung up on the quick, profitable return.”

DEVELOPERS

The image of the real estate developer in rural small-town Appalachia has not always been praiseworthy. Stories abound of developers who failed to deliver on their promises to the community. More recently, however, it appears the role of the developer may be evolving toward that of a trustworthy collaborator. Contemporary developers in Appalachia are finding innovative ways to work together with local partners to accomplish the priority projects set by the community.

Typically, real estate developers identify and purchase land, construct new buildings or renovate existing ones, and then sell the improved property at a profit. This is a risky venture, especially in a rural setting. They may yield an acceptable return but they’re also vulnerable to substantial losses. Shouldering that risk can lead developers to go it alone and look out for their own interests. Developers motivated chiefly by maximizing their financial return are unlikely to be willing to take on any projects in a rural community. This aversion has often meant it can be challenging to identify and recruit private developers.

New waves of developers in Central Appalachia, however, are stepping up to align their work far more closely with the hopes and dreams of the communities in which they work. Sometimes developers are involved from the beginning of a project as spotters, framers, or even early investors. In other instances, they may be hired by community partners to take the reins when the capital stack is nearly or already in place. If no professional development firm seems like the right fit for the project, a local nonprofit itself may decide to take on the responsibility of directing the construction or renovation phase.

Developers will succeed to the degree they can stay focused on building a dynamic bridge among all the diverse players, assemble or manage the capital stack to pay for the project, and figure out how to do whatever must be done to complete the project. Most importantly they must faithfully adhere to the community’s declared vision, values, and key priorities. The broadly based support of local residents is essential to creating a pipeline of investable projects.

PROMISING FACTORS FOR INVESTING IN DOWNTOWN DEVELOPMENT

Questions for Communities

1. What professional qualities and/or expertise would you seek in a Developer for a downtown revitalization project in your community?
2. What sort of adjustments might you need to make on your own team to move your project into the Development stage?

Here are a few noteworthy examples of especially resourceful developers who are pioneering the way forward:

SHAWNEE, OH—As a gateway community to Wayne National Forest, Shawnee, located about 65 miles southeast of Columbus, is riding a wave of revitalization that comes on the heels of decades of disinterest. One important cluster of new projects are the work of Dublin, Ohio-based Black Diamond Development, which brings together a group of southern Ohio developers. Thanks to the developers' efforts, Shawnee hosts new retail shops, a tavern with a brewery and distillery, an Airbnb, and even a downtown campground.

SHAWNEE, OH—John Winnenburg is a local historian who purchased the Tecumseh Theater for a mere \$500 in the 1970s. Decades later he became a downtown developer. Having made patient progress with the theater, Winnenburg now hopes to raise \$1M in new investment to complete renovations and bring live performances back to his 350-seat facility.

PULASKI, VA—Steve Critchfield is a developer whose Pulaski-based firm, West Main Development, has developed downtown apartments with premier amenities. Critchfield is also mentoring a group of about 20 investors who have been purchasing and developing properties in Pulaski. They have also invested in two thriving small businesses, including a green technology company working to capture air pollution.

ELKINS, WEST VA—Woodlands Development Group is a nonprofit based in Elkins, WV that tackles projects across three counties in north-central West Virginia. Woodlands often buys older structures and fixes

them up to serve as mixed-use commercial buildings. They also work with private building owners to redevelop vacant space in rural downtowns. They often facilitate the predevelopment work needed to structure a deal. They also have their own construction crew. Woodlands also has their own CDFI (community development finance) arm that makes patient, lower-than-market rate loans to help finance priority projects.

PRINCETON, WV—Disruptive Investments, founded by regionally-based developer Barbara Wyckoff, has acquired a building in downtown Princeton. The goal is to make it possible for low-wealth residents to purchase ownership shares in the property. Share ownership is based on making a nominal monthly payment of about \$50 per month over the next 10 years. These first-time local shareholders are renovating the building themselves and, when it's completed, will manage rental operations.



Questions for Investors

The previous section presented questions communities might ask themselves to improve their overall readiness for investment. The following checklist is designed to help investors gauge the promising factors of a particular project or community in order to evaluate its overall readiness for investment.

- ✓ **Leadership:** Is there a strong, complete team (spotter, framer, engager, developer, primary contact, and other necessary stakeholders)?
 - ✓ **Local Investment:** Have local residents invested significant resources or funds and do they show they have a serious stake in ensuring it succeeds (i.e., skin in the game)?
 - ✓ **Investment Capacity:** Do local stakeholders show a general understanding of how investment works, or have they brought on team members with this understanding or expertise?
 - ✓ **Market Analysis:** Has a thorough analysis been performed identifying local assets, opportunities, constraints, and risks?
 - ✓ **Demand:** Has a thorough analysis been performed indicating demand for particular downtown uses (e.g., co-working space, restaurant, etc.) with an acceptable return on investment?
 - ✓ **Community Engagement:** Have diverse members of the community been included in shared visioning and the market analysis for demand? Do those included in planning and market analysis accurately and proportionately represent the true demographics of the community including diversity of age, race, gender, orientation, religion, ability, and economic status?
 - ✓ **Existing Built Infrastructure:** Will the existing built infrastructure support this development?
 - ✓ **Investment Ecosystem:** Have they begun to develop a pipeline of investable projects? How do they hold themselves accountable for aligning those projects with key community priorities?
- ✓ **Stages of Investment:** Has the project under consideration genuinely arrived at the Stage of Investment appropriate for the size and type of investment that is a timely match with the particular type of investor with whom the project leadership is negotiating?
 - ✓ **Attention to Financial and Social Sustainability:** Is there a feasible plan in place to maintain and manage the development after it is completed? Will the final product be financially and socially sustainable long-term?



Photo credit: Sam Levitan

Investment Strategies for Thriving Downtowns



HOW DO INVESTORS KNOW A COMMUNITY IS READY FOR INVESTMENT?

Earlier in the Playbook, a checklist of enabling factors helped communities assess their readiness for investment. The question now is: how do *investors* know a community is ready for investment?

Let's consider the ways that four distinct groups—foundations, private financial institutions, high-net-worth individuals and private investment firms, and lower-income local citizens—can size up their respective investment opportunities, make appropriate decisions about how best to partner with a community they care about, and help to unlock the capital that's needed to accomplish key community priorities.

- 1. Foundations**—Foundations can help rural communities play the long game by developing a pipeline of projects that over time can address key community and economic priorities, versus focusing solely on one project. Conversations with their own board and staff about internal capacity and readiness to take on new kinds of roles may reveal the need for further training regarding how best to structure new community partnerships. They also may want to establish pilot programs that enable them to explore new collaborative approaches to working with communities at a reasonably small scale.
- 2. Private Financial Institutions**—Whether traditional banks or community development financial institutions (CDFIs), many of these institutions may be relatively unfamiliar with how to bring their debt financing options to a blended capital stack that includes unconventional partners. Training may help them develop that capacity.
- 3. High-net-worth individuals and private investment firms**—Local residents who have the financial means to invest may find that planning and pre-work can allay their concerns about whether the project offers an acceptable, if slower, return-on-investment. Aligning a project with community priorities also can help them decide when might be the right time to invest.
- 4. Lower-income local residents**—An innovative redevelopment project in Princeton, WV is making it possible for lower-income residents to own and manage a downtown building.

A similar approach quickly gaining popularity throughout the United States is community investment trusts. For example, the East Portland CIT in Oregon is a 29,000-square-foot mid-century commercial retail mall in outer Southeast Portland that can host 26 to 30 businesses and nonprofit tenants. The long-term path for local residents toward their collective ownership of this neighborhood building ranges from \$10 - \$100 per month.

QUESTIONS FOR INVESTORS

- 1. As a foundation**, can you identify a community within your focus or service area which might be ready to partner in a pilot program to explore how best to work together for greater impact in downtown revitalization? What kinds of outcomes might make such a collaboration worth the effort?
- 2. As a bank or CDFI**, who among your staff might benefit from professional development training that will help them better understand how your organization might contribute to the launch of a priority community project?
- 3. As a private equity firm or high-net-worth individual**, are you willing to consider an ROI that's less than you might earn in a more affluent geographic region? What sorts of social and/or environmental returns would help you make that decision?
- 4. As a community stakeholder or investor**, are you interested in helping lower-income residents access opportunities to invest in your community? Who else in the community will engage in an initial set of conversations about how to go about planning and launching that sort of opportunity?

THE COMMUNITY INVESTMENT ECOSYSTEM

There's no doubt any successful downtown revitalization project—whether a newly renovated mixed-use building on Main Street or an emerging locally owned restaurant with a menu that features regional heritage recipes—provides a healthy boost for a community's morale.

Even so, there are plenty of stories about how these kinds of projects too often fall short of inspiring redevelopment efforts. Often such projects just don't get off the ground due to a dearth of financial or social capital. Others simply do not have the spark needed that might ignite a second or third wave of needed building renovations. It's just one and done.

A workable solution, according to the Center for Community Investment, lies in helping local stakeholders to identify, map, and widely share information across the community about the Community Investment Ecosystem¹: stakeholders, policies, practices, resources, platforms, and relationships that either facilitate or constrain the flow of investment capital in their particular place. Understanding how this Ecosystem works is a key readiness factor that dramatically affects the sustainability of ongoing investment in downtown redevelopment efforts.

Most local places, however, are relatively unfamiliar with how to make good use of the investment that flows into their community. After all, it's only been very recent that communities have realized they need to build Entrepreneurial Ecosystems: local networks of support for entrepreneurs and small business owners. And now these same communities are being asked to cultivate a parallel yet distinctly different kind of ecosystem. The community investment ecosystem, however, offers the capability to unlock their access to targeted investment needed by their declared pipeline of high-priority projects.

What can be done to encourage greater awareness about how investment works from a systems point-of-view? How can community stakeholders use that broader awareness to leverage improved accountability for local Impact?

The Center for Community Investment (CCI) and Invest Appalachia have suggested three key strategies communities can embrace to activate the skillful use of the community investment ecosystem for more effective downtown revitalization:

1—Act as a “systems engineer” to help the community map, better understand and fine-tune its Community Investment Ecosystem.

From the outset, foundations can help communities understand and more effectively manage how investment flows into and through their Community Investment Ecosystem. They can look beyond individual projects to encourage a shared commitment to community goals and foster sustained implementation of a pipeline of deals that fulfill those goals. Foundations also can help local partners strengthen the enabling environment of policies, practices, and relationships that accelerate progress toward those goals, while at the same time preserving and making good use of community assets.

“Too often, no one is responsible for the architecture or smooth functioning of the system as a whole, and no one actor is charged with thinking about how to learn from completed deals or respond to emerging opportunities,” CCI has observed. “Foundations are well-positioned to take a holistic view of the system and assess how its functioning could be improved.”²

2—During the pre-development stage, due diligence is needed to produce engineering data and business models that can better prepare a community to seek investment for its priority projects.

During the Pre-Development stage, due diligence is needed to produce engineering data and business models that can prepare a community to seek investment for a priority project. A major hurdle confronting many communities is how to fund the work needed to assess the feasibility of revitalization, so that a professional prospectus can be shared with potential investors. In [Grafton](#), for example, a \$60K grant from Opportunity Appalachia made it possible for a local nonprofit, Unleash Tygart, to work with contractors and assemble the necessary documentation. Support for this pre-development work can come from public, private, nonprofit and foundation sources.

¹ “Community Investment: Focusing on the System.” *The Center for Community Investment. Working Paper, March 2018*

² “What can Foundations Do to Foster Community Investment?” *The Center for Community Investment (n.d.) p. 2.*

3—As project partners finalize assembling the Capital Stack for their venture, foundations and/or other investors can step in and provide the gap financing that makes it possible to complete the deal.

When putting together the financing package needed for downtown revitalization projects in rural Appalachia, some prospective investors may be hesitant to put their money on the line due to a perception of greater risk than they may be accustomed to accepting. Foundations can step in to sweeten the deal with a range of investment tools, such as credit enhancements like loan guarantees and lines of credit. They also can make direct grants that offset costs. Finally, it's actually possible for foundations to take an equity position with a private venture, although most regional and local foundations are not experienced with this option and likely would require training to enact it.

Questions for Investors

1. Have downtown revitalization projects in your community—whether building renovations or small business start-ups and expansions—fallen short of inspiring follow-on projects that carry forward the larger mission of making your downtown a more attractive place to work, live, shop or visit? Why has that happened?
2. Does your community have a strategic plan for downtown revitalization? Was the broader community involved in setting its goals and objectives? Is the plan a living document that people consistently update and use as a practical guide to help frame new opportunities for strategic investment?
3. Is there a local or regional philanthropic foundation willing to work closely with community partners to assess and enhance the Community Investment Ecosystem, as well as reflect upon its own position within that ecosystem to explore new partnerships that can leverage additional assets? Who needs to be at the table to launch that conversation?

OVERVIEW: GUIDELINES FOR INVESTMENT

Focus on Demand

Most investors agree, when trying to decide whether or not to invest, they look at demand first. But just because there is a need for something does not mean it is an opportunity to gain a good return on investment. There are all sorts of things locals would love to see downtown, but the demand and potential for a good return has to be assessed first. Most downtowns have a beloved empty building locals want to fix up. Typically, investors are more interested in the potential use of a building and its return, than in the building itself.

Some great tools to assess and show demand are:

1. **Business Model Canvas:** This is a simple one-page visually organized business plan that helps a team quickly think through their idea and then map it out to see if there are any holes in their logic. There are tons of free templates online. [Here is a link to a simple fillable version](#) and [here are some related tools](#).
2. **Source & Uses Budget:** This is a special type of budget that breaks down the costs of developing a project (i.e., the “uses”), and then identifies possible sources of investment that could fund or finance it. LISC has a [great template here](#).
3. **Pro Forma:** A Pro Forma can show investors projections for their return on investment. It may show the Business Model, Sources & Uses Budget, monthly estimates for the cost of operations, and projections for the expected revenue or impact. Depending on the investor it is created for, this could include both financial and social impact, like the amount of revenue generated or number of jobs created. A Pro Forma is key to showing how the proposed use for a property will be sustainable after the initial investment is made. Examples are available online, and Creative Disruptors has provided [a template here](#).
4. **Pitch Deck:** A pitch deck is one of the most common ways to share a project with investors. It is usually a brief presentation that provides a quick overview of a project including highlights from the business plan and Pro Forma. An example may be found

in the [Appendix](#). Hundreds of templates are available online, including through traditional presentation software like Google Slides, Microsoft PowerPoint, and Canva.

Understand the Investors

It's important to know all the investors, including what motivates them and their expectations. The Center for Community Investment explains how every type of investor has a different expectation for their risk and return. Logically, investors who risk more expect a greater return. CCI illustrates this with the "Spectrum of Financial Return."

Investors closer to the left value impact the greatest, while investors closer to the right value financial return. Typically:

Foundations, CDFIs and Government Agencies: These investors value social impact and therefore are more likely to provide a grant, forgivable or interest-free loans in exchange for impressive and realistic social outcomes.

CDFIs, Foundations, Banks, and Impact Investors: Some investors who are interested in a financial return may be willing to sacrifice some of that return if there is also a promised social impact that aligns with their mission. In this case, a bank or other mission-centered investor may be willing to accept a "sub-market return" on their investment such as a low-interest rate, in exchange for estimating a social impact that supports their mission.

Banks & Other Debt-based Investors: Those who lend at full market rate will be seeking investments that show lucrative revenue projections. This also means they may be less likely to invest in a project that seems risky. The borrower will need to provide collateral to secure the loan. It may be possible to lower the interest rate by attaching credit enhancements to the loan.

Venture Capitalists & Equity Investors: Private equity refers to illiquid equity investments in existing, private companies with growth potential; venture capital is private equity focused specifically on new and start-up businesses. Equity investors own a share of the business and reap their return when they exit the business.

When evaluating which types of investors to approach, it is helpful to ask:

- **Expectations:** What are they interested in gaining from an investment?
- **Risk Tolerance:** How much risk are they willing to tolerate?
- **Approach Strategy:** What is the best strategy to request an investment from them? And how much might they be willing to invest?

Spectrum of Financial Return

Impact is primary

Financial return is primary



With permission from Center for community Investment. © 2021

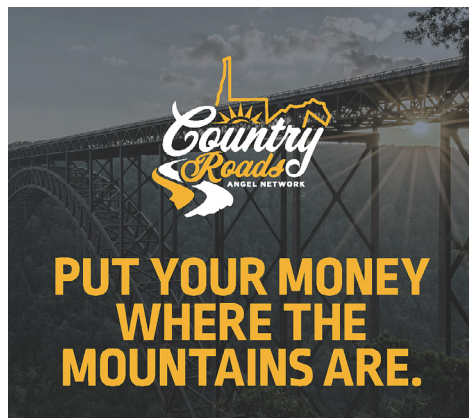
UNDERSTAND THE CAPITAL STACK

This section introduces a way of thinking about strategies for investors to gain their desired return-on-investment while at the same time addressing how community stakeholders can creatively assemble a mix of those same strategies in terms of their status as both payable and non-repayable types of investment.

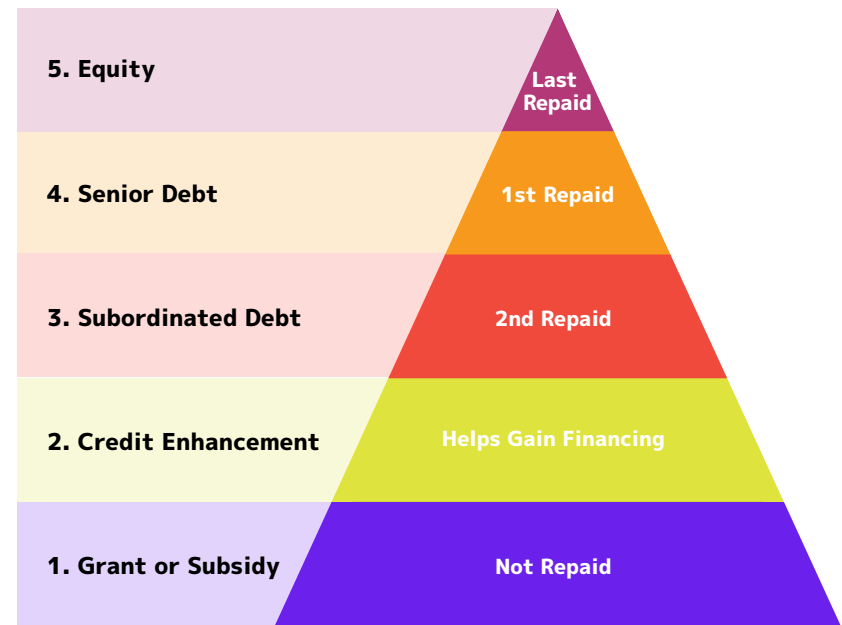
The full package of investment for a particular project can be represented visually as a geometric diagram called a capital stack. This graphic makes it easier to conceptualize and talk about the total package of different kinds of investment that must fit together well to fund and finance a single project or even a series of related projects.

As we consider how to interpret a capital stack, keep in mind that the terms “fund” and “funding” both refer to money that does not need to be paid back, whereas the terms “finance” and “financing” are money that will be expected to be paid back. Even so, investors who provide funding often expect a social return on investment, while those who offer financing typically require a financial return on investment that is greater than the original amount of money they provided.

Now let’s examine the potential components (i.e., layers) of a capital stack, which often is represented visually in a pyramid diagram that illustrates the overall set of investment deals that have been put together to fund or finance a specific project. Not all of these layers will appear in every project, but it’s important to recognize each type as a potential source of capital during any stage of a project.



CAPITAL STACK



In the capital stack, **Grant or Subsidy** layers at the bottom do not require repayment. Many towns in Appalachia try to fund entire projects with only grants and other types of non-repayable funding, but large projects often cost more than those types of investments can provide. Projects that rely only on this type of funding may be waiting forever.

A **Credit Enhancement** may be needed to gain financing. Since lenders and investors higher on the capital stack seek a financial return, those without a history of gaining financial returns can seek a Credit Enhancement to reduce the perceived risk for investors. By reducing the risk, Credit Enhancements make investors more interested in a project they would not typically finance. Credit Enhancements are especially important for innovative projects without a history of success in the current market.

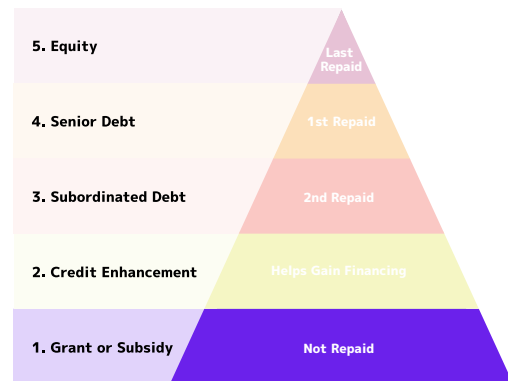
The third layer is **Subordinated Debt**, which is patient capital. This could be a forgivable loan or another type of funding or financing that can be repaid slowly. Layers of the capital stack near the middle and top have increasingly more risk and may require the investors to be patient to receive their financial returns.

Fourth is **Senior Debt**. This is often conventional debt like a mortgage or a loan where an investor gives a certain amount of money in exchange for payments made at regular intervals with interest. They often expect a market-rate return on investment and are the first to be repaid.

Equity investments are on top. Rather than expecting a steady return that is capped at a certain amount like Senior Debt investors, they become a partial owner and share in the overall profits and value of the building or business. This means they have the most to lose if the investment fails or could have the biggest rate of financial return if it succeeds. This is why it is so important for the core team to make a solid Pro Forma and perform their due diligence when researching and planning, so they can present a compelling case to these debt and equity investors and assure them of the likelihood of a good return on their investment. Since equity investors may have partial control of the direction a company takes (depending on how the legal agreement is arranged), it is important to share similar values.

Now let's take a deeper look at examples of investment strategies from each layer of the capital stack and provide examples of their potential uses.

INVESTMENT STRATEGIES



Grant or Subsidy

- **Catalytic Capital:** This is non-repayable capital meant to further the planning or pre-development work of a project or pipeline of projects. It also can later provide the dollars necessary to complete

a capital stack. Without catalytic capital, some projects would never have the chance to get off the ground.

› Planning & Pre-Development Grants

- This funding usually occurs in the first two Stages of Development and may include costs associated with planning, like community visioning workshops, or pre-development documentation, like architectural or engineering plans or feasibility studies. For The Station in **Grafton**, Opportunity Appalachia provided \$60K for technical assistance and architectural drawings for the Cohen Building's renovation. The \$60K investment resulted in a well-designed prospectus and has made the project ready for investment.

› Technical Assistance

- Most rural towns do not have experts in every area of the Planning and pre-development stages. That's why technical assistance is so crucial to help core teams in small towns gain needed expertise to plan a project and then unlock capital from different levels in a capital stack. For instance, **Princeton** received technical assistance from the West Virginia Community Development Hub for community convening, planning support, and leadership development training. Also, The Station in **Grafton** received technical assistance from People's Inc. to help them navigate the process of applying for tax credits. Without this technical assistance, these projects likely would have been substantially delayed or halted.

- **Non-Repayable Funding:** Investors who provide non-repayable funding do not require a financial return on investment, but may expect a social return on investment such as the creation of a certain number of jobs.

- › **Grants:** These can be grants for planning, predevelopment, development or operations. For instance, **Pineville** gained a \$1M CDBG grant and a \$700K Appalachian Regional Commission grant to fund their downtown revitalization efforts; the **Hazard** Art Station receives a \$50K grant from the Appalachian Impact Fund (AIF) annually to ensure the Appalachian Arts Alliance has the funding it needs to support

basic staff functions. Funding for general operating expenses is greatly needed by nonprofit organizations to ensure they can continue providing essential services during times of scarcity, for example, during the pandemic. Many foundations are reluctant to fund ongoing annual support for general operations, preferring instead to fund one-time projects and leaving it up to nonprofits to develop sustainability. However, since new ventures and innovative solutions are necessary to “move the needle” in Appalachia, it may be essential for foundations to help nonprofits and social enterprises prepare for eventual sustainability by providing them with multi-year grants for operations until they can build up the sustainability of their programs.

- › **Capital Campaigns, Crowdfunding, and Donations:** The [Hazard](#) Art Station ran a traditional capital campaign to raise the \$50K needed to unlock AIF’s \$250K impact investment. They gave presentations to local organizations, sent out mailers, shared the capital campaign on social media, and even had locals fundraise by doing things like selling lemonade or donating a percentage of profits for every dozen donuts sold. These types of non-repayable funding also help build community buy-in and support.
- › **Local Donations:** Some types of local investment can be non-repayable funding, such as:
 - **Local Tax Revenue:** Some states allow local city or county governments to collect taxes like restaurant or hotel taxes. Often these special taxes must be used for specific purposes. For instance, [Pineville](#) negotiated a change in the allowable use of their restaurant taxes to gain \$300K to renovate the Bell Theater.
 - **Slow Money from Locals:** With enough supporters, everyday folks can raise significant investments. For instance, there is a group in Maine called “No Small Potatoes” where a bunch of people who are not accredited investors pool their money together to support farmers. They find a farmer and, once every 6 months or so, they are able to give a loan to a local farmer.

- **Co-ops:** Burlington Beerworks in downtown Burlington, NC is the 3rd co-op brewery in America. For only \$100 each, anyone can buy a share in the brewery. With over 2,300 members so far, Burlington Beerworks has raised over \$230,000 of local investment to help renovate the building and maintain operations. Yet, it’s not a charity. Owners gain discounts on merchandise and access to owners-only events like keg tapings and beer tastings. The Co-op has become a gathering place for local residents and is leading a downtown renaissance. Check out their unique [business model](#).

Credit Enhancements

These can help a business or nonprofit gain the final debt or equity financing they need to complete a project. This is one of the most impactful types of concessionary capital a foundation can offer, because the greatest challenge for many businesses and nonprofits is not usually the interest rate. The bigger barrier is actually getting a loan in the first place. A credit enhancement helps the business or nonprofit gain the final investment they need. Here are some examples of Credit Enhancements:

- **Loan Guarantee:** Much like having a co-signer, if someone defaults and cannot pay back their loan, then the foundation will step in to repay the remainder. A Credit Enhancement reduces the risk for both the foundation offering the credit enhancement and the debt or equity investor, because they share the burden of risk and the workload of due diligence. For instance, the debt or equity investor will use their expertise and resources to investigate the project to ensure it is a good bet. That means the foundation does not have to designate resources to perform that function. Then the foundation takes on the risk of failure so the debt or equity investor can take on projects that are above their level of risk tolerance. Credit Enhancements are especially important strategies in Appalachia. Since investments in Appalachia have typically revolved around the coal industry for the past century, investments in new industries are needed to help the region transition to a diversified economy. Because these innovative solutions are often unprecedented in the region, they typically come with a greater risk than most investors are willing to accept. By offering a loan guarantee, foundations can view this as a type of impact investing. While they may sometimes

lose money if a payee defaults on their loan, offering a Credit Enhancement for an innovative downtown project can help test new solutions to transform Appalachian communities.

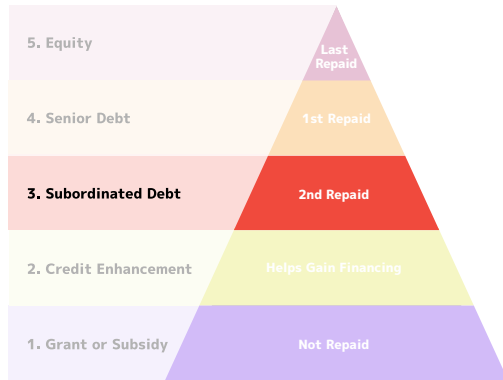
- **Loan Loss Reserve:** This is often a reserve fund set up by a foundation so that while other capital is being loaned out, this reserve capital is only used to pay investors or replenish the loan fund if one of the loans defaults. This can be a great tool for foundations to encourage private investments related to their mission. Providing a Loan Loss Reserve can help banks and other investors give loans to riskier projects they would not normally fund. This leverages larger investments for more projects aligned with their mission than the foundation could afford to make on their own.
- **Tax Credits:** Tax credits do not create income; they reduce the tax burden. This means a project needs to have an investor involved who has a great deal of income and has a tax burden so large that they are seeking to reduce it. This can be complicated, yet very lucrative if the right partners are brought to the table. Some tax credits are so complicated, it is highly recommended to add an expert to your team to help navigate the process of applying for and managing it. If a for-profit business qualifies for the tax credit, then they can use it over time to reduce their own tax burden each year. If a nonprofit or government agency is benefiting from the tax credit, then they will need to attract an investor to buy the tax credits, usually at a discount of approximately 10%. Sometimes, a bank, foundation, or technical assistance provider can help connect nonprofits with potential investors to buy the tax credits.
- › **Historic Tax Credits:** The U.S. Department of Interior³ describes these as encouraging “private sector investment in the rehabilitation and re-use of historic buildings.” They are a type of indirect government subsidy to encourage organizations or individuals to renovate historic properties. There are Federal Historic Tax Credits, and some may be offered by individual state departments. They typically range from 20%-45% of the cost of a historic property renovation. Especially when federal

and state credits are combined, these can become a lucrative investment strategy. Banks are great partners for tax credits because they can serve as intermediaries to help organizations gain the most from selling their tax credits, while also helping the bank. For instance, in **Pulaski**, VA, two of the buildings qualified for historic tax credits. First Bank & Trust purchased the tax credits to be counted as part of their Community Reinvestment Act obligations.

- › **New Market Tax Credits (NMTC):** The U.S. Department of the Treasury⁴ describes these as incentivizing “community development and economic growth through the use of tax credits that attract private investment to distressed communities.” **Grafton** provides a great example. People, Inc. provided technical assistance to help them navigate the process of qualifying for a \$2.9M NMTC. This will be a strong incentive encouraging private investors to come onboard.
- › **Low-Income Housing Tax Credits (LIHTC):** LISC⁵ describes LIHTC as stimulating “investment in affordable housing in underserved urban and rural communities and in higher cost suburban communities across the nation. It provides low-income families with a safe and decent place to live and, by lessening their rent burdens, frees up additional income that can be spent on other necessities or put into savings for education or homeownership.” Investors must ensure the housing remains affordable for 30 years; the tax credits are claimed over 10 years.



³ Tax Incentives—Technical Preservation Services, National Park Service (nps.gov)
⁴ New Markets Tax Credit Program | Community Development Financial Institutions Fund
⁵ Intro to the Low-Income Housing Tax Credit | Local Initiatives Support Corporation

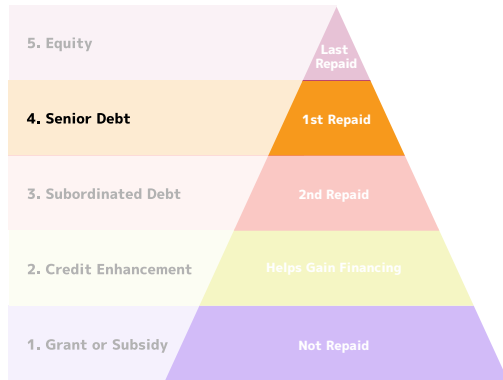


Subordinated Debt

- **Concessionary Capital (Repayable):** These are types of repayable capital where investors make concessions by allowing a lower rate of financial return in exchange for a social return. These may be in the form of loans offering a below-market interest rate or patient payments. If Traditional Debt Financing has been arranged with another investor, then payments will be made to that investor first, and remaining revenue will patiently be used to pay back this concessionary capital lender over time. Concessionary capital includes Impact Investing which focuses on social benefits. Here are a few strategies for concessionary capital:
 - › **Bridge Loan:** Some nonprofits and small government agencies do not have enough upfront capital to administer grant awards so they need a line of credit. Most federal grants are “reimbursement grants,” which means the organization awarded the grant must pay for the initial expenses and then is reimbursed later. Unfortunately, this also means disadvantaged communities in Appalachia who need grant funding the most have trouble gaining grant funding because they do not have the upfront capital to implement the project. More banks, foundations, and other lenders are needed who will provide patient capital, offering a line of credit to organizations who have been awarded a grant. This way organizations can use that line of credit to pay initial expenses for the project, and then wait to pay the lending institution until they are reimbursed by the grant funder.

- › **Philanthropic Local Impact Investments:** This type of concessionary investment is dedicated to a specific project, such as the **Hazard** Art Station. Appalachian Arts Alliance received a \$250K conversion loan from Appalachian Impact Fund (AIF) with the provision that they raise \$50K from the community first. AIF offered the \$250K loan with the understanding that \$100K could be forgiven if payments were made consistently on time for 5 years. As another example, some of these go through an intermediary that shares the investor’s mission. For instance, a foundation gave West Virginia Food and Farm Coalition (WVFFC) a loan for equipment, but instead of the farmer buying it and owning it, and the farmer giving it back if they default on the loan, WVFFC started more of a “rent to own” process where WVFFC retains ownership of the equipment until the last payment is made. This reduces the risk for the farmer because if they cannot make their payments, it does not ruin their credit which could prevent them from gaining loans in the future. Instead, if they can no longer make payments, the farmer just returns the equipment, and WVFFC can then rent it to another farmer.
- › **Recoverable Grants:** This is when an organization makes a grant and they expect to get the principal back through regular payments. However, both parties have an understanding that if the borrower can no longer make payments, then it is forgiven. The hope is that the capital will be paid back so that it can then be re-granted to others. For instance, \$150K of the \$250K conversion loan AIF awarded the **Hazard** Art Station is a recoverable grant, because AIF hopes this capital will be repaid and can then be lent to others.
- › **Local Investment:** This often creates local ownership. **Princeton** offers an interesting example: a mission-driven investor wanted to help revitalize downtown and help locals take ownership of a downtown building. The investor bought the building and is now making it possible for a non-traditional group of residents to gain equity in the building by paying a low monthly rate of about \$50. The residents, including a few millennials and low-income individuals, are providing their

own sweat equity to renovate the building and engage new businesses to occupy it. In the end, the investor will have gained back the original investment with a small return, and the community members will gain ownership of the building while playing a role in transforming their downtown.

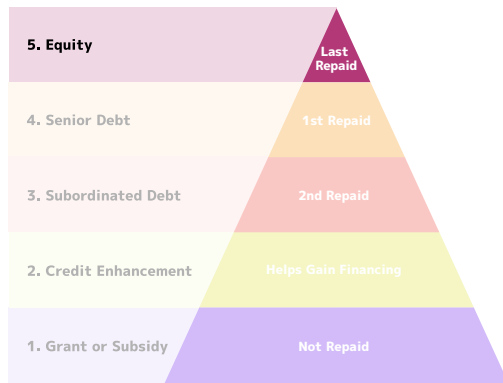


Senior Debt

- **Conventional Debt Financing (Repayable):** In this type of loan, an investor provides capital in exchange for regular payments plus a negotiated interest rate. Once the total sum of the capital loaned is repaid plus interest, the investor is no longer involved in the project. This type of financing has a high level of risk for the investor. If the payee defaults on the loan, the investor may go unpaid, unless collateral was pledged, or a Loan Guarantee has been made to protect the investment. This is why Credit Enhancements are key to unlocking this type of investment for unprecedented, innovative projects. Examples include:
 - › **Loan:** Traditional loans provide a lump sum of capital, and then require regular payments to the lender with interest. [Pineville](#) gained a \$2.5M Kentucky Infrastructure Authority Loan to help implement their downtown revitalization plan. Conventional loans often require collateral or a co-signer who pledges to pay if the original recipient cannot pay. It can be scary for someone to put up their home or farm as collateral, so it is recommended to put the property or equipment purchased up as collateral

instead, so that if someone can no longer pay, they only lose the thing they purchased.

- **Innovative Lending:** beyond collateral, some lenders will accept other methods of securing a loan, for instance, when an organization can prove they consistently pay their bills on time. As another example, a CDFI in Kentucky, Mountain Association, offers a “[CrowdMatch Loan](#)” that values the “social capital” entrepreneurs have built with their customers or community members. Mountain Association will match dollar for dollar-up to \$10,000-the amount an eligible entrepreneur raises through crowdfunding, with no credit check. This is especially helpful for individuals who have been in addiction recovery programs, prison, or who otherwise have not built a good credit score, but who have a solid business plan with proof of demand.
- › **Bond:** A bond is typically a large lump sum investment made to a corporation or municipal government. Often a bond will have a “maturity date” wherein the full amount of the bond must be paid in full or could risk going into a default status. Bonds are typically large sums to pay for infrastructure or large-scale construction. Because they are such large investments, most banks cannot lend these as a typical loan. Bonds can be traded by investors. [Pineville](#) received a \$1.5M bond from the Kentucky Bond Association.
- › **Mortgage:** A mortgage is used to buy or maintain property. The buyer typically agrees to pay the lender over time, most often in a series of payments divided into principal and interest payments. The property itself usually serves as collateral to secure the loan. The [Hazard](#) Art Station was graced with a local bank willing to offer them a patient mortgage. The bank allowed them a grace period during the renovation phase. Now that The Arts Alliance is bringing in revenue, the bank is collecting regular mortgage payments.



Equity

- Traditional Equity Financing (Repayable):** Equity does not necessarily mean selling a part of a business to someone else. Sometimes a business or organization will provide this type of capital for themselves if they have sufficient capital and wish to be the sole owner. However, when capital is invested this way by a different party, the investor's capital purchases a portion of the company or project—known as equity. This is the riskiest type of financing because this investor is the last to be paid back. However, it also has the potential to be the most lucrative, especially if the investors can avoid the use of brokers or middlemen. A good example is East Portland Community Investment Trust (CIT) in Portland. In 2014, the East Portland CIT purchased a \$1.2M strip mall located in a high-density, low-wealth neighborhood that was becoming vulnerable to gentrification. It now leases spaces at the mall to local businesses and has sold affordably priced ownership shares in the mall, known as Plaza 122, to 140 low-income families who live in adjacent neighborhoods. According to the Kresge Foundation, each family has received an average annual dividend of 9.3 percent. Of these families, the majority are people of color and more than half are immigrants. The investment performs well and generates more revenue than expected for these families. Plus, the Equity Investors gain an ongoing portion of that revenue indefinitely. It's a win-win scenario for all.

- Equity Investors:** These are investors who provide capital for a company in exchange for owning a share of the company.
- Angel Investors:** This is a type of equity investor geared toward supporting new companies. These are usually high-net worth individuals who provide financial backing for small startup companies in exchange for owning a portion of that company (i.e., equity). Country Roads Angel Investors (CRAN) is part of the national angel investors network. Also, as of October 2021, the [Appalachian Investors Alliance](#) (AIA) had 130+ AIA accredited investor members who have launched eight (soon to be 11) angel/impact funds in as many Appalachian states which have placed \$10 million in direct private investment into 34 entrepreneurial companies.

- Community Equity:** Community equity allows both wealthy people (i.e., accredited investors) and anyone else in a community to invest. This means both wealthy and non-wealthy people alike are invited to invest and have equity. Typically, a business owner or the leaders of an organization will advertise the investment opportunity to the public. Community Equity often attracts first-time investors.
- Venture Capital:** Venture capital is money available for repayable investment in startup enterprises and innovative small businesses with high growth potential. These potentially lucrative investments often are accompanied by significant risk. A good example of Venture Capital in Appalachia is AppHarvest.



Photo credit: WV Community Development Hub

Profile: Venture Capital Flows into Eastern Kentucky

Venture capital firms usually invest in emerging enterprises that yield a greater profit than typical businesses in Central Appalachia generate. Even so, an Appalachian high-tech agriculture company is gaining substantial venture capital investments, and they in turn are investing in helping their local communities.

AppHarvest's \$150M 60-acre, advanced technology greenhouse in Morehead, KY, was, according to *Rolling Stone* magazine¹, the 9th largest building in the world when it opened in October 2020. The structure's indoor space is about the size of 50 football fields. By September 2021, the facility employed 500 workers. By the close of 2022, their ranks may swell to 1,500.

How did AppHarvest attract venture capital? In 2017, Revolution, a DC based investment firm, announced the Rise of the Rest, a \$150M seed fund investing catalytic capital in passionate entrepreneurs outside of Silicon Valley, Boston, and New York City. The fund is managed by more than a dozen high profile investors including Amazon founder Jeff Bezos, Starbucks Chairman Howard Schultz, and many others. Revolution's February 2021 blog explains²:

“Our foundational investment thesis at Rise of the Rest is a simple one: we see opportunity first through the lens of geography. While more than 75% of the Fortune 500 is headquartered in cities all across



the country, nearly 75% of venture capital dollars invested each year (\$130B+ in 2020) is concentrated in just three states: California, New York, and Massachusetts. We believe that transformative companies led by brilliant entrepreneurs can — and should — be able to start and scale anywhere in the country.”

In early 2018, Rise of the Rest announced AppHarvest in their first round of investments. Revolution's blog explains how the visionary leadership of AppHarvest's founder Jonathan Webb played a key role in their decision to invest:

“I am at once proud of and awed by Jonathan, whose dual-track passion for the future of food and the future of Appalachia has brought him to tears more than once since we first invested in early 2018. Having the opportunity to learn from the founders you back is by far one of the most rewarding parts of being a venture capital investor. After all, entrepreneurs are realistic optimists who are brave enough to reimagine the future and crazy enough to believe they can make it happen.”

The company also cares deeply about serving employee communities. In October 2020, AppHarvest announced construction on a third high-tech controlled environment agriculture facility: a 15-acre farm in Berea, KY. Over the summer, AppHarvest was already giving back to the community by partially sponsoring Berea's Levitt Amp concert series.

More recently, investors have included some pretty-big names in the Venture Capital world: Breyer Capital, Endeavor Catalyst, Equilibrium Capital, James Murdoch's Lupa Systems, NBA star Kevin Johnson's Black Capital, and S2G Ventures. Just as Equilibrium invested \$82M³, they were back for more. Overall, AppHarvest is proving that venture capital can indeed flow to Appalachia, and that Appalachia is a great place to invest.

1 Gaffney, Austyn. “Is this Giant Greenhouse in Kentucky the Future of Farming?” *Rolling Stone*, August 22, 2021.

2 <https://blog.revolution.com/appharvest-is-now-apph-rise-of-the-rests-first-publicly-traded-company-cd82f7be62fc>

3 <https://medium.com/@jimbreyer/why-we-invested-in-appharvest-1904f00c7a9c>

Call to Action



RECOMMENDED NEXT STEPS

Overall, this playbook helps investors and community members work better together to revitalize Appalachian downtowns so everyone involved can gain a higher return on investment, both financially and socially. Developing an integrated investment strategy can feel overwhelming. That's why the examples, templates, and potential strategies are being shared in this Playbook to help communities and investors speak the same language of investment and collaboratively develop a roadmap to success.

To continue learning and connect with others interested in downtown investments, here are some potential next steps:

Financial Investors: Are you a regional or national Investor seeking financial return?

- Contact these organizations to find opportunities to invest in this type of work:
 - › [Invest Appalachia](#), a regional social investment fund that provides blended capital for community economic development projects.
 - › Community Development Financial Institutions investappalachia.org/submit-project (CDFIs).

Grantmakers: Are you a Funder who does grantmaking in Appalachia?

- Participate in the Appalachian Funders Network ([AFN](#)) Downtown Revitalization working group.

Practitioners: Are you a Practitioner?

- Join the Central Appalachian Network ([CAN](#)) Downtown working group.
- If you're in West Virginia, join [The Hub](#).
- If you're in Kentucky, join [What's Next EKY?!](#)

Investment Seekers: Are you seeking Investment?

- Find and contact a Community Development Financial Institution ([CDFI](#)) in your area to see how they can help you find funding, financing, and supportive services.
- [Submit a project](#) to Invest Appalachia, a regional fund that provides blended capital for downtown revitalization and other community development projects.
- Learn about the inaugural [Appalachian Investment Framer Action Cohort](#) and check back for additional training opportunities.

What is the Appalachian Investment Framer Action Cohort?

During fall, 2021 Invest Appalachia, along with LOCUS Impact Investing and the West Virginia Community Development Hub, launched a 12-week learning series that took place from September 22 to December 15.

Every revitalization team needs framers to negotiate and put deals together. Framers have the language, tools, and connections to make things happen. They move good ideas into action and help connect projects to resources and investment. They don't have to be experts on everything, but they need to know the experts and when to call on them.

This cohort brought together 15 individuals across the region to learn how to create clearer pathways in order to move projects from the idea stage to a final packaged and structured investment. This cohort, and similar programs that help everyday Appalachians, are an essential step in making these skills more widely accessible across our region.

FUTURE RECOMMENDATIONS

Going forward, it is recommended that grant makers and economic development practitioners invest in training residents how to develop their own strategies and diverse types of investments. By training more local people to understand these concepts, key partners can support one another to transform downtowns and diversify the economy. Many opportunities and challenges were identified during the development of this playbook. To continue building momentum and improve the investment ecosystem of Appalachia, here are a few general recommendations:

Grantmakers

- **Fund Community Technical Assistance Programs:** Dedicate sustainable regional funding for ongoing technical assistance to help communities with planning and pre-development work.
- **Expand Practitioner Training:** Continue offering the Framer Training and possibly expand these training sessions to be offered virtually, so individuals can pick the training they need most at any particular moment along their journey.
- **Develop Investor Training:** Develop and offer Board and Investment Committee training to foundations and investors. Many financial institutions, like CDFIs and community foundations, need training to explain what they can and cannot invest in. For example, many believe they can only invest in nonprofits, but there are legal ways they can invest in for-profits as well.
- **Invest in “people and systems change:”** Provide technical assistance for community involvement, operating expenses, entrepreneur training, and support services that encourage businesses in developing sustainability plans. For example, the Foundation for Appalachian Kentucky (FAKY) has found great success using the [6 Conditions of Social Change](#).
- **Fund Sustainability Plans:** Philanthropic and public funding organizations should be investing more into building the capacity of organizations and in pre-development work. This should include consultation to help them develop plans to make their

general operations sustainable after development is complete. For instance, an allowable cost for grant opportunities could be dedicated to developing a sustainability plan to continue the program after grant funding ends.

Practitioners

- **Focus on Growing Local Businesses:** Focus technical assistance for entrepreneurs on transitioning small businesses that have the potential to grow and become [“Innovation Driven Enterprises.”](#) MIT defines these as businesses focused on “products or repeatable services beyond the local market.” Rather than primarily focusing on recruiting large companies from outside the region to create jobs that benefit only a few towns, economic development practitioners should encourage local small businesses from all across the region to reach beyond their immediate markets. This will increase small business revenue and help more Appalachian communities experience moderate job growth.
- **Encourage Revenue-Based Lending:** Support growing startup companies by offering flexible, revenue-based lending. This form of loan allows startups to gain the initial investment they need to grow. Then, owners can pay back loans at a rate consistent with their current revenue. This ensures a business can keep its doors open. Additionally, when revenue is high, lenders reap the benefits. While repayment may take longer than traditional loans, this type of patient capital lowers risk by reducing the number of defaults and bankruptcies.
- **Develop Sustainability:** Develop a consulting group or non-profit program that helps businesses, nonprofits, and municipal government organizations develop sustainability plans. This will help them continue their operations without relying on grant funding.
- **Identify Common Downtown Barriers:** Investigate common barriers to downtown revitalization and provide examples of solutions such as: out of town or neglectful property owners, inflated prices for downtown properties, negative “it can’t happen here” attitudes, etc.

- **Investigate CDFI Issues & Incentives:** Identify and investigate issues with the current CDFI system, like accountability of CDFIs to their funding sources and the possibility of offering incentives for improved outcomes.
- **Impact Measurement:** Research and provide examples of standard best practices for measuring the impact of downtown revitalization projects. This will help downtowns measure their own success and compare data with others.
- **Connect Investors with Investment Opportunities:** Develop a regional mechanism to connect investors with opportunities, and ways to attract investors interested in slow/long-term, moderate financial returns. This could include an example pitch deck highlighting information these types of investors want to see.
- **Boost Local Investment:** Recruit more local investment by:
 - › Educating people on why it's important
 - › Connecting them with others who've done it
 - › Identifying investable project opportunities
 - › Helping them connect with financial institutions
- **Develop a Referral List:** Develop a referral list of trained and skilled consultants in Central Appalachia who can hit the ground running, increase efficiencies, and ultimately decrease cost for downtown development projects. For example, Downstream Strategies and Woodlands Development Group are organizations that are experienced in this type of work.
- **Share Success Stories:** Share more success stories for both catalytic and transformative investment.
- **Give Awards & Recognition:** Give awards/recognition to individuals and organizations who are changing the narrative about investment in their communities. Build up the local community investment ecosystem. This could include: increasing the sources

for local nonprofit grantmaking in each community, lowering barriers for prospective local investors, and developing local capacity to develop a broad range of transformative projects, especially regarding the size and complexity of their capital stacks.



Courtesy of Invest Appalachia

Appendix



CASE STUDY

Grafton WV

While railroad jobs were key to Grafton's early growth, the loss of hundreds of these jobs in the 1980s was devastating. The Station is a collaborative project that will transform the historic Cohen Building in downtown Grafton into a mixed-use facility with office, retail, co-working, and conference spaces. Unleash Tygart, Inc., a local nonprofit, is the driving force behind the project. When it's completed, Unleash Tygart will manage the lease contracts and oversee all its operations. Currently 80% of The Station's projected leasable space is pre-leased.



THE SPARK

Alex Reneman, a Grafton native and successful tech entrepreneur, founded Unleash Tygart to address unmet community needs. In 2018, Reneman met Heather Hudson. She brought more than a decade of nonprofit administration and development experience to Unleash Tygart. Together they recognized the many possibilities The Station project could realize for Grafton.

THE CHALLENGE:

Local businesses hoping to expand as well as other businesses seeking to relocate to Taylor County often have struggled to find suitable commercial space. Even so, as earlier community stakeholders have tried to complete their own redevelopment projects, a lack of investment has too often led to insurmountable challenges. Unleash Tygart hopes successfully completing The Station will inspire greater involvement in downtown revitalization and create a proven blueprint for success with renovating other at-risk historic structures in Grafton.

THE INVESTMENT:

In the pre-development stage of The Station project, Opportunity Appalachia (a program of Appalachian Community Capital), provided \$60K for technical assistance and architectural drawings for the Cohen Building's renovation. The goal was to develop a project prospectus which has been posted online as 1 of 16 such projects in Opportunity Zones across Central Appalachia.

According to Heather Hudson, Executive Director of Unleash Tygart, The Station's prospectus has not yet garnered significant interest from its Opportunity Zone listing. Even so, the \$60K investment has supported all of the architectural pre-work, a quarter of the architectural drawings, and financial structuring advice from CohenReznick. "It was pivotal to getting together the team we needed," Heather observes, "and set us up to be ready for investment."

STAGE OF INVESTMENT:
PRE-DEVELOPMENT
LEVERAGE FINANCING
POPULATION: 5,061 (2019)
TAYLOR COUNTY: 16,977 (2019)

DATE STARTED: 2019
ESTIMATED COMPLETION: 2023

KEY PLAYERS

Spotter, Framer, Engager, Project Manager:
Unleash Tygart, Inc.

Owner, Cohen Building: Alex Reneman

Investor & TA: Appalachian Community Capital

Technical Assistance: People, Inc., The WV Community Development Hub, Partner Community Capital™, Downtown Appalachia Redevelopment Initiative, Thrasher Engineering, CohenReznick



"Tax credit programs are not a flash-in-the-pan. They are long drawn-out projects with a lot of players and a lot of pieces. You have to stick it out for years until they come to fruition."

—Heather Hudson, Unleash Tygart



Working closely together for more than a year, Heather, and Emma Wyatt, formerly the Community Development Specialist at People, Inc., a regionally based Community Development Entity (CDE), were able to obtain state and federal historic tax credits as well as federal new market tax credits that will be applied to the Cohen Building.

In West Virginia, the Rehabilitation Tax Credit Program provides for a federal income tax credit and a state income tax credit for the rehabilitation of historic, income-producing properties. The credits are typically syndicated to create investor equity into the project, with the combination of the state and federal credits bringing 45% of the Qualified Rehab Expenses into the project financial structure as investor equity.

The pre-work architect supported Unleash Tygart’s application for historic tax credits by going through the architectural drawings and pointing out each element of architectural significance and how the project would restore it. Ordinarily, such an evaluation would be done by a separate consultant. Fortunately, the project’s architect has a background in historic preservation.

According to the U.S. Department of the Treasury, the New Market Tax Credit Program (NMTC) “attracts private capital into low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income tax in exchange for making equity investments in specialized financial intermediaries called Community Development Entities (CDEs). The credit totals

39 percent of the original investment amount and is claimed over a period of seven years.”

The best strategic advice for someone who seeks New Market Tax Credits, Heather says, is to find a CDE who brings more than the expertise to wrangle their allocation. “Find a partner who really believes in your project and is willing to put their full weight behind it,” she advises. “We would be nowhere if we wouldn’t have found Emma Wyatt and People, Inc.”

THE RETURN ON INVESTMENT:

Over time, Unleash Tygart expects The Station; A Cohen Collaborative project will:

- Provide offices for at least 4 local nonprofits, a tech company, a medical clinic, and a myriad other for-profit and non-profit service-based providers;
- Much needed community collaboration space - from huddle and meeting rooms to digitally connected conference facilities;
- Create and/or sustain 60 jobs in Taylor County;
- Create and house a technology-focused co-working space; and
- House a well-equipped “Transparency Production Studio” for multimedia messaging from local leaders to the community at large.

WHAT’S NEXT?

Unleash Tygart is on track to start construction on The Station; Cohen Collaboration in the Second Quarter of 2022. Occupancy is expected in Spring 2023. The capital stack is forming with investors in available NMTC and HTC opportunities. Bridge funding and a low-interest loan are providing the leverage financing.



KEY TAKEAWAYS

Work patiently to engage a skeptical community. Unleash Tygart has informally sought community ideas yet received only modest interest. It anticipates success with The Station will increase community involvement with future renovation projects.

Diversify the capital stack. Technical assistance to start a project is often accessible. Debt financing to fill a gap in the capital stack too often is not. Emma Wyatt at People Inc. says the biggest hurdle to debt financing may be a lack of hands-on experience among lenders about how to put together a complex capital stack.

Make sure a paid position manages all communications with the project. This is especially true when seeking historic and new market tax credits. They are very complicated.



CAPITAL STACK

TOTAL: \$10.2M

EQUITY: \$0

SENIOR DEBT: \$0

Low-interest loan (currently being sought)—\$4,002,565

SUBORDINATED DEBT: NONE

GRANT OR SUBSIDY:

Opportunity Appalachia grant for pre-development work—\$60,000

New Market Tax Credits Equity—\$2,993,640

Federal + State Historic Tax Credits Equity—\$3,103,795



Alex Reneman—
Unleash Tygart
Founder and Board
Chair / Cohen
building owner

CASE STUDY

Hazard Art Station

HAZARD, KY



After years of planning and pre-development work, the Appalachian Arts Alliance partnered with the City of Hazard to renovate an old bus station into a performing arts center, in spite of a lack of faith from the community. After years of false starts with many plan reiterations, the team struggled to gain buy-in. Most funders thought it was an albatross, and some asked if they could just burn it down and start over. The Art Station is an amazing story of perseverance. When most funders thought the project was going to be a failure, this close-knit team scaled down their plans, gained the support of one key investor, and rallied their community to see the project through completion.

THE SPARK

In 2012, the former Greyhound bus station in downtown was foreclosed. Arts Alliance's founding members saw it as an opportunity to open a performing arts center. The bank offered very favorable terms requiring the nonprofit to pay only interest for several years. Once renovation was completed and the Art Station began making a profit, the bank adjusted the terms of the loan into a traditional, affordable, mortgage payment. Their vision changed several

times, and they spent the full \$70K on multiple iterations of the project. After a few years of planning, however, they finally discovered their perfect vision for the performing arts center.

THE CHALLENGE:

It seemed like the plans paid off when the city was awarded a \$500K Community Development Block Grant (CDBG), however there was a slight issue. Federal funding sources require that contractors are paid a higher wage rate than is typically used in the region, known as Davis-Bacon wages. Despite the city's plans estimating a cost of approximately \$500K, the Davis-Bacon wages raised the lowest bid near \$1.5M. This is a common issue for projects in rural towns that have a low cost of living. Because the project's total cost could not be raised higher than \$500K the city had to return the award, as only one CDBG may be awarded at a time to the same grantee.

THE INVESTMENT:

As the Appalachian Arts Alliance was in its initial stages, the city of Hazard was also experiencing a renewed interest in downtown revitalization. Multiple organizations began collaborating to make downtown a place more locals wanted to be. There was a major shift in the local government as downtown development became a priority. Mountain Association and Foundation for Appalachian Kentucky (FAKY) helped locals form a citizen's action group called InVision Hazard. FAKY provided backbone administrative support and connections to funding for both InVision Hazard and Arts Alliance.

A committee was formed by InVision Hazard to develop a job description and petition the local government to hire a Downtown Coordinator. The city saw the value in this position and hired Bailey Richards, requesting she spearhead the Art Station project as one of her first major assignments. Not long after this, Arts Alliance hired Tim Deaton as their Executive Director. The duo of Bailey and Tim working together proved to be a very effective duo that propelled the Art Station project forward.

STAGE OF INVESTMENT:
MANAGEMENT
POPULATION: 5,046

DATE STARTED: 2012
DATE COMPLETED: 2020

KEY PLAYERS

Spotter: Appalachian Arts Alliance founding members

Framer: Bailey Richards

Developer: Appalachian Arts Alliance

Engager: Tim Deaton

Project Manager: Bailey Richards & Tim Deaton

Other: FAKY & AIF, TA, City of Hazard, and People's bank all collectively provided funding, salary, and space.



"Don't sacrifice the good for the perfect. That's what stalled the project for so long. They wanted to get a big expensive architect making everything the most modern, and it stalled out a million times for this. Good can be good enough while we work towards perfect."

—Bailey Richards, City of Hazard, Downtown Coordinator





Scott Blair is with Cody Goehring and 11 others.

July 20, 2019 · 📍

PLEASE SHARE

Best lemonade in Hazard...and for a great cause! These three future leaders of Hazard/Perry County are working to raise money for the APPALACHIAN ARTS ALLIANCE ARTSTATION CAPITAL CAMPAIGN. Every dollar raised before the end of July up to \$25,000 will be matched, thus doubling the impact of all contributions! The Artstation will be located downtown in the old Greyhound bus station and will feature art, dance and music classes along with many other programs. It will be an important asset to our locale and that's one of the many reasons these kids are working so hard to help out.

Initially, Arts Alliance had hoped the funding from the loan would pay for the needed predevelopment work, and CDBG would pay for the necessary renovations. When that fell through, efforts stalled until FAKY afforded them an interesting opportunity. FAKY's social impact fund, the Appalachian Impact Fund (AIF), offered a "catalytic conversion loan" providing an Impact Investment of \$250K. AIF also offered to forgive \$100K of the principle if payments were made on time for 5 years. To anchor the project, AIF also awarded a \$50K grant for general operating expenses. All of this was under the condition they raise \$50K first with \$25K coming from the community, and AIF would match them for the remaining \$25K.

The team had to reduce their scope and raise \$25K, which seemed impossible, given the economic climate of the time. Then they realized they no longer had to follow federal spending guidelines. "I remember that exact moment when that clicked for me. We figured out that less unrestricted money is worth double that of restricted money. If we didn't use federal money, we could do the project for much cheaper," said Bailey.

"Back to the drawing board," Tim explained, "Bailey has unconventional ways to make things happen and decided we weren't going to spend another \$40K to get an architect, so she, another board member, and I came in with a measuring tape and reimagined it ourselves." They scaled everything down to the basics. The black box theater became a roofless

open-air theatre. The downstairs became the hub for lessons, offices, and a catering kitchen. Other areas could be renovated later, so they started fundraising based on what they had already opened. They used a traditional capital campaign with mailers, presentations to local social clubs like Rotary and Kiwanis, and leveraged social media to gain donations. They offered naming opportunities for rooms in the Art Station which convinced local businesses to offer promotions or donate a percentage of revenue. Kids even sold "lemonade for the arts" on street corners. Together, the community raised \$25K to unlock AIF's investment. And then COVID hit.

Undaunted, they viewed this as an opportunity to focus on the project and did the work themselves. "We learned drywall and plumbing." Tim recounted, "We shoveled 400K pounds of coal slag out of the building and then cleaned every inch by hand with vinegar solution." Their efforts proved victorious, and The Art Station proudly opened its doors to the public on July 11, 2020.

THE RETURN ON INVESTMENT: Financial

The Art Station now generates enough revenue to pay staff and loan and mortgage payments by providing lessons to 140+ paying students, renting space for parties like weddings and baby showers, and hosting fundraisers like the annual Derby Party.

SOCIAL

The Art Station also played a major role enticing new businesses to open downtown, including a new coffee shop and bookstore. Mandi Sheffel, owner of Read Spotted Newt, said "I knew the Art Station was coming and an arts community was important, so it seemed like the right time to do it." Local government is also earning tax revenue from these new businesses. Tim believes "things are happening now because of the Art Station being here and bringing more traffic and commerce into downtown."

WHAT'S NEXT?

"Part of the incredible thing about Tim is that he has been able to raise the money to not only pay for himself, but the building, and two other employees," said Bailey. Tim has made the Art Station sustainable, and they are now seeking funding to expand community programs and renovate the top floor to create a "Downtown Development Think Tank," making the Art Station a central hub for downtown innovation.



KEY TAKEAWAYS

Persistence is key. Don't give up. Pivot when issues arise.

Start now. Make it perfect later. Remember that sometimes you have to start smaller than you wanted, and that you can always improve later.

Community support boosts sustainability. AIF's investment of \$250k was far more impactful than if they had invested the full \$300k. Neighbors who saw kids on their block selling "lemonade for the arts" know what the Art Station is and want to help it thrive. By requiring Arts Alliance to raise the first \$50K, local community members gained a sense of ownership and pride in its development and will be more likely to support it in the future.



KEY INVESTMENTS IN THE CAPITAL STACK

EQUITY: UNKNOWN

Mortgage

SENIOR DEBT: \$0

SUBORDINATED DEBT: \$250,000

\$250K AIF Conversion Loan (\$150K loan + \$100K grant if paid on time)

Patient Loan bank loan (later converted to a traditional mortgage)

CREDIT ENHANCEMENT: \$0

GRANTS OR SUBSIDY: \$100,000+

\$50K Capital Campaign

\$50K FAKY - Annual Operational Funding



CASE STUDY

Hyden, KY

Hyden, KY was thrilled in 2019 as the S&T Hardware Building, the last unoccupied commercial space in its historic downtown, appeared poised to receive \$200K from the Appalachian Impact Fund (AIF) to jumpstart its renovation. As it turned out, those ARC-sourced funds could not be applied to a privately owned building. Hyden pivoted in mid-2021, however, to focus on renovating a different historic property, Mary Breckinridge's Wendover, whose ownership had been recently donated to a local non-profit. In doing so, Hyden became eligible to apply a portion of the \$200K in the ARC's original investment and thereby score a gratifying win for the community.

THE SPARK

From 2017-2020, Hyden stakeholders, with support from CEDIK at the University of Kentucky, identified their priorities for investing in downtown revitalization: redeveloping the Old Post Office, streetscape improvements, and, to a lesser degree, a mixed-use renovation of the S&T Building. In 2019, a regional ARC POWER grant award greenlighted the S&T project.

THE CHALLENGE

After pre-work on the S&T project began, local stakeholders learned ARC funds could not be used for construction costs to renovate the building that Hyden Citizens Bank had



acquired in 2013. Without ARC funds providing the initial capital to attract additional investment, the S&T project was suddenly in jeopardy. Overall costs to gut and renovate the three-story structure for commercial tenants, affordable apartments, and a community space would be at least \$2M. Its floodplain location would inflate insurance costs. Hoping to meet the ARC's eligibility requirements, the Bank sought but was unable to find a local nonprofit to which it could donate the S&T building.

THE INVESTMENT

The speed and grace with which Hyden has been able to pivot from the S&T Building to Mary Breckinridge's Wendover - the alternate project - is clearly not a happenstance outcome. A lot of patient community based collaborative work and investment over several years laid the groundwork for what has so far been a seamless transition.

From 2017 to 2020, CEDIK provided local stakeholders with a mix of leadership development, networking opportunities, educational programs, technical assistance, and incentive grants. A local leadership team guided these activities and brought together the City, the Chamber of Commerce, the Community Foundation, and other stakeholders to set project priorities and prospects for investment.

Intriguingly, AIF's and CEDIK's partnership to submit an ARC POWER grant proposal emerged in part from early discussions about Hyden's redevelopment plans for the S&T Building. This partnership was awarded \$1.5M in ARC POWER funding in 2019 and is now known as the ReVitalize, ReInvest, ReDevelop (R3) Initiative.

By mid-summer 2021, however, an alternate investment focus had arisen - Mary Breckinridge's Wendover, located about 4 miles outside of Hyden. Built in 1925, the property celebrates the legacy of the Frontier Nursing School that Breckenridge established in Hyden to serve the people of rural Kentucky. Leslie County Betterment, a local nonprofit, has accepted the offer of Frontier Nursing University to turn over ownership of Wendover to its stewardship,

POPULATION—398 (2019)
STAGE OF INVESTMENT—PLANNING

DATE STARTED: 2017
ESTIMATED COMPLETION: TBD

KEY PLAYERS

Spotter: Hyden Citizens Bank Framer: Hyden Citizens Bank

Developers: Hyden Citizens Bank; Leslie County Betterment (post-pivot)

Project Manager: Joel Brashear (pre-pivot); Wendover Preservation Council (post-pivot)

Community Engager: Local Downtown Stakeholder Team (2017-2021/pre-pivot); Leslie County Betterment (2021/post-pivot)

Investors: Appalachian Impact Fund (AIF), Appalachian Regional Commission (ARC), Frontier Nursing University (post-pivot)

Technical Assistance: Appalachian Impact Fund (AIF), Community and Economic Development Initiative of Kentucky (CEDIK) at the University of Kentucky, Housing Development Alliance



“Mary Breckinridge's Wendover is a huge opportunity that we'd be crazy not to go after as much as we can.” —Joel Brashear, Community Outreach and Business Development Officer, Hyden Citizens Bank



thereby assuring the facility will now be open to the entire community. The total donation of Wendover's buildings and grounds is valued at just under \$2 million.

Wendover did not receive, however, all \$200K of the funding that had been set aside for the S&T Building. "We actually got a \$65,000 impact loan at 1% interest with 12 months deferred," said Joel Brashear, Community Outreach and Business Development Officer, Hyden Citizens Bank. This was more inline with what R3 was wanting to do, he added, especially as the property is now owned by a non-profit organization.

Leslie County Betterment's first major task, then, has been to create the Wendover Preservation Council, a committee of local leaders who will guide Wendover on its new course. It's likely this group also will serve as a replacement for the original local leadership team that guided CEDIK's three-year downtown revitalization initiative.

THE RETURN ON INVESTMENT (ROI)

Downtown stakeholders in Hyden view local acquisition of Wendover and the repurposing of a portion of the original R3 investment as an opportunity to reap a positive financial return at the property, stimulate local businesses associated with outdoor recreation and cultural heritage tourism, and bring the community together again. Following upon the disappointment felt by many local residents when Frontier Nursing University moved to Versailles, this feels like an authentic win for the community.

WHAT'S NEXT

Hyden Citizens Bank has explored the option of donating the S&T building to a non-profit, but as yet the bank has not gone so far as to approach local charities about taking control of the property. Following internal discussions, the bank has decided it is in the best interest of the community to hold onto the property and see what it might accomplish moving forward.

As for renovating the Wendover facility, Joel Brashear has said the project was and still is in need of startup capital. "The R3 funding allows Wendover the funding we need to operate in 2022," he noted, adding the Wendover Preservation Council will now seek a more permanent source of funding through ARC and other avenues.

In any event, the R3 investment pivot has successfully connected Mary Breckinridge's Wendover to a set of

revitalization priorities for Hyden's historic downtown that were set a few years ago during CEDIK's facilitated gatherings of community stakeholders. Those planning sessions clearly articulated the community's clear intention "to connect and expand upon cultural landmarks downtown and countywide."

In fact, a bronze sculpture of Mary Breckinridge mounted upon a horse is on display at the downtown hospital. Named in her honor, the statue is a favorite with locals and visitors alike, as it evokes how closely intertwined Breckenridge—and her beloved Wendover—are with the town's history and cultural heritage.



KEY TAKEAWAYS

Pivot when needed. Don't be afraid to pivot and try new things in early stages of development. While the R3 Initiative had seemed like a good fit for the S&T Building, it was more pragmatic to shift the local focus to renovating Mary Breckinridge's Wendover, which also showcases Hyden and Leslie County's rich history and cultural heritage.

It's okay to take a break and reimagine. When one development option closes, consider how other uses may be more doable. Much has been learned about renovating the S&T Building. That knowledge may yet lead to a redevelopment strategy that's a good fit for the community



KEY INVESTMENTS IN THE CAPITAL STACK

TOTAL: \$2.2K

EQUITY: NONE

SENIOR DEBT: NONE

SUBORDINATED DEBT: \$65K

\$65,000 impact loan at 1% interest with 12 months deferred from Appalachian Impact Fund's ReVitalize, ReInvest, ReDevelop (R3) Initiative.

CREDIT ENHANCEMENTS: NONE

GRANT OR SUBSIDY: \$2.15M

\$47K Grant + Community Donations

\$2.1M property donation to community nonprofit

CASE STUDY

Downtown Pineville, KY

From 2016-2021, Pineville's downtown square went from 20% to 100% occupied, and is now filled with a diverse array of businesses and a thriving music venue. Keys to success included: removing barriers to running a business, maximizing community involvement, and developing a shared vision. Using a mix of public and private funds, Pineville's metamorphosis was built upon layered investments like a municipally funded business incentive packages, grants, bonds, targeted tax revenue, low interest bank loans, and private investments from local entrepreneurs.

THE SPARK

In 2014, Scott Madon sat in his downtown insurance office. From his window he saw more boards covering windows than "OPEN" signs. He knew the Pineville he loved was worth investing in, so he became the Chair of Pineville's new Main Street program, ran for mayor, and teamed up with the

new Main Street Director, Jacob Roan, to make downtown revitalization a top priority.

THE CHALLENGE

The downturn in the coal industry in 2013 meant reduced revenue for the city of Pineville from taxes and coal severance. Local government budgets were tight. Unemployment and poverty rates were high. Businesses were closing instead of opening. The downtown square was only 20% full, mainly consisting of a few lawyers' offices and a homeless shelter. The beloved historic Bell Theater sat vacant after having changed ownership many times. With the opioid epidemic surging, drug deals on the streets were a common sight. Aside from the courthouse, downtown was no longer a place most community members wanted to visit, much less tourists.

THE INVESTMENT

The city's first investment in downtown revitalization was hiring a Main Street Director in 2013, who focused his first year on building a diverse, experienced team, and learning from others. Downtown investments started with small beautification efforts like installing planters, which helped volunteers gain local pride.

These small public investments spurred big private investments. Two local attorneys made the initial investment by purchasing and renovating a 2-story downtown building and recruiting a restaurant development group to develop the flagship tenant Sauced. This sparked another local investor to renovate a downtown space for The Butcher's Pub. Those same entrepreneurs then helped the Main Street program develop a Business Incentive Package to reduce the burden of remodeling and the cost of opening a business. Simultaneously, Main Street worked with a local bank to offer low-interest business loans. These two efforts combined caused a domino effect of opening new downtown businesses.

STAGE OF INVESTMENT:
DEVELOPMENT
INVESTMENT ACQUIRED.
IMPLEMENTATION IN PROCESS.

DATE STARTED: 2013
ESTIMATED COMPLETION: 2023



KEY PLAYERS

Spotter: Mayor Scott Madon

Framer: Mainstreet & Economic Development Director, Jacob Roan

Developer: The City & Local Business Owners

Primary Contact: Jacob Roan

Engager: Jacob Roan & University of Kentucky CEDIK

Other Key Players:

Local & Outside Investors

High School Students

Local Bank



"Sometimes I asked, 'why are we spending \$30,000 on plans when we already know what we want to do,' but looking back we could never have done this without them...we would have left so much out along the way." —Jacob Roan, Pineville Mainstreet Director



Spurred on by local businesses, the city invested \$30,000 in dumpsters for demolition/cleanup and waived hauling fees which saved owners money and encouraged more renovation. Main Street sought business feedback on hot topics like taxes and utility services and developed a Business Expansion and Retention Plan to address their concerns. This removed barriers to doing business. "A business never heard 'No' from us. We'll call the league of cities and consult our city attorney for legal opinions if we have to. If we can do something within the parameters of the law, then we will," said Jacob Roan. Regarding years 2014-2021, Roan says "the results are truly remarkable – 200 jobs created and more than \$8 million in public and private investments made to downtown Pineville."

The City also invested about \$30,000 in planning efforts. Main Street partnered with CEDIK at the University of Kentucky to develop a 5-Year Plan, which began with seven Vision Forums in places like high schools, housing units, and churches. The plan outlined building renovations, underground utilities, and streetscaping. An interlocal agreement was also negotiated, thus allowing the city to retain 90% of restaurant taxes to pass through the Main Street program to be used for tourism-based projects, in the same manner that hotel taxes fund Convention and Visitors Bureaus. This gave Main Street access to \$300,000 to buy and renovate the Bell Theatre. Having the 5-year plan helped the city obtain over \$8 million in public and private investments to implement the following: a \$1 million CDBG grant, a \$2.5 million Kentucky Infrastructure Authority loan, \$1.5 million in bonds sold through Kentucky Bond Association, and a \$700,000 ARC grant. All of these achievements would not have been possible had Pineville not made the initial investment locally.



THE RETURN ON INVESTMENT

Financial

Sauced and The Butcher's Pub earned a solid financial return prompting the opening of additional locations.

Social

Though Pineville businesses struggled amid COVID, downtown remains occupied. The 400-seat Bell Theatre has become an economic driver with frequently sold out shows. "They all love Pineville and the pub next door and the close-knit community we are. They love to come for a show, stay for the weekend, and go to the park," said Jacob Roan. One of the greatest social benefits is the number of young people coming home to live and work. The 5-year plan was heavily influenced by high school students in a Vision Forum. Roan states "Now five years later we are actually seeing these high school kids wrapping up their college experience and looking to come back home. They look around and see that their local leaders listened and are continuing to listen."

WHAT'S NEXT?

Despite the COVID crisis, 80% of the 5-YR plan is complete with more to come. Building on local assets of the nearby Boone's Ridge - a \$40+ million investment by government and private investors, opening 2023 — Pineville aims to become a premier Appalachian destination where people come to eat, shop, stay, and enjoy nightlife.



KEY TAKEAWAYS

Listen to and support business owners. Supported business owners are more likely to succeed. This means more revenue for businesses and building owners, jobs, and tax revenue. Therefore, identify what's preventing progress for businesses in your town, and get rid of it.

Take time to plan and share the vision. Go to community members "where they are" and ask them what they want. But don't just plan; take action on plans and involve the community. Start small and build on each win to gain momentum.

Measure what matters and share your impact. Track the return on investment, publish those stories, and share them with investors. This helps investors understand the opportunities and tag along, leading to better returns for everyone involved. Money follows money!



KEY INVESTMENTS IN THE CAPITAL STACK

EQUITY: \$2M+

Varies- Investors in Local businesses like the Butcher's Pub, Sauced, and a day care

SENIOR DEBT: \$4M+

\$2.5M KY Infrastructure Authority Loan
\$1.5M KY Bond Association

Varies- Low-Interest Loans by Local Bank to Downtown Businesses

SUBORDINATED DEBT: \$0

CREDIT ENHANCEMENT: \$0

5-YR City Tax Moratorium

GRANTS OR SUBSIDIES: \$2M+

\$1M CDBG Grants

\$700K ARC Grant

\$300K Local Restaurant Tax

\$60K+ Municipal Investments

5-YR City Tax Moratorium

CASE STUDY

Princeton, WV

Princeton has used a district-wide planning approach. The Mercer Street Grassroots District has monthly events, mixed use buildings, renovated storefronts, two new restaurants, a brewery, coffee shop and lots of foot traffic. The vision is transformational through music, the arts, and food. A local non-profit (RiffRaff Arts Collective), a foundation, state entities, and the City of Princeton have all provided catalytic capital, while repayable capital has come from banks and local residents. There has been a significant investment into public art as a key strategy including murals, open space, and facade improvements.

THE SPARK:

Lori McKinney finally came home after spending time in London, becoming a singer at Dollywood, and graduating college. She brought her voice, her gift of songwriting, and her partner, Robert, who loves music production and lighting design. Lori also brought her love of community, and she truly believes that everyone has something to contribute. Robert creates the physical spaces - from building renovations to art installations, to lights on Mercer St. - and Lori creates connections and engagement to welcome folks into those spaces. Lori has worked with Greg Puckett, Director of Community Connections, Inc., who at the time was painting facades on local buildings and renovating the local theater to instill pride and show what "could be."

THE CHALLENGE:

In 2006, Lori came home to empty storefronts, people without housing, deteriorating buildings, crime, and a lack of local foot traffic. Worst of all, potential investors had decided there was nothing worth funding. However, Jerry McKinney and his two daughters invested in a historic building on Mercer Street that became the home of performance venues, an art boutique, and a recording studio.

Photo credit: WV Community Development Hub



One challenge has been the property owners, known locally as "slumlords," in the Grassroots District who won't renovate or sell their buildings at reasonable prices. The City is now enforcing the "2018 rental compliance program," in which owners must have and implement a plan of action to maintain their properties, or risk paying the City a fine. This program enforced by the Building Code Office, increases property values for all. For those owners who don't want to make improvements, their other option is to sell.

THE INVESTMENT:

Catalytic investment is key to undertaking the pre-work needed for development. The WV Community Development Hub ("The Hub") provided community convening, planning support, leadership development training, and funds for multiple feasibility studies for construction of a permanent farmer's market structure. The Hub also funded the renovation of the town's theater, and the Lonnie Gunter Center. The Hub provided mini grants to help launch projects like The Downtown Countdown, a major New Year's Eve celebration, civic engagement events, and community celebrations. The Northern Brownfields Assistance Center at WVU provided support and funding for a Developer's Tour which included a guidebook with specs for available

STAGE OF INVESTMENT: ADVANCED IMPLEMENTATION
POPULATION: 5,831 (2019)

DATE STARTED: 2013
ESTIMATED COMPLETION: 2022

KEY PLAYERS

Spotter: Lori McKinney at The RiffRaff Arts Collective, Greg Puckett at Community Connections

Framer: Kate Greene - contracted by the city for bigger projects

Project Manager: Multiple owners

Community engager: Lori McKinney

Technical Assistance: The WV Community Development Hub, Brownfields Center, and the Center for Resilient Communities (WVU)

Investors: City of Princeton, local foundation, Federal Home Loan Bank, and local individuals



"The approach is multifaceted and holistic, rooted in knowing that music, art and food bring people together and cause exponential positive energy. Public art and gathering spaces cultivate a community that attracts participation, new residents, and tourists. We spot investment opportunities, connections, and weave a tapestry of downtown transformation."

—Lori McKinney, The RiffRaff Arts Collective



buildings on Mercer Street. WVU also provided technical assistance for branding the district, and pre-work for the renovation of the Town Square. The Federal Home Loan Bank of Pittsburgh provided capacity building grants to support Lori as a paid downtown development organizer, which fueled the momentum of development. The Center for Resilient Communities at WVU provided RiffRaff with grant-writing support and project development. The City also plays an important role in funding and providing labor for streetscape and safety improvements and investing in capital projects including the Public Library and Railroad Museum.

The local foundation has taken a different approach than usual among such organizations. After seeing community-led passion and development, the foundation decided to build on that energy and success. Beyond providing resources for pre-work, the foundation has been “first in,” taking on the risk and providing grants towards the purchase of buildings, including the Farmers Market structure, the Theater, the train museum, and the Lonnie Gunter Center. Foundation staff note that it is difficult to secure large capital improvement and programming investments without owning the building/space. The Foundation walks the grantees/ businesses through the process of securing and planning for the building. Luckily, as of October 2021, the buildings have been secured.

This is also a story of local investment by folks from the community who are excited to see music, arts, and food on Mercer Street as it reminds them of the places they have explored. The excitement on Mercer Street is also drawing artists and investors from around the region. This approach may take longer, but the result is a town which is community-owned and community-controlled.



RETURN ON INVESTMENT:

The mixed use of buildings in the Grassroots District is essential to a positive financial ROI. Over 30 new businesses have come to Mercer St. since 2013, some of which have moved into renovated buildings.

The local foundation’s primary goal is to give back to the community. The founder of the foundation’s descendants recall him once saying, “Whether \$1.00 or \$1 million, give to what people are passionate about.” The focus on Mercer Street comes from a desire to bring back what once was: the hustle and bustle, the connections, and the care among community members. The Foundation believes creating spaces for these interactions is key to success. And for the younger generations, it’s about creating a future for families, and building on what they’ve learned and seen through their experiences.

WHAT’S NEXT?

Renovations continue and new businesses are opening. The adjacent historic district is expanding and bringing more visitors and locals to the Grassroots District. The City’s Economic Development Authority is exploring ways to provide support to those who want to purchase and use city-owned buildings, including a revolving loan fund, business coaching, and more. Reid Miller’s small clothing manufacturing facility is growing and creating new jobs for seamstresses. The next challenge will be integrating the new WVU health facility and a national park into the community.



KEY TAKEAWAYS

Invest in “third spaces.” Ideas and action come when people have a place to gather and converse. Multiple third spaces create a diverse group of community members.

The city can play a leadership role. While there are multiple perspectives in Princeton, the City Council staff and the EDA board are committed to development from within the community.

Support local investment and local ownership. Two examples stand out: 1) the EDA is exploring the transfer of ownership and use of the city-owned buildings to community members through loans and business assistance; and 2) an “intermediary investor” is engaged in supporting a community Owners Group to build wealth (see profile).

A foundation can take on risk and leverage investment. Foundations do not typically provide grants to purchase buildings.



CAPITAL STACK

EQUITY: \$2.5M

SENIOR DEBT: \$600K

Loans for theater and Lonnie Gunter Center

SUBORDINATED DEBT: \$0

GRANT OR SUBSIDY: \$2M

Technical assistance grants from The Hub, Downtown Appalachia and Brownfields,

Flex-E Grants from the State Development Office,

EFA funding for transformational arts programming,

ARC funding for downtown growth,

Capacity building grants from FHLBank,

Mini-grants from The Hub,

Grants for festivals and Lonnie Gunter Center

Corporate sponsors

CASE STUDY

Pulaski, VA

Pulaski's jobs were scarce, and its economy was faltering. Enter two men who saw potential: David Hagan and Steve Critchfield. David bought the Pulaski Yankees in 2014, refurbished Calfee Park, and turned an old warehouse into the popular Jackson Park Inn. Steve saw a beautiful town with dilapidated homes and blighted commercial spaces, yet very unique architecture. He mentored a group of millennials and together they formed West Main Development. They renovated the town's buildings using initial construction loans, special financing from Virginia Housing, private and community investment, and historic tax credits.

THE SPARK:

A shortcut to avoid traffic in 2014 led Steve, a Blacksburg private developer, to see potential in Pulaski's dilapidated buildings. "I fell in love with the architecture of the downtown area because it reminded me of an area I used to live... in DC. So, I stopped, and we walked around, and I decided I was going to get something done downtown," said Steve.



THE CHALLENGE:

Steve considered historic tax credits to support revitalization. The traditional method did not make sense as it would only bring 20% of the capital. Historic tax credits are often sold through syndication. Syndication is a process in which the building owner brings in an investor into the building's ownership structure so that the investor can claim the credits in exchange for providing equity. Steve decided to sell the Historic Tax Credits to local banks directly.

THE INVESTMENT:

A variety of investments contributed to Pulaski's transformation. Early on in the transformation, David Hagan invested in The Pulaski Yankees and Calfee Park. He renovated the park, made it into the team's home field, and gave them a new name: The River Turtles. The Town of Pulaski has been proactively creating opportunities to encourage private investments with a variety of publicly supported funding tools, including a five year meals tax rebate for any restaurants and a five to seven years property tax rebate for developers that rehabilitate existing structures in the downtown area. The EPA Brownfields Grant helped assess existing buildings and form potential revitalization efforts, while the VA Housing Development Authority (VHDA), along with VA Community Capital (VCC) and DHCD, provided additional funds for pre-development assistance. The DHCD grant kicked off a planning process, which ultimately resulted in the 2016 Downtown Pulaski Revitalization Plan, led by the Town of Pulaski.

The first project for West Main Development (WMD) were two buildings located in the heart of Pulaski's Commercial Historic District, three commercial/retail spaces, and four apartments. Students from Virginia Tech's Pamplin School of Business completed market feasibility studies to help WMD find and help the future commercial tenants. As plans for these properties developed, Steve simultaneously purchased and renovated another building to house MOVA Technologies. MOVA is a green energy company that is developing a patented emissions filtration system. He then turned to finding ways to finance 87-89 and 94 W. Main by stacking capital from various sources.



STAGE OF INVESTMENT:
DEVELOPMENT (PHASE TWO OF DOWNTOWN HISTORIC REVITALIZATION)
POPULATION 8,799 (2019)

DATE STARTED: 2014
ESTIMATED COMPLETION: ONGOING

KEY PLAYERS

People: Steve Critchfield

Framer: West Main Development and Aggregate Capital

Project Manager: Aggregate Capital

Community engager: Town of Pulaski

TA: VHDA, DHCD, Hill Studio (historic tax credit consultant)

Investors: Town of Pulaski, County EDA, VHDA, DHCD, First Bank & Trust, Virginia Community Capital, National Bank of Blacksburg



"The work is never finished in a community. There is always another building, another business, another idea to continue moving forward. We are so close to crossing the threshold for more developers to see Pulaski as the next great investment."
—Austin Stromme, Aggregate Capital



Because the two buildings are in a historic district, they qualify for Historic Tax Credits (HTCs). WMD helped facilitate the purchase of the Historic Tax Credits by First Bank & Trust which counted as part of their Community Reinvestment Act obligations, ultimately allowing the project to move forward without involving a syndicator. VCC provided financing for construction costs with a bridge loan until the development could collect proceeds from historic tax credits.

These two buildings were also part of the 15 facade renovations to be completed on Main Street with support from a \$696,846 Community Development Block Grant from DHCD. Collectively, all of the donating organizations represent over \$2.5 M, while approximately \$250K was contributed by individual investments in the two buildings.

THE RETURN ON INVESTMENT (ROI):

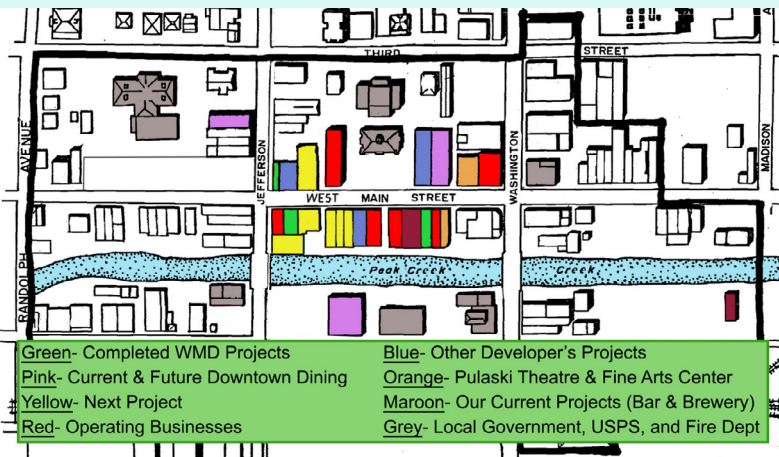
The buildings have a combined fair market value of over \$1M - fairly impressive given the acquisition cost of \$70K. "Multiple businesses have opened and multiple developers have come to town since we started and many more will migrate to Pulaski as we complete our next few projects," according to Luke Allison, WMD's millennial leader and co-founder of Aggregate Capital. "Agencies are excited because they realize the regional and generational impact when they fund projects in rural communities compared to areas like Northern VA. People and businesses are starting to focus on Pulaski, not because the buildings are cheap, but because they are valuable."

"One of the biggest ROIs is helping people feel better about where they live and how they live," said Steve Critchfield. Current and future projects focus on creating a vibrant

downtown offering quality housing, with local shops/restaurants that will attract workers seeking unique social and outdoor experiences. Currently, everything is rented, with other developers moving in and buying buildings to start renovating.

WHAT'S NEXT?

A project at 37 W. Main St. is in process, with 7 others in the pipeline. Aggregate Capital hopes to give the 13,000 square foot building new life as 9 apartments and a local taphouse/restaurant space, using the same financing methods.



KEY TAKEAWAYS

Know what teammates to recruit to your team. With historic tax credits, for example, it's important to have an architect and a contractor who specialize in historic restoration. Surround yourself with responsible people who have a good reputation, and then let them do their job.

Engage the community in determining what goes into retail spaces. This can be done through town surveys, town meetings, or by engaging higher education resources to investigate demand and feasibility.

Returns must be more than money. In a small community, this can mean a more vibrant downtown, young people moving in, and transformation.



CAPITAL STACK

EQUITY: \$250,000

Varies - Investors in local businesses

SENIOR DEBT: \$425,000

VHDA Permanent Financing

SUBORDINATED DEBT:

\$55,000 County IDA Loan

\$140,000 Town Loan

CREDIT ENHANCEMENTS:

\$252,000 Federal Historic Tax Credits

\$316,000 Virginia Historic Tax Credits

GRANT OR SUBSIDY:

\$100,000 VHDA REACH Grant,

\$145,000 Enterprise Zone

\$100,000 VHDA Predevelopment Loan

CASE STUDY

Village of Shawnee, OH



The development of West Main Street is growing from the ground up, building on local natural assets, entrepreneurs, investors and community engagement and support. External investment is simultaneously fueling the economy. Public-private partnerships include Hocking College, Black Diamond Development LLC (BDD), Buckeye Trail Association (BTA), Ohio Hill County Heritage Area (OHCHA) and regional nonprofits like Rural Action and ACENet. The initiative focuses equally on building acquisition/renovation and business development, all aligned around experiential tourism.

THE SPARK:

Bret Adams (BDD) got a call from a business partner who exclaimed “You gotta invest here!” This led Bret to bring his money and experience in Cleveland to Shawnee. Proximity to Wayne National Forest, various state parks, architectural history, higher education institutions, and an existing community vision, made for endless investment possibilities.

THE CHALLENGE:

A former coal town, Shawnee has experienced persistent poverty, population decline, and external control, ultimately resulting in town deterioration and a lack of investment. Traditional economic solutions like “attraction/expansion” were not realistic options.

THE INVESTMENT:

The early investment by OHCHA and BTA was essential to building community support and vision. It is critical to have a clear vision when seeking external investment to ensure that development is community driven. A USDA grant was used to start a farmers market. The presence of “third spaces” for community members to gather has been important to furthering dialogue. Rural Action also received an ARC grant to develop the Bailey’s Trail System, the Buckeye Trail, and a multi-use path that connects the Buckeye Trail to West Main Street. This investment will leverage other funding.

Investment by Rural Action, ACENet, and OHCHA in the development and sustainability of local businesses was also key, resulting in the renovated Harigle Garage and Tecumseh Theater. Hocking College invested in the Black Diamond Distillery and Star Brick Brewing to create a hands-on opportunity for students in their Fermentation Science program. These college-owned and operated businesses create, produce, and sell local spirits and beer produced by students.

An outside investor, Bret Adams purchased several buildings on West Main Street. With complementary funding from federal and state grants, these buildings are being renovated and new businesses have started, including the Black Diamond Tavern which sells Star Brick Brewing products

STAGE OF INVESTMENT:
ADVANCED IMPLEMENTATION
POPULATION: 391 (2019)

DATE STARTED: 2017
ESTIMATED COMPLETION: 2022

KEY PLAYERS

Spotter: John Winnenberg, Andrew Bashaw, and Bret Adams

Framer: The community, the investors, and other public funding.

Project Managers: John Winnenberg, Andrew Bashaw, and Bret Adams

Community Engager: John Winnenberg, Andrew Bashaw

TA: ACENet and Rural Action

Investors: BDD, the Village of Shawnee, Sunday Creek Associates, Hocking College, USDA, ARC, and the Abandoned Mine Lands Economic Revitalization Grant

“Partnerships have been successful as a result of mission alignment and complementary resources between unlikely partners. When approaching economic development, stay true to your values and vision, focus on the resources you have to offer, be open, and think ethically.”

—Sean Terrell, Hocking College

to local retail stores. Bret has also partnered with the College Carpentry Program to build tiny houses for tourist accommodations around the Tecumseh Lake in Shawnee. As of August 2021, 5 of 12 units have been built. Hocking College will share in the revenue from the tiny house rentals going forward. Finally, in collaboration with the Wayne National Forest, there are efforts underway to gain additional land for the campground by the lake.

The Village of Shawnee has supported infrastructure development to the campsites and other locations and has modified zoning to make this all work. It is critical to get traditional economic development on board for local investment, including endorsement from the town mayor.

RETURN ON INVESTMENT:

BDD invested financial resources where they saw a potential positive ROI. This would not have been possible without the planned investment of a federal Abandoned Mine Lands Economic Revitalization grant in building renovations and campsite development. BDD transferred the campsite land to the Village of Shawnee in return for a 99-year lease.

Hocking College invested significant staff time and resources. The hope is to promote local economic development and job opportunities for high-skilled graduates, in addition to increasing enrollment as students see shared values and impact. BTA had been trying to get Hocking College onboard for years, but it was not until there was a clear return on investment that they eventually came to the table.

WHAT'S NEXT?

“Now, some bright, young folks have come together to form the New Little Cities Council to continue the work,” said John Winnenberg. In partnership with longer-lived efforts, the Council is bringing renewed energy and focus to Shawnee.



KEY TAKEAWAYS

Public-private partnerships, including resources from outside of the community, are needed to complete the capital stack.

Ensure that there are not only shared expectations from the start, but also community organizations and networks in place to respond to developer’s interests quickly. Outside developers tend to show interest in places where things are happening.

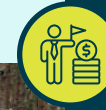
Impact comes from focusing on both building renovation and business development.

An empty building doesn’t build a downtown. Business development is more than technical assistance and can include a network of mutually supportive enterprises.

Meet the needs of who is there – not who might come. Outside investors need to consult with local organizations, government, and businesses to provide a benefit for local folks.

Presenting clear ROI to partners can help them see the potential of their investment and encourage engagement.

While there had been several years of conversation between the community and Hocking College, it wasn’t until the right people were in place and BDD presented a plan and a ROI that Hocking College invested significantly.



CAPITAL STACK

EQUITY: \$2,000,000+

SENIOR DEBT: \$400,000+

SUBORDINATED DEBT: \$0

GRANT OR SUBSIDY: \$2,636,000



Worksheets & Examples

INVESTMENT READINESS ASSESSMENT (I.E., READINESS FACTORS)

partnercap.org/playbook/Investment-Playbook-Readiness-Assessment.xlsx

PRO FORMA

Creative Disruptors works with Main Street businesses in rural America. We have created this tool, with tons of business owner input, to help you think about the profitability of your business - and steps to take to get there. Please use this tool!! You will need to adapt it to your use. Please just credit Creative Disruptors as source material. Contact us at: createdisruptors.com. We provide pro bono assistance in select cases.

EXAMPLE PITCH DECK

theopportunityexchange.com/OppAp/profile-cards

Glossary

This glossary is derived from interviews with community development practitioners and consultants as well as research with online resources in the fields of community development, investment, philanthropy, and others. Thanks in particular to the following websites: 1) cdfa.net; 2) centerforcommunityinvestment.org; 3) cof.org; 4) financial-dictionary.thefreedictionary.com; 5) investopedia.com; 6) ofn.org; 7) useful-community-development.org; 8) wealthworks.org; wikipedia.org; and 10) wordnik.com.

Built infrastructure—The built infrastructure of a rural downtown refers to the buildings, streets, bridges, telecommunications, public utilities (natural gas, water and sewage), power supply, and other structures that make it possible for the city or town to function.

CDFI—A community development financial institution (CDFI) is a private financial institution that provides affordable, responsible lending to help low-income, low-wealth and other disadvantaged people as well as communities to join the economic mainstream. CDFIs can include community development banks, credit unions, loan funds, and venture capital funds.

Collateral—Property pledged as security for repayment of a loan, to be forfeited in the event of a default.

Community—A group of people who live in the same locality and under the same government. It can also refer to the specific district or locality in which such a group lives, whether a city, town, state or even a region.

Community development—Purposeful, shared action that improves social, economic, physical, and environmental well-being while preserving valuable aspects of the culture and traditions of a particular place.

Community foundation—A nonprofit, philanthropic institution that administers permanent funds established by many individual donors for the long-term diverse, charitable benefit of the residents of a specific geographic area. Typically, a community foundation serves an area no larger than a state.

Community investment—Transactions designed to improve social, economic, and environmental conditions in communities while producing an economic return. The goals and approaches of community investment differ from those of traditional financial investment. The latter seek to maximize the return on investors' money with any resulting public good being purely incidental. Community investment seeks to serve the public good and may result in varying degrees of what the investor deems an acceptable financial return.

Additional terms relevant to community investment follow below:

Accredited investor—An investor who has special status under financial regulation laws, often designated as high-net-worth individuals and couples, banks, financial institutions, and large corporations. Some types of financial offerings are restricted to accredited investors.

Business Tax Credits—Business tax credits are a dollar amount that companies can subtract from the taxes owed to a government. Business tax credits are applied against the taxes owed, as opposed to a deduction that is used to reduce taxable income. Businesses apply the tax credits when they file their annual tax return. In the United States, the Internal Revenue Service (IRS) oversees the application of business tax credits as the credits are used to offset a company's financial obligation to the federal government.

Capital stack—A capital stack consists of financial sources represented by blocks of investments and grades of risk. The stack illustrates the pecking order of cash flows. Risks and rewards increase with each block of investment. A classic arrangement of a capital stack, more fully described in the Playbook and illustrated individually for each of its case studies, appears as follows:

- **Equity**—Last paid
- **Senior Debt**—1st Repaid

- **Subordinated Debt**—2nd Repaid
- **Credit Enhancement**—Helps Gain Financing
- **Grant or Subsidy**—Not Repaid

Catalytic capital—Dollars for grants, credit enhancements and forgivable loans where financial return is not a consideration. Catalytic capital may support pre-development work, such as technical assistance and capacity-building, or it may flow into the capital stack later as a way of making sure the deal gets done. In both instances, it helps get low-resource communities and shovel-worthy projects ready for repayable investment.

Community investment system—The set of active stakeholders, policies, practices, resources, platforms, and relationships that either facilitate or constrain the flow of investment capital in a particular place. Viewing community goals and priorities through this lens makes it easier to evaluate emerging options, assess opportunity costs, and make timely informed decisions that can sustain development across a pipeline of investable deals.

Credit Enhancement—Credit enhancement can help a business or nonprofit gain the final debt or equity financing they will need to complete a project. Among the most impactful types of concessionary capital that a foundation or other entity can offer, these strategies often take the form of loan guarantees and bridge loans.

Crowdfunding—An alternate finance strategy for raising funds for a project or venture by raising small amounts of money from a large number of people, typically via the Internet. Crowdfunding has been used to fund a wide range of for-profit entrepreneurial ventures such as artistic and creative projects, medical expenses, travel and community-oriented social entrepreneurship projects.

Financial Debt—Any money owed to an individual, company or other organization. One acquires debt when one borrows money. Generally speaking, one acquires debt for a specific purpose, such as funding a college education, purchasing a house, or financing a business. Debt

may come from a variety of sources and may be stacked (or named) according to their risk/return status. Common terms include senior debt and subordinated debt.

Financial Equity—In real estate, a risk interest or ownership right. In business, equity represents the amount of money that would be returned to a company's shareholders if all of the assets were liquidated and all of the company's debt was paid off. In the case of acquisition, it is the value of company sales minus any liabilities owed by the company not transferred with the sale. Equity can be found on a company's balance sheet and is one of the most common pieces of data employed by analysts to assess the financial health of a company.

Financial Gap Financing—Gap financing often is the late capital needed to make a project happen. For example, a downtown affordable housing development in Kansas needed \$250K more in their capital stack to make it happen. Accordingly, the community foundation provided a loan that was concessionary and subordinated to the bank.

Funding vs. Financing—Funding is defined as financial capital provided to advance a project, organization, or business with no expectation of repayment or financial gain (e.g. grants). There likely is, however, an expectation of a social return on investment. Financing, on the other hand, involves financial capital provided to advance a project, organization or business with an expectation of a financial return on investment that is greater than the original amount of capital provided. This may include a range of options, including repayment of capital, interest, and asset appreciation.

Guarantee—An enforceable assurance making one party responsible for the payment or debt of another. Guarantees are binding, however, only if made on top of legally valid contracts.

Impact investing—A new tool for philanthropy and impact organizations that seek to help build resilient, prosperous, equitable communities through leveraging the power of capital to create measurable positive social change and/or environmental impact. Unlike grantmaking, though, the funds circle back around to the

foundation, often with a moderate financial return so that the dollars can be recycled back into the community. Funds also are invested in alignment with community priorities.

Investment capital—Repayable capital where investors want a financial return on investment. Investment capital primarily comprises two types of capital: Market Rate Capital, which expects an ROI consistent with current market expectations for investment adjusted for a specific kind of risk, and Concessionary Capital, which is willing to accept a lower-than-market-rate return in exchange for accomplishing desirable social or environmental outcomes.

Investment vs. spending—Spending is about consuming a resource (like money or time) to purchase goods or services without expecting something in return. Investing is also about consuming a resource, but you have a realistic expectation of getting something in return for having spent that resource. When you spend, you consume. When you invest, you accumulate value in an asset.

Investment pipeline—The informed prioritization of a set of investable opportunities based upon an assessment that evaluates each project’s scope and complexity, cost, timeliness, and relative merits compared both to other projects and the overarching development vision and goals established by the community.

Investor—An investor is any person or other entity (such as a firm or mutual fund) who commits capital with the expectation of receiving financial returns. Investors rely on different financial instruments to earn a rate of return and accomplish important financial objectives like building retirement savings, funding a college education, or simply accumulating additional wealth over time.

Non-repayable funding—Investors who provide non-repayable funding do not require a financial return on investment, although they may expect a social return on investment, such as the creation of a certain number of jobs.

Pipeline of deals—A group of individual projects that are being considered or underway at the same time within a given community which taken all together seek to fulfill a designated set of the community’s priority development goals.

Readiness for investment—A set of criteria by which to evaluate whether a particular project and its development team has reached a threshold of feasibility and preparedness likely to assure a reasonable expectation of success following the receipt and management of funds designated for realizing the project’s goals and objectives. An informal self-assessment is likely to be made initially by the project team itself prior to deciding to submit a formal solicitation of investment to a foundation, bank, CDFI, private investor, or other agency. The latter will conduct its own formal review and due diligence of the applicant’s prospects and capacity.

Return on investment—Return on investment (ROI) is the financial, social or environmental benefit to be gained from an investment in a specific enterprise, whether the construction or renovation of a property or the launch or expansion of a business. As a metric used at the outset of a venture to anticipate those possible benefits, it compares the gain or loss from an investment relative to its cost.

Revolving loan fund—A revolving loan fund (RLF) is a gap financing measure primarily used for development and expansion of small businesses. It is a self-replenishing pool of money, utilizing interest and principal payments on old loans to issue new ones.

Senior debt—This is often conventional debt like a mortgage or a loan where an investor gives a certain amount of money in exchange for payments made at regular intervals with interest. They often expect a modest return on investment and are the first to be repaid.

Subordinated Debt—This is patient capital which may take the form of a forgivable loan or another type of funding or financing that can be repaid slowly.

Transactional capital—Repayable capital where investors want a financial return on investment. It may be referred to as “repayable financing.”

Transformative investment—Transformative investments help change the nature of the relationship between communities and capital, transforming disinvested communities into places of more equitable opportunity where the communities themselves drive

new possibilities for economic and social activity. In so doing, communities are better prepared to leverage downtown assets to address existing disparities, such as access to affordable healthcare, opportunities for young people to start a small business and build a future in their hometown, or to help develop an emerging sector that can provide jobs, including tourism, the creative economy and even technology businesses, such as website and app development. Transformative investments generate a substantial ROI to the community.

Community priorities—In order to target redevelopment opportunities consistent with its values and economic development goals, community stakeholders may undertake an inclusive planning process to identify and prioritize a slate of revitalization projects which appear to be doable and align with the community’s expressed vision and longer-term goals. These priorities exist as a flexible, living document that can be easily updated to take advantage of emerging opportunities that also align with the community’s vision and goals. They not only help to attract capital but also reduce the risk of failure by demonstrating focus and commitment.

Community wealth building—The slow, patient accrual and ongoing reinvestment of eight community capitals to establish a vibrant local and regional economy as well as a renewable high quality-of-life that serves a broad range of local residents.

Community assets—The mix of geographic, natural, built, technological, institutional, organizational, individual, business, medical, cultural, historic and other competitive advantages that sustain a community’s economic well-being and attractive quality-of-life.

Eight community capitals—To build a community’s wealth, it’s helpful to look beyond just financial capital and take into account all the features of a city, town or region that make it a good place to live, work, and visit. We can think of these features as eight different types of capital, which are listed and described as follows:

Built capital—The existing stock of constructed infrastructure—for example, buildings, sewer systems, broadband, and roads—in a region’s places.

Cultural capital—The existing stock of traditions, customs, ways of doing, and worldviews in a region’s population.

Financial capital—The existing stock of monetary resources available in the region for investment in the region.

Individual capital—The existing stock of skills, understanding, physical health and mental wellness in a region’s people.

Intellectual capital—The existing stock of knowledge, resourcefulness, creativity and innovation in a region’s people, institutions, organizations, and sectors.

Natural capital—The existing stock of natural resources—for example, water, land, air, plants and animals—in a region’s places.

Political Capital—The existing stock of goodwill, influence and power that people, organizations and institutions in the region can exercise in decision-making.

Social capital—The existing stock of trust, relationships, and networks in a region’s population.

Cooperative ownership—Whether buildings or business enterprises, cooperative ownership affords a group of investors the opportunity to collaboratively own and share decision-making authority regarding a property or business. This ownership structure may be configured in many different forms, ranging from common to preferred stock.

Demand—The willingness and readiness of a customer or client to purchase goods and services at a specific price.

Enabling Environment—The enabling environment is the context in which community investment deals get developed and executed. Community investment deals do not exist in isolation. Rather, they are creatures of their environment that are made possible, accelerated, or impeded by the characteristics of the locale in which they take place. Of course, public policies play an important role in creating the environment. But so, too, do a variety of other elements, called the Readiness Factors, including resource flows, availability of data,

and the networks, relationships, practices, skills, and knowledge of local stakeholders, among other things. This context is the enabling environment.

Grant—An award of funds to an individual or organization to undertake charitable activities. In its traditional legal meaning, the word “charity” encompasses religion, education, assistance to the government, promotion of health, relief of poverty or distress, and other purposes that benefit the community.

Markets—A market is a composition of systems, institutions, procedures, social relations or infrastructures whereby parties engage in exchange. While parties may exchange goods and services by barter, most markets rely on sellers offering their goods or services (including labor power) to buyers in exchange for money. It can be said that a market is the process by which the prices of goods and services are established. Markets facilitate trade and enable the distribution and resource allocation in a society.

Roles of key personnel on a community project team—The 5 key players and the various positions they may play on a project team, including the Spotter, the Framers, the Community Engager, the Developer, and the Project Manager. It is possible one person may play more than one role.

Spotter—The role of Visionary. They recognize potential opportunities (buildings, enterprises, and people) and know how to take the next step to connect the appropriate people together to help make something happen.

Framer—The role of Deal Maker. Every community needs framers to get the investment they need to thrive. Framers have the language, tools, and connections to make things happen. They move good ideas into action and help connect projects to key resources (including investment). They don’t have to be experts on everything, but they need to know the experts and when to call on them.

Engager—The role of Connector. This partner helps build the vital sense of shared purpose and connection: first, among all of the

partners who work together to accomplish the four stages of the project, and, second, with the rest of the community, especially those stakeholders who can be reassured the project addresses the goals and priorities previously established for the benefit of the community.

Developer—The role of Developer. A project developer for physical structures takes on many of the responsibilities of a traditional developer, including assuming substantial risk in hopes of earning a substantial profit. A Developer can be a private firm that is working for hire on behalf of a property owner. It even can be a nonprofit organization for whom building or, more likely, renovating a building is a challenge that aligns closely with its core mission and values.

Project Manager—The role of Coordinator and Communicator. This role is likely played by a hired professional developer or, alternatively, an employee of a community-based organization with lead responsibility for the project. The project manager may direct the project during any of its four phases but most likely during the predevelopment and development phases. Often this role is the primary point of contact for the project.

Technical Assistance Provider—The Role of Coach, usually advising the project from within a specific area of expertise that is needed to achieve the goals of a specific stage of the project.

Stages of project development—The stages of investment, whether for the development of a physical structure and its environs or for a specific business, tend to follow a similar pattern of four distinct interrelated stages—planning, predevelopment, development and management—with a decisive decision-point, called go/no go/modify, in the middle. They are described below:

Planning—Stage 1 is the initial discovery phase, likely prompted by a Spotter’s announcement of a promising opportunity. It is the time to gather the core team that will assess the opportunity, recruit partners, engage the community to assure a good fit with existing community priorities, perform a preliminary needs analysis, and develop a shared vision.

Predevelopment—Stage 2 is the due diligence phase of any project, following Planning, when the project team drills down for information that will help map out the feasibility of the project. It is characterized by technical services related to: architecture and engineering; assessing likely sources for investment, including tax credits; refining a business model; preparing a well-crafted prospectus; and finally putting together a capital stack that will finance the project.

Go/No Go/Modify—The decision point of the project development cycle is not actually a phase. It is the moment in which everything is fully considered and a clear decision made about whether to move forward with Development, reconsider where things stand and possibly modify the project to make it more feasible, or pivot to an altogether different project that is also in the pipeline of projects yet aligns better with the community’s vision.

Development—Stage 3 is the full-steam-ahead phase of constructing or renovating a building and preparing it for occupancy, including marketing it to prospective tenants. The role of Developer may be enacted by an entrepreneurial development firm, a hired development firm paid to manage this phase of the project, or a community organization that has taken on the novel task of directing the Development phase.

Management—Stage 4 of the project development cycle may have its roots in earlier phases—say, with pre-occupancy sales and leasing offerings—but it more fully swings into high gear after the building is ready for occupancy. Its new tenants may be commercial ventures, nonprofit organizations or private residents. The building also may provide space for civic or other community activities. In some instances, an entrepreneurial development firm or nonprofit organization that has been the Developer will stay on to manage and market building operations during or after occupancy. More often, however, another entity will step in to purchase the renovated structure, fulfill its sales and leasing opportunities, and manage its continuing operations.

Resources

RESOURCES THAT INFORMED THE PLAYBOOK

Community Action Partnership. Tools & Resources.

communityactionpartnership.com/search-categories

What is Impact Investing? 2-Minute video.

youtube.com/watch?v=jv3oKGUbCPo

Impacting the Future with Impact Investing. Aspen Institute Ideas Festival.

aspenideas.org/sessions/impacting-the-future-with-impact-investing

Cutting Edge Capital- Community Investment Funds: a change is gonna come.

cuttingedgecapital.com/cif-change-gonna-come

U.S. Environmental Protection Agency. Smart Growth Tools.

epa.gov/smartgrowth

Michael Shuman. Commentary on Community Economics.

michaelshuman.com

Place Based Investing for Resilient Rural Development. Wealthworks and the Croatan Institute.

wealthworks.org/sites/default/files/resources/Place-Based_Investing_for_Resilient_Rural_Development.pdf

Stantec. Rebuilding Mainstreet in Rural America:

stantec.com/en/ideas/content/article/2019/published-rebuilding-main-street-in-rural-america

The Intelligencer. Community leaders say historic tax credit will be catalyst for development in Wheeling.

theintelligencer.net/news/top-headlines/2021/05/community-leaders-say-historic-rehabilitation-tax-credit-will-be-catalyst-for-development-in-wheeling

Village Capital. How we're fixing fundraising for entrepreneurs and investors.

medium.com/village-capital/how-were-fixing-fundraising-for-entrepreneurs-and-investors-780b7401a85f

Investing to Revitalize Rural America.

cornerstonecapinc.com/wp-content/uploads/Investing-to-Revitalize-Rural-America_April-2019.pdf

TOOLS

1. Turning Around Downtown: 12 Steps to Revitalization. brookings.edu/wp-content/uploads/2016/06/20050307_12steps.pdf
2. Investment Readiness Toolkit. Economic Developers Alberta (Canada). edaalberta.ca/page-1497206
3. Entrepreneurial Ecosystem Diagnostic Toolkit. aspeninstitute.org/wp-content/uploads/files/content/docs/pubs/FINAL%20Ecosystem%20Toolkit%20Draft_print%20version.pdf
4. What is a pitch deck and why is it important for NGOs. <https://www2.fundsforngos.org/featured/what-is-a-pitch-deck-and-why-it-is-important-for-ngos>
5. Learn how to do a nonprofit pitch deck. youtube.com/watch?v=s5QpRhQIPH0

ADDITIONAL RESOURCES

1. Community Action Partnership. Tools & Resources. communityactionpartnership.com/search-categories
2. What is Impact Investing? 2-Minute video. youtube.com/watch?v=jv3oKGUbCPo

3. Impacting the Future with Impact Investing. Aspen Institute Ideas Festival.
aspenideas.org/sessions/impacting-the-future-with-impact-investing
4. Cutting Edge Capital- Community Investment Funds: a change is gonna come.
cuttingedgecapital.com/cif-change-gonna-come
5. U.S. Environmental Protection Agency. Smart Growth Tools.
epa.gov/smartgrowth
6. Michael Shuman. Commentary on Community Economics.
michaelshuman.com
7. Place Based Investing for Resilient Rural Development. Wealthworks and the Croatan Institute.
wealthworks.org/sites/default/files/resources/Place-Based_Investing_for_Resilient_Rural_Development.pdf
8. Stantec. Rebuilding Mainstreet in Rural America:
stantec.com/en/ideas/content/article/2019/published-rebuilding-main-street-in-rural-america
9. The Intelligencer. Community leaders say historic tax credit will be catalyst for development in Wheeling.
theintelligencer.net/news/top-headlines/2021/05/community-leaders-say-historic-rehabilitation-tax-credit-will-be-catalyst-for-development-in-wheeling
10. Village Capital. How we're fixing fundraising for entrepreneurs and investors.
medium.com/village-capital/how-were-fixing-fundraising-for-entrepreneurs-and-investors-780b7401a85f
11. Investing to Revitalize Rural America.
cornerstonecapinc.com/wp-content/uploads/Investing-to-Revitalize-Rural-America_April-2019.pdf
12. Farmworks CEDIF Economic Impact- an interesting model for investment in local businesses used in Canada.
farmworks.ca/wp-content/uploads/2021/04/Report-on-CEDIF-Economic-Impact-March-2021-2.pdf
13. Tumbler Ridge Economic Development Strategy- investment readiness and economic development plan.
investtumbleridge.ca/wp-content/uploads/2019/05/Appendix-1-Tumbler-Ridge-Economic-Development-Strategy-FINAL.pdf
14. Lessons in New Ruralism. The New Ruralism Initiative.
maine.gov/dacf/municipalplanning/docs/LessonsInNewRuralismFall2020.pdf
15. People Powered Development: The Independence Story. An inspiring story of how Independence, OR transformed it's downtown.
docs.google.com/presentation/d/1p-gEKIsK10dymnd5qjGJWecemLh0nWD1/edit#slide=id.p1
16. Citizens Institute on Rural Design:
rural-design.org
17. 4 Big Ideas for SMALL Downtown Revitalization.
cdsmr.com/newsworthy/4-big-ideas-for-small-downtown-revitalization
18. 4 Tested Techniques to Catalyze Small Town Redevelopment.
meetingoftheminds.org/4-tested-techniques-to-catalyze-small-town-redevelopment-27017
19. Facilitating Access to Finance: Discussion Paper on Investment Readiness Programmes.
oecd.org/global-relations/45324336.pdf
20. Accessing Capital for Rural Economic Development.
knowledgecenter.csg.org/kc/content/accessing-capital-rural-economic-development

21. How Small Towns and Cities Can Use Local Assets to Rebuild their Economies.
epa.gov/smartgrowth/how-small-towns-and-cities-can-use-local-assets-rebuild-their-economies
22. Downtown Success Indicators.
economicdevelopment.extension.wisc.edu/files/2014/12/Downtown_Success_Indicators_2014.pdf
23. Place-Based Investing for Resilient Rural Development.
croataninstitute.org/2016/08/01/placed-based-investing-for-resilient-rural-development
24. Social Finance: A Primer.
americanprogress.org/issues/economy/reports/2013/11/05/78792/social-finance-a-primer

List of Community Lenders

| Community Lenders By State | | | |
|---|------------------------------|--|-------|
| Name | Type | Website | State |
| Appalachian Community FCU | CDFI | myacfcu.org | KY |
| Big Sandy Revolving Loan Fund | Revolving Loan Fund | bigsandy.org | KY |
| Community Ventures Corporation | Microenterprise Loan Program | cvky.org | KY |
| Cumberland Valley Revolving Loan Fund | Revolving Loan Fund | cvadd.org/revolving-loan-fund-program.html | KY |
| Fahe | CDFI/Membership Organization | fahe.org | KY |
| FIVCO Revolving Loan Fund | Revolving Loan Fund | fivco.org/economic-development/revolving-loan-fund-program | KY |
| Frontier Housing, Inc. | CDFI | frontierky.org | KY |
| Gateway Revolving Loan Fund | Revolving Loan Fund | gwadd.org/revolving-loan-fund | KY |
| Human/Economic Appalachian Development Corporation | CDFI | headcorp.org | KY |
| Kentucky Highlands Investment Corporation | CDFI | khic.org | KY |
| Mountain Association for Community Economic Development | CDFI | mtassociation.org | KY |
| Southeast Kentucky Economic Development Corporation | CDFI | southeastkentucky.com | KY |
| Carolina Small Business Development Fund - Western Women’s Center | CDFI | wwbcnc.org | NC |
| Mountain BizWorks | CDFI | mountainbizworks.org | NC |

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| Partner Community Capital | CDFI | partnercapital.org | NC |
| Piedmont Triad Regional Council | CDFI/Community Development Corporation | ptrc.org | NC |
| Carolina Small Business Development Fund | CDFI | carolinasmallbusiness.org | NC |
| Self Help Credit Union | CDFI | self-help.org/business/loans/small-business-loans | NC |
| Sequoyah Fund | CDFI | sequoyahfund.org | NC |
| Southwestern NC Revolving Loan Fund | Revolving Loan Fund | regiona.org/community | NC |
| Thread Capital | Local/Regional Nonprofit, Microenterprise Loan Program | threadcap.org | NC |
| Buckeye Hills OH Revolving Loan Fund | Revolving Loan Fund | buckeyehills.org/business-workforce | OH |
| Mahoning Valley Economic Development Corporation | CDFI/Community Development Corporation | mvedc.com | OH |
| Partner Community Capital | CDFI | partnercapital.org | OH |
| Appalachian Growth Capital | CDFI | appcap.org | OH |
| New Entrepreneurs Opportunity Fund | CDFI | neofund.org | OH |
| Ohio Mid-Eastern Revolving Loan Fund | Revolving Loan Fund | omegadistrict.org/programs/business-development/rif | OH |
| Ohio Valley Revolving Loan Fund | Revolving Loan Fund | ovrdc.org/rif | OH |
| Appalachian Community FCU | CDFI | myacfcu.org | TN |
| Brightbridge, Inc. | CDFI | brightbridgeinc.org | TN |
| Pathway Lending | CDFI | pathwaylending.org | TN |

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| Smart Choice Credit Union | CDFI | smartchoicecreditunion.com | TN |
| Chattanooga Neighborhood Enterprise, Inc. | CDFI | cneinc.org | TN |
| East Tennessee Revolving Loan Fund | Revolving Loan Fund | etdd.org/services/economic-development/small-business-loans | TN |
| First Kingsport Credit Union | CDFI | myhorizoncu.org | TN |
| Human/Economic Appalachian Development Corporation | CDFI | headcorp.org | TN |
| Knoxville Area Urban League | CDFI | thekaul.org | TN |
| Partner Community Capital | CDFI | partnercapital.org | TN |
| Northeast Community Credit Union | CDFI | bemycu.org | TN |
| Northeast TN Economic Development Corporation | Revolving Loan Fund | netedc.org | TN |
| South Central TN Development | Revolving Loan Fund | sctdloans.org | TN |
| Southeast TN Revolving Loan Fund | Revolving Loan Fund | sedev.org/builds-services | TN |
| Trust Federal Credit Union | CDFI | trustfcu.com | TN |
| Upper Cumberland TN Revolving Loan Fund | Revolving Loan Fund | ucdd.org/caic | TN |
| Alleghany Highlands EDC Revolving Loan Fund | Revolving Loan Fund | ahedc.com/data-center/grant-application | VA |
| Appalachian Community Capital Corporation | CDFI | appalachiancommunitycapitalcdfi.org | VA |
| Appalachian Community FCU | CDFI | myacfcu.org | VA |
| Cumberland Plateau VA Revolving Loan Fund | Revolving Loan Fund | cppdc.org/RLF.html | VA |
| Dickenson IDA Revolving Loan Fund | Revolving Loan Fund | dickensonva.org/index.aspx?nid=370 | VA |

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| Human/Economic Appalachian Development Corporation | CDFI | headcorp.org | VA |
| KISRA Micro-Loan Program | Microenterprise Loan Program | kisra.org | VA |
| MBC Revolving Loan Fund | Revolving Loan Fund | yesmontgomeryva.org/group-about-us/boards-and-commissions/mbc-revolving-loan-fund | VA |
| Mount Rogers VA Revolving Loan Fund | Revolving Loan Fund | mrpdc.org/loanfunds.htm | VA |
| Partner Community Capital | CDFI | partnercapital.org | VA |
| People Incorporated Financial Services | CDFI | peopleinc.net | VA |
| Scott County Revolving Loan Fund | Revolving Loan Fund | scottcountyva.org/pdf/RBEG.pdf | VA |
| Small Business Financing Authority | Revolving Loan Fund | sbsd.virginia.gov/virginia-small-business-financing-authority | VA |
| Town of Cleveland Revolving Loan Fund | Revolving Loan Fund | docs.wixstatic.com/ugd/ef06a5_92150ae55cf44791926a07a655331878.pdf | VA |
| Town of Floyd Revolving Loan Fund | Revolving Loan Fund | townoffloyd.org/revolving-loan-fund | VA |
| Town of Floyd Small Business Loan Program | Revolving Loan Fund | yesfloydva.org/loan-funds-available | VA |
| Wythe County Revolving Loan Fund | Revolving Loan Fund | wytheida.org/existing-industries/expansion-assistance/revolving-loan-fund | VA |
| Alleghany Highlands EDC Revolving Loan Fund | Revolving Loan Fund | ahedc.com/data-center/grant-application | WV |
| Community Works in West Virginia, Inc. | CDFI | communityworkswv.org | WV |
| Mid-Ohio Valley Revolving Loan Fund | Revolving Loan Fund | movrc.org/loan-program | WV |
| New River Gorge Regional Development Authority | | nrgrda.org | WV |
| Partner Community Capital | CDFI | partnercapital.org | WV |

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| The Center for Rural Health Development, Inc. | CDFI | wvruralhealth.org | WV |
| The United Federal Credit Union | CDFI | tufcu.org | WV |
| Unlimited Future | Incubator, Microenterprise Loan Program | unlimitedfuture.org | WV |
| Woodlands Community Lenders | CDFI | wdgwv.org | WV |

Chart of Types of Investments

| Types of Investments | | |
|-------------------------------|---|--|
| Investment Model | Definition | Example |
| PROPERTY ACQUISITION | | |
| Financial Guarantee | <p>A financial guarantee is a type of promise given by a guarantor to take responsibility for the borrower in the case of default in payments to the lender or investor. Generally, insurance companies give guarantees to back the debt of large corporations (the borrower) in payments to the market (the lender). Incentivizes other social impact investors to move forward with deals. Essentially, a guarantor is saying, “If this project doesn’t generate the returns we expect, we guarantee you will be repaid” up to a set amount and under certain agreed-upon conditions.</p> <p>Clear terms needed: what the guarantee covers, when it’s triggered, risk sharing, and when the guarantee is no longer needed.</p> <p>kresge.org/news-views/the-power-of-the-guarantee-2</p> | <p>A dozen impact investing organizations collaborated in 2020 to form a new entity called the Community Investment Guarantee Pool. This \$38-million pooled commitment of financial guarantees will back investments in affordable housing, small business and climate change-related projects across America. The Pool’s intent is to be a “one-stop-shop” for organizations that need a philanthropic guarantee to accelerate community development investment.</p> |
| Nonprofit banking | <p>A nonprofit charitable organization, governed in the public interest, is the majority owner of the economic interest of the bank. This unique ownership model ensures that the bank has no shareholders seeking to maximize profit at the expense of our communities and planet. Nonprofit status creates a mandate to reinvest all distributed bank profits back into the community. This ownership structure allows us to learn and develop new metrics and standards in the banking industry.</p> | <p>Beneficial State Bank (Oakland, CA). In 2013, Beneficial State Bancorp completed a stock purchase transaction of 90.1 % of Albina Community Bank. In 2017, Beneficial State Bancorp purchased the remaining shares.</p> |
| Real Estate Fund (CIF) | <p>The community invests in a fund that acquires, renovates, and leases out properties that have become blighted. A portion of the profits may be reinvested in further revitalization, but any remaining profits are distributed to investors. There is no exemption from other federal or state securities laws for a real estate fund, so a true real estate CIF typically must raise capital via a state registered DPO.</p> | <p>cuttingedgecapital.com/community-investment-funds-page</p> |

| MAIN STREET BUSINESSES | | |
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| <p>Slow Money</p> | <p>27 local groups. \$79 million invested in 806 food enterprises. Slow Money Institute catalyzes the formation of self-organizing local groups, which use a diversity of approaches such as: public meetings, on-farm events, pitch fests, peer to peer loans, investment clubs, and most recently, nonprofit clubs making 0% loans and other low interest loans up to \$100,000.</p> | <p>2ForksClub (CO): Members pay at least \$150 (farmers/ teachers) or \$200 (everyone else). At quarterly meetings, farmers and entrepreneurs make pitches to be voted on. Loans are 0% interest. No matter what you put in, everyone gets 1 vote.</p> <p>\$120,000 to 7 farmers/ entrepreneurs. 100% paid back their loans on time or early. This is the first Slow Money group to give 0% loans!</p> <p>KY - slowmoney.org/local-groups/slow-money-north-carolina</p> <p>NC - slowmoney.org/local-groups/slow-money-kentucky</p> <p>Case Studies: louisvilledistilled.com/2016/04/19/slow-money-kentucky-helps-small-dreams-grow-big-dividends-local-food-businesses</p> |
| <p>Direct Public Offering (DPO)</p> | <p>In a DPO, a business owner or a group of leaders of an organization advertise the opportunity to invest in their enterprises to their community or to the general public directly, without the use of stock markets, brokers, or other middlemen.</p> | <p>Nonprofit DPO.</p> <p>Single State or Intrastate DPO</p> <p>State Specific Exempt Crowdfunding</p> <p>cuttingedgecapital.com/dpos-and-crowdfunding-whats-the-difference</p> <p>cuttingedgecapital.com/direct-public-offering</p> |
| <p>Revolving Loan Fund (RLF) Programs</p> | <p>A RLF is a gap financing measure primarily used for development and expansion of small businesses. It is a self-replenishing pool of money, utilizing interest and principal payments on old loans to issue new ones.</p> | <p>West Virginia Food and Farm Coalition - Lease to Own model: Start up grocers can access capital via the REF to fund equipment purchases. The machinery/ assets secure the loan, which is repossessed by WVFC in the event of default.</p> |

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| Program Related Investments (PRIs) | <p>PRIs are a grant alternative. Historically, they have most commonly taken the form of low- to no-interest loans or below-market equity stakes, although virtually any financial vehicle is possible. Used by private foundations, who are obligated to pay out 5% of their net assets each year to mission-aligned causes. They can meet this in two ways: grants and PRIs. As an alternative to straight donations with no possibility of reuse, the foundation has the option to structure some or all of that same amount as a PRI.</p> | cuttingedgecapital.com/program-related-investments-3 |
| New Market Tax Credits | <p>The New Market Tax Program was created to incentivize investment in low income communities by leveraging the risk of lower returns with the benefit of reduced tax liabilities for investors. Community Development Entities (CDE's) apply for tax credits with the Department of the treasury. Investors (private institutions) provide capital to the CDE in exchange for the credits. The CDE then invests this capital into distressed communities.</p> | nps.gov/tps/tax-incentives.htm taxpolicycenter.org/briefing-book/what-new-markets-tax-credit-and-how-does-it-work |
| Historic Tax Credits | <p>Historic Tax Credits (HTCs) are a popular method for building equity since syndicated tax credits can be resold to investors, which provides cash for projects and diffuses risk across multiple layers of investors. The entities that actively invest in rehabilitation tax credit properties are generally Fortune 500 corporations with substantial federal income tax liabilities. The vast majority of completed tax credit syndication transactions generate in excess of \$1 million in tax credits, require only a single corporate investor, and are highly structured, tax code intensive deals.</p> | nps.gov/tps/tax-incentives.htm capitalimpact.org/how-to-use-historic-tax-credits |
| Local Funding (Buying Shares/Crowdfunding) | <p>Crowdfunding is the use of small amounts of capital from a large number of individuals to finance a new business venture. Crowdfunding makes use of the easy accessibility of vast networks of people through social media and crowdfunding websites to bring investors and entrepreneurs together, with the potential to increase entrepreneurship by expanding the pool of investors beyond the traditional circle of owners, relatives, and venture capitalists.</p> | mainstreet.org/mainstreetamerica/ourwork/projects/spotlight/crowdfunding |

About the Authors



Ruthie Caldwell is the owner of [Vision Granted LLC](#), a grant writing, project management, and facilitation consulting agency based in Eastern Kentucky specializing in community and economic development. Ruthie has a Master's in Communication and is a certified Project Management Professional (PMP). She is a member of the pilot Appalachian Framers Action Cohort, graduate of the 2019 BRIGHT Kentucky leadership program, and serves in various organizations including: Accelerate Kentucky,

What's Next EKY?, CEDAR, and her local Mainstreet program in Pikeville, KY.



Robert Donnan is the Principal of Donnan Consulting. Robert is a community and economic development consultant and small business coach who focuses on creative economies, downtown revitalization, community investment, and building entrepreneurial ecosystems. Until Spring 2020, he was the Kentucky coordinator for a three-state Energizing Entrepreneurial Communities (E2C) Initiative funded by an ARC POWER grant. Robert has worked widely across Central Appalachia for the past two decades. Previously he was Senior Associate with

Community Strategies Group at The Aspen Institute.



Melissa Levy is the Principal of [Community Roots](#), a rural community and economic development consulting firm. For over 20 years she has been working with federal, state, and local governments, nonprofit organizations, foundations and citizens groups in natural resource-based industries like agriculture, forestry and tourism/recreation, as well as creative economies. She manages the WealthWorks Northeast Regional Hub, spreading the wealth creation approach throughout the northeast. Melissa has a variety of experience working in Appalachia as a coach and facilitator to Central Appalachian Ford Foundation grantees, as a measurement coach, and in feasibility research.



Barbara Wyckoff is the Co-founder of [Creative Disruptors](#), Inc. and Disruptive Investments, LLC. Barbara works with entrepreneurs and teams to evaluate their purpose and core competencies through reimagining their potential impact. Barbara was formerly the executive director of The One Foundation in West Virginia, and a senior program associate with the Community Strategies Group at The Aspen Institute. In 2018 she developed a set of guidelines and best practices about downtown revitalization for the

West Virginia Community Development Hub.

