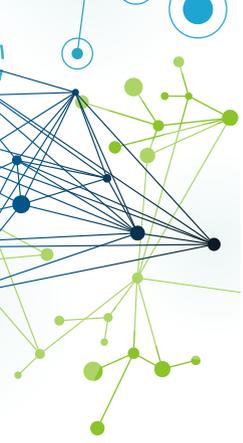


MAKING A CONNECTION

PROGRAM PROVIDES ORGANIZATIONS AN OPPORTUNITY TO FIND INVESTORS





The Center for Rural Affairs in Nebraska needs funding to support a program that helps beginning farmers and ranchers get off to a good start.

RedTire, a program of the KU Center for Entrepreneurship, wants to redefine retirement for small business owners in rural towns.

Neighborhood Housing Services of Kansas City plans to create a fund that acquires and rehabilitates abandoned properties and then funds first mortgage loans so low-income buyers can purchase the rehabilitated homes.

But finding investors for these projects, and many others like them, is difficult sometimes. And many of these nonprofits can't appear on "Shark Tank," an ABC television show that features a panel of venture capitalists called "sharks" who consider proposals from other entrepreneurs seeking investments for their business or product.

The concept of "Shark Tank," however, intrigued the Community Development Department at the Kansas City Fed.

"To make the concept work for our stakeholders we had to modify the funding decision timeframe and come up with a more appropriate name than 'Shark Tank,'" said Tammy Edwards, vice president and community affairs officer, who initiated the

idea for the program.

The program also had to coincide with the Kansas City Fed's mission of helping communities develop economically.

What emerged was Investment Connection, which brings together nonprofit community and economic development organizations, funders and bankers to establish new relationships.

Instead of a panel of investors meeting one-on-one with entrepreneurs, the Kansas City Fed works as a mediator, coordinating an event that gives nonprofits the opportunity to showcase new and existing community and economic development proposals to an audience of potential funders.

The organizations submit proposals to the Kansas City Fed more than 30 days before the event. Community Development reviews each proposal and examiners determine whether the organization and proposal are eligible under the Community Reinvestment Act and fits program criteria, such as the organization is an established nonprofit and meets auditing standards.

A few weeks before the event, Community Development circulates the eligible proposals to potential funders, which include banks, philanthropies, community development funders and government agencies. The day of the event,

organizations are given the opportunity to speak for 10 minutes and then take questions about their proposals.

“So far, we have been quite successful in helping nonprofits and funders make connections,” Edwards said.

Successful connections

Community Development piloted the first Investment Connection on May 12, 2011, in Denver. Eight organizations presented proposals at the event. Three organizations received a total of \$695,000 in funding to date and have been promised more funding in the future, said Ariel Cisneros, a senior Community Development advisor at the Denver Branch.

One organization that received funding, Rocky Mountain MicroFinance Institute

to develop a business, learn about fiscal-related topics and build credit toward a microloan to start a business.

“They start out with zero credit and earn more credits as they progress,” Smith said.

RMMFI’s maximum loan amount is \$2,500 and each recipient has six to 12 months to pay back a loan. The great thing about the loan is that once it’s repaid, a business owner can take out another loan to continue growing a business, Smith said. So one \$2,500 loan could turn into four \$2,500 loans, depending on how many times that one client takes out a loan.

This not only gives the client capital, it also improves their credit. “Each time they successfully repay a loan, each loan shows up on their credit report,” either helping to repair

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(RMMFI), found its niche serving Denver’s lower-income entrepreneurs who have challenging credit or no credit history. Their clients would not qualify for traditional bank loans, and in most instances, would not fit within the small business parameters of a mid-level nonprofit lender, such as the Colorado Enterprise Fund, which provides loans from \$10,000 to \$250,000.

RMMFI started four years ago by providing education and business planning for potential entrepreneurs. The organization has helped about 1,200 people with either planning a new business or growing a business.

“What we found was not many people were launching their businesses when it was left up to them,” Executive Director Rob Smith said.

RMMFI decided to provide additional outreach programming and access to small, low-risk loans. What developed was the Business Launch Boot Camp, a 12-week course that allows potential business owners

the client’s credit or helping him or her build a good credit history, Smith said.

The organization recently started its fifth session of the boot camp, which accepts 10 to 12 applicants per session. More than 30 people have graduated from the program and started a business, Smith said.

And RMMFI has a 100-percent loan repayment rate.

For some groups, that’s when the work is done, but for RMMFI, the organization continues to support business owners through mentoring programs and special events.

One of the connections RMMFI made at Investment Connection was with the Bank of Oklahoma, which gave the organization a \$10,000 grant. That grant was split into two \$5,000 loan funds, Smith said. The event also helped the organization solidify an agreement with the Denver Foundation.

“We began to form a relationship with them before, but Investment Connection strengthened that relationship and helped it



BRENDAN LANDRY, DIRECTOR OF PROGRAMS, provides instruction at the Rocky Mountain Micro-Finance Institute's business launch boot camp in Denver, Colo.

happen more quickly," Smith said.

The Denver Foundation granted RMMFI funding for both operational and programming expenses, and Smith now is a member of the foundation's steering committee.

With the success of the first Investment Connection in Denver, Community Development organized another event in 2011 in Kansas City.

One of the presenters, the city of Hutchinson, Kan., had found a need among its 42,000 residents, but instead of a lack of entrepreneurship or business, there was a lack of housing.

"We have identified affordable housing as the No. 1 issue in Hutchinson," said Nancy Scott, director of Planning and Development for the city.

Hutchinson's business community has grown over the years, especially with the addition of Siemens Wind Energy. That one company will have a total economic impact of more than \$50 million in capital investments, \$14 million in payroll and more than \$12 million in earnings of additional jobs, which represents more than 800 new jobs.

The housing market, however, is unable to accommodate the varying levels of income.

The Hutchinson City Council created the Housing Commission in 1999. The mission of the Commission, which consists of city staff and community leaders, is to identify housing problems and opportunities for the greater Hutchinson area and to develop comprehensive housing solutions.

Hutchinson's Housing Needs Assessment

of 2009 showed the city had a growth in households earning \$20,000 to \$35,000 and \$60,000 to \$150,000 while other brackets lost population. It also showed that current homeowners can often afford more than their home's value; 45 percent of all homes are valued from \$50,000 to \$100,000.

From this report, the city formulated a housing program that addresses several issues, such as the formation of a housing department within city government; creating a housing trust to buy vacant parcels and dilapidated properties for redevelopment; expanding local housing agencies programs; provide training for local housing agencies and city planners; a revolving fund for loans or grants for repairs and renovations to existing homes; revolving loans for the construction of affordable living spaces; and the creation of another fund for gap financing of pre-development costs of new housing projects.

The proposal was good, but the city lacked the financing to implement the program.

"When we heard the Federal Reserve Bank of Kansas City accepted our proposal, we thought that was absolutely exciting," Scott said.

NeighborWorks America, a congressionally chartered nonprofit housing agency, liked the proposal and has entered into a partnership agreement with Hutchinson.

Most recently, NeighborWorks granted \$50,000 to the city for the pre-development costs for the Townhomes at the Santa Fe, a new residential workforce housing project. The money also will help establish a Community Housing Trust through the Hutchinson Community Foundation, Scott said.

A member of the Housing Commission, John Scott, president and CEO of Interfaith Housing Services, will attend the NeighborWorks Achieving Excellence in Community Development Program at Harvard University's Kennedy School of Government. He was one of 50 nonprofits leaders in the United States selected for the program.

The 18-month program will help John Scott formulate a plan that will address challenges his organization faces. His \$38,000 tuition was paid for by a scholarship funded by money Hutchinson received from NeighborWorks.

He is not the only person receiving training. NeighborWorks is providing resident leadership training and staff certification training for community leaders and city employees.

The city of Hutchinson missed the proposal deadline for this year's Investment Connection in Kansas City, but that won't deter the city from trying again next year.

Nancy Scott said it's "an opportunity that we can't pass up, especially after this past year's successes."

Waiting to connect

Rose Jaspersen, executive director of Nebraska Enterprise Fund, attended the Investmet Connection event in Omaha in June 2012. Her proposal garnered some interest, but the organization had already worked with two of three banks that approached her after the event.

"It wasn't anything above and beyond," Jaspersen said of the banks' interests.

But it did allow Jaspersen and the representative of the third bank to discuss possibly working together in the future.

"We didn't know going into the event who the funders were going to be," Jaspersen said. "But you never want to pass up an opportunity to educate people about this field."

Nebraska Enterprise Fund is a Community Development Financial Institution that provides direct loans to start-up and existing micro/small businesses across Nebraska. Most recently, the organization has expanded its role in gap financing.

For example: NEF guaranteed a loan for Adam Rief, the owner of Rief Design and Manufacturing in Bancroft, Neb., after traditional banks turned him down due to a lack of collateral. Rief's business, which designs

and manufactures custom farm equipment and was featured in TEN's winter 2012 edition, had outgrown its current space and needed \$90,000 for a new shop.

The organization has helped people outside the agricultural industry, from a husband and wife who reopened a gas station and convenience store that sat abandoned for several years in the Cunningham Lake area to a family who made popsicles for family and friends and turned it into a local frozen treats business in Omaha.

senior Community Development advisor in Kansas City.

On the horizon

Investment Connection has become a signature program for the Kansas City Fed with the two events in 2011 and an event at the main Kansas City Fed office and an event at each of its Branches in Denver, Oklahoma City and Omaha in 2012.

Community Development did not set a specific funding goal when they started the

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“We have to be really open to who comes through the door,” Jaspersen said. “You never know who will be the next Kool-Aid.”

The Kansas City Fed tries to take the same approach with the program. Although only eight organizations present at each Investment Connection event, Community Development circulates all eligible proposals to funders.

Kim Wilson Housing, Inc., in Kansas City, Kan., submitted a proposal for a program that will expand another nonprofit's current programming for children with severe emotional disturbances. PACES housed more than 200 children last year in interim housing that has only four beds. The longest the organization keeps a child is 72 hours.

Kim Wilson Housing wants to renovate and expand PACES current housing to 10 beds for at-risk youth and build two temporary lodging units for homeless families.

The aim of the project is to provide adequate shelter for an estimated 1,400 homeless children, who face some form of crisis.

“Although Kim Wilson Housing wasn't chosen to present, an investor saw their proposal when we sent them out to funders and plans to contact them,” said Paul Wenske,

program, Edwards said; however, about a third of the organizations that presented proposals at an Investment Connection event in 2011 have received or been promised funding for a combined total of more than \$3 million, and some presenters are reporting funding agreements in 2012.

“Our overarching goal was to efficiently expose CRA eligible projects to potential funders,” Edwards said. “We have done that.”

Community Development will continue to evaluate feedback from presenters and funders and make improvements where necessary, Edwards said.

“We are also considering expanding the program to other Tenth District cities in 2013,” she added.

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BY KEVIN WRIGHT, EDITOR

FURTHER RESOURCES

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