

# **Community Foundations, CDFIs, and Regional Revitalization**

June 30, 2021

Rural Community  
Action Assemblies



**PennState**  
College of Agricultural Sciences



A LEGISLATIVE AGENCY OF THE PENNSYLVANIA GENERAL ASSEMBLY

- **Opening remarks:** Kevin E. Boozel, Butler County Commissioner and President, County Commissioners Association of Pennsylvania  
*10:05 a.m.*
- **Community Capital Ecosystems for Regional Revitalization**  
*10:15 a.m.*
- Aubrey Abbott Patterson, President and CEO, Hutchinson Community Foundation
- Elissa Sangalli, President, Northern Initiatives
- Michael Swack, Research Professor and Director, Center for Impact Finance, University of New Hampshire
- *Moderator:* Richard Vilello, Deputy Secretary for Community Affairs and Development, Pennsylvania Department of Community and Economic Development

- **Break**  
*11:35 a.m.*
- **Small group breakout discussion**  
*11:40 a.m.*
  - Attendees will discuss the panel presentations, including opportunities and challenges for local implementation, in groups of roughly eight.
- **Full assembly report back**  
*12:10 p.m.*
  - One attendee from each breakout group will report back on their conversation to the full assembly with group discussion to follow.
- **Networking lunch (optional)**  
*12:30 p.m.*
  - Attendees are encouraged to bring lunch and network with other attendees after the event concludes.

# Guidelines

- The information, analyses, and conclusions set forth are those of the presenters and do not necessarily reflect the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.
- **Please share your name and organization** so that we can assign to you the appropriate breakout group.
- Please, if possible, **log in with your video enabled and be prepared to ask questions to the panelists and discuss your feedback with other attendees.** Use the chat box to ask questions and offer comments, and we will call on you to elaborate and add context.

# Guidelines

- Be sure to **mute yourself when you are not speaking**. If there is background noise while you are not speaking, the host may mute you.
- **Today's assembly will be recorded**, except for the breakout groups. The recording of today's presentations will be shared with slides after the assembly.
- A survey evaluation will be available after the assembly. **Your input and feedback is important for informing programming such as the assemblies.**
- Remember to register for the next assembly on Equitable Entrepreneurial Ecosystems, Tourism, and Seasonality, scheduled for July 15.

**Kevin E. Boozel**

Butler County Commissioner

President, County Commissioners

Association of Pennsylvania

## Community Capital Ecosystems for Regional Revitalization

- Aubrey Abbott Patterson, President and CEO, Hutchinson Community Foundation
- Elissa Sangalli, President, Northern Initiatives
- Michael Swack, Research Professor and Director, Center for Impact Finance, University of New Hampshire
- *Moderator:* Richard Vilello, Deputy Secretary for Community Affairs and Development, Pennsylvania Department of Community and Economic Development



# Richard Vilello

Deputy Secretary for Community Affairs and Development  
Pennsylvania Department of Community and Economic  
Development



**Aubrey Abbott Patterson**

**President & CEO**

**[Aubrey@hutchcf.org](mailto:Aubrey@hutchcf.org)**

**Hutchcf.org**

## **Our Place**

Hutchinson (aka Salt City or Smallville) is recognized for great people, strong healthcare services, and world-class attractions but the growing income divide in Reno County affects connections, health outcomes, and life expectancy.



## Our People

Reno County 62,000

Rural and agricultural, industry is declining, service jobs are up

Population is aging and stagnant, median age is 39

30.8% have a college degree

Average wage is \$14.82

Median household income is \$48,746 (15% below state avg)



## **Community Foundation**

\$90 million in total assets

\$80 million+ in total grants since founding in 1989

43% endowed

13% unrestricted & lightly restricted

Our goals are to hold \$20m in unrestricted funds by 2030 and to capture 5% of the intergenerational transfer of wealth over time.

# **How can we unlock even more capital for our community that needs it?**

## **Impact Investing.**

Deploying our assets as gap financing for entrepreneurs and investments in economic development projects like housing, rural broadband, childcare, and downtown revitalization.

## **Reno County Impact Investment Pool**

Board authorized a 5% carve out of our community's endowment (all permanently endowed dollars) into a local investment pool

Donor advisors and other non-endowed fund holders will be invited to invest in the pool too

The goal for the impact pool is \$3.5 million

## Rural broadband in Reno County

Greater Hutch | Kansas Health Foundation | Network Kansas | United Way of Reno County | Hutchinson Community Foundation

**\$2.5 million**  
expansion  
project

**\$495,000** (or  
20%)  
investment from  
philanthropic  
coalition

**\$215,000** Hutch CF  
gap loan, 5 years at  
3.5%, interest only for  
the first year.

**\$30,000** grant from  
Chamber of  
Commerce for 30  
jobs for displaced  
workers

And United Way helped IdeaTek reach the underserved households.



## **What did our investment accomplish?**

515 rural residences now have fiber connectivity

2400 residences have ultrafast, unmetered wireless internet up to  
100mbps

24 fixed wireless towers covering most of rural Reno County

24 public wi-fi hotspots

*Plus 3.5% return over the next 5 years*

## **Impact Investing**

Furtheres our commitment to a thriving community for all people

- A strong, diverse, and inclusive local economy
- A healthy, livable, and resilient community
- Shared ownership that roots wealth locally

Generates important benefits to the community as well as financial returns

Provides an opportunity for donors to invest in Reno County in a new way

Increases public-private partnerships and attracts investment from outside of our county

Aligns more of our capital with our mission

Elissa Sangalli  
President  
Northern Initiatives

# Michael Swack

Research Professor and Director  
Center for Impact Finance,  
University of New Hampshire



**University of New Hampshire**  
Carsey School of Public Policy

# Flexible Business Finance and Quality Jobs - A Case Example

- Michael Swack, Director
- Center for Impact Finance, Carsey School of Public Policy, University of New Hampshire
- [michael.swack@unh.edu](mailto:michael.swack@unh.edu)

# A Different Approach To Financing

- The problem: Many businesses need flexible equity type financing – in order to grow. Not debt. Most public financing sources and CDFIs provide only debt.
- Issue - what kinds of businesses do you want to finance? How do they treat employees?
- Example: Vested for Growth – how it works and results



# Flexible Business Financing Using Equity Type Financing

- Offering a range of financing options that fill the gap between pure debt and pure equity products. This includes royalty financing, sharing net or gross operating income and debt with stock warrants, which allow owners to retain control of the company – but earn return for investor.





# How It Works

- **Debt with royalty financing** involves a company providing debt payments plus a percentage of its gross sales or net operating income as a way of repaying an investment.



# How It Works

- **Pure Royalty** is another approach that includes no debt or fixed monthly payment. All the return comes as a percentage of revenue paid monthly until the aggregate of all payments equals the multiplier (such as 1.5 to 3 times the original investment). This allows a business to pay in accordance with how well it is performing.
- This also helps when the company is optimistic about its future growth of sales and wants to cap the overall return.



# Financing and Jobs

- In general, businesses that invest in their front-line employees, especially in a tight labor market, outperform their peers.
- A good way to create better quality jobs is to help businesses that hire lower-income people discover profitable ways to improve their recruitment, retention and workplace cultures.
- **Big question:** Do we finance everybody who meets the financial underwriting requirements? Regardless of the quality of jobs?



# Vested for Growth

- The concept – to retain and create better jobs for all employees, including those without four-year college degrees.



# How to Engage Employees

To engage employees so that the workers understand how their job is connected to the business's bottom line and how their ideas can add value to the customer:

- Build trusting relationships
- Offer competitive compensation and profit-sharing
- Support employees' personal and professional growth



# Engage Employees

- Support employees' personal and professional growth
- Share business information openly
- Minimize hierarchy and promote employee involvement
- Use positive reinforcement to motivate employees
- Preserve job security
- Commit to company and employee involvement in community



# Results

- Since 2009, Vested for Growth has provided \$5.67 million to twelve companies, impacting 842 jobs and helping to create 338 new jobs.
- Creation of CEO workgroup
- Approximately 8% return on portfolio of investments





**University of New Hampshire**  
Carsey School of Public Policy



## **Q&A: Submit questions in the chat, raise your hand, and share your name and organization**

- Aubrey Abbott Patterson, President and CEO, Hutchinson Community Foundation
- Elissa Sangalli, President, Northern Initiatives
- Michael Swack, Research Professor and Director, Center for Impact Finance, University of New Hampshire
- *Moderator:* Richard Vilello, Deputy Secretary for Community Affairs and Development, Pennsylvania Department of Community and Economic Development

# Small Group Breakout Discussion

- After a five-minute break, participants will be assigned to separate groups.
- Share your name and organization and have your camera on.
- These discussions will not be recorded.
- We will reconvene at approximately 12:10 p.m., and one volunteer from each group will report on a summary of the group's discussion to the full assembly.

# Full Assembly Discussion

- One volunteer from each group will report a summary of the group's discussion to the full assembly.
- At 12:30 p.m., we will transition to an optional networking lunch. You are encouraged to bring lunch and network with other attendees after the event concludes.
- Don't forget to take the evaluation survey to share your feedback.
- Registration is open for the next assembly:
  - Equitable Entrepreneurial Ecosystems, Tourism, and Seasonality, scheduled for July 15, 2021

# Networking Lunch

- You will be automatically assigned to the same breakout group pending attendance.
- We will conclude the lunch at 1:00 p.m.
- Don't forget to take the evaluation survey to share your feedback.
- Register for the next assembly.
  - Equitable Entrepreneurial Ecosystems, Tourism, and Seasonality, scheduled for July 15, 2021.



# Biographies

## Rural Community Action Assemblies

**Aubrey Abbott Patterson**  
**President & CEO**  
**Hutchinson Community Foundation**

Aubrey Abbott Patterson grew up in the small towns of Larned and Phillipsburg, Kansas; studied at K-State and Indiana University; and now serves as the president & CEO of Hutchinson Community Foundation. During her 17-year tenure at the community foundation, its assets have more than quadrupled to \$90 million. More importantly, since 1989, the foundation has returned \$80 million to the community in the form of grants and is now committed to investing 5% of its assets in local wealth-building ventures that root wealth, ownership and decision-making in Reno County.

Abbott Patterson has developed a strategic, forward-thinking board and staff working together to mobilize community members to commit legacy gifts that will change the lives and future stories of people living in Reno County. To date, the foundation anticipates planned gifts of at least \$70 million because of a decade-long initiative to capture 5% of the local transfer of wealth.

Abbott Patterson serves or has served on the boards of the Kansas City Federal Reserve Bank Community Development Advisory Council, K-State Alumni Association, Hutchinson Rotary Club, Young Professionals of Reno County, Hutchinson/Reno County Chamber of Commerce, City

of Hutchinson Housing Commission, the K-State School of Leadership Studies, and the Kansas Association of Community Foundations.

Abbott Patterson's husband, Lance Patterson, is the director of operations for the Boys and Girls Clubs of Hutchinson. Together they manage to wrangle three kids, two jobs, one dog, and an endless list of places to go and fun things to do in Hutchinson, Kansas.



**Kevin E. Boozel**  
**Butler County Commissioner and President**  
**County Commissioners Association of Pennsylvania**

County Commissioner Kevin Boozel completed his Masters of Science degree at Geneva College for Organizational Leadership to complement his graduate studies in Community Counseling at Slippery Rock University and his undergraduate work at Indiana University and Butler Community College for Elementary Education.

Kevin actively volunteers for the Harrisville Volunteer Fire Company as an active certified firefighter/EMT. Commissioner Boozel is currently serving on several boards, which include Commissioners' Council on Drug and Alcohol, Tri-County Workforce Investment, Mental Health/Early Intervention/Intellectual Disabilities, the Southwest Pennsylvania Commission, Critical Incident Stress Management, Butler Emergency Relief Initiative, and Local/State Volunteer Organizations Active in Disaster.

He is currently the president of the County Commissioners Association of Pennsylvania. Commissioner Boozel currently resides in Slippery Rock with his wife of 27 years, Renee. They have two sons serving in the Armed Forces: Sgt. Zachary Boozel, along with his wife, Marie, and Staff Sgt. Colton Boozel, serving in the Army as a Cavalry Scout, along his wife, Kia.



# Biographies

## Rural Community Action Assemblies

**Elissa Sangalli**  
**President**  
**Northern Initiatives**

Elissa Sangalli serves as the president of Northern Initiatives, a CDFI providing loans and business services to small business owners throughout Michigan. Northern Initiative's social enterprise platform, Initiate, provides blended learning resources for small business owners across 38 states.

Previously, Sangalli served as the president of Local First and founder of Good for Michigan for nearly fifteen years, bringing 1,000+ businesses together to collaborate in building a vibrant community that encourages sustainable business, social enterprise development, and the creation of a more equitable and inclusive region.

She is a founding BALLE Fellow (now Common Future) and a B Corp Measure What Matters Champion. She has served on numerous boards, including Social Venture Circle and Michigan Community Capital.

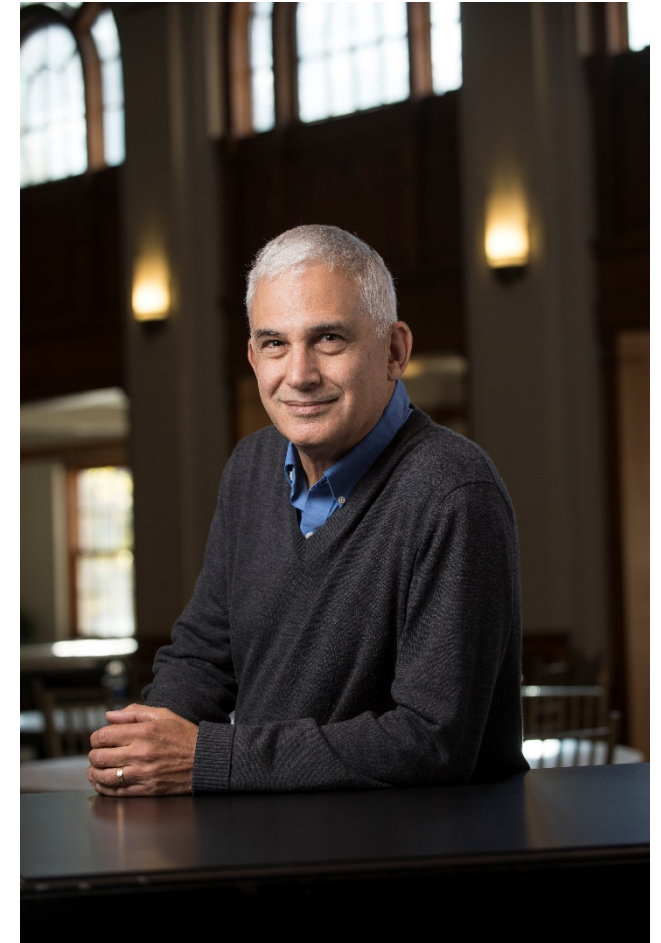


**Michael Swack**  
**Research Professor and Director**  
**Center for Impact Finance, University of New Hampshire**

Michael Swack is a professor at the University of New Hampshire, where he has appointments at the Carsey School of Public Policy and at the Peter T. Paul College of Business and Economics. He directs the Center for Impact Finance and the Master's Program in Community Development, a program designed for adult practitioners. At Carsey, he is working on building scale in the community development finance sector, innovations in community development finance, microfinance, and sustainable energy financing. He also directs the Financial Innovations Roundtable a collaboration with the Board of Governors of the Federal Reserve. He has over thirty-five years of experience in the fields of economic development, finance, and development banking.

In 2019, the Opportunity Finance Network (OFN) awarded Swack the 2019 Ned Gramlich Lifetime Achievement Award for Responsible Finance—the community development finance institution (CDFI) industry's highest individual honor.

Swack has published in the areas of economic development and development finance. He received his doctorate degree from Columbia University, his master's degree from Harvard University, and his bachelor's degree from the University of Wisconsin-Madison.





# Biographies

## Rural Community Action Assemblies

**Richard Vilello**  
**Deputy Secretary for Community Affairs and Development**  
**Pennsylvania Department of Community and Economic**  
**Development**

Rick Vilello first joined the Department of Community and Economic Development (DCED) in March 2015 as the executive director of the Center for Local Government Services. He was appointed as deputy secretary for community affairs and development in February 2017.

As deputy secretary, Vilello oversees the work of the entire deputation, including the Center for Local Government Services, the Center for Community and Housing Development, the Center for Community Services, and the Center for Community Enhancement.

Before coming to DCED, Vilello served four terms as mayor of Lock Haven, PA, and was previously president of the Pennsylvania Municipal League.

