

An illustration featuring several hands of different skin tones (light tan, medium brown, and dark brown) reaching up to hold a thick, dark brown tree branch. The hands are positioned around the branch, with fingers wrapped around it. The background is white, and the entire scene is framed by a light green border.

## Innovative Pre-College Initiative: Investing in Michigan, Majority-Minority, and Low-Income Communities

Dr. Rex LaMore, Director, MSU Center for Community and  
Economic Development

Dr. Stephen Gasteyer, Associate Professor, Department of  
Sociology, College of Social Science

## **Title**

Innovative Pre-College Initiative: Investing in Michigan, Majority-Minority, and Low-Income Communities

## **Applicants**

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## **Primary Audience(s) or Beneficiaries of Support**

Primary Audience: Pre-College Students from Majority-minority Communities, Potential First-generation College Students, Michigan Tribal Communities, MSU Foundation/MSU Endowment.

Secondary Audience: Majority/Minority Communities, Minority Entrepreneurs/Vendors, Faculty/Students whose research interests include community investing, Community Revitalization, socially responsible investing and equitable community and economic development.

Beneficiaries: Low-income and minority Michigan families (potential students and donors)

## **Project Goals**

### **What is the issue?**

This project has the potential to transform the opportunities accessible to historically disadvantaged communities in Michigan while simultaneously supporting the increased diversity, equity, and inclusion of MSU's student body. MSU currently does not have a mechanism for investing in Michigan communities. The Endowment fund invests in private and public assets globally and the MSU Foundation is focused on investing in MSU related start-up companies and select real estate investments. For years, many Michigan families have struggled to send their children to college, and as 2020 approached, the COVID-19 pandemic intensified problems such as racism, social injustice, and the inequities of affording higher education. Many of these communities and families are still struggling to economically rebound from these financial stressors. In addition, access to capital is a major impediment to new businesses forming and community revitalization in many distressed urban and rural communities in Michigan. Providing capital support through responsible investing of MSU Endowment and that of the MSU Foundation can be an important part of supporting community investing in affordable housing, entrepreneurial development, income growth and job creation in targeted Michigan Communities. This project will determine the feasibility of MSU strategically investing its financial resources in the creation of a Community Development Investment Fund (CDIF), with the purpose of supporting community and economic revitalization in distressed communities.

An MSU supported Community Development Investment Fund would target the conditions of poverty that are a root cause of limiting college access by underrepresented populations. Community development investing is the practice of allocating capital to low-income communities, and it is typically achieved through supporting various financial intermediaries and investment products such as Community Development Financial Institutions (CDFI's). Community Development Financial Institutions (CDFIs), which are quasi-private-sector

financial intermediaries with community redevelopment as their primary mission, provide critical technical and financial resources such as housing and small business loans, financial management and business training and that enable economically disadvantaged individuals and targeted minority small businesses access to capital and expertise that support affordable housing development, job creation and comprehensive community revitalization.

Research done by The Responsible Endowments Coalition and The Democracy Collaborative in 2012 (U.S. Department of Housing and Urban Development, 2015) explored student involvement in university-led community investment and investigated where community need and institutional wealth could be made to intersect. The report included five case studies that demonstrated the potential for future university community investments. For example, Duke University invested \$12 million in the Latino Community Credit Union and Self-Help Credit Union leading to the construction of affordable housing in Durham, North Carolina. The University of Chicago also invested \$1 million in four CDFIs in Chicago's South Side through a successful student-organized community investment campaign.

Another report, "Partnerships for Community Impact: Higher Education and CDFIs Working Together", produced by the Opportunity Finance Network (2012) shows some of the universities that have invested in CDFIs, including the University of Chicago. For example, in 2006, with the help of IFF (a CDFI with history of lending to the childcare sector), the university created a capacity building initiative to enable local, non-profit childcare providers to take care of more children since many residents and faculty couldn't find affordable, high-quality care. Delgado Community College (DCC) – with the help of Hope Enterprise Corporation, a CDFI--initiated a 10,000 Small Businesses program, in which DCC provides qualified small business owners with a practical, 80 to 100-hour business and management education program. The curriculum focuses on building practical skills needed to grow and sustain a business, including finance, leadership, and sales.

The opportunity to invest in CDFIs, affordable housing, and sustainable economic development is also very ripe for higher education institutions in Michigan. For example, according to the Michigan State Housing Development Authority (MSHDA) the Act of 1966, Act 346 of 1996, part 125.1458a Michigan Housing and Community Development Fund:

(the "Fund") charges MSHDA with creating and implementing the Michigan housing and community development program for the purpose of developing and coordinating public and private resources to meet the affordable housing needs of low-income, very low-income, extremely low-income households and to revitalize downtown areas in Michigan. The Fund will support projects designed to fuel strategies leveraging public and private resources to meet the affordable housing needs of these households in this state.

A Community Development Investment Fund at MSU could directly support the purchase of bonds from the State of Michigan to support the development of affordable housing across the state. Alternatively, CDIF dollars could also be used to invest in Community Foundations or Community Development Financial Institutions to support programs promoting sustainable economic development, racial equity, and small business growth.

Supporting Community Capital initiatives, CIFs, CDFIs, and MSHDA's 'Fund' will bring opportunities to MSU to create an inclusive and diverse community and improve the chances of providing world-class education to historically disadvantaged students through supporting the

economic resilience of their communities with equitable and sustainable investment practices, while addressing the long-term structural inequities that underpin uneven access to higher education.

### *Why is it a DEI issue?*

Disparities in accessing higher education by race/ethnicity and income have existed and worsened for decades. Students of color and low-income students remain two demographics with the lowest college-education rates, many times for financial reasons. For example, as of fall 2020, 66.5 percent of MSU students, including both undergraduate and graduate students, were white, making MSU a predominantly white institution (PWI) (*MSU DEI Report & Plan*, 2021, p. 21). Community Investing poses an opportunity to increase the likelihood of these demographics of potential students to access a college education; however, MSU currently does not have a targeted method for investing back in Michigan communities. Through community investments, in Community Development Financial Institutions and other appropriate community investing institutions, MSU could use its financial resources to strengthen local economies and families to become more economically empowered and reap the benefits of investments occurring in their community. Given this opportunity for economic security and affordable housing, families in distressed communities may have the financial capacity to send their children to college.

### *Why is it important to the MSU community?*

In its “Diversity, Equity, and Inclusion Report and Plan” (2021), MSU states a goal of improving the diversity of its student body through recruitment and retention. Improving the quality of life in Michigan communities from which MSU could recruit a more diverse student body is fundamental to MSU fulfilling its DEI commitments and fulfilling its land grant mission to serve the needs of the people of Michigan. In mobilizing MSU’s investment resources through strategically supporting community investing strategies that can support community revitalization while simultaneously providing a reasonable rate of return on MSU’s investments, MSU will demonstrate to previously underserved people and places that MSU is **fully committed** to a diverse and equitable Michigan. In engaging with authenticity in thought and action (we put our money where our mouth is!), communities of color will see first-hand the sincerity of our commitment to diversity, equity and inclusion.

All the examples previously mentioned from higher education institutions that have either adopted or interacted with community investment and CDFIs should inspire MSU to take action to help invest in its community by making sure that it is inclusive and diverse and in alignment with the university’s mission, values, and goals. By making community investments, MSU can improve the social and economic environment of distressed Michigan communities and promote greater college access for students that could be future Spartans.

### *How to address the issue?*

Community Investing is widely practiced by public and private institutions across the U.S. For MSU to be successful in creating and managing a community investing strategy as part of our University DEI mission, a research project to investigate best practices in Community Investing must be completed and three public forums informing key MSU stakeholders (Administrators, students, faculty, and alumni) will be hosted. The research would investigate case studies from higher education institutions, local, regional, and national foundations, bodies of government, and others that currently practice community investing to understand the various structures, policies, and practices that create, manage, and impact community investing opportunities. The

case study research would be used to inform the public forums, how MSU may navigate creating a Community Development Investment Fund, and how it may leverage resources donated to the fund to optimize the monies' impact in Michigan's most disadvantaged communities.

One of the first actions the research team plans to take on is creating an Advisory Committee to oversee and guide the research and findings, assist in planning the educational forums, and guide the recommendations produced by the research team. The committee would consist of a diverse set of stakeholders from both the MSU community and representatives of Investment/Community Capital organizations including, for example, National Coalition for Community Capital, Michigan State Housing Development Authority, community foundations, non-profit housing corporations, the Federal Office of the Controller of the Currency (a regulatory agency of the federal government that monitors community reinvesting), Michigan Lank Bank (interested in utilizing funds to address housing gaps, particularly in underserved populations and communities), Community Economic Development Association of Michigan (interested in addressing housing challenges in underserved populations and communities), Michigan Economic Development Corporation (engaging in conversations about links between institutions and community investing), Michigan Women Forward (manages robust programs supporting women and minority entrepreneurs; a CDFI and also has foundations funds that could be leveraged; operates via statewide charter), Northern Initiatives (statewide CDFI laser-focused on underserved populations; works with start-ups, community-based, and social enterprises; has significant presence in the UP), Detroit Community Wealth Fund (focused on Detroit and southeastern Michigan entrepreneurs unable to secure traditional capital; performing noteworthy work in building worker-owned co-ops in the SE Michigan region), Lean Rocket Lab<sup>1</sup> (Jackson-based business accelerator equipped to support tech and community-based businesses anywhere in the state; conducting cutting-edge work that is strongly supported by MEDC), and members of the MSU community, such as the MSU Faculty University Council, student organizations with an interest in community investing and other campus and community stakeholders.

### **Anticipated Outcomes and Impacts**

The key outcomes for this project include a formal report and three forums to MSU leadership and the broader MSU community with recommendations as to how to adopt and manage a Community Development Investment Fund. The first forum will address questions such as what community investment is, why MSU should be engaged in community investing, what benefits community investing poses to the MSU community, and how community investing moves MSU forward in creating a more diverse, equitable, and inclusive campus. The second forum would include a presentation from the project research team on its preliminary findings from its case study research and a presentation from a community investing expert, such as Chris Miller, Board Chair of the National Coalition for Community Capital. The third forum would be a presentation of the findings and recommendations to the MSU community, including the MSU Foundation, Board of Trustees, students, Faculty Senate, and other MSU leaders. All three forums would be on MSU's campus and open to the public.

Furthermore, this innovative pre-college strategy that seeks to address the fundamental causes that contribute to the challenges underrepresented students in Michigan face in being able to apply to and attend MSU will have direct impacts associated with creating avenues for minority

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<sup>1</sup> These organizations represent the network of community and economic development organizations in Michigan with experience in community investing and community revitalization.

and low-income children. These impacts include an improved chance of affording the opportunity to attend MSU through strengthening the economic conditions of marginalized communities and therefore the families living in them as well as improving the community and economic development conditions of those communities in which community investing is already occurring. A second impact from this research is improving the diversity of MSU donors and expanding the university's network of donors. Through community investing, and improving the economic opportunities in communities, individuals and families that never had the capacity to donate to MSU may be able to do so. Also, people and organizations interested in investing in Michigan or distressed communities within the state may be attracted to investing in MSU for the first time, given the option of investing in a MSU Community Development Investment Fund.

### **Plan for Assessment**

This project will provide an opportunity for the MSU community to increase its awareness of current practices in community investing, economic and community revitalization in distressed communities, and the major impediments prospective MSU students face in overcoming the community impediments that inhibit their capacity to apply to and succeed in college. To assess the impact of these educational events the team will conduct both pre and post assessments of key stakeholder awareness of community investing and the role for a major university. (Survey of Advisory Committee members, other key stakeholders like the BOT, and those who attend the forums).

### **Considerations for Sustainability**

The research report will prepare a specific set of recommendations for key stakeholders to consider in the establishment of a Community Investment Strategy for MSU's financial holdings. Specific community financial institutions already operating in Michigan will be identified to which MSU could make well informed investments, thus creating a sustainable capital base where it did not exist previously. As MSU gains experience and knowledge in operating a Community Development Investment Fund, additional investments can be mobilized in the future. If MSU were to adopt a community investing initiative, it would be a leader amongst the higher education community in creating a more just and inclusive campus.

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