

# Community Investment Funds

## A Starter Workbook



The National Coalition for Community Capital (NC3) is a 501(c)(3) nonprofit, dedicated to educating, advocating and activating community capital. We are focused on building community investment funds (CIFs) in every community – perhaps your community is next!

### WHAT ARE COMMUNITY INVESTMENT FUNDS?

CIFs are structures meant to democratize access to capital by allowing any community member to invest in local opportunities. These investments can support ventures of all kinds, creating pathways for wealth-building that benefit all. CIFs can be created in communities of almost any size, making them a flexible tool for widespread economic and community prosperity.

#### PURPOSE

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This Workbook is meant to guide communities through the foundational steps of building a CIF. While we don't cover every technical detail, we hope the following exercises encourage your community to mobilize local capital and build a fund.

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# 1. Where to Start?

Beginning the process of building a community investment fund (CIF) with NC3 begins with our Principles. Our work is inclusive, fair and equitable, empowers and serves all stakeholders, and facilitates shared prosperity. Read more on our website, [nc3now.org](https://nc3now.org). With this in mind, we begin with your community and what you hope to do. Consider the following to begin:

What's your story?

Where do you want this fund to lead your community - what is your **Vision**?

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Why do you want your community to engage in this - what is your **Mission**?

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How do you and your fund-building team hope to work together to get there - what are your **Values**?

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What is your **value proposition** - what will this fund provide?

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## 2. Team Identification

The people who drive the building of your community's investment fund should reflect your community.

Expertise to include:

- Law
- Entrepreneurs
- Technology
- Business management
- Community organizing
- Economic development
- Public policy
- Banking & trusts
- Fundraising
- Marketing/media

Affiliations to consider including:

- Financial institutions
- Philanthropic organizations
- Community nonprofits
- State/local government
- Economic development
- Health care
- Education
- Local business

Who will form your team?

List names / organizations:

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List names / organizations:

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## 2. Team Identification

Within these categories, be sure to find a **trusted messenger** - someone or several people who are trusted in all areas of your community and who can communicate regularly about what you are doing to all those in your community.

Baseline perspectives to include:

- Young and old
- All races/ethnicities
- Full- and part-time residents
- All socioeconomic statuses

List names / organizations:

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Capacity of folks to consider:

- Availability to attend meetings
- Can devote time outside meetings
- Brings organizational/team management
- Brings 'lived' experience and social capital
- Has money or connections to funding or initial investors
- Has connections with potential partners

List names / organizations:

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### 3. Project Identification

A CIF may originate from a specific project or from a broader recognition that such a fund could enhance the overall well-being of the community. In either case, establishing and defining the fund's initial investment is a critical step. This foundational project will serve as the community's introduction to the fund, and therefore it should be carefully selected to ensure it is compelling and inclusive, encouraging participation from a wide range of community members as investors.

What have been your community's three most successful community-engaged projects? Was there anything in common (ex: real estate developments, location, supporting kids, etc.)?

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How does your project leverage these known successes, or what is a current 'hot topic' in the community that ties into these areas that could become your project?

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## 4. Community Engagement

Who do you need to engage?

There will be a range of folks in your community who you need to engage. Categorizing them at least slightly will allow your fund-building team to more efficiently create communication strategies for the full fund-building process.

Who are the people/organizations who will be directly affected by the fund's initial project? List your **Primary Stakeholders** below:

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Who are the people/organizations who have an interest in or influence over this fund and/or initial project's success? List your **Champions** below:

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## 4. Community Engagement

Who has resources, skills, or expertise and isn't in a position to join your fund-building team? List your **Collaborators** below:

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Who might oppose or challenge the fund in some way? List your **Challengers** below:

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Beyond those listed already, who do you want to invest in the fund? List your other **Capital Providers** below:

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## 4. Community Engagement

How to engage?

Define each groups' roles clearly before you reach out.

Roles	Primary Stakeholders	Champions	Collaborators	Challengers	Other Capital Providers

For each group, there may be different ways to reach the people/organizations that make them up:

- Primary Stakeholders - Block party, something at the site of the project
- Champions - Informational sessions at a favorite local brewery
- Collaborators - Partnered events with key community groups
- Challengers - Q&A sessions hosted at their locations/offices
- Other Capital Providers - Concert / Dinner event

Ideas?

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## 5. Fund Compliance Strategies

Which fund compliance strategy best meets your needs?

Fund Compliance Strategy	Requirements	Capital Raising Options
<b>Diversified Community Investment Fund (DCIF):</b> Variation on the real estate fund, with non-real estate investments of virtually any kind (debt, equity or revenue share).	Entity: Any Assets: At least 60% of the fund's assets must be real estate or other non-securities assets	Any strategy available to for-profit companies: Regulation Crowdfunding, intrastate crowdfunding, direct public offerings, and Regulation A
<b>Aligned Community Investment Fund (ACIF):</b> A fund housed within another company such as a service provider, co-working business or food coop.	Entity: The fund is held within any company not primarily in a securities business Assets: The fund may not be a primary source of company revenue	Any strategy available to for-profit companies: intrastate crowdfunding, direct public offerings, Regulation A, and Regulation Crowdfunding (depending on assets)
<b>Charitable Loan Fund:</b> A common community loan fund model.	Entity: A charity Assets: Must have a charitable purpose, cannot share profits, typically raises debt capital and deploys it as loans/revenue-generating investments	Exemption for charities in most states and at federal level, Rule 506(c) in other states, possibly Regulation Crowdfunding, and Regulation A

## 5. Fund Compliance Strategies

Which fund compliance strategy best meets your needs?

Fund Compliance Strategy	Requirements	Capital Raising Options
<b>Real Estate Fund:</b> A for-profit entity where at least 80% of assets are related to real estate. For example: REITs.	Entity: Any for-profit entity, typically an LLC or partnership Assets: At least 55% must be mortgages or interests in real estate while at least 80% of assets are related to real estate	Most strategies available to for-profit companies: intrastate crowdfunding, direct public offerings, Regulation A, and possibly Regulation Crowdfunding (depending on assets)
<b>Holding Company:</b> A fund that owns other companies – it could preserve businesses by acquiring them from retiring owners or it could be organized as a cooperative that acquires businesses to transition them to being employee-owned	Entity: Any for-profit entity primarily in the business of managing subsidiaries Assets: Controlled or majority-owned subsidiaries comprise at least 60% of assets, while minority holdings and other securities comprise no less than 40% assets	Any strategy available to for-profit companies: Regulation Crowdfunding, intrastate crowdfunding, direct public offerings, and Regulation A

## 6. Entity Structure

The choice of entity structure is one of the most important decisions in establishing a CIF. It determines how the fund will be taxed, how profits or surpluses are distributed, the level of regulatory oversight required, and the rights and responsibilities of both organizers and investors.

What entity will hold the CIF?

### Charity:

If you want to form a charitable loan fund, the entity will typically be a non-profit corporation that is exempt under Section 501(c)(3).

### Limited Liability Company:

This is a pass-through entity that doesn't pay tax at the fund level, but all member investors are taxed on their pro rata share of profits and receive a K1.

### Stock Corporation:

This entity will pay tax on its corporate profits. Investors will only receive a 1099 for years in which they are paid dividends. This can also be a benefit corporation.

### Cooperative:

A coop mainly distributes profits to its patron members who do business with the coop, but can also have investor members.

## 6. Entity Structure

What is the governance structure?

Once you have your choice of entity, the next question is your capital structure (how to structure ownership) and an essential element of this is governance (who has the right to vote, where does control sit).

How many members/investors do you have or hope to have?

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What involvement and voting rights will investors have?

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Are there different classes of investors with different rights?

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How is your leadership team chosen?

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*Case Study Example:*

*In the Rhode Island's Local Return DCIF each investor has one vote in elections for the Board of Directors, no matter the size of their investment.*

## 7. Capital Raising Strategies

Choosing a capital raising strategy will determine how much money can be raised, who is able to invest, and which legal and regulatory requirements must be followed.

How will you raise capital into the fund?

How much money are you hoping to raise? (Regulation Crowdfunding allows up to \$5M and Regulation A allows up to \$75M)

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Will you be working with an entity that is registered as a charity? (Charities have their own exemptions and options)

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Will you be raising capital across state lines or solely in one state? (Regulation Crowdfunding and Regulation A both allow for investors from any state, but Direct Public Offerings and intrastate crowdfunding can be limited to one state)

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## 7. Capital Raising Strategy

An overview of common capital raising strategies are presented below for your reference.

### Regulation Crowdfunding (Reg CF)

Allows a public offering of up to \$5M to investors in any state. Open to accredited and non-accredited investors. Many platforms are available and may align with your values/project.

### Regulation A (Reg A)

Allows a public multi-state offering of up to \$75M. Open to accredited and non-accredited investors, though it requires more disclosures and reporting than other strategies.

### Nonprofit / Charitable Offerings

Organizations registered as charities have multiple options that allow for raising debt capital in one or more states.

### Private Offerings

Though unavailable to non-accredited investors, private offerings can help seed a CIF with friends and family, institutional, or foundation rounds.

### State Specific Direct Public Offerings (DPOs)

Several strategies allow for single state or multi-state offerings, as well as state crowdfunding, nonprofit and cooperative exemptions.

## 8. Launch Your Fund

Activate community capital in your community!

You have your initial project identified, your fund-building team in place, your community engaged, and your fund structured – you are ready to launch your fund!

### Metrics & Reporting

Be sure to designate a team member or small committee to the task of maintaining data collection practices and prompt reporting schedules. Data collection should be based on your fund's goals, tracking the benchmarks met along the way.

### Communication

A great way to build trust with current and potential investors, as well as investees, is through clear and consistent communication. Pick 1–2 channels and be sure what you put out is clear to any person and enticing to your audiences.

### Investor Engagement

Securing your first investors is just the start; ongoing engagement is essential, so keep building those relationships!

### Capital Deployment

Remain clear from the start about when and how you are deploying capital back out to your community. Include messaging about this in your everyday communications. Get people excited to see what the fund empowers!

## 9. Next Steps

You have now worked through many of the key initial considerations to build a community investment fund. What's next?

### NC3's Accelerator Program

Schedule an intake call by visiting our website and we will work with you from wherever you are to launching your community's investment fund.

Schedule an Intake Call here:  
<https://www.nc3now.org/community-capital-accelerator.html>

### NC3's Accelerator Cohort

Join our community of folks around the country building CIFs. Lightly facilitated monthly meetings allow for instruction, experience sharing and peer insights.

Contact us to join:  
[info@nc3now.org](mailto:info@nc3now.org)

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