A Unique Approach to Brownfield Revitalization

Leveraging private capital for social good

The City of Richmond, California and the Richmond Community Foundation (RCF Connects) developed a unique approach to address significant challenges with blighted properties and barriers to local home ownership. The city and RCF Connects established a new social impact bond that uses private capital to fund the rehabilitation of abandoned properties in the Richmond area. In addition, the city and RCF Connects leveraged EPA Brownfields Assessment and Cleanup grants to address some of the city’s most challenging residential properties. Since the project began in 2015, RCF Connects has rehabilitated and sold dozens of affordable homes to first time homebuyers, facilitated millions of dollars of local spending, and attracted new investments to continue the organization’s housing work. This case study shares the city’s and RCF Connects’ approach and suggests how other communities can replicate their efforts.

A Step-by-Step Guide on How to Set Up a Social Impact Bond-Funded Revitalization Program

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<td>Establish a <strong>city ordinance</strong> that outlines the social impact bond’s parameters.</td>
<td><strong>Clearly outline project partners’ roles.</strong></td>
<td><strong>Seek out other sources of financial support, like EPA Brownfields funding.</strong></td>
<td><strong>Have a strategy for choosing which properties to rehabilitate.</strong></td>
<td><strong>Incorporate environmental sustainability principles into property rehabilitation.</strong></td>
<td><strong>Prioritize the sale of new homes to first time homebuyers.</strong></td>
<td><strong>Advertise achievements.</strong></td>
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<td>A formalized ordinance will guide the actions of all partners involved and establish a legal connection between the organization and the city.</td>
<td>A memorandum of understanding, paired with a city ordinance, should create a common set of metrics for success and define the role of each partner, establishing a clear project vision.</td>
<td>Suppling social impact bond funds with additional financial support will allow for maximum flexibility in selecting which properties to rehabilitate and what resources to apply. EPA resources can address brownfield properties that have sat idle for years.</td>
<td>City and local neighborhood councils can help identify and prioritize properties.</td>
<td>Professionally abating environmental issues and incorporating high-quality, energy-saving upgrades into renovations will create financially and environmentally sustainable properties.</td>
<td>Owning a home gives individuals access to new avenues for building wealth and establishing themselves in a community. This priority is especially important for organizations whose mission involves environmental justice and opening doors for systemically disadvantaged communities.</td>
<td>Celebrate successes, acknowledge partners, and market the program to different audiences. Host events like key ceremonie to highlight accomplishments, conduct media and social media outreach, and market among trade groups and networks.</td>
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Creating a Structure for Success
Establish a clear ordinance and build on city partnerships

RCF Connects established a strong framework for their rehabilitation projects by working with the city to issue a social impact bond through a city ordinance. The ordinance and the associated Memorandum of Understanding set financial and social metrics for the work and defined each partner’s role. In addition, they established a common vision for RCF Connects, the city, and the bond’s investor (locally-based Mechanics Bank). The ordinance also guaranteed that the city would not be liable for the bonds.

The long-standing relationship between RCF Connects and the city, developed through years of partnering on community development efforts, provided the foundation for this collaboration. Through partnering on the social impact bond, both entities leveraged their strengths for mutual benefits and success. The city can now expedite review of construction permits on social impact bond-funded properties. RCF Connects can obtain access to properties with liens from the city. These are just two examples of how the social impact bond has made addressing pervasive blight more efficient, resulting in the rehabilitation of homes, as well as increases in tax revenue and related benefits.

Improving Neighborhoods, One Property at a Time
Blighted brownfield properties become community assets

RCF Connects focused on properties that developers and homebuyers considered too risky, including properties with significant environmental challenges and those in the court system for tax delinquency and probate. Social impact bond funds allowed RCF Connects to access many blighted homes in the Richmond area. Before acquiring a potentially contaminated property, RCF Connects conducted a Phase I Environmental Site Assessment or All Appropriate Inquiries. Some properties required additional assessment and cleanup due to historic contamination. After RCF Connects identified certain properties as “brownfields,” they worked with EPA and the city to use EPA Brownfields Assessment and Cleanup funding. This additional grant funding allowed RCF Connects to tackle some of the most environmentally challenging properties in the city. In this sense, EPA became another important partner—helping to ensure RCF Connects’ renovated properties were safe for new homeowners.

“I’m a homegrown educator, and I honestly didn’t think buying a home in Richmond was feasible. This program shifted my thinking.”

– Mitzi Perez-Caro

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Local Spending, Local Impacts
Supporting community development by promoting economic activity

The results of the social impact bond partnership between RCF Connects and the city are tremendous. Their efforts produced considerable financial benefits for the community, including:

- Over $6.5M in local spending
- Reduction of the city’s code enforcement costs by $350,000 per year
- Repayment of nearly $800,000 in code enforcement liens and property taxes
- An annual increase of over $90,000 in property tax revenue
- An estimated $697,000 per year to the local economy from new homeowners

Prioritizing Equitable Development
Eco-friendly homes that build community wealth

RCF Connects prioritized sustainability and equity in their rehabilitation work to ensure people could buy, afford, and maintain renovated homes. In partnership with the California Energy Commission, RCF Connects used state climate change mitigation funding to purchase energy-efficient appliances and make other environmentally conscious improvements to their homes. By partnering with EPA and using EPA Brownfields grants, RCF Connects also ensured the finished homes were contaminant-free.

Additionally, RCF Connects worked with SparkPoint Contra Costa, a local financial services collaborative partnership that helps individuals build a financially secure future. RCF Connects prioritized selling rehabilitated homes to graduates of SparkPoint Contra Costa’s homebuyer program, connecting buyers with the program’s newly renovated and energy efficient properties. RCF Connects also ensured the homes sold through their program would be lien-free, allowing homeowners to accrue value on their property and build wealth for themselves and their community.

Building Momentum, Building Wealth
Expand a successful program with new investments

The combination of pairing the city’s social impact bond investments with EPA Brownfields grant-funded work has highlighted a new way to locally finance challenging redevelopment projects. Mechanics Bank was motivated to become the social impact bond’s initial investor because it helped them meet federal Community Reinvestment Act requirements. However, the compelling results of the social impact bond has led Mechanics Bank to extend their investment for another five years. RCF Connects’ success has also attracted investment interest from new sources. Most recently, a group of donors contacted RCF Connects to build a Black homeownership fund. This fund will help members of the Black community purchase homes by providing up to $15,000 for down payment assistance or to cover closing costs. The loan is only repaid when the home is sold or the mortgage is refinanced.

Community Reinvestment Act

The Community Reinvestment Act encourages financial institutions to help meet the credit needs of the communities in which they work. The Act gives the financial institution incentive to balance the risks it undertakes as a social impact bond investor.
“The [social impact bond] program can make a huge difference for a local community. It is mutually beneficial to the cities it supports and the banks that provide the financing. **In my opinion, there are few direct investment opportunities for a bank that can be as impactful as a social impact bond.**”

– CJ Johnson, Partner, Ford Financial Fund (Majority Owner of Mechanics Bank)

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**Lessons Learned**

**Relationships matter—Establish partnerships with city government staff and the community**

- **Cultivate champions.** Advocate for those within city government who will coordinate across city departments to shepherd the ordinance through the system, make sure the bond is issued, and recommend other potential government resources such as grants.

- **Build connections.** Interface with other relevant partners that will interact with the bond and the social impact bond program. Examples include county tax collectors/treasurers, probate court judges, investors, neighborhood organizations, insurance groups, and realtors.

- **Engage the community.** Community members are a great resource for spreading the word about the program and demonstrating support to decision-makers, such as investors and city officials. Neighborhood councils can also help identify properties that need revitalization.

**Metrics count—Develop a well-defined program vision and measure results**

- **Stay on track.** Identifying metrics for success will provide vital guidance for project work. RCF Connects’ metrics include financial return on investment, improvement in community policing and safety, and the number of first-time homeowners who purchased renovated homes.

- **Measure return on investment.** Tracking investment growth over time helped RCF Connects determine how much money to invest in individual properties. Keeping a record of the program’s impacts on the community also gives investors an idea of how their money makes a difference and increases the likelihood of reinvestment.

For more information on RCF Connects and the City of Richmond, visit [rcfconnects.org](http://rcfconnects.org) and [www.ci.richmond.ca.us/2457/Code-Enforcement](http://www.ci.richmond.ca.us/2457/Code-Enforcement)