Community Development Finance in the US and UK:

Financial Inclusion or Inclusive Growth?

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ABSTRACT

This thesis explores whether Community Development Finance Institutions (CDFIs) in the US and Responsible Finance Providers (RFPs) in UK are desirable candidates for expanding financing to small- and medium-sized businesses considering recent local, national, and global developments. Often conceived as ‘alternatives’ to mainstream financial institutions (MFIs), CDFIs and RFPs comprise a small but growing industry of nonprofits and other social enterprises that are designed to pursue social as well as financial objectives. This makes them appealing as potential agents for making the current financial system more inclusive and just, particularly in urban centers where lower-income and minority borrowers have historically faced greater challenges in obtaining financing. However, CDFIs and RFPs are subject to internal and external factors that threaten their fulfillment of socially progressive objectives. As third sector institutions, CDFIs and RFPs exhibit significant vulnerability, for instance, to institutional change in the face of recent developments such as increased austerity measures and the global restructuring of the financial sector in the wake of the 2007 financial crisis.

In response to calls for greater support to CDFIs and RFPs, this thesis argues that it is imperative to examine how these agencies are operating on the ground before making any policy recommendations. By comparing the small business lending practices of urban-focused CDFIs and RFPs in the US and UK, this thesis suggests that CDFIs and RFPs are subject to “mission drift” based on their embeddedness in different urban and national regimes and their exposure to new policy paradigms such as “inclusive growth.” In particular, CDFIs and RFPs which are more strongly embedded in neoliberal growth regimes stand at greater risk of serving spatially-blind economic policies that are less concerned with, and less successful in, combating urban poverty than traditional community development approaches. This poses an existential threat to the original purpose of CDFIs and RFPs and calls into question their demonstrability as vehicles of socially progressive urban change.

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INTRODUCTION & PROBLEM STATEMENT

Recent literature suggests that "new geographies of financial exclusion" have emerged in the wake of the 2007 financial crisis, particularly impacting small- and medium-sized enterprises (SMEs)[1] (Appleyard, 2013, p. 870). Both an overall shortage of financing for SMEs and new forms of exclusion are thought to have developed as a result of the economic downturn and subsequent credit crunch, which alongside recent changes in the mainstream banking sector such as firm consolidations and risk-based pricing are thought to be disproportionately impacting SMEs (Sannajust, 2014; Cowling, Liu, & Ledger, 2012; Wehinger, 2014). As SMEs are often viewed as key drivers of local and national economies, addressing this issue has become centrally important to local and national stakeholders and supranational bodies like the EU. Moreover, there is reason to be especially concerned about the credit needs of minority-owned SMEs and those operating in low-income or otherwise disadvantaged urban areas, which were particularly impacted by the crisis and which have traditionally experienced greater difficulty accessing fair and adequate bank financing (Aalbers, 2009; Bates & Robb, 2013; Lee & Drever, 2014; Immergluck, 2004).

In Europe, policymakers have sought new strategies to expand access to capital for SMEs such as the European Commission's Investment Plan for Europe - known as the "Juncker Plan" - and the Capital Markets Union (CMU) Action Plan, designed to enhance cross-border lending and diversify the availability of funding sources for SMEs (European Commision, 2017a). These plans have been accompanied by a concerted effort to develop new financial instruments like equity investments, social impact bonds, and loan guarantees to support small firms with high growth potential, particularly in Europe where there is widespread concern about the underdevelopment of venture capital markets compared to the US (Mason, Michie, & Wishlade, 2012).

[1] SMEs are defined by the European Commission (2017b) either in terms of staff headcount (with microbusinesses having fewer than 10 employees; small businesses having fewer than 50; and medium-sized businesses having fewer than 250) or turnover/balance sheet total (with microbusinesses having turnover or balance sheet total less than or equal to €2M; small businesses having turnover or balance sheet total less than or equal to €10M; and medium-sized businesses having turnover less than or equal to €50M or balance sheet total less than or equal to €43M).

In the UK, one proposal to help expand financing for SMEs is to increase funding and policy support for alternative financial institutions called Responsible Finance Providers, or RFPs (Appleyard, 2013). Modelled after Community Development Financial Institutions (CDFIs) in the US, RFPs represent a small but growing body of third sector lenders (typically structured as nonprofits) that are designed to channel investments to individuals, businesses, and social enterprises which have been excluded from accessing mainstream bank financing, including low-income, minority borrowers and ones located in deprived areas. As such, CDFIs and RFPs are often seen as progressive institutions in so far as these agencies seek to balance social and financial goals while investing in underserved groups and communities. As the majority of CDFIs and RFPs operate in urban areas, they could furthermore help address the credit needs of financially excluded SMEs while aiding in wider urban development efforts.

Given their mission focus, supporting the growth of RFPs and CDFIs would seem like a laudable recommendation. However, we might question whether these agencies are viable candidates for expanding SME financing in a truly inclusive way. First there is the practical question of whether CDFIs and RFPs are capable of such a job, given their relatively limited size and scale. Secondly there has been little research on how the 2007 financial crisis impacted CDFIs' and RFPs' lending practices - as it did with MFIs - and what, if any, ramifications this might carry for the people and places they serve.

Third, there is reason to question whether the role of CDFIs and RFPs has been changing recently alongside developments in the financial inclusion debate. In particular, as the narrative of "inclusive growth" has taken hold in recent decades (George, McGahan, & Prabhu, 2012), there is a risk that RFPs and CDFIs might be re-orienting from solving local community development challenges to fulfilling broader economic goals. From an urban standpoint, this might indicate a questionable shift away from targeted anti-poverty efforts towards less socio-geographically sensitive "trickle down" economic strategies, which often turn out to be not so inclusive after all. The potential co-optation of community-based third sector agencies like CDFIs and RFPs into such growth paradigms presents a potential dilemma to deprived urban communities, as they find themselves with fewer allies to address local needs.

Given concerns that CDFIs and RFPs might be serving as agents of neoliberal agendas in their respective countries (Bryson & Buttle, 2005; Affleck & Mellor, 2006; Spicer, 2014), more information is needed to evaluate how these agencies' lending practices and outcomes have been changing in the context of increased austerity measures, privatization, and reduced welfare provision, particularly in the wake of the 2007 financial crisis. Additionally, there is a need to better understand how the economic interests of national policymakers and local public and private stakeholders are impacting these organizations, particularly in cities with strong growth-oriented urban regimes. Only by placing these agencies *in situ* and investigating how their goals and practices may be evolving in recent decades - particularly in the wake of the 2007 financial crisis – can we better assess the narratives being told about them, understand their role in urban anti-poverty efforts, and make informed policy recommendations on their behalf.

PART I: CONTEXTUALISATION

1.1 Community Development Finance: An Introduction

At the center of this thesis lies the issue of financial exclusion, which gets to the heart of the question: *Who is finance for*? Broadly defined as "processes that serve to prevent social groups and individuals from gaining access to the financial system" (Leyshon & Thrift 1995, p. 314), financial exclusion is often seen as related to other forms of social exclusion in so far as it prevents individuals, groups, and communities from accessing the kinds of mainstream financial products - i.e. checking and savings accounts or business loans - that have become integral to carrying out the activities of everyday modern life. Seen as a process that "amplifies geographical differences in levels of income and economic development" (Leyshon & Thrift, 1995, p. 312), financial exclusion is often noted as being concentrated in deprived inner-city areas, where it "reinforces patterns of social disadvantage" (Marshall, 2004, p. 244) and makes it all the more difficult for marginalized urban groups to participate in "wider metropolitan life" (Speak & Graham, 1999, p. 1998).

Questions about the nature of financial exclusion (i.e. How does it happen? What forms does it take? Whom does it affect? Which communities are most impacted? And who is responsible for addressing it?) have long been part of an active academic debate, stemming from the analysis of discriminatory lending practices such as predatory lending and redlining[2] which gained scholarly attention in the US during the 1970s. As new patterns of financial exclusion have emerged over the decades, academics have continually sought to keep up with the changing nature of financial exclusion, leading to a profusion of literature on the subject (Leyshon & Thrift, 1995; Leyshon, 2000; Marshall, 2004; Immergluck, 2004; Wyly, Moos, Hammel, & Kabahizi, 2009).

Around the world, various kinds of 'alternative' financial institutions have been established to address the credit needs of financially excluded individuals, communities, and

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[2] "Redlining" refers to a practice in which banks literally or figuratively draw 'no-go' lines around specific geographic areas where they intentionally avoid making investments due to community demographics. In the US, redlining led to the significant disinvestment of Black inner city neighborhoods during its heyday in the late 20th century (Immergluck, 2004).

businesses. In developing countries like Bangladesh - where the internationally renowned Grameen Bank was founded in the late 1970s - microfinance organizations have flourished as a critical source of microcredit for impoverished groups. So-called ‘cooperative’ or ‘ethical’ banks have also become increasingly popular in more developed countries, with notable examples being Jak Bank in Sweden and Belfius Bank in Belgium. The rise of social impact investing and other types of socially-conscious lending can also be seen as attempts to make the current financial system more inclusive and fair.

Among the various alternative financial institutions that have sprouted up across the world in recent decades, community development finance agencies called CDFIs in the US and RFPs in the UK have gained critical attention among urbanists as potential models for addressing the capital needs of deprived urban residents and communities. These agencies have inspired the development of similarly structured alternative lenders in other countries like Australia and are serving in many other places as inspiration for potential policy mobilities (Australian Government Department of Social Services, 2014; Smith, 2011). However, these agencies differ significantly in their size, mission, and scope of operations, begetting need for a more thorough analysis of why they were founded and how they have evolved over time.

1.1.1 CDFIs

First developed in the US during the 1970s and formally adopted in 1994 through the Community Development Banking and Financial Institution Act, CDFIs comprise a $108B industry of over 1,000 non-governmental community development banks, credit unions, loan funds, venture capital funds, microloan funds, and community development corporations that are certified by the US Treasury’s CDFI Fund to promote community development. In addition to certifying CDFIs, the CDFI Fund provides annual funding opportunities to CDFIs in the form of grants and low-interest loans, technical assistance, New Market Tax Credit allocations, and other sources of funding like the Capital Magnet Fund (CDFI Fund, 2018). Although CDFIs vary widely in their size, scale, and structure, the majority are community development loan funds (CDLFs), which are typically structured as nonprofits and which have a mission of serving lower-income areas and individuals through loans for microenterprises, small businesses, housing projects, and/or community service organizations (CDFI Fund, 2016; Opportunity Finance Network, 2017). The majority of CDLFs are independently managed and funded through their own sources of equity as well as grants and low-interest loans from mainstream banks, local and national foundations, the CDFI Fund, and other sources of public funding. As depicted in Fig. 1, CDFIs are located throughout the US but with greater concentrations in the North East, California, and 'Bible Belt' areas around Louisiana, Alabama, and Mississippi.

Figure 1. Map of CDFIs in the US

(Image generated from PolicyMap)

The initial aim of CDFIs was to combat poverty and address the capital needs of lower-income and minority residents and communities in the wake of discriminatory financial practices like redlining, which led to the disinvestment of countless Black neighborhoods in cities across the US during the 20th century (Immergluck, 2004). As Affleck (2011) observes:

> "One potential starting point for the inception of the modern CDFI sector can be found in the policies of Lyndon Johnson's administration and its '*War on Poverty Campaign'* during the 1960s… [in which] the Government aimed at giving people the opportunity to get themselves out of their poverty. It was recognized that entrepreneurship was one way of succeeding." (p. 66-67)

Throughout the 1970s and 1980s, a nascent collection of CDFIs and community development credit unions grew in the US alongside the passage of federal laws like the 1974 Equal Credit Opportunity Act and 1975 Home Mortgage Disclosure Act, both of which sought to expand opportunities for capital to low-income, minority, and other disadvantaged groups who were confronting discrimination in the personal and home mortgage lending markets (Affleck, 2011; Immergluck, 2004). In 1977 - following "evidence that US banks and savings associations designated 'no-go' areas for new investment based on racial composition, age, or income characteristics of an area (so called 'redlining')" (Immergluck, 2004, p. 249) - the Community Reinvestment Act (CRA)[3] was passed based on the premise "that markets left to their own devices tend to restrict the flow of capital to older, lower income, and ethnic minority borrowers concentrated in inner cities, and that this is an important cause of the physical deterioration of such neighborhoods" (ibid). When the CRA was later overhauled in the mid-1990s to reward banks for investing in CDFIs, this galvanized the CDFI industry, which became formalized in 1994 (see Appendix A for a timeline of policies relevant to the formation of CDFIs).

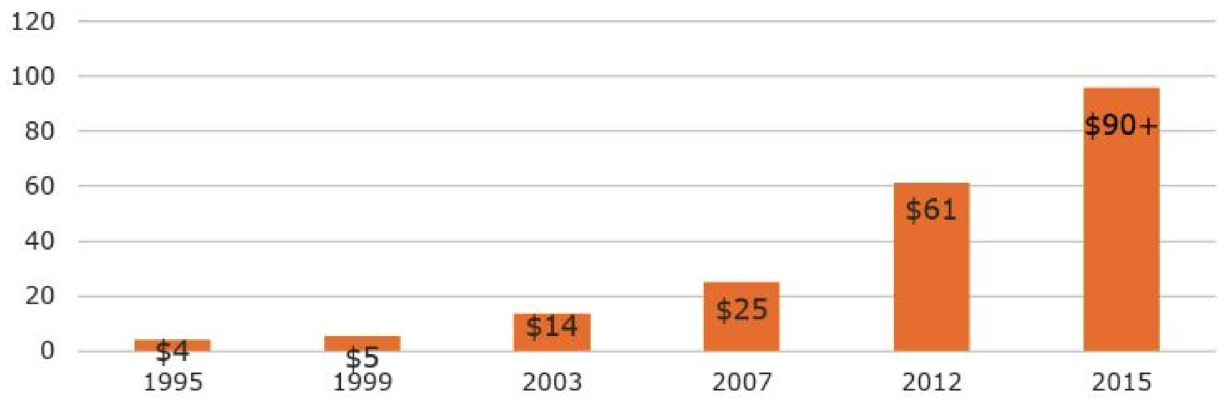
In the years since, CDFIs have maintained their focus on investing in disadvantaged groups and communities while expanding their market coverage and services offered. Characterized as "mission-driven" and "profitable but not profit-maximizing" by Opportunity Finance Network (OFN) - the leading trade network for CDFIs - CDFIs are often described as pursuing a "double bottom line" of economic and social returns on their investments (CDFI Coalition, 2018). As required by the CDFI Fund, they concentrate a majority of their loan products and services in defined Target Markets, which can include low- and moderate- income (LMI) borrowers;[4] borrowers of projects located in distressed census tracts; and minority or other disadvantaged end users like Native Americans. Swack, Hangen & Northrup (2015) demonstrate that CDFIs do a fairly good job of meeting this requirement, considering that in 2012 79% of CDFIs' loans went to targeted borrowers.

[3] As Henry *et al.* (2014) explain: "The CRA aims to encourage 'depository institutions' ('banks') to meet the credit needs of the communities within which they operate, especially low-and moderate-income communities, consistent with safe and sound banking practices. The financial regulators conduct periodic examinations to evaluate how banks are fulfilling the objectives of the CRA and issue a report and rating of a bank's CRA performance... A CRA rating of less than a "satisfactory" can prevent institutions from proceeding with a planned merger, acquisition or expansion of operations" (p. 16).
[4] I.e. borrowers earning less than or equal to 80% and 120% of Area Median Income in the US.

Although CDFIs represent a small share of total lending in the US (with bank-funded SME lending being 464 times that of CDFIs, according to Swack, Northrup, & Hangen, 2015), CDFIs have grown significantly in recent decades (see Fig. 2) with support from the US federal government and have increased their coverage in urban areas from 64% in 2001 to 74% in 2013 (OFN, 2015).

Figure 2. Total assets of certified CDFIs ($ billions), 1995 - 2015

(Image source: OFN, 2016, p. 8)



1.1.2 RFPs

The development of CDFIs in the US provided a key source of inspiration for similarly structured institutions in the UK during the 1980s and 1990s (Marshall, 2004), which were originally also called CDFIs but which relaunched under the trade name of Responsible Finance Providers (RFPs) in 2015.[5] From 28 active RFPs in 2003 to a peak of 80 in 2005, today there are 43 RFPs in the UK - 27 of which serve the financing needs of small businesses (Responsible Finance, 2018). According to Annual Industry Reports from Responsible Finance (RF) - the official trade network for RFPs in the UK - the majority of RFPs are Charitable Incorporated Organisations, Companies Limited by Guarantee,[6] or Co-operative or Community Benefit Societies.

[5] As Dayson (2011) explains, the UK's CDFI sector originally emerged in part from local authority business loan schemes (known as 'soft loan schemes') that operated in the UK during the 1970s and 1980s but which often proved financially unsustainable and rarely survived beyond three years. Many of these soft loan schemes were later incorporated into CDFIs, as the industry drew inspiration not only from microfinance practitioners in the US but from other parts of Europe like Poland and from developing countries like Bangladesh, as well.

[6] Companies Limited by Guarantee are an alternative type of corporation used primarily for nonprofit organisations in which members act as guarantors in the event of firm closure.

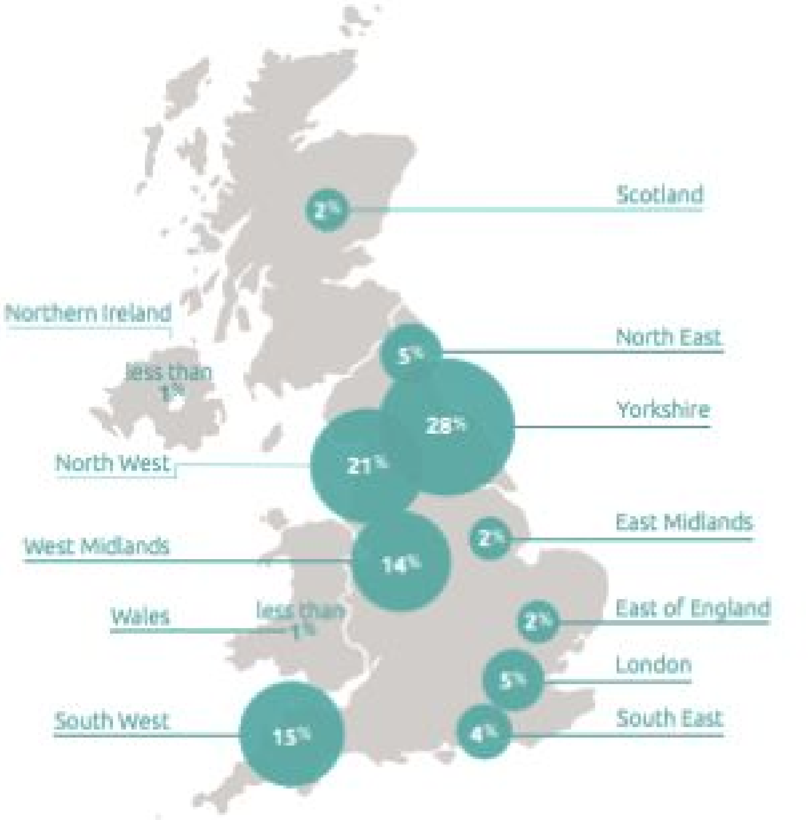
Figure 3. Map of RFP headquarters

(Data source: http://www.findingfinance.org.uk/. Image generated from Google Maps)

The spread of RFP coverage is highly variable in the UK, as depicted in Figures 3 and 4, which show the locations of active RFPs and the spread of business loans made by RFPs in the most recently-published Annual Industry Report providing this data from 2013. As is evident in the maps, RFPs tend to be more active in the North West, Yorkshire, West Midlands, and South West regions of the UK, while other areas like the East Midlands, Northern Ireland and Wales are underserved. As with CDFIs in the US, the majority (76%) of RFPs' primary beneficiaries are located in urban areas (RF, 2010 Annual Industry Report).

Figure 4. Value of RFP business loans disbursed by region, 2013

(Image source: RF, 2013 Annual Industry Report, p. 21)



Although the UK's RFP industry draws significantly from that of CDFIs, RFPs differ from their US counterparts in a number of ways. First, the size of the UK's RFP industry is relatively modest, with approximately 43 RFPs across the country that collectively administered over £242M in loans in 2016 (RF, 2017b). In terms of SME lending, RFPs only account for <1% of the market share in the UK (Roberts & Walker, 2018). Secondly, unlike their US counterparts RFPs do not invest in housing projects or comprehensive community development projects, which are more commonly left to the domain of Housing Associations in the UK. Rather, the majority of RFPs' lending activities are targeted at small businesses and social enterprises, with a minimal amount of lending made to individuals for savings accounts and home repairs (RF, 2017b). Thirdly, RFPs are not mandated to target lower-income individuals or neighborhoods but rather serve as "lenders of last resort" for customers which have been denied financing from MFIs (Appleyard, 2011).

RFPs nonetheless maintain an interest in serving disadvantaged areas, as indicated by industry-produced lending maps from 2015 which suggest that RFPs are serving more deprived urban neighborhoods of the UK where there is less bank lending for SMEs (see Fig. 5 for an example from Birmingham). Like CDFIs in the US, RFPs typically view their work as delivering on a "double bottom line" of social and financial goals, and the industry has historically positioned itself as a group of organizations that "aim not just to fill [market] gaps but to create social change through the impact of the finance and services they offer" (RF, 2005 Annual Industry Report, p. 2). To this end, RF publishes annual statistics on the kinds of clients served by RFPs, many of which are women- or minority-owned businesses; previously unemployed customers; and/or welfare recipients (see Fig. 6).

Figure 5. RFP Lending to SMEs in Birmingham compared to bank lending and neighborhood deprivation rates

(Image source: RF, 2015 Industry Report, p. 11)

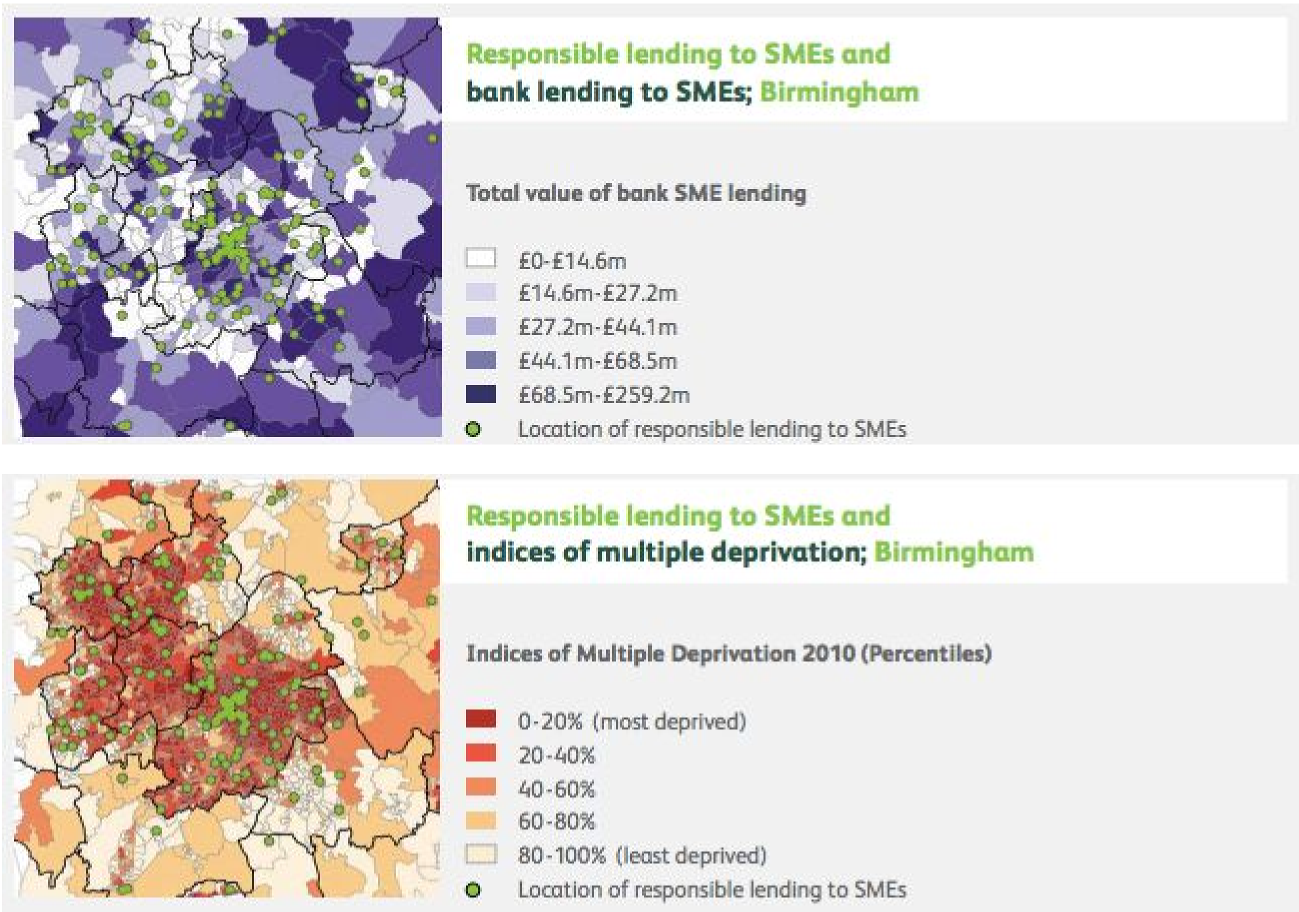
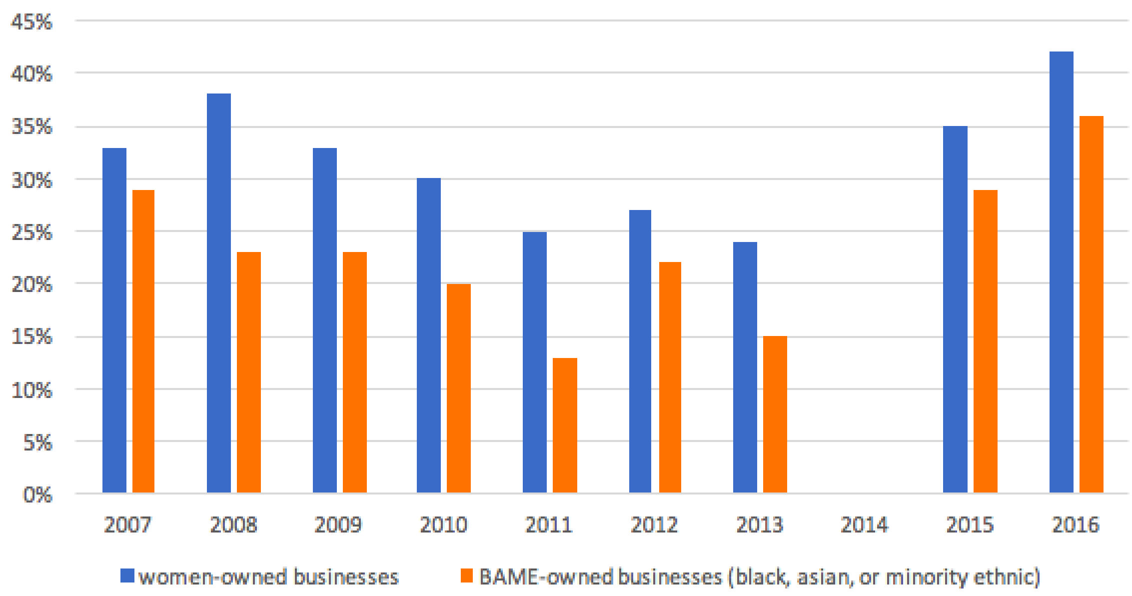


Figure 6. RFP business client demographics, 2007 - 2016

(Data source: RF Annual Industry Reports. Author's visualization.)
**Note: data on 2014 not available*



1.2 CDFIs, RFPs, and Small Business Financing

Considering that both RFPs and CDFIs serve SMEs, it is worth taking a closer look at how the financing of SMEs fits into these agencies' missions from a community development perspective. As will be discussed, the context of financial exclusion for SMEs differs greatly in the UK than in US, where factors of racial discrimination tend to play a much larger role in contributing to patterns of financial exclusion. However, in both countries there is an assumed rationale that, by supporting disadvantaged SMEs and SMEs in disadvantaged areas, CDFIs and RFPs can help empower local communities through job creation, commercial revitalization, and the provision of much-needed goods and services.

In general, SMEs are considered to be excluded from the financial system when they lack access to affordably priced capital from mainstream financing sources. Whether SMEs are excluded on the basis of structural considerations - such as their limited size, maturity, experience, and lack of collateral compared to large firms (Sannajust, 2014) - or discriminatory factors such as firm location/neighborhood effects or owner profile - the problem seems particularly concentrated in disadvantaged areas, where there are often thin markets and a lack of sufficient financing options for entrepreneurs (Mason, Michie, & Wishlade, 2012). In the US - where economic disparities and racial discrimination have a long history of being intertwined - inadequate and/or predatory financing is particularly problematic among minority-owned businesses, contributing to a cycle of deprivation in communities of color. Minority-owned firms have been found more likely to be denied credit, pay higher interest rates, and receive smaller loans than comparable White-owned firms in the US (Blanchflower, Levine, & Zimmerman, 2003; Bates & Robb, 2013), and credit score discrimination has been found to be higher among Black-owned, Latino-owned, Asian-owned, and female-owned startups than male- and White-owned firms (Henderson, Herring, Horton & Thomas, 2015). Considering that Black-owned firms are "more likely than White-owned enterprises to operate in central-city areas and minority neighborhoods...and [recruit] workers in low-income minority communities," Bates (2006, p. 229) argues that expanding capital to Black-owned firms will likely help reduce high levels of un- and underemployment in such areas (p. 234). This logic clearly seems to be shared by a large number of urban-focused CDFIs, many of which target their investments to minority-owned SMEs in LMI communities of color.

Meanwhile in the UK, certain studies (i.e. Fraser, 2009) have suggested that ethnic discrimination in the SME credit market is more perceived than real, and that outcomes for minority groups are more closely linked to other indicators such as loan repayment and overdraft charges. However, such studies overlook the many ways in which ethnicity is often tied to other factors such as education, wealth, assets, and geographic location, which may affect SMEs' financial positions and creditworthiness. Lee & Drever (2014), for instance, find that "firms in deprived areas are particularly likely to be run by ethnic minority entrepreneurs" and that these companies find it harder to obtain finance than comparable non-ethnic firms in the UK (p. 339). By providing credit to ethnic entrepreneurs and SMEs located in deprived areas, RFPs can - like their US counterparts - work to correct some of the multi-layered patterns of social exclusion hampering marginalized residents and communities.

1.3 Impact of the 2007 Financial Crisis

In both the US and UK, the financing shortages of SMEs are thought to have worsened in recent decades by the progressive deregulation of the banking sector and by changes in mainstream banking practices such as bank retraction, consolidation, market-based lending, credit rationing, and risk-based pricing - all of which point to an erosion of the more locally-embedded, relationship-based lending models on which many SMEs have traditionally relied (Immergluck, 2004; Fraser, 2009; Hardie & Howarth, 2013; Marshall, 2004). The 2007 financial crisis is thought to have exacerbated these problems, prompting new discussions about how to expand financing options for SMEs.

In the UK, Appleyard (2013) notes that “the financial crisis has seen banks retreat further from lending to viable SMEs due to a reassessment of risk and lack of available capital,” creating “new geographies of financial exclusion” in which many SMEs once considered bankable are now experiencing difficulty accessing credit (p. 868). In particular, it has been suggested that smaller firms and SMEs located in peripheral areas were particularly affected, as the UK financial sector became more geographically concentrated in London and other urban centers after the crisis, and smaller firms became reluctant to borrow from MFIs amidst rising mistrust of the financial sector (Wójcik & MacDonald-Korth, 2015; Degryse, Matthews, & Zhao, 2015; Lee & Brown, 2016).

However, are the credit needs of SMEs truly not being met? In the UK, the question seems to be one of discouraged demand versus limited supply. Those who would argue that SME financing demand is being met in the UK can point to the fact that, since 2011/2012, gross new funds to UK SMEs has actually increased 64% by £120bn, with banks accounting for two-thirds of the increase. Other sources of funding like private equity, asset finance, peer-to-peer (P2P) business lending, and P2P invoice funding have also increased since 2011, as has funding from RFPs (Roberts & Walker, 2018). In recent years there has actually been a record low demand for traditional bank loans among SMEs in the UK, despite high approval approval rates – suggesting continued distrust of banks, and reluctance among smaller firms to borrow in order to grow faster (British Business Bank, 2018c). The problem of discouraged demand has been particularly highlighted in the North of England, where the central government is implementing the Northern Powerhouse Initiative[7] to help rebalance the UK's economy, expand financing options to Northern SMEs, and encourage greater borrowing levels.

In the US, SMEs are thought to have fared better post-2007 due to more favorable growth prospects and greater governmental support through agencies like the Small Business Administration (Sannajust, 2014; Wehinger, 2014). Overall, SME lending in the US is still 20% below 2007 levels (Dore & Mach, 2018), but it appears that small business lending in minority and LMI neighborhoods has recovered at a faster pace since 2010 than in non-minority and non-LMI neighborhoods - as evidenced by the fact that the total volume of small business loan originations increased by 51.6% in LMI neighborhoods from 2010 to 2016 compared to 26.8% in non-LMI neighborhoods and by 84% in minority neighborhoods compared to 8% in lower-minority-share neighborhoods (ibid). However, this may simply reflect the degree to which minority-owned and LMI businesses were affected by the financial crisis, considering the extent to which they struggled with tightened credit conditions in the crisis' immediate aftermath (Bates & Robb, 2013).

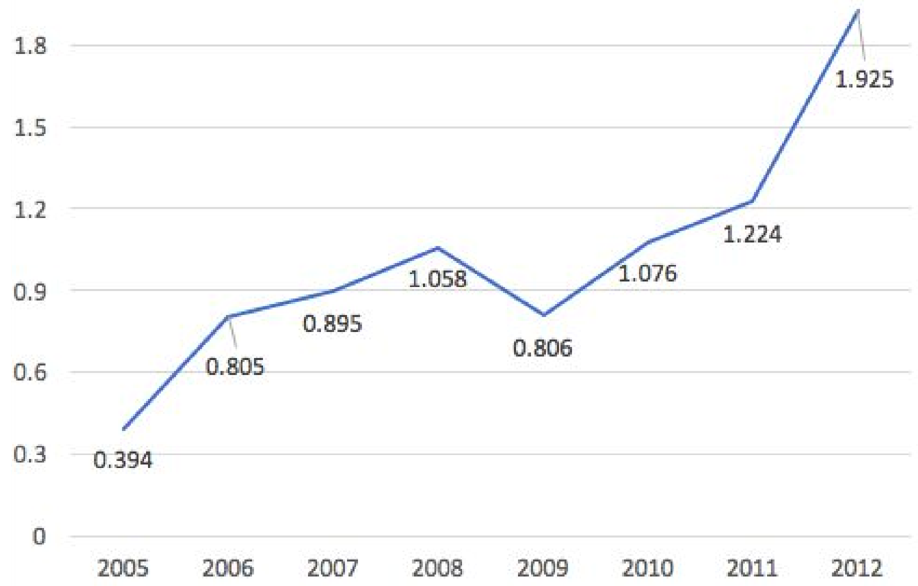
1.3.1 Impact of the Crisis on CDFIs and RFPs

Despite the availability of data on how bank lending has changed since the 2007 financial crisis, there have been few studies of how the crisis impacted CDFIs and RFPs and their target clientele. Swack, Hangen & Northrup (2015) find that CDFIs in the US actually stepped up their lending since the crisis, aided largely by government stimulus funds. This is indicated by the fact that CDFIs on average grew their loan portfolios and capital bases by 15% and 13% annually from 2008 to 2012 and more than tripled their lending from 2005 to 2012 (see Fig. 7). But no studies show where, or to whom, this money has been going on a yearly basis. The literature would thus benefit from an analysis of what proportion of new CDFI lending has been going to low-income and minority groups since the 2007 financial crisis.

[7] This initiative began in 2014 following Chancellor George Osborne's call for the creation of a "Northern Powerhouse" - i.e., a strengthened "collection of northern cities...that combined can take on the world" (Osborne qtd. in Martin, 2015, p. 238). The Northern Powerhouse concept has since gained traction as the *sine qua non* strategy for rebalancing the UK economy, as the initiative will entail improved transportation links and greater investments across the North for SMEs, science and innovation.

Figure 7. CDFI loan volume, 2005 - 2012 ($ billions)

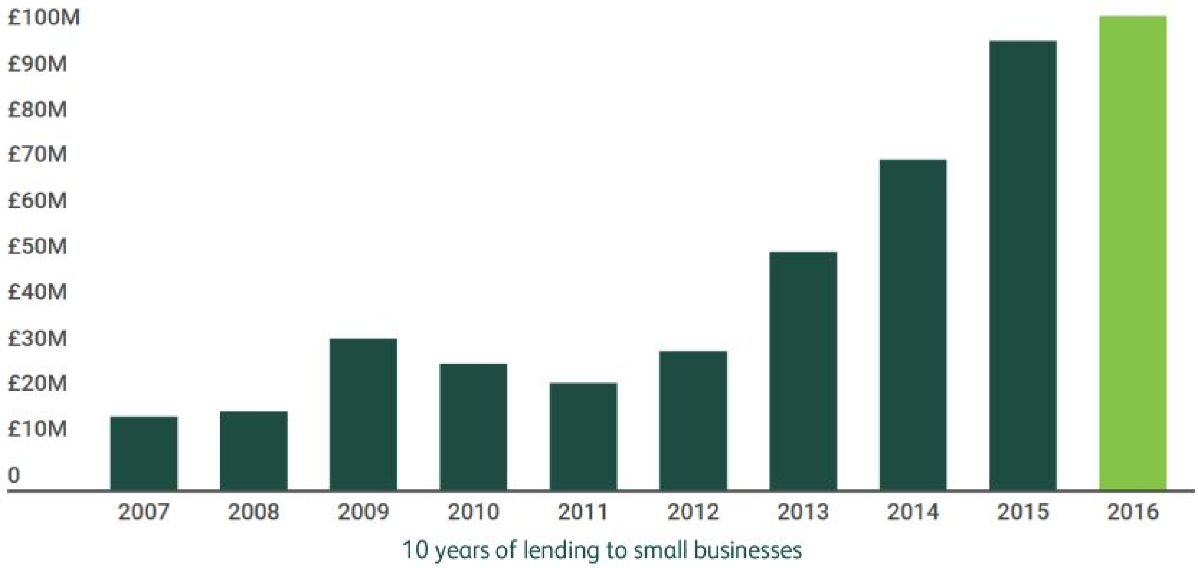
(Data source: Swack, Hangen & Northrup, 2015. Author's visualization)



RFPs, too, have seen a sizable increase in activity since the 2007 financial crisis, after which 68% of RFPs reported an increased demand in funding from previously bankable businesses and 65% reported an increase in demand for business loans (RF, 2009 Annual Industry Report). In the years since, RFPs' overall loan portfolio has increased even though the number of RFPs has decreased, as has the total value of lending to SMEs (see Fig. 8). However, many of the government funds which have enabled this growth have already expired or are set to sunset in the next few years, such as the UK's Regional Growth Fund - an emergency program launched in 2010 to respond to the crisis, protect jobs, and transition communities from public-sector reliance to private sector-led growth - and the Start Up Loans Company, which was established in 2012 to provide government-backed loans to startups that have been experiencing difficulty accessing finance (Barker, 2016). Meanwhile, other recent initiatives like the Small Firms Loan Guarantee Scheme and New Enterprise Allowance have been critiqued for both their uneven coverage and their questionable benefits for disadvantaged groups (Cowling & Siepel, 2013; Lewis & Lindley, 2015). This points to concerns that, in the wake of the crisis, RFPs may not be serving deprived groups as well as before, and are precariously positioned to due so in the future given their current funding constraints.

Figure 8. Total value of RFP loans to small businesses, 2007 - 2016

(Image source: RF, 2016 Annual Industry Report, p. 9)



1.4 What Now? Policy Recommendations in the Wake of the Crisis

In recent years, both the US's CDFI industry and the UK's RFP industry have advocated for new and increased funding to support their lending activity. In the US - where there has traditionally been bipartisan support for CDFIs in Congress - CDFIs have had recent some success in the form of the CDFI Bond Guarantee Program, Capital Magnet Fund, and the opening up of the Small Business Administration's 7(a) small business lending guarantee program to CDFIs (see Appendix A for more information on these programs). In the UK, meanwhile, RFPs have been able to secure positions as Fund Managers for new initiatives like Northern Powerhouse Initiative Fund (NPIF) and Midlands Engine Investment Fund (MEIF), both of which are part of the UK's recent plans to balance the British economy and devolve greater funds and statutory powers to local authorities.[8]

[8] Devolution entails the transfer of statutory powers i.e. oversight of transportation, planning, housing, and economic development from the central government to local authorities. Devolution first began in the UK in 2014 with the passage of the "Devo Manc" deal in Greater Manchester and has since been expanded across England following the passage of the 2016 Cities and Local Government Devolution Act (Shaw & Tewdwr-Jones, 2016).

A popular recommendation endorsed by many RFP proponents is for the UK to adopt a CRA-like policy which could help alleviate the supposed "new geographies of financial exclusion" which have sprung up in the wake of the 2007 financial crisis (Appleyard, 2013, p. 868). As Appleyard (2013) suggests:

> "A UK CRA would, first, force all banks to lend to SMEs as banks would refer those that were denied access to finance to [RFPs] (who would then be responsible for the loan process in return for funding)....Second, a CRA would make banks lending more transparent and accountable for their activities." (p. 875)

In her analysis, however, Appleyard points to a number of recent developments in the UK's RFP sector that render this proposition questionable. Recognizing that "the economic landscape is changing," Appleyard notes that many RFPs which were originally established to invest in deprived areas "may no longer be seen as the lenders of last resort, but dynamic organizations which could provide a partial solution to an increasingly significant finance gap" (p. 875). She implies that considerations of geographic and social disadvantage are now less important than before in regards to financial exclusion in the UK, and that RFPs have adjusted their practices accordingly by developing new product lines and serving larger, more profitable, or otherwise more 'bankable' SMEs which - for various reasons - are not having their financing needs met by MFIs.

The idea that RFPs' customer bases has been changing in recent years is corroborated by RF's Annual Industry Reports, which indicate that the share of RFP clients located in the UK's 35% most disadvantaged areas has dropped from 44% in 2012 to 18% in 2016. The reports further indicate that RFPs are now focusing on businesses including some larger SMEs that are "no longer successful in securing finance from mainstream commercial institutions" (RF, 2011 Annual Industry Report, p. 14). Tellingly, one RFP CEO - Dr. Steve Walker of ART Business Loans in Birmingham - recently remarked that his organization doesn't just focus on underserved SMEs; rather, "It's anybody we'd like to think that we could help who has a viable proposition and needs access to appropriate finance to support the growth or event the existence of their business" (qtd. in RF, 2018).

In the wake of the financial crisis, early evidence thus suggests that RFPs are drifting away from their traditional community development aims towards more market-oriented goals and objectives - a trend hinted at by the industry's very name change from *Community Development Finance Association* to *Responsible Finance Providers* in 2015. In addition, there is some concern that through more recently government-funded initiatives RFPs "are targeting high growth/high impact firms rather than the general business population" (Roberts & Walker, 2018, p. 12). As the RFP industry positions itself to compete for new central government funds and serve as "part of the solution to the imbalanced economy in the UK" (RF, 2016), generating economic growth appears to have become a dominant narrative among RFPs, overshadowing their previous emphasis on serving disadvantaged groups.

Given the CRA's emphasis on socio-spatial inclusion, we might question whether a CRA-like policy would translate well in an environment where the geographic and social aspects of financial exclusion seem to be taking a backseat to more broad-based economic growth goals. In this context, more information is needed to better understand how and why the dialogue around financial exclusion is changing in the UK, and what impact this is having on the UK's RFP sector. It remains to be seen whether - as Appleyard (2013) suggests - the social and geographic components of financial exclusion in the UK are in fact diminishing, or whether they have merely been relegated on the government agenda. To this end, more data is needed to evaluate how and why the lending geographies of RFPs (and possibly those of CDFIs as well) have been changing in recent years, and what - if anything - this has to do with the particular urban milieux in which these agencies are embedded.

PART II: THEORETICAL FRAMEWORK

2.1 CDFIs, RFPS, and Urban Anti-Poverty Initiatives: From Welfare to Financial Inclusion & Inclusive Growth

Before addressing these empirical gaps, the evolution of CDFIs and RFPs needs to be contextualized with respect to the policy landscape in which these organizations have been situated for the past forty-plus decades, particularly in regards to urban anti-poverty and social welfare initiatives. Throughout their development, the US's and UK's CDFI industries have witnessed changing local, national, and supranational policies affecting how disadvantaged groups are viewed and treated. In turn, new paradigms towards combating urban poverty have shaped the practices of CDFIs and RFPs, which were originally founded to combat financial exclusion but which are increasingly caught up in new narratives like "inclusive growth" and "inclusive innovation." This begs the question: what kind of socio-political agendas are CDFIs and RFPs now serving, and how does this impact the people and places where they operate? In the sections below I trace the development of urban anti-poverty, financial inclusion, and inclusive growth schemes in the US and UK, before remarking on insights from urban regime theory and studies of third sector institutions which can help inform our understanding of how nonprofits like RFPs and CDFIs are particularly subject to "mission drift."[9]

2.1.1 Urban Anti-Poverty Efforts in the Welfare State

As documented by Brenner (2004) and Harvey (1989), in the post-World War II era urban policy was largely characterized in western Europe and the US by managerial, welfarist modes of governance, in which the national state played a dominant role in providing welfare services, investing in housing and other public goods, and alleviating uneven spatial development at the urban and regional scales. Large-scale urban renewal programs like social housing developments were a centerpiece of urban anti-poverty efforts at this time, as evidenced in both the US and UK where "old, overcrowded, slum areas of private rental

[9] "Mission drift" refers to "a diversion of time, energy, and money away from a nonprofit's mission" (Jones, 2007, p. 300) and is a risk faced by many nonprofits due to various factors such as changes in funding, government control, leadership, entrance into commercial ventures, etc.

housing were demolished to make make way for new modernist housing blocks and estates which provided physically improved and affordable rental housing for workers and their families" (Watt, 2017, p. 1).

However, "in a relatively short time [these estates] came to be seen as problematic both in design and social terms" (ibid, p. 2-3), and mass urban renewal programs were gradually replaced by redistributive mechanisms and the direct provision of social services to individuals. In the US, urban poverty became increasingly viewed through the "culture of poverty" paradigm, which posited "that the culture of poverty was a way of life, passed down from generation to generation, characterized by powerlessness, apathy, promiscuity, and marital dissolution" (Mink & O'Connor, p. 229). Accordingly, strategies implemented through President Lyndon B. Johnson's *War on Poverty* campaign and *Great Society* programs of the 1960s "tried to equip the poor with skills, empowerment, and physical well-being through programs providing health care, education, job training and services" (ibid). In the UK, meanwhile, "poverty was assumed to be a significant but not unmanageable problem, explained predominantly by the misfortune of certain minorities who fell out of work, could not work or were not expected to work, and did not have or could not certain 'basic' necessities of life" (Townsend, 1979, p. 64). Guided by a sort of moralistic paternalism, the British state intervened through redistributive taxation and minimum subsistence benefits as a way to combat urban poverty at the micro-/individual level.

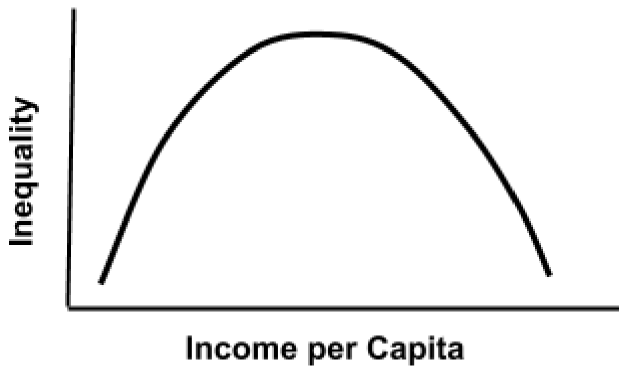
2.1.2 Neoliberalization and the Retreat of the Welfare State

Following a period of economic stagflation during the 1970s and the rise of conservative leaders Ronald Reagan and Margaret Thatcher during the 1980s, the US and UK witnessed drastic changes in how urban policies were crafted, specifically through the withdrawal of welfare services, market deregulation, and the privatization of public goods and services (Gaffikin & Ward, 1993). During this time, urban poverty was treated through the approach of "growth-first" and "trickle-down" economics, in which the benefits of economic growth were theorized to ultimately find their way to lower-income groups. This theory - best visualized by the Kuznets Curve, first developed in 1955 (see Fig. 9) - suggests that economic growth and inequality have an inverse relationship up to a tipping point, after which the benefits of growth filter down to lower-income groups (Bank, 2013).

Guided by this rationale, federal funding for CDFIs was drastically reduced under the Reagan Administration (Affleck, 2011), heralding “a pattern of declining support for federal anti-poverty and urban policy that has continued until today” (Dymski, 2009, p. 253).

Figure 9. Hypothetical Kuznets Curve

(Source: Bank, 2013, p. 2)



2.1.3 The Institutionalization of CDFIs: A Third Way?

As accounted by Leyshon & Thrift (1995), “in the wake of the debt crisis of the early 1990s...there [was] a redirection of credit, away from poorer social groups and towards richer groups as part of a strategy of risk-avoidance… [and] a process of financial infrastructure withdrawal...to a middle-class heartland” in both the US and UK (p. 313). At this time, “financial exclusion” was officially coined by Leyshon & Thrift to describe “processes that prevent poor and disadvantaged social groups from gaining access to the financial system” (p. 312). The phrase subsequently gained traction worldwide as scholars and policymakers turned their attention to the number of unbanked, underbanked, and underfunded residents and businesses operating at a disadvantage in financial markets.

It was during this time that CDFIs gained policy support under the Clinton administration in the US and the New Labour administration in the UK, both of which sought to strike a “Third Way” between Keynesian social welfare policies and free market/laissez-faire policies (Appleyard, 2011). The establishment of the CDFI Fund in 1994 and the formalization of CDFIs in the US was thus a key strategy of the Clinton administration’s expressed desire to implement a “third way - an activist effort by government to bring private sector capital, free enterprise and entrepreneurial activity to [the US's] underserved areas" (Clinton domestic policy advisor Gene Sperling, 1999; qtd. in Dymski, 2009, p. 259).

Meanwhile in the UK - where "New Labour's Third Way borrowed extensively from the Democratic Party under Clinton" (Marshall, 2004, p. 242) - CDFIs gained prominence during the 1990s following government-funded studies on financial exclusion (see Appendix A). The launch of the £100M Phoenix Fund in 2000 - the first national fund supporting CDFIs in the UK - galvanized the UK's CDFI industry, which formally assembled under the trade group *Community Development Finance Association* in 2002. But whereas financial exclusion policies in the US led to a more geographically-sensitive CDFI sector - insofar as US CDFIs are encouraged by the CDFI Fund to target investments in LMI communities - the framing of financial exclusion in the UK led to what might be considered a more "spatially-blind" CDFI sector. As discussed by Marshall (2004), while the US crafted policies like the CRA on the basis of empirical findings about the interconnectedness of financial exclusion and other forms of socio-spatial exclusion (such as racial and income discrimination), the UK government has historically treated financial exclusion as a problem affecting individuals more so than society as a whole. As Marshall writes: "British policy does not deal very well with the cross-cutting character of financial exclusion, which is a product both of people and of place. It focuses on financial exclusion as an individual or household problem, and has been less active in addressing the wider role of financial institutions in investment in local communities" (p. 242). Dayson (2011) furthermore suggests that, since the 1990s, the UK government has "fail[ed] to utilise CDFIs as a bridge between the national economy and communities," and that the UK's financial inclusion measures have "exposed a lack of understanding about the importance of place" (p. 124).

2.1.4 New Paradigms and Policies: Inclusive Growth and Entrepreneurship

This trend appears to have been exacerbated in recent years as the UK's Third Way ideology has been "replaced by more market-oriented terminology, such as the need for competitiveness, productivity, and entrepreneurship" (Haugh & Kitson, 2007, p. 983). Concomitantly, a change in discourse around financial inclusion in the UK has been accompanied by the rising popularity of new paradigms like "inclusive growth," which is guiding urban development projects and providing a new rationale for anti-poverty efforts around the world. Defined by Klasen (2010) as economic development policies which "[want] growth to benefit all stripes of society, including the poor, the near-poor, middle income groups, and even the rich" (p. 2),[10] inclusive growth has gained prominence in development and policy circles since the turn of the 21st century alongside other paradigms such as "pro-poor growth," "inclusive recovery," and "inclusive innovation."[11] The paradigm has also gained a stronghold among supranational bodies like the African Development Bank, Asian Development Bank, UN, OECD, World Bank, World Economic Forum, and EU, whose Europe 2020 Strategy centers around the goals of "smart, sustainable and inclusive growth" (Shaw & Sykes, 2016. See Appendix A for a timeline of new policies and agencies focused on inclusive growth).

Compared to earlier anti-poverty strategies like welfare provision - which focuses on wealth redistribution and the direct provision of services to the poor - inclusive growth policies tend to focus on spurring broad-based economic growth through supply-side strategies and enabling as much of the population as possible to participate in that growth. Social goals are framed within the growth paradigm, and "prosperity" and "inclusion" are viewed as two sides of the same coin. Financial inclusion is considered a key aspect of the inclusive growth agenda insofar as it encourages low-income and impoverished groups to contribute to and benefit from economic growth through participation in financial markets (Bank, 2013). But whereas both financial inclusion and inclusive growth carry implicit assumptions about how low-income and disadvantaged groups can benefit from being granted wider access to economic opportunities like financial goods and services, inclusive growth seems to go a step further by treating the financial inclusion of underserved or deprived individuals

[10] This is just one of many definitions offered to describe inclusive growth, which remains a somewhat fuzzy policy objective. Other definitions include "improvements in the social and economic wellbeing of communities that have structurally been denied access to resources, capabilities, and opportunities" (George, McGahan, & Prabhu, 2012, p. 661) and "economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society" (OECD, qtd. in Darvas and Wolff, 2016, p. 13).

[11] Pro-poor growth places the interests of impoverished groups at the heart of economic development strategies, as opposed to inclusive growth which is more broad-based in nature (Klasen, 2010). Meanwhile, inclusive recovery is a process which occurs "when a place overcomes economic distress in a way that provides the opportunity for all residents—especially historically excluded populations—to benefit from and contribute to economic prosperity" (Urban Institute, 2018, p. 12), while "inclusive innovation" is "the development and implementation of new ideas which aspire to create opportunities that enhance social and economic wellbeing for disenfranchised members of society" and which "primarily deal with business model breakthroughs that enable participation in high-growth, high-profit ventures by previously disenfranchised poor people" (George, McGahan, & Prabhu, 2012, p. 662).

and businesses as an opportunity to unlock greater economic growth. In a context of increased austerity, such an approach seems to border on the perverse, in so far as supporting low-income or otherwise disadvantaged groups becomes in this case a means to an end rather than an end unto itself.

In the UK, inclusive growth has gained popularity in the wake of the 2007 financial crisis and Brexit vote, which highlighted the need to rebalance the British economy amidst large-scale dissent over local and regional inequalities.[12] In the US too - where the economic recovery has been highly uneven in the wake of the financial crisis - local leaders are "increasingly linking economic development to inclusion goals" and have been ardently pursuing inclusive growth policies such as "easing housing affordability pressures, preventing displacement and strengthening safety nets" (Urban Institute, 2018, p. 1).

In both countries, however, there is skepticism about just how 'inclusive' these strategies are really proving. Emerging findings of the UK's Inclusive Growth Commission suggest, for instance, that city and regional growth strategies often fail to benefit disadvantaged groups, and that considerable tensions exist at the local and national level in terms of implementing inclusive growth. In particular, existing policies have been criticized for being enacted in a "spatially blind" way, without paying enough care to local needs and conditions (Pike *et al.*, 2017). In the US, inclusive growth policies have also been criticized for being more aspirational in nature, with policymakers talking the talk but not walking the walk when it comes to fulfilling equity goals. Furthermore, as the Urban Institute (2018) recognizes: "The inclusive growth lens can obscure differences across local contexts and market conditions" and may not be as applicable in cities still experiencing economic distress (p. 1). These concerns reflect doubts about inclusive growth more broadly - as voiced by de Haan (2015), who notes how "the extended recession and austerity measures in many OECD countries reduce confidence that inclusiveness will be be a high priority" moving forward (p. 607).

[12] For instance, in 2016 an Inclusive Growth Commission was established in the UK following a wave of devolution deals which "highlighted the growing role of cities in spurring economic growth and tackling inequalities" (Pike et al., 2016, p. 2). An All-Party Parliamentary Group (APPG) on Inclusive Growth was also formed in 2014 from members across the House of Parliament "to forge a new consensus on inclusive growth and identify the practical next steps for reform" (APPG on Inclusive Growth, 2018).

There is also concern that inclusive growth has developed alongside a change in urban anti-poverty policies from "welfare" to "workfare" regimes - wherein "welfare recipients have to work to earn benefits" (p. 508) - and a concurring emphasis on entrepreneurship as a route out of deprivation. In Europe, for instance, George, McGahan, & Prabhu (2012) find that inclusive growth has arisen in tandem with a "new emphasis in public policy on unleashing creativity through the promotion of locally-owned, organized, and enfranchised entrepreneurship" (p. 662), while in the UK Affleck (2011) observes that "New Labour's support for entrepreneurship shows a change from wealth distribution to wealth creation" (p. 192). Policies to promote entrepreneurship have blossomed in the UK in recent years as RFPs have become vehicles for more entrepreneurial-focused programs like the New Enterprise Allowance, which provides start-up loans and mentoring for individuals receiving welfare benefits (Lewis & Lindley, 2015). Although apparently benign, such programs have been interpreted as neoliberal policies designed to move people away from government dependency (Barker, 2016) and even as mechanisms for the government to convert welfare recipients into "investor subjects" using financial markets (Prabhakar, 2013, p. 611).

Moreover, inclusive growth strategies present a troubling dilemma to the more socially-conscious proponents of financial inclusion, considering that economic growth has rarely been shown to alleviate socio-spatial inequalities - particularly when pursued broadly rather than in a targeted way. As demonstrated by trickle-down economics, growth just never seems to rain down equally. One explanation offered by Harvey (2001) is that growth strategies inherently result in uneven development, as the "spatial fix" of capital leads to investment in some places at the expense of others. Even more to the point, the financialization processes which have come to define contemporary capitalism - such as the increasing role of stock markets and the creation of new financial products like derivatives and securities - seem to have exacerbated inequalities without creating significant job growth, leading to wealth extraction rather than wealth creation for most people (Sawyer, 2016). Considering this, we might question whether financial inclusion initiatives aimed at economic growth will actually benefit disadvantaged groups or lead to the kind of "urban splintering" theorized by Graham & Marvin (2002), who argue that new information technologies and the privatization of public goods and infrastructure are increasingly fragmenting urban areas both economically and socially.

Ultimately, the distinction between the kinds of financial inclusion policies on which CDFIs and RFPs were founded and the more recent inclusive growth policies being enacted in countries like the US and UK - as summarized in Fig. 10 - pose a concern for anyone interested in how poverty is being addressed in cities today, particularly with regards to the provision of community development finance.

Figure 10. Comparison of earlier anti-poverty initiatives, financial inclusion, and inclusive growth policies

	Earlier Anti-Poverty Initiatives	Financial Inclusion	Inclusive Growth
Framing of the problem	- Poverty treated as a moral, systemic issue affecting particular individuals and communities - Recognition that the economy does not work fairly for everyone	- Financial exclusion seen as the result of market failures and a barrier to social cohesion - Targeting of investments in deprived groups and communities	- Poverty treated as a macroeconomic issue with need for macro-economic intervention - Deprived groups are holding back the economy; must be granted greater opportunities to participate in and contribute to the economy
Overarching goals	- Wealth redistribution to benefit lower-income groups	- Financial empowerment of deprived individuals and communities	- Broad-based economic growth with benefits for as much of the population as possible
Potential criticisms	- Criticized for giving the poor a "handout" - Burden on the national budget	- Could lead to greater financialization of the poor - Too market-friendly; not really *alternative* - Doesn't help to fix the system; more like a band-aid	- Implemented in a spatially blind way; not truly inclusive - Economic growth tends to dominate over social goals - Tensions at the local and national level regarding goals and implementation

2.2 Urban Entrepreneurialism and Regime Theory

As locally embedded institutions, RFPs and CDFIs are at risk of serving not only nationally-directed growth agendas but local ones, as well. While they are strongly impacted by national legislation and receive significant funding from national (and, in the case of the UK, EU) funds, these institutions are simultaneously highly connected to local public and private stakeholders through funding mechanisms, board governance, and other partnership arrangements. Interestingly, there have been few studies of how local dynamics and power structures influence the goals and practices of CDFIs and RFPs, pointing to a research gap that would benefit from the consideration of two relevant theoretical concepts: urban entrepreneurialism and urban regimes.

As outlined by Harvey (1989), urban entrepreneurialism refers to an overall trend since deindustrialization wherein local authorities have increasingly shifted from ‘managerial’ styles of governance - “which primarily focused on the local provision of services, facilities and benefits to the urban population” (p. 3) - towards ‘entrepreneurial’ tactics like city branding and strategic urban planning, in which cities are governed as though they were private corporations in a competitive market environment. This shift is thought to have developed as a consequence of increasing inter-urban competition for international capital flows. One proposed consequence of urban entrepreneurialism is that welfare provision has in turn become increasingly seen not so much as a citizen’s right but as a burden on a city’s place-competitiveness. As a result, urban entrepreneurial tactics are theorized to have “contribute[d] to increasing disparities in wealth and income as well as to…urban impoverishment” (ibid, p. 12).

Related to the theory of urban entrepreneurialism is that of urban regimes, which refers to formal and informal arrangements of public, private, and other stakeholders working to promote economic development and influence policies in cities (Mossberger, 2009). Urban regime theory - first articulated in the US by Clarence Stone (1993) - posits that city authorities are so resource-constrained in their daily pursuit of managing a city that they must form alliances with the private and voluntary sectors in order to get anything done. The various tactics used by urban regimes depend on their local context, capacities, and resources and include efforts to attract particular industries or consumption activities (such as tourism); secure greater public funds or statutory powers from national and supranational bodies; and develop public-private partnerships (PPPs) to engage in speculative development projects, wherein the public sector often takes on greater risk. As outlined by Stone (2003), the four main regime types include: 1) *maintenance regimes*, which focus on the managerial/administrative functions of the city; 2) *development regimes*, which involve a tight coalition between local political and economic elites who mobilize capital resources to expand and develop the city; 3) *middle class progressive regimes*, in which the regime consists of coalitions between progressive political groups and citizen activists from all across the city; and 4) *lower class opportunity expansion regimes,* which focus on the expansion of opportunities for disadvantaged communities in urban areas and which involve a more communitarian approach led by community-based groups and NGOs.

As a theory coming out of the US tradition, regime theory has been heavily criticized as more applicable to US contexts than European ones. Whereas in US the ideological dominance of privatism "has meant much greater penetration by interest groups in the process of urban governance" (DiGaetano & Strom, 2003, p. 372), in Europe such coalitions have typically been less pronounced due to the historical strength of the welfare state and the governing role of supranational bodies like the EU (Pierre, 2014; Peters & Pierre, 2012). However, more recent developments suggest that regime theory is increasingly suitable for comparative purposes in Europe (Blanco, 2015), especially in the UK where neoliberal policies like the formation of public-private Local Enterprise Partnerships (LEPs) and Growth Hubs[13] indicate the growing role of the private sector in local governance arrangements (Bafarasat & Baker 2016). For this reason, regime theory appears an especially suitable framework for comparing urban governance dynamics between US and UK cities.

[13] LEPs are "voluntary partnerships between local authorities and local private sector businesses" that "play a central role in determining local economic priorities and undertaking activities to drive economic growth and job creation, improve infrastructure and raise workforce skills within the local area." Led by members of the private and public sectors, LEPs were established in 2011 to replace Regional Development Agencies. There are currently 38 LEPs across England, each of which manages a Growth Hub to help connect SMEs to national and local business support opportunities (LEP Network, 2018).

An as-of-yet unexplored avenue of research is how the entrepreneurial logics of urban regimes filter down to community-based nonprofits, potentially impacting their mission and practices. Given concerns that nonprofits like CDFIs and RFPs might be serving as agents of neoliberal agendas in their respective countries (Bryson & Buttle, 2005; Affleck & Mellor, 2006; Spicer, 2014), this research gap presents a fitting jumping-off point for this thesis - which seeks to examine how the lending practices of CDFIs and RFPs might be changing in recent decades, and what (if anything) this has to do with national policies and urban regimes.

2.3 Third Sector Institutions, Institutional Logics, and the Risk of Mission Drift

Third sector institutions are particularly interesting objects of study in national and urban regimes due to their reliance on the public and private sectors for funding and other resources and their subsequent vulnerability to institutional change. Within urban regimes, nonprofits like RFPs and CDFIs often play a precarious role as they are forced to navigate between the demands of public and private stakeholders. This is made all the more difficult in a context of austerity, wherein nonprofits and social enterprises are increasingly having to provide goods and services no longer offered by the state and which the private sector cannot (or is not willing to) provide (Haugh & Kitson, 2007). In turn, there are growing indications that many third sector institutions have become "prone to being privatized and consequently turned into capitalist ventures that adopt orthodox business practices" (ibid, p. 991). For instance, Wainwright and Manville (2017) show how competition for social impact bonds has led many UK Housing Associations to adopt market-oriented objectives and financial practices like risk modelling, threatening their original social goals while placing economic concerns at the forefront of their work.

The Institutional Logics Approach (ILA) is helpful in clarifying the difficulties faced by nonprofits, as it theorizes how these agencies are often forced to "incorporate plural institutional logics" which can challenge their original mission (Skelcher & Smith, 2015, p. 434). As described by Friedland & Alford (1991), "Each of the most important institutional orders of...society has a central logic - a set of material practices and symbolic constructions - which constitutes its organizing principles and which is available to organizations and individuals to elaborate" (p. 248). Hybrid organizations like nonprofits often face pressures of competing logics - the main ones of relevance to CDFIs and RFPs being those of the market, community, and state (see Fig. 11) - and in turn "confront multiple identities" that can challenge their original mission (Skelcher & Smith, 2015).

Figure 11. Institutional logics relevant to CDFIs and RFPs

(Adapted from Thornton, 2004 and Reay, Jaskiewicz, & Hinings, 2015)

Key Characteristics	Market	State	Community
Values and Goals	-Increase the efficiency of business transactions -Increase firm size, diversification, market position, and profitability	-Increase community good	-Common goal-setting -Emotional connections and cooperative action
Sources of Legitimacy and Authority	-Shareholder Activism -Board of Directors -Management	-Democratic participation by social classes and political parties -Bureaucratic domination	-Non-competition -Partnerships and collaboration -Shared decision-making

When faced with new or competing logics, nonprofits tend to assimilate, blend, or segregate various logics within different areas of their operations or else reject logics that do not align with their goals. For instance, Battilana & Dorado (2010) show how South American microfinance organizations that emerged as NGO spin-offs during the early 1990s had to strike a balance between "a *development* logic that guided their mission to help the poor, and a *banking* logic that required profits sufficient to support ongoing operations and fulfill fiduciary obligations" (p. 1419). Much like these institutions, RFPs and CDFIs faced with competing logics are otherwise at risk of experiencing "mission drift."

As has been previously discussed, RFPs in the UK appear especially subject to mission drift based on the UK government's changing national policies and funding towards financial exclusion. In the US, Rubin (2008) suggests that Community Development Loan Funds (CDLFs) have also been subject to mission drift since the turn of the millenium:

> “The late 1990s was a hospitable economic and political environment for community development financial institutions...However, the environment has changed dramatically since 2000, leaving many CDLFs struggling to stay alive as the subsidized capital necessary to fund their operations largely has evaporated…. Even the CDLFs that are able to adjust to a low-subsidy environment by focusing primarily on the more profitable aspects of their operations risk behaving increasingly like conventional financial institutions, ultimately moving away from their community development objectives and the low-income communities that they serve.” (p. 192)

Given these concerns, more information is needed to evaluate whether, in what ways, and to what extent CDFIs and RFPs may have been experiencing mission drift in recent years, and what - if anything - this has to do with the urban regimes in which they are embedded and the new economic paradigms (i.e. inclusive growth) to which they have been exposed. If it is found that CDFIs and RFPs are in fact experiencing mission drift, this could potentially affirm Affleck and Mellor’s (2006) warning that “any radical intentions the CDFIs have may be undermined if they are seen as the agent of a more market-oriented government regeneration agenda” (p. 316).

In the following chapters of this thesis I outline the methodology utilized to investigate this possibility before presenting findings from two case studies in the US and UK where the narratives, lending patterns, and urban regimes of various RFPs and CDFIs were examined in order to determine whether these agencies can be said to be experiencing mission drift in the years following the 2007 financial crisis.

PART III: METHODOLOGY AND METHODS

This study embarks on a transnational comparison of CDFIs in the US and RFPs in the UK using a variation-finding approach, defined by Robinson (2011) as a strategy to "explain systematic variations within broadly similar contexts on basis of variables held constant or changing" (p. 2). In particular, this thesis examines CDFIs and RFPs as organizations with similar missions, policy environments, and legal structures (i.e. nonprofits), but which differ in terms of their primary lending activities, funding, and governance mechanisms; scale of the initiatives on which they are working (i.e. neighborhood-level versus regional); and the urban regimes in which they are embedded. As such, the research focuses on how local, national, and supranational contexts shape the conditions in which CDFIs and RFPs operate, with the goal of better elucidating how and why these seemingly similar institutions vary in on-the-ground practice.

The selected case studies provide examples from each country where CDFIs and RFPs are partnering to provide small business loans as part of a larger development strategy. In the US, the analysis focuses on three CDFIs that are collaborating to revitalize ten neighborhoods in Detroit, Michigan. In the UK, the analysis focuses on two RFPs in Manchester and Liverpool that are deploying small business loans through the Northern Powerhouse Initiative, a national project designed to help rebalance the UK's economy. The ultimate research objective is to evaluate the extent to which the selected CDFIs and RFPs can be described as serving "financial inclusion" and/or "inclusive growth" agendas, particularly in reference to the financing of SMEs. In order to answer this overarching question, two grounded empirical research questions are explored:

1) How have the social geographies of these agencies' customer bases been changing in recent years, particularly since 2007; and
2) How have the logics of their financing activities been changing (i.e. by what means/rationale)?

Whereas the first question seeks to establish to what extent and in what ways the lending practices of the CDFIs and RFPs have been changing in recent years, the second question attempts a deeper dive into how these agencies' lending practices are linked to the specific contexts in which they are embedded. The goal in combining both questions is to better understand the micro- and macro- factors shaping CDFI/RFP behavior, in order to determine whether the content and context of their lending activities hint at a financial inclusion or inclusive growth agenda - and what implications this might have for the people and places they serve.

3.1 Narrative and Numbers

To answer the first part of the research question - *How have the social geographies of these agencies' customer bases been changing in recent years* - I used industry and firm reports to compare the present-day SME lending activities of CDFIs and RFPs to their activities before the 2007 financial crisis, based on indicators such as client profiles and geographic distribution of loans. I also conducted eleven semi-structured phone interviews with representatives from each of the organisations as well as key local stakeholders including private and public sector partners. A central component of this analysis involved assembling lending maps showing where CDFI/RFP investments have been made, and comparing these maps to data on neighborhood distress levels. The findings were evaluated using the Narrative and Numbers approach formulated by Froud, Johal, Leaver, & Williams (2006), which entails comparing discourses surrounding firm activities with observed outcomes.

The goal with this analysis was to see whether the lending practices of CDFIs and RFPs have in fact been changing, and whether this is reflected (or not) in the narratives being told about them - with particular attention paid to the narratives of financial inclusion and inclusive growth. Evidence for a "financial inclusion" agenda was sought through indicators in which CDFIs and RFPs were shown to frame financial exclusion as a social and not just economic problem, and could be found intentionally targeting financing in lower-income/deprived areas or to disadvantaged businesses (i.e. businesses with fewer assets; women/minority-owned businesses; and previously unemployed entrepreneurs). Evidence for an "inclusive growth" agenda was sought through indicators in which these institutions were shown to frame financial exclusion as a primarily economic problem; were emphasizing their organization's benefit to the city, regional, or national economy at large; and were making more profitable loans to larger/less risky businesses and/or ones with higher-growth potential, i.e. ones involved in FinTech, international exports, etc.

3.2 Actor-Centered Institutionalism / Regime Analysis

To answer the second part of the research question - *How have the logics of their financing activities been changing (i.e. by what means/rationale)?* – I conducted discourse analysis of primary sources (i.e. semi-structured interviews with CDFI/RFP representatives and relevant stakeholders) and secondary sources (i.e. relevant policy documents, agency websites, annual reports, etc.) in order to gain a better sense of the narratives being told *about* and *by* these agencies. The results were analyzed using the framework of Actor-Centered Institutionalism (ACI), which seeks to overcome some of the limitations generally associated with comparing institutions across different contexts by placing actors at the center of analysis (Scharpf, 1997; Pancaldi, 2012). ACI provides a descriptive language for identifying different actor types and interactions based on an analysis of how their practices, options, motivations, relationships, and effects are interconnected (Van Lieshout, 2008). The results can then be displayed visually by means such as Actor Mapping in order to explore the potential causal mechanisms explaining actor behavior. This framework aligns nicely with the Institutional Logics Approach, described earlier, which theorizes how actors in various organizations and settings adopt new practices while navigating the various institutional logics in which they are embedded (Skelcher & Smith, 2015; Battilana & Dorado, 2010; Thornton & Ocasio, 2008).

3.3 Hypothesis

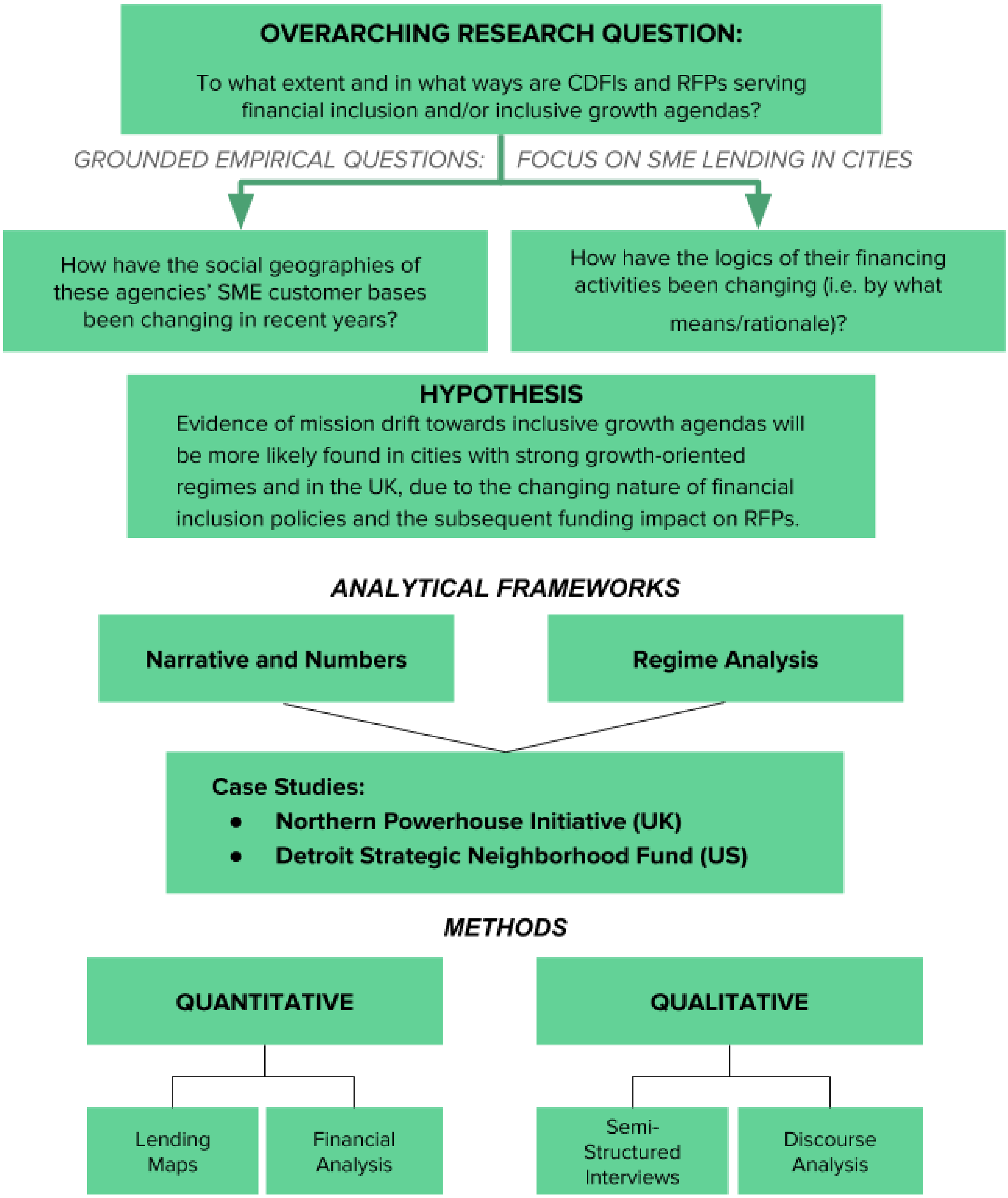
As the inclusive growth agenda has gained momentum in recent years, it is hypothesized that CDFIs and RFPs have become enmeshed in wider debates about generating broad, national economic growth and have in turn suffered "mission drift" in terms of where (and to whom) they lend. This might be especially evident in cities with strong growth-oriented regimes and in the UK, where public policies towards financial inclusion have been changing in recent years towards pro-growth models, leading RFPs to serve higher market segments and more profitable businesses than in years past. CDFIs in the US, meanwhile, might be more consistent in adhering to traditional financial inclusion goals and targeting their investments in lower-income areas, given the strength of the CDFI sector and its relation to the Community Reinvestment Act (CRA). These differences will depend, however, on how each agency is embedded in specific urban regimes.

3.4 Notes on Limitations

First and foremost, it is important to recognize that broad generalizations about the CDFI and RFP industries cannot be drawn from the analysis of a few select case studies alone. This thesis does not attempt to make such generalizations but rather to show how specific local and national contexts shape CDFI/RFP behavior through a deep-dive analysis of particular organizations. In doing so, the results are limited in the sense that only a handful of agencies were studied which were seen as relatively comparable institutions, whereas in reality CDFIs and RFPs vary widely in terms of their sizes, missions, and operations.

Second, the research was limited in terms of data access and access to relevant stakeholders. Considering that I formerly worked in the US's CDFI industry for two years as a loan fund development associate, I had both greater knowledge of and access to resources regarding the US CDFI industry and US case study. There is also the risk of personal bias in favor of the US CDFI industry, which I have attempted to mitigate by remaining as objective as possible in the qualitative and quantitative analysis of the research findings. Meanwhile, UK stakeholders and data were more difficult to access, and in turn the "Numbers" analysis for the UK case study was more limited in scope than for that of the US. These limitations point to the need for greater data transparency in the UK, where banks and RFPs are not required to disclose information on their lending activity. Finally, the research would have benefited from traveling to the case study cities firsthand, which became difficult for personal reasons. However, I attempted to mitigate this limitation by conducting thorough phone interviews and by consulting as wide a range of secondary materials as possible.

Figure 12. Overview of research design



PART IV: COMPARATIVE ANALYSIS

The case studies selected for this thesis include specific initiatives in each country where CDFIs and RFPs are providing SME loans as part of a larger development strategy. In the US, I examine three CDFIs in Detroit, Michigan that received funding from JP Morgan Chase Bank (JPMC) and other public and private sources to revitalize local neighborhoods. In the UK, I evaluate how two CDFIs in Manchester and Liverpool are deploying SME loans through the Northern Powerhouse Initiative, a national project to help rebalance the UK's economy. Across these contexts, I compare how CDFIs and RFPs are working with public and private stakeholders to achieve specific social and financial objectives.

4.1 Case Study Descriptions

4.1.1 The Detroit Strategic Neighborhood Fund

The Detroit Strategic Neighborhood Fund (SNF) is a comprehensive development plan targeting investments in ten neighborhoods of Detroit through the collaborative efforts of CDFIs, the City, and local and national public, philanthropic, and private stakeholders. The initiative was first launched in 2016 with $30M in startup funding from various local and national foundations, notably a $10M grant from JPMC bank's PRO Neighborhoods Initiative - a five-year, $125M investment in CDFI collaboratives across the US (Joint Center for Housing Studies of Harvard University, 2017). With three neighborhoods already having received an initial $42M in investments, the Detroit SNF was expanded in May 2018 to allocate a further $130M in investments for streetscape and park improvements, commercial development, housing stabilization, and neighborhood planning efforts in seven additional neighborhoods (City of Detroit, 2018b).

The three CDFs partnering in the SNF - the Invest Detroit Foundation (IDF), Detroit Development Fund (DDF), and Opportunity Resource Fund (OppFund) - all belong to the Detroit CDFI Coalition[14] and have a history of working together to promote community

[14] The Detroit CDFI Collaborative is an informal partnership of 17 CDFIs and peer institutions formed in 2014 to advance community development efforts in Detroit. The group is primarily focused on raising awareness, attracting new business, and securing greater resources for CDFIs working in Detroit (LISC Detroit, 2017).

development. However, these organizations differ in their mission, market focus, loan products, organizational dynamics, and role in the collaborative (See Appendix B for organizational descriptions).

The distinctions between these organizations provide a useful comparison in terms of analyzing how these agencies interact with local stakeholders to achieve their own organizational goals as well as the goals of the SNF initiative. IDF - the largest CDFI in the collaborative, with a staff of 27 and over $230M in capital and tax credit allocations under management - is the lead CDFI in the initiative and is working closely with the City and other stakeholders to coordinate all program activities, raise capital, and oversee objectives. The majority of the loans IDF is making are being used to finance infrastructure investments, commercial real estate, and mixed-income housing. Of the three CDFIs in the initiative, IDF is the most highly connected to the public, private, and philanthropic sectors, with representatives from companies like Rock Ventures (owned by Detroit billionaire Dan Gilbert) and General Motors on its Board of Directors. Meanwhile, DDF - a CDFI with a staff of 10 and $21M in total assets that focuses primarily on small business lending in Detroit - is participating in some of the commercial deals and providing loans to small businesses through its Small Business Loans program and $18M Entrepreneurs of Color (EOC) Fund, which targets Detroit businesses owned by and which primarily hire people of color. OppFund - a state-wide CDFI with 15 staff and $19M in total assets - is playing a minor role in the SNF by providing single-family home mortgages to LMI homebuyers in the SNF's initial three target neighborhoods.

4.1.2 Northern Powerhouse Investment Fund

The Northern Powerhouse Investment Fund (NPIF) is a £400M national initiative designed to help rebalance the UK economy and boost SME growth in the North of England. Funded through the UK government, British Business Bank (BBB),[15] European Investment Bank,

[15] The BBB is a government-owned business development bank established by the UK government at the end of 2014 with the goal of improving financing markets so they more effectively serve the needs of smaller UK business (BBB, 2018c). The BBB "does not finance businesses directly, but instead provides funds and guarantees to private sector partners, enabling them to finance more businesses in turn" (BBB, 2018c, p. 5).

and European Regional Development Funds (ERDF),[16] NPIF provides micro-, debt, and equity finance to SMEs through the publicly-owned BBB in partnership with Local Enterprise Partnerships (LEPs), public-private Growth Hubs, and eligible Fund Managers (BBB, 2017a). NPIF is a key component of the government's Northern Powerhouse vision - which aims to rebalance the UK economy through greater investments in the North of England - and its broader Industrial Strategy, implemented in 2016 by Prime Minister Theresa May, which aims at boosting productivity and earnings in the UK through R&D investments and investments in digital education and infrastructure, artificial intelligence, the construction and automotive sectors, intra-city transport networks, and SME productivity (UK Department for Business, Energy & Industrial Strategy, 2018). With an initial investment period of five years, NPIF aims to promote "economic cooperation and collaboration" across the North of England and "support new and growing SMEs, create jobs, and encourage entrepreneurship, helping to close the gap between the North's performance and that seen in London and the South East" (BBB, 2016, p. 5)

In 2017, the BBB appointed the RFPs GC Business Finance (GCBF) - based in Manchester - and Merseyside Special Investment Fund (MSIF) - based in Liverpool - as Fund Managers for a five-year, £10M NPIF Microfinance Fund targeting the North West (NW) of England (see Fig. 13 on the next page). GCBF and MSIF are collaborating to identify viable customers and deploy capital throughout the NW, offering loans of between £25,000 and £100,000 at interest rates of 8-15% and loan terms of 1-5 years to qualified entrepreneurs and SMEs. Rather than being targeted in certain neighborhoods, loans are being made to businesses across the NW that have been unable to obtain all or part of their financing needs from other lenders and which can demonstrate a "growth case" - that is to say, businesses which are on a profitable path of business growth and expansion (Interview 3). GCBF and MSIF have a very close working relationship and primarily divide the work based on the specific geographies where they have prior experience, established relationships and/or market knowledge (Interviews 2 and 3). Their role as Fund Managers is to distribute the funds, while the capital and capital risk remain off their balance sheets. A notable difference between these organizations (besides where they are located) is that whereas

[16] Established by the EU, the ERDF helps local areas stimulate their economic development by investing in projects which will support innovation, businesses, create jobs and local community regenerations. Up to £140,359,192 of ERDF funds are estimated to be dedicated to the total NPIF funding (BBB, 2018a).

GCBF is a subsidiary of another nonprofit - The Growth Company, a Manchester-based economic development agency that answers to local authorities like the Greater Manchester Combined Authority (GMCA) and Greater Manchester LEP - MSIF is independently run and managed, with fewer formal ties to local governance structures.

Figure 13. Geography of the North West of England

(Image source: http://tradeinvest.babinc.org)

4.2 Urban Contexts

First and foremost, it is important to recognize that the CDFIs and RFPs under study are working in cities of varying sizes and socio-demographic contexts (see Fig. 14), with different historical trajectories and development needs. Whereas Detroit is the largest city in terms of population size, it has also experienced the most dramatic loss in population this century (with a 33% loss from 2000 to 2010) while Manchester and Liverpool experienced population growth of 17% and 3%, respectively. Detroit also suffers from the highest level of inequality and joblessness, as indicated by its high Gini Coefficient (0.52) and unemployment rate (8.7%). Among the three cities, Manchester is considered the most "globalized," in so far as it ranks highest in terms of Global City rankings prepared by the Globalization and World Cities (GaWC) Research Network. However, like Detroit, both

Manchester and Liverpool have struggled in the transition from a manufacturing-based to knowledge-based economy, and within England they rank as the 4th and 5th most deprived local authorities respectively[17] (Department for Communities and Local Government, 2015).

Figure 14. City profiles of Detroit, Manchester, and Liverpool compared

	Detroit	Manchester	Liverpool
City Size	370.03 km^2	115.7 km^2	115.65 km^2
City Population	713,777 (2010 Census est.)	541,300 (UK Census, mid-2017)	466,415 (UK Census, mid-2017)
Change in Population, 2000 to 2010	-33% (US Census)	17% (UK Office for National Statistics)	3% (UK Office for National Statistics)
Metro size	Detroit Tri-County Area: 5,095 km^2	Greater Manchester: 1,276 km^2	Liverpool City Region: 723.97 km^2
Metro population	3.9M (2010 Census estimate)	2.8M (UK Census, mid-2017 est.)	1.5M (UK Census, mid-2017 est.)
Gini Coefficient[18]	0.52 (Civic Dashboards, 2015)	0.39 (Center for Cities, 2017)	0.38 (Center for Cities, 2017)
Global City Status[19]	Gamma +	Beta −	High Sufficiency
Unemployment Rate (March 2018)	8.7% (US Bureau of Labor Statistics)	5.6% (UK Office for National Statistics)	5.6% (UK Office for National Statistics)

4.2.1 Detroit

A particularly noteworthy difference between Detroit and its UK counterparts is the legacy and impact of racial inequality within Detroit, coupled with its ongoing struggle to recover

[17] This is according to the UK's Indices of Multiple Deprivation, which ranks neighborhoods based on levels of deprivation across seven domains: income, employment, educations, skills & training, health & disability, crime, housing and services, and living environment (New Economy, 2015).
[18] The most common measurement of inequality, the Gini Coefficient measures the frequency dispersion of income levels across a particular geography. The higher the index, the higher the degree of inequality.
[19] "Beta-" cities like Manchester are ones considered to link moderate economic regions into the world economy, while "Gamma+" cities like Detroit link smaller economic regions into the world economy. "High Sufficiency" cities like Liverpool are considered to have a high enough degree of professional services so as not to be dependent on world/global cities (GaWC, 2017).

from the 2007 financial crisis. Historically known as “Motor City” for having served as headquarters to the US’s “Big Three” car manufacturers (General Motors, Ford and Chrysler), Detroit has suffered from decades of job and population losses, high poverty rates, segregation, race riots, and municipal corruption and mismanagement since the latter half of the 20th century, when the automation of car manufacturing and foreign competition led to a decline in US manufacturing jobs and profits and the closure of car factories. This was followed by waves of “white flight” in which Detroit’s more affluent White residents fled to the suburbs where some of the car manufacturers had relocated. Meanwhile, between 1950 and 2000 Detroit’s Black population rose from 16% to 82% (Bower & Norris, 2018a). Today, Detroit ranks as the 33rd most segregated city in the US in socio-economic terms, and 8th in terms of segregation by Blacks and Whites (Urban Institute, 2017).

When the financial crisis hit in 2007, Detroit suffered massive losses in its population, economy, and real estate market. As Bower & Norris (2018a) report: “In 2009, Detroit’s jobless rate was 29%, and the average home price was $7,500 (compared to the national average of more than $200,000)...By 2015, more than one-quarter of properties in the city were abandoned, and more than one-third of all homes in the city had been foreclosed on at least once in the past decade” (p. 3-4). The 2007 financial crisis was particularly devastating for minority residents, who were disproportionately impacted by subprime lending leading up to the crisis (Phinney, 2018 p. 1). Subsequent budget cuts and other austerity measures were “disproportionately downloaded onto racialized communities in extreme and undemocratic ways” after Detroit filed for Chapter 9 bankruptcy in 2013 - making it the largest US city to do so - as evidenced by the devastating impact of water shut-offs and other emergency measures on Black communities (ibid, p. 2).

Detroit has since made significant progress towards recovery, having officially exited bankruptcy in December 2014; had a budget surplus for the past three years; and been fully released from all state control of its finances and government operations for the first time in four decades (Terry, 2018). Central to Detroit’s recovery have been the combined efforts of the philanthropic community - which contributed more than $350M to help pay back some of the city’s debts (Bower & Norris, 2018a); private sector actors - such as the Ilitch family of the Little Caesars pizza chain, and billionaire Dan Gilbert - founder of the Quicken Loans mortgage company and owner of the Cleveland Cavaliers; and development efforts led by the City under the administration of Mayor Mike Duggan, who notably became Detroit's first White mayor since the early 1970s in 2013. In recent years, the Duggan administration has focused intently on downtown and midtown development through the forging of strong alliances among various public, private, philanthropic and nonprofit partners (Forward Cities, 2018). According to one CDFI representative, public and private investments have resulted in a complete turnaround of public opinion towards downtown Detroit: "The media perception today of the greater downtown is a 180 [degree turn] from eight to seven years ago, where it was doom and gloom and today people are really excited" (Interview 10).

However, the city as a whole is still losing population - albeit at a much slower pace in recent years (see Fig. 15) - and struggling with major community development challenges. One challenge particularly pertinent to this thesis is the shortfall in financing for small businesses, which suffered a 38% decrease in loan volume from mainstream banks from 2007 to 2016 (see Fig. 16). Considering that Detroit is the the fourth largest city for minority entrepreneurship in the US - with approximately 50,000 minority-owned small businesses in the City (W.K. Kellogg Foundation, 2017) - this shortfall has likely been devastating for entrepreneurs and business owners of color.

Figure 15. Population in the City of Detroit, 2000 - 2016

(Data source: US Census Bureau. Author's visualization.)

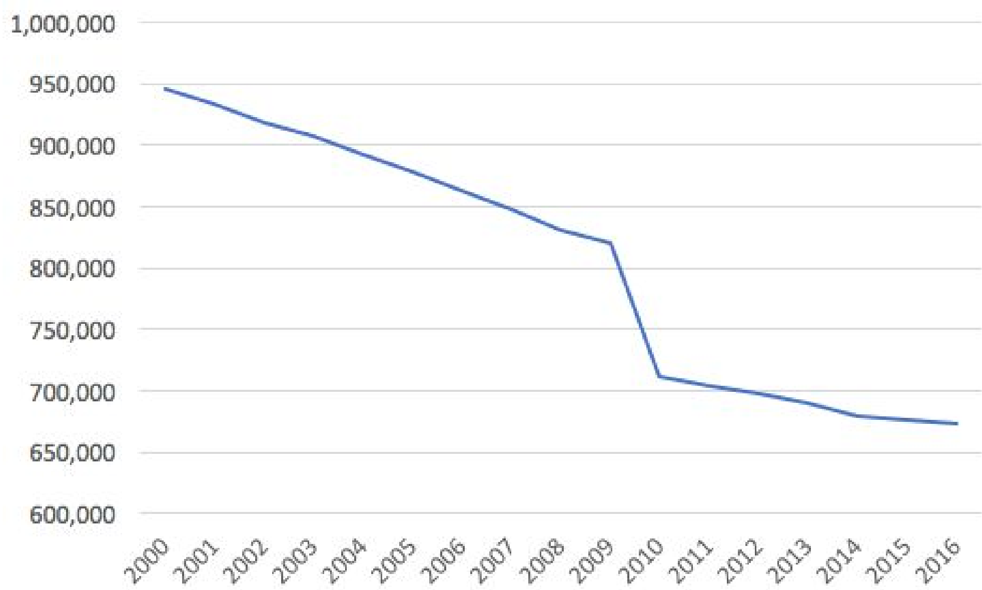
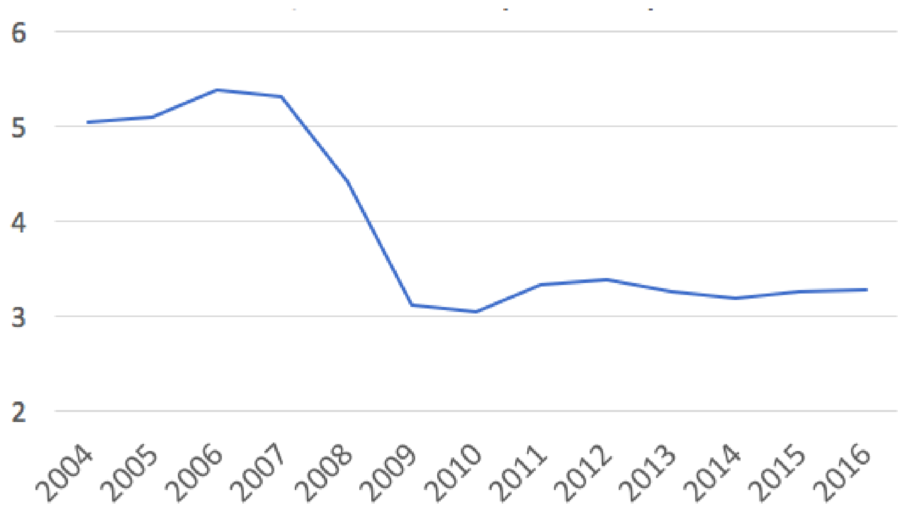


Figure 16. Total value of small business loans in the Detroit MSA, 2004 - 2016 ($ billions)

(Source: CRA. Data downloaded from PolicyMap. Author's visualization.)



The Mayor's office and local public, private, and profit stakeholders have attempted to address the needs of small businesses through programs like Motor City Match, which pairs small businesses with commercial landlords looking to lease vacant or underutilized office space (Detroit Economic Growth Corporation, 2018). The Strategic Neighborhood Fund (SNF), however, is arguably the centerpiece of Mayor Duggan's "One City. For All of Us" development strategy, which aims to prepare Detroit for expected population and economic growth within and beyond the city center (Detroit Regional Chamber, 2017). Through the SNF, the City, private sector, foundations, and nonprofits like IDF, DDF, and OppFund are collaborating to drive inclusive growth in neighborhoods across Detroit. What remains unclear, however, is whether these actors are truly aligned in their ambitions for Detroit, and whether they might be classified as composing a more neoliberal, growth-oriented development regime or a more progressive regime type like the *lower class opportunity expansion* regime described by Stone (2003) - or perhaps even a "degrowth" coalition as suggested by Schindler (2016).[20]

[20] Referring to Detroit Future City - a long-term vision for Detroit published in 2012 by the public sector-led Detroit Works Project (DWP) - Schindler argues that a "degrowth" coalition has formed in Detroit, making possible a progressive form of "degrowth machine politics" to emerge (p. 818). The concept of degrowth - i.e. intentional or unintentional economic decline - has recently gained favor as a progressive alternative to capitalism and a possible route forward in the transition to a less fossil-fuel dependent economy. In the case of Detroit and many other cities around the world, Schindler argues, degrowth "has been an unavoidable consequence of the 2008 financial crisis" (p. 823), but also an active policy promoted by various local actors.

4.2.2 Manchester and Liverpool

Separated by only 50km (see Fig. 17), Manchester and Liverpool share a history of interconnectedness but with each having their own unique path dependencies and trajectories. Since the mid-20th century, both cities have struggled to transition from the industrial-based economy to the knowledge-based one, with Liverpool having developed as a trading hub during the 18th and 19th centuries thanks to its active port infrastructure and Manchester having risen to fame as "Cottonopolis" of the global textile industry during the Industrial Revolution. Following increased competition in international trade and a shift from Fordist styles of production to more flexible and diversified service-oriented economies after World War II, both cities suffered significant job and population losses, with Liverpool losing nearly half its population from 1931 to 2000 and Manchester experiencing consistent population decline from 1971 to 2001 (Shaw & Sykes, 2016; Hodos, 2011).

Figure 17. Map of the Liverpool City Region and Greater Manchester

(Source: Google Maps)

However, it remains to be seen whether a progressive degrowth regime has actually taken hold in Detroit, or whether the current regime is still pursuing growth-oriented strategies.

Since the turn of the millennium, however, both cities have shown signs of recovery, with Manchester in particular experiencing what some have dubbed the “Manchester Miracle,” in so far as the city has experienced net job growth and a sharp rise in its inner city population (Harding, Harloe, & Rees, 2010, p. 981). As Swinney & Thomas (2015) discuss, Manchester’s ‘miraculous’ turn of events owes largely to the actions of local actors such as Central Manchester Development Corporation, created in 1988, and to large-scale urban renewal schemes implemented in downtown Manchester during the 1990s and 2000s. In Liverpool, meanwhile, the city’s population has quadrupled in the past twenty years, with the designation of Merseyside as an EU Objective 1 area[21] in 1994 and Liverpool’s designation as European Capital of Culture in 2008 serving as major factors in the city’s revitalization (Shaw & Sykes, 2016).

Manchester’s and Liverpool’s recoveries have been neither wholescale nor equally enjoyed, however. Within the UK, Manchester and Liverpool still exhibit higher rates of unemployment and welfare claimants and a higher proportion of residents lacking formal job qualifications than regional and national averages (UK Office for National Statistics, 2011). Both city-regions are currently operating at a deficit in the national economy, and among England’s 326 local authority districts Liverpool and Manchester rank 4th and 5th respectively with the largest proportions of highly deprived neighborhoods (Department for Communities and Local Government, 2015). The cities are also currently undergoing major changes in funding and governance, as the UK central government is imposing major budget cuts even while devolving greater statutory powers to local authorities (Deas 2014).

In the face of these development challenges and resource constraints, Greater Manchester in particular - which has for decades been governed by a development-oriented growth regime consisting of strong alliances among various public and private stakeholders (Deas, 2014; Haughton et al, 2016) - has become a key testing ground for inclusive growth policies. Under this paradigm, local authorities and private stakeholders are promoting economic growth through investments in small businesses and start-ups - particularly in the creative industries - with the intention of benefitting all residents. Particularly since the

[21] As Shaw & Sykes (2016) explain: “EU Objective 1 areas were those regions that were considered to be lagging economically for having a GDP per capita that was less than 75 percent of the EU average” (p. 53).

Brexit vote, inclusive growth has been strongly promoted by various actors such as PriceWaterhouseCoopers and the Inclusive Growth Analysis Unit - a research platform designed to “help make poverty reduction central to processes of economic growth and devolution in Greater Manchester” (Manchester Urban Institute, 2017). Inclusive growth is also a key mantra of The Growth Company, whose stated vision is that of “leaving a legacy of growth” and “creating inclusive economic growth that delivers opportunities for all” (The Growth Company, 2018).

Advocates of inclusive growth emphasize its potential to benefit poor and disadvantaged groups in Manchester and are calling upon local officials like the newly appointed mayor, Andy Burnham, to openly adopt an inclusive growth agenda. However, concerns persist that, even if formalized, inclusive growth may not actually prove so ‘inclusive’ unless community-based agencies are appropriately engaged and the local government truly commits to a socially- and spatially-sensitive growth plan (Beel *et al,* 2017). The likelihood of this happening in a context of increased austerity - wherein local authorities are confronting major budget cuts and are having to prioritize accordingly - remains doubtful, leading to concerns that inclusive growth might be adopted as little more than an empty slogan to mask business-as-usual in new narrative terms while local stakeholders pursue projects that service middle- and upper-class interests to the neglect of lower-income and vulnerable groups (Lupton 2017; Beel *et al,* 2017).

The paradigm of inclusive growth has also taken hold in Liverpool, where the financial crisis and successive austerity measures have challenged former modes of urban governance. As Shaw & Sykes (2016) observe, in Liverpool “new partnerships are emerging between the public, private, and voluntary sectors designed to create visions and strategies which will enable endogenous growth potentials to flourish” (p. 51). As the city continues to struggle with low productivity and employment, local authorities are responding to pressures from the UK central government and the EU to capitalize on local assets and partner with the private sector to implement growth-oriented development projects. For instance, the Liverpool LEP - formed in 2010 - is working with businesses in the areas of Innovation, Business Support, and Low Carbon Sector to deliver on the “smart, inclusive, and sustainable growth” goals of the European Commission’s “Europe 2020” vision (ibid).

The City is also working closely with Peel Holdings, one of the UK's largest investment groups, to implement the Atlantic Gateway project - a comprehensive redevelopment plan for key port areas and designated enterprise zones throughout the wider Liverpool-Manchester area (ibid). In turn, there is rising concern that the increased role of corporate leaders in local governance has led to a situation wherein "business logic has brushed tough issues like housing and social equity under the carpet" (Bafarasat & Baker, 2016, p. 686).

With regards to the Northern Powerhouse Investment Fund (NPIF), local stakeholders in both Greater Manchester and Liverpool have embraced the initiative as a key catalyst for their growth ambitions. The Greater Manchester Combined Authority in particular has been a staunch advocate for the Northern Powerhouse, which some have even viewed as "little more than government-backing for the growth of Greater Manchester" - England's so-called 'second city' and Northern rival to London (Shaw and Tewdwr-Jones 2016, p.10). But if local authorities have welcomed initiatives like the NPIF out of their own interests, it is clear that the true scale of the NPIF's intended benefits are national in scope.

4.3 Regime Analysis

In the midst of these urban contexts, CDFIs and RFPs are functioning as third sector institutions with a high degree of connectivity to local and national public, private, and philanthropic stakeholders. As discussed in the literature review, their precarious role as community development nonprofits leaves them particularly reliant on external stakeholders and, in turn, vulnerable to experiencing mission drift. Examining how these agencies are embedded in their respective urban regimes will help us better understand whether, and in what ways, new narratives like inclusive growth are filtering down to these agencies, and how this is potentially impacting the people and places they serve.

In order to situate these organizations within their respective urban regimes, a Map of Actors for each of the case studies was prepared following interviews with local stakeholders and discourse analysis of relevant organizational, industry, and policy documents. Drawing from the literature on Actor-Centered Institutionalism (Pancaldi 2012;

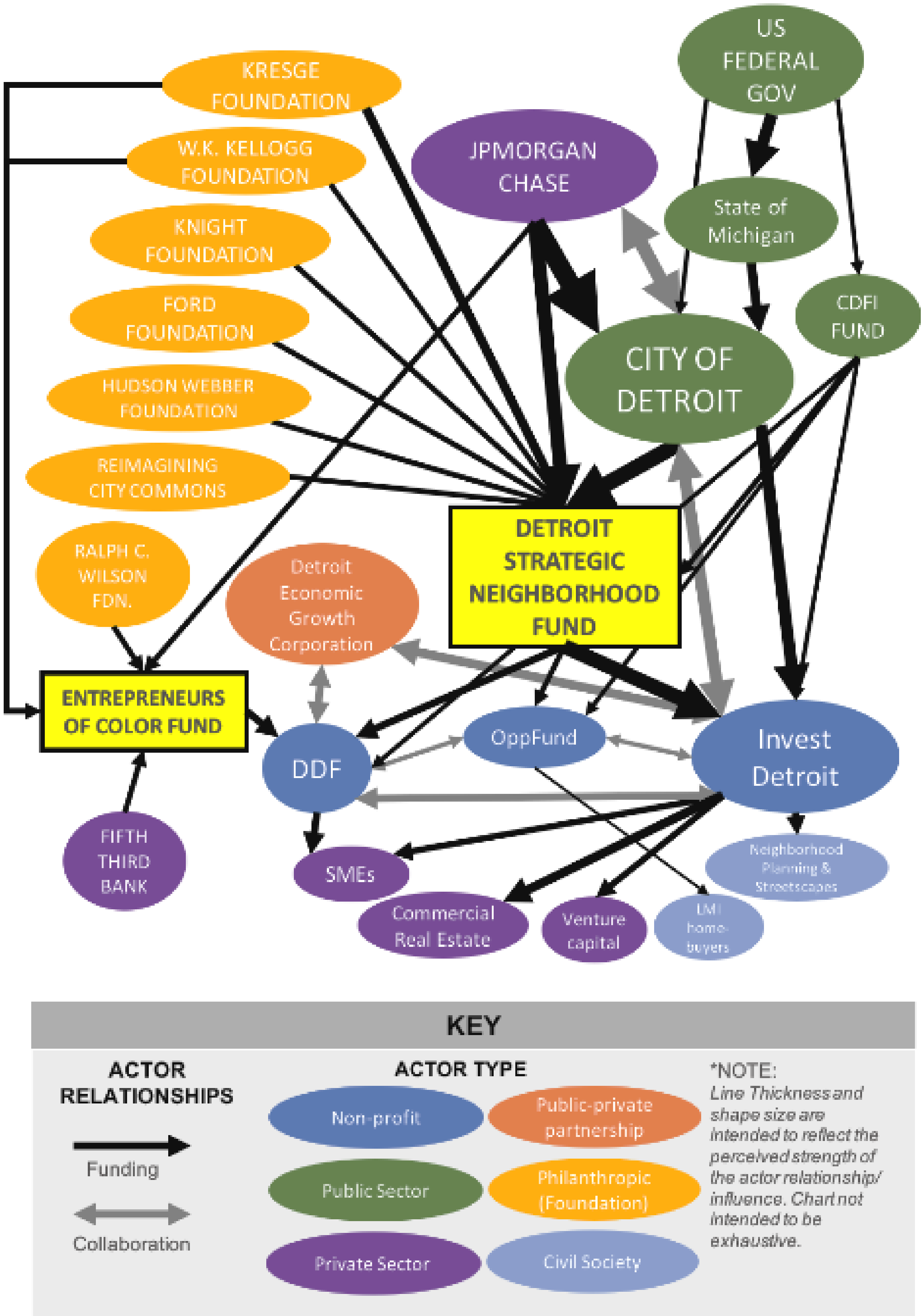
Van Lieshout, 2008; Scharpf, 1997), actor constellations and lines of dependency were identified to better elucidate the power dynamics at play in each of the case studies. In the sections below I present the Actor Maps and explore how each agency's embeddedness in their respective urban regimes impacts the way they do business. In summation, I find that the RFPs - which are highly dependent on national government funding and policies - are particularly subject to the influence of external institutional logics, while the US CDFIs have a somewhat more balanced power dynamic with local stakeholders and are in turn more likely to be sticking to their original missions. However, within each country the CDFIs and RFPs differ in their governance structures, target customers, loan products and services, and mission statements/theories of change, such that some appear to be more intent on serving deprived groups and neighborhoods than others.

4.3.1 Detroit

a) Actor Mapping

In Figure 18 on the next page, actor interactions in Detroit are represented by two main channels (funding and project collaboration), and actors are delineated by sector type (public, private, nonprofit, public-private, philanthropic, and civil society). From this visual depiction we can see that there is a variety of actor constellations involved in the SNF, with the public and philanthropic sectors playing a major role in funding the initiative while nonprofit actors like the CDFIs collaborate in on-the-ground project management. The City stands out as a central actor considering that the Mayor's office is leading the charge in project implementation by channeling federal, state, and philanthropic funds and working closely with the CDFIs - namely with IDF, the lead CDFI in the initiative - to plan and manage project outcomes. Since the first germinations of the plan, Mayor Duggan has pushed for the SNF to be as ambitious as possible. As reported by CDFI staff: "The mayor wanted us to do 50 neighborhoods at once and, he's very, very supportive of this, but we kind of said, let us do three or four neighborhoods and do it well. And then when we get that done we'll move on to other neighborhoods" (Interview 8).

Figure 18. Actor Map for Detroit



With the initial $40M in funding, the three CDFIs have tested out their partnership model in three neighborhoods (West Village, Livernois-McNichols, and Southwest Detroit), where many of them had already been working but in isolation from each other (Interview 1). Critical to their success have been contributions from Detroit's foundation sector, which has historically been very large but has been especially active during the last twenty years (Interviews 1 & 4).[22] However, despite relying on these foundations financially, CDFIs in Detroit appear to have a relatively balanced power dynamic with the philanthropic sector, in so far as the foundations see CDFIs as critical partners to their work. As Aaron Seybert, Social Investment Officer at the Kresge Foundation, remarked: "The scarcity of resources in Detroit leads to everyone needing partners to get anything done. We've developed a sense of cohesion born out of necessity" (qtd. in Bower & Norris, 2018, p. 5).

In addition, the shortage of banks headquartered in Detroit has opened up space for the city's largest bank - JPMC - to become highly engaged in the SNF. With a 65% market share of the consumer banking market in Detroit as of 2014 and more than $20B in deposits in the Detroit MSA, JPMC has taken a central role in partnering with the City, foundations, and CDFIs to promote economic development through its $150M commitment to Detroit, called "Invested in Detroit" (Bower & Norris, 2018a). Among the CDFIs under study, JPMC is collaborating most closely with IDF - nearly half of whose workers, interestingly enough, are staffed with former JPMC employees (Interview 11). The relationship between JPMC and the CDFIs is seen as highly cooperative and mutually beneficial. As Priscilla Almodovar, former head of community development banking at JPMC, stated: "We lend to [CDFIs] at a low rate, say at a 2% fixed rate, and they on-lend at a higher rate. We allow them to lend the money on terms that we can't" (Bower & Norris, 2018a, p. 10). CDFIs like DDF see this as a win-win for everyone involved:

> "The banks are so highly regulated they just can't do the lending we do. It can't fit their credit box because of regulation...And some of the banks don't want to do it and

[22] Key foundations supporting the SNF include nationally- and internationally-focused foundations such as the W.K. Kellogg Foundation, Knight Foundation, Ford Foundation, as well as ones which have a particular focus on Detroit such as the Kresge Foundation, Hudson Webber Foundation, and Reimagining the Civic Commons. Many of these foundations also fund IDF, DDF, and OppFund at the organizational level or through other programs like DDF's Entrepreneurs of Color Fund.

> the way they get around it is by supporting organizations like ours... And that works out really well for us." (Interview 8)

Considering JPMC's large stake in Detroit, it is clear that the bank stands to benefit from initiatives like the SNF in other ways, too. The prospect of economic growth in Detroit is one such reason why Jamie Dimon, chairman and CEO of JPMC, has described the firm's work in Detroit as "an investment, not charity" (Bower & Norris, 2018a, p. 1). In turn, JPMC sees CDFIs as critical partners who can help make growth a reality in Detroit.

Other local stakeholders such as the quasi-public Detroit Economic Growth Corporation (DEGC) also view CDFIs as important partners to their work. As a former employee of the DEGC stated, CDFIs are often ideal partners for the some of the more challenging community development projects in Detroit, since their higher risk appetite, flexible underwriting, and tailored loan products allows them to finance projects in Detroit which have long been stymied by distressed market conditions (Interview 4).

b) Organizational Distinctions

Whereas it appears from this analysis that CDFIs in Detroit have a more or less mutually beneficial relationship with public, private, and philanthropic actors, there are notable distinctions between how each of these agencies is embedded in urban networks and how they approach their role as community development finance agencies. From interviews with the CDFI representatives and discourse analysis of relevant organizational documents and marketing materials, IDF was found to be the most deeply embedded in Detroit's urban regime and most likely to exhibit a more market-oriented approach to community development, whereas DDF and OppFund were found to be more concerned with the impacts of their work on deprived individuals and communities. This was reflected in their target customers, loan products and services, mission statements/theories of change, and institutional logics - with IDF exhibiting a more tenuous blend of profit-oriented banking logics and pro-poor community development logics than DDF or OppFund (see Fig. 19).

Figure 19. Organizational comparisons of Detroit CDFIs

	IDF	DDF	OppFund
Year Founded	1995 (certified as a CDFI in 2011)	1998	1984 (rebranded as OppFund in 2010)
Total Assets (FY 2016)	$73,292,994	$21,380,112	$19,391,402
Target Customers & Loan Products and Services	Commercial real estate, SMEs, affordable housing, startups; must be able to demonstrate financing needs	Small business loans, pre-construction loans for affordable housing, contractor lines of credit; Entrepreneurs of Colors	Affordable housing and home mortgages for LMI residents and communities; small businesses serving these end customers
Mission Statements	To serve as "a catalyst for economic growth" in Detroit; "create jobs, density, sustainability, and opportunity for underserved communities and markets" (IDF, 2018a)	"To improve the quality of life in underserved Detroit neighborhoods and for Detroit residents" (DDF, 2018a)	To "[provide] loans to create equitable, economic and sustainable opportunities throughout Michigan - one person, one job, one home at a time" (OppFund, 2018b).
Institutional Logics	-**Tenuous blend** of banking and community development logics	-**Primary:** Community Development -**Secondary:** Banking	-**Primary:** Community Development -**Secondary:** Banking

Of the Detroit CDFIs, IDF seems most focused on generating broad economic growth and boosting productivity in the city as a whole. This appears to partly be an outcome of the 2007 financial crisis, after which IDF saw "a shift in the type of inquiries [they] got" as banks tightened their credit supply, such that many larger businesses which had formerly relied on banks began approaching IDF to serve as a primary lender. In turn IDF started serving higher market segments than before the crisis, and even became involved in providing venture capital in 2010 (Interview 1). Nowadays, the majority of IDF's work is increasingly focused on serving high-tech companies, larger commercial real estate deals, and startups with demonstrated growth potential. Among the Detroit CDFIs IDF was also found most likely to employ market-oriented language - suggesting that it has gone furthest among its peers towards embracing a banking logic. In its 2014 Annual Report, for instance, the organization reported how "throughout our more than 19-year history, management has focused on *growth* and *profitability* in order to sustain the capacity to meet the ongoing development needs of the community" (p. 1; my italics).

Meanwhile, DDF and OppFund seem to be more committed to directing investments towards disadvantaged individuals and communities. This is reflected in their loan products and services, in so far as DDF has a focus on serving women- and minority-owned businesses and entrepreneurs while OppFund specifically targets its home mortgage, small business, and affordable housing loans to LMI end users and requires that small business loan requests fulfill other social aspects such as community ownership, blight reduction, and job support (OppFund, 2018c). However, there is some indication that these organization's focus on LMI communities is a more recent development and one in which the impacts on impoverished groups are perhaps more aspirational in nature. For instance, when asked about whether their work has an anti-poverty focus, OppFund staff were candid in saying:

> "We're just now starting to look at our loan portfolio through an equity, diversity, and inclusion lens, and we generally know that the majority of our small business and single-family buyers and borrowers are minority and female, but we don't have anything to demonstrate that. So it's not like right now we're targeting in those areas. [But] we're targeting neighborhoods with the businesses and we're making sure that they're creating jobs in neighborhoods that we know need us to be there. But our primary focus now is if they don't have access to financing at all." (Interview 6)

Representatives from DDF also reported that while their work indeed has an anti-poverty thrust, it's more indirect in the sense that they hope future generations and children of the small business owners they serve will be inspired by their parents' and mentors' examples to become entrepreneurs themselves one day and thereby escape poverty (Interviews 7 & 8). Whether or not this will be borne out, it is clear that DDF and OppFund are more intentional than IDF about trying to serve disadvantaged groups. This gives credence to the idea that DDF and OppFund are more closely sticking to the traditional goals of financial inclusion strategies, whereas IDF has gone further towards adopting a market-oriented banking logic and inclusive growth mentality.

4.3.2 Manchester/Liverpool

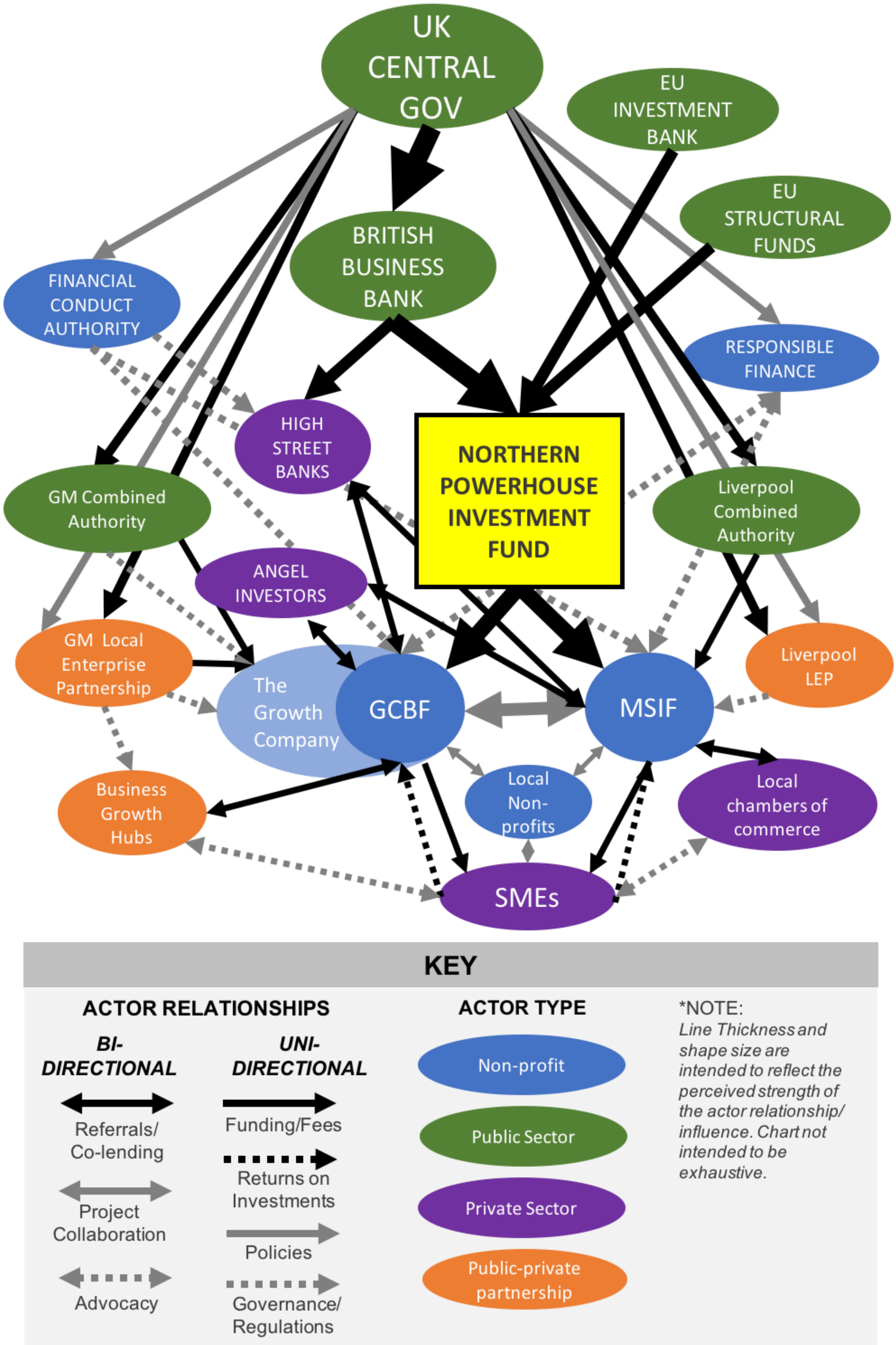
In comparison to their US counterparts, RFPs in the UK are not mandated to serve lower-income groups or communities by a public body like the CDFI Fund. Rather, over the decades RFPs have been more loosely guided by the central government to pursue certain financial inclusion strategies based on specific pots of funding that the government has opened up to RFPs. The NPIF, as one such fund, carries with it particular directives for the kinds of SMEs that the RFPs are allowed (and not allowed) to finance. For instance, the RFPs cannot invest in retail businesses through the NPIF Microfinance Fund, and they are being directed to invest in businesses that can clearly demonstrate a growth case.

From an analysis of the institutional networks involved in the NPIF, it becomes clear that the RFPs are having to navigate a complex web of local, national, and supranational interests in their pursuit of these directives, in turn rendering them especially subject to mission drift. As with the Detroit CDFIs, the extent to which the RFPs are experiencing mission drift seems linked to their embeddedness in their respective urban regimes as well as organizational-level factors such as their governance and funding structures. Whereas both GCBF and MSIF can be said to have largely adopted a banking logic and inclusive growth mentality, this appears to be especially true for GCBF, which is more deeply embedded in Manchester's urban regime and more reliant on public sector funding than MSIF.

a) Actor Mapping

As with the Detroit case study, a Map of Actors was prepared for Manchester and Liverpool following interviews with RFP representatives and discourse analysis of relevant organizational documents and marketing materials about the NPIF (see Fig. 20 on the next page). From the visual, the main actor appearing in this scheme is the UK central government, which crafts policies like the Northern Powerhouse and creates programs like the NPIF Microfinance Fund which provide the majority of capital for RFPs. The primary vehicle through which the government is channeling funds to RFPs like GCBF and MSIF is the British Business Bank (BBB), a government-owned but independently managed bank established in 2014 that does not lend directly to SMEs but instead works with over 100 finance partners (including RFPs, MFIs, venture capital funds, etc.) in order to increase the availability of financing for small businesses across the UK (BBB, 2016c).

Figure 20. Actor Map for Manchester/Liverpool



In addition to the central government, local public stakeholders are also significant actors involved in the NPIF, as ten of the eleven LEPs in the North West have put money into the NPIF through £40M of their own ERDF funds. The interests of the LEPs are taken into consideration by the RFPs, as demonstrated by comments GCBF staff:

> "Obviously what [the LEPs] want to see is a return on their investments and that typically is funding in businesses in their particular regions, increases in jobs in the regions, and also an economic impact for legacy a little bit further down the line." (Interview 3)

The RFPs are also working closely with their respective Combined Authorities, local Chambers of Commerce, local Growth Hubs, and other local business cooperatives. As one representative from NW Access to Finance - Greater Manchester's Business Growth Hub - reported, these agencies act as introducer networks for the RFPs by identifying businesses in need of financing and helping them develop business plans before connecting them with appropriate funding sources such as the NPIF (Interview 9).

In comparison to their US counterparts, the RFPs appear to have more established partnerships with public stakeholders than private ones like banks or philanthropic actors. Largely due to the lack of a CRA-like incentive for banks to invest in RFPs, MSIF and GCBF reported that they only partner with banks on an ad hoc/informal basis, i.e. by co-investing alongside banks into a company or referring bankable customers to them. However, both organizations have partnerships with private equity firms, as MSIF is partnering with leading private equity group Maven Capital Partners to identify customers for the £57.5M NPIF Maven Equity Finance Fund and GCBF is working with angel investors - i.e. private individuals who provide equity to startups in exchange for some form of ownership in the company - through GC Angels and the GM Co Investment Fund, developed by the GMCA "to attract and increase the amount of risk capital available to Greater Manchester's high growth, technology and innovation businesses" (GCBF, 2018b). These relationships indicate the greater emphasis placed in the UK on growing its venture capital markets, which are seen as underdeveloped compared to those of the US (Mason, Michie, & Wishlade, 2012).

Another significant actor for the UK RFPs is the EU, considering that the NPIF is being supported with ERDF funds and funding from the European Investment Bank. This brings into question what will happen to the NPIF following the UK's decision in 2016 to leave the EU. According to the RFPs, they have seen little to no effect of Brexit on their customers as of yet, with staff reporting: "Up to now we have seen no impact. We are still unbelievably busy" (Interview 2) and:

> "I think most of it is more the uncertainty as businesses go forward. One of the sort of key changes that we have seen is maybe fluctuations in currency. So the pound is sort of reduced against foreign currencies in euros, so that's sort of generated opportunities for businesses to export a little bit more, they've probably started to do that for a while which has made British products a little more attractive as they're a little bit cheaper." (Interview 3)

Interestingly enough, it thus seems that Brexit has coincided with the RFPs' customer bases becoming even more growth- and export-oriented than before. At the same time, the RFPs seem unfazed by the loss of EU funding, which they reason won't impact the NPIF as it will ultimately be replaced by more funding from the central government:

> "I think in terms of NPIF which had ERDF and European monies in there, Brexit just slowed it down a little bit. Any money that was put in from Europe effectively was sort of set aside. It just took a little bit longer for the fund to get off the ground, really, so it won't impact this fund at all in that sense." (Interview 3)

However, it remains to be seen what impact Brexit might have on the kinds of urban and regional development programs like the Northern Powerhouse that the UK central government implements as it moves forward. In a post-Brexit UK, one can only expect that the ways in which economic development is pursued and talked about in the UK will change once freed of European directives and narratives - although to an as of yet unknown degree or form.

b) Organizational Distinctions

In comparison to their US counterparts, both GCBF and MSIF seem to have largely adopted an inclusive growth mentality, as indicated by their loan products and services, theories of change, use of market-oriented terminology, and lack of focus on targeting investments in deprived areas or to low-income or minority-owned SMEs (see Fig. 21). This seems especially true of GCBF, which as previously discussed is deeply embedded in Greater Manchester's urban regime considering that it is a subsidiary of the quasi publicly-managed Growth Company. Given the extent to which the inclusive growth paradigm has taken hold in Manchester, it appears that this paradigm has strongly impacted GCBF's lending objectives and outcomes, causing the organization to focus on investing in tech startups, export-oriented businesses, and other SMEs with high growth potential.

Figure 21. Organizational comparisons of UK CDFIs

Characteristics	GCBF	MSIF
Year Founded	2002	1994
Total Assets (FY 2016)	£74,556,928 [approx. $107,190,495]	£39,232,106 [approx. $56,403,999]
Target Customers & Loan Products and Services	Business loans, Start Up Loans, export finance, venture capital/angel investments; SMEs that have been unable to obtain all or part of their financing from elsewhere	Business loans (Start-Ups, expansions, acquisitions, management buy outs/buy ins); business advisory services; SMEs that have been unable to obtain all or part of their financing from elsewhere
Mission Statements	"To develop new products and services to support SMEs that have been unable to access funding through mainstream finance providers and to develop a pathway to finance and growth through appropriate mechanisms and support" (TEFL, 2017, p. 4)	"Lending and investing to SME's in the Liverpool City Region where there is market failure"; serving as "a sustainable long term stimulator of growth for the Region" (MSIF, 2016, p. 2)
Institutional Logics	-**Primary:** Banking -**Secondary:** Community Development	-**Primary:** Banking -**Secondary:** Community Development

Generating economic growth is a primary concern for both organizations, however, as reflected in their mission statements and theories of change. In the UK, GCBF and MSIF appear to have largely adopted a banking logic aligned with those of the market, in which financial prospects are prioritized over community concerns. This was especially evidenced in conversation with GCBF staff, who reported: “Being able to deliver on a contract...that’s our bread and butter….Anybody can lend out money - the art is getting it back” (Interview 3). By maintaining such rigorous control over their finances, GCBF staff implied that they can in turn pursue wider economic goals for Greater Manchester and the NW of England: “Outputs typically are sort of job creation targets, GVA [Gross Value Added], a good spread of investment, and obviously a key thing is being able to put in the end a decent book in which you’ll get your money back with interest as well” (ibid). MSIF staff also reported that, since the 2007 financial crisis, the focus now is on financing businesses with high growth potential:

> “To be honest..a lot of the stuff I’ve been doing in the four years I’ve been here is all around growth, expansion, job creation. Some of it is perhaps safeguarding turnover, safeguarding business models…a lot of people are looking at new markets, new opportunities, you know to do things quicker, faster, cheaper, you know in order to cement their existing market but also look outside of that as well.” (Interview 2)

As opposed to their US counterparts, the RFPs studied do not explicitly focus on serving lower-income clients or communities. MSIF staff reported that there is no real anti-poverty thrust to their work or geographic targeting of loans; rather “We leave the community side of things to the organizations we work with locally who are targeted specifically to support those types of organizations” (Interview 2). Similarly, GCBF staff reported that their organization doesn’t intentionally work with lower-margin businesses or businesses in lower-income areas, although they often work with early stage businesses and entrepreneurs that “might not have much in the way of assets themselves” (Interview 3). However, staff acknowledged that they do try to serve “transitional” areas of the NW of England like Merseyside, as opposed to solely investing in Manchester where their loans might be more profitable and easier to underwrite.

A large determinant in where and to whom the RFPs lend depends on where, and from whom, they get their money. In comparison to CDFIs - which appear to have greater ownership over their finances and, correspondingly, greater control over their financial decision-making (see Appendix B) - RFPs in the UK are particularly reliant on public sector funding, as the central government provides over half their funding (RF, 2018). This makes RFPs like GCBF and MSIF extremely subject to the prerogatives of special funding initiatives like NPIF put forward by the government, rather than being able to craft their own lending products and services with their own sources of equity. Added to this is concern within the RFP industry that the UK central government is “not actually giving people in any shape or form the money in combined authorities and other areas to actually put in place anything that’s different” as they move towards devolution (Dr. Steve Walker, Chief Executive of ART Business Loans, qtd. in RF, 2018). But whereas MSIF has built up its own legacy fund - allowing it to have greater control over its financing decisions - GCBF has struggled to do the same and relies primarily on government funding, particularly the BBB. Funding is GCBF’s biggest organizational challenge according to GCBF staff, who reported: “I think there needs to be a new ability to source funding from elsewhere...You just can’t be too reliant on a handful of sources really” (Interview 3).

The results of this analysis suggest that BSIF and MSIF have nearly completely assimilated market logics in their pursuit of an inclusive growth agenda - largely as a result of local and national policies and funding opportunities - while the Detroit CDFIs differ in the degree and extent to which they are serving financial inclusion and/or inclusive growth agendas. But how exactly are these agendas playing out on the ground? And what impact are these agencies having on local communities, considering their experiences of institutional change? In the next section, I draw from the “Narrative and Numbers” approach developed by Froud, Johal, Leaver, & Williams (2006) in order to compare discourses surrounding the SNF and NPIF with observable outcomes, in an effort to gage whether their promises of financial inclusion and inclusive growth match with their lived realities.

4.4 Narrative and Numbers

In the following sections, I examine the narratives being told about the SNF and NPIF initiatives and compare these narratives to quantitative analyses of the project outcomes to date. Through this approach, a clearer picture arises of whether and to what extent the CDFIs and RFPs can be said to be serving financial inclusion and/or inclusive growth agendas, and what impact this is having on the people and places they serve.

4.4.1 SNF Narrative

Despite the fact that Detroit has been losing population - albeit at a slower pace in recent years - the SNF narrative was found to center largely around that of inclusive growth. In its 2018 press release on the initiative, for instance, City Hall reported that the SNF "will continue a path of *inclusive growth* across the city to create beautiful, walkable, and vibrant neighborhoods for all Detroiters" and "build vibrant and *growing* neighborhoods across the city" (City of Detroit, 2018b; my italics). Mayor Duggan has even explicitly called his plan to expand development beyond downtown as an "Inclusive Growth" strategy (Forward Cities, 2018), and key foundations backing the SNF have also demonstrated verbal commitment to inclusive growth.[23] In addition, JPMC's PRO Neighborhoods Initiative (which provided the initial funding for the SNF) explicitly aims "to encourage CDFIs to collaborate on local solutions that promote *inclusive growth* in their own communities" (JPMC, 2016, my italics), and JPMC's Corporate Responsibility Strategy centers around driving "inclusive growth" in Detroit (JPMC, 2017).

But what exactly do these stakeholders mean by inclusive growth, and how will they know if it has been achieved? According to IDF staff, residential and job growth are two of the main goals of the initiative, as well as building residential density (Interview 10). IDF has also defined the program's measures of success as "increased population and retail density,

[23] The Ford Foundation, for instance, has backed the OECD's "Inclusive Growth in Cities Campaign" to get mayors across the world to adopt an inclusive growth agenda (Argilagos, 2016), and the Knight Foundation - which invested $1.5M into the SNF in 2017 - maintains that the SNF "will help support the growth of more small businesses in Detroit, bring people of different backgrounds and income levels together, and create more of the kind of places where people want to live" (Knight Foundation, 2017). Meanwhile, the Kresge Foundation's President, Rip Rapson, has spoken publicly about "the imperative of inclusive growth" in cities like Detroit (Rapson, 2018).

improved walkability, job creation, increased incomes, lower crime, and a better quality of life for the communities served" (IDF, 2016b, p. 63). But generating economic growth more broadly is also certainly a key goal for other stakeholders like JPMC, whose Global Head of Corporate Responsibility, Peter Scher, remarked: "The premise of our work is 'How do you grow the economy?'" (qtd. in Bower & Norris, 2018b, p. 2). Doing this "inclusively" simply means to JPMC that "no neighborhood gets left behind" in the process (JPMC & Co., 2016). As JPMC staff commented in reference to the SNF:

> "We definitely want market rates to increase in neighborhoods. We know we're rebuilding neighborhoods but we also want to be careful that long-time residents that have stayed in the city of Detroit actually benefit from economic opportunity." (Interview 11)

To this extent, JPMC is working with the City, CDFIs, and other stakeholders to promote what might be called 'growth without displacement.' In particular, the SNF is being aligned with the City's recently launched $250M Affordable Housing Leverage Fund (AHLF) to create or preserve over 12,000 units of affordable housing over the next five years. Calling "the preservation and creation of affordable housing...the cornerstone of our growth strategy" (City of Detroit, 2018a), Mayor Duggan sees initiatives like the SNF and AHLF as twin efforts to drive economic growth in Detroit but in a way that does not displace current residents. To this end, city leaders like Arthur Jemison - Detroit's Director of Housing & Revitalization - consider the preservation of affordable housing as not only "the right thing to do" but also a strategy that will in turn advance the city's growth: "We are not going to grow as a city unless we do everything in our power to keep the residents we have and attract new residents to join the communities that current residents have built" (qtd. in City of Detroit, 2018b). One IDF staff member added that, through initiatives like the AHLF, Detroit is attempting to avoid the fate of other cities like San Francisco, Atlanta, and New York, which are trying to preserve affordability "in the rearview mirror, after many people have been displaced, after prices have gone through the roof" (interview 10). Rather, in Detroit local stakeholders are trying to plan for inclusive growth proactively: "We need to think about it inclusively from the ground floor. We are trying to learn from other people's lessons and saying, we think we are at that turn-around point in Detroit's history, how do we set those structures in place properly upfront so things happen correctly" (ibid).

Whereas residential growth, job growth, and affordability appear to be the major desired *outcomes* of Detroit's inclusive growth strategy, there is also an extent to which stakeholders are striving to make the *process* inclusive as well. One part of this is through local hiring. In a city where the majority (80%) of jobs are held by people who live outside the city borders, SNF is part of a larger effort to increase residential employment in Detroit from 48% in 2015 to at least 60% (Bower & Norris, 2018a). Through the SNF, the CDFIs are focused on hiring and financing locally-owned women- and minority-owned businesses, developers, and contractors through the "Developing Detroit Talent" program, an informal initiative that came out of the City's Planning Department after they identified a shortage of architects of color in the city. As IDF staff remarked:

> "These neighborhood fund projects are an opportunity to really think about how to grow that next generation of talent, that developer talent, that architect talent, and/or builder talent, in Detroit, from Detroit, that looks like Detroit, for this next generation and wave of development that we think is coming. So we started saying how do we find local or persons of color talent and match-make them with projects maybe a little above what they've done so far or they haven't had opportunities to apply to, get them on these projects competitively, and then surround them with all the love and support we can to guarantee them a win on that first project." (Interview 10)[24]

Another way stakeholders have tried to make the SNF initiative more inclusive is through community engagement processes. Insisting that a central component of the SNF is "to empower residents with a sense of ownership and place" (IDF, 2016a, p. 6), IDF initially took the lead on formal community engagement processes, while DDF went door-to-door knocking on residents' homes to see what kind of retail opportunities they wanted in their neighborhoods. In Southwest Detroit, residents even requested participatory budgeting in the planning process (Allen, 2017), while in the Livernois-McNichols area officials from the

[24] However, the interviewee also expressed some frustration with the Developing Detroit Talent Program, in so far as finding local developers has often been challenging and in some cases has slowed down the pace of SNF projects (Interview 10).

City's Planning Department met with residents over 50 times in a year (City of Detroit, 2018b). Now, as the initiative has expanded to seven additional neighborhoods and the City's Planning Department has grown from six to fifty staff members, the City is taking over control of the community engagement process entirely. As reported by the CDFIs, this high level of engagement is intended to ensure project success:

> "We cannot drop in any neighborhoods top down and do this willy nilly. We need to partner with local community leadership to guide us to the community, to make us understand what their needs are and how things should be sequenced as we go through different projects and different opportunities." (Interview 10)

However, the extent to which the SNF is actually proving to be inclusive in terms of both outcomes and process is a matter of dispute. For instance, one former employee of the Detroit Economic Growth Corporation - a nonprofit that works closely with local CDFIs and City Hall to implement its inclusive growth strategy - suggested that in many regards the SNF seems to be falling short of its promised equity goals. In particular, the interviewee felt that the SNF community engagement process did not adequately involve minorities and minority business owners, and that the initiative wasn't serving all neighborhoods equally. "The question is," the interviewee asked, "Who gets the bigger opportunity [in these neighborhoods]?" In a city with a population of over 80% African Americans, the interviewee commented that inclusive growth should ideally allow African Americans to contribute to decision making and benefit from economic growth at levels corresponding to their share of the population. The interviewee also suggested that under the current strategy there seems to have been a bias towards external firms and entrepreneurs, and that many local business owners in Detroit feel they aren't getting the same level of support or being offered the same opportunities from City Hall as newcomers. In conclusion, the interviewee remarked that under City's current strategy, "I think things will be better, but I don't think things will be better for everybody" (Interview 4).

Representatives from DDF and OppFund also conceded that there is an-ever present risk with SNF that their development activities could potentially drive up prices and lead to the displacement of residents, despite their best efforts to avoid this. While speaking of the Mayor, for instance, an executive member of DDF reported:

> “He’s very, in a good way, very aggressive. His heart’s in the right place and he does want to strengthen neighborhoods outside of downtown proper. The challenge we all have to be aware of and look at though is if we get into neighborhoods and we start doing things that start bringing up prices of everything, and it’s not good for the residents there because some of them can’t afford it, so we’re always careful when we can be to include affordable rental units so people can afford them and we’re not pushing people out. Downtown has pushed some companies because the rents are going up and up so the small companies just can’t afford it. So that’s what we’re trying to avoid in the neighborhoods we’re working in.” (Interview 8)

OppFund staff suggested that this risk has already been borne out in at least one of the three SNF pilot neighborhoods, West Village - where commercial market rates have risen by 60% to 70% percent in the last two to three years and rents have gone from $1 to $1.70 per square foot, according to Interviewee 11. Consequently, OppFund staff reported that “housing prices have started to go up in [West Village] so much that most of our clients aren’t going to be able to afford to buy [homes] there” (Interview 6).

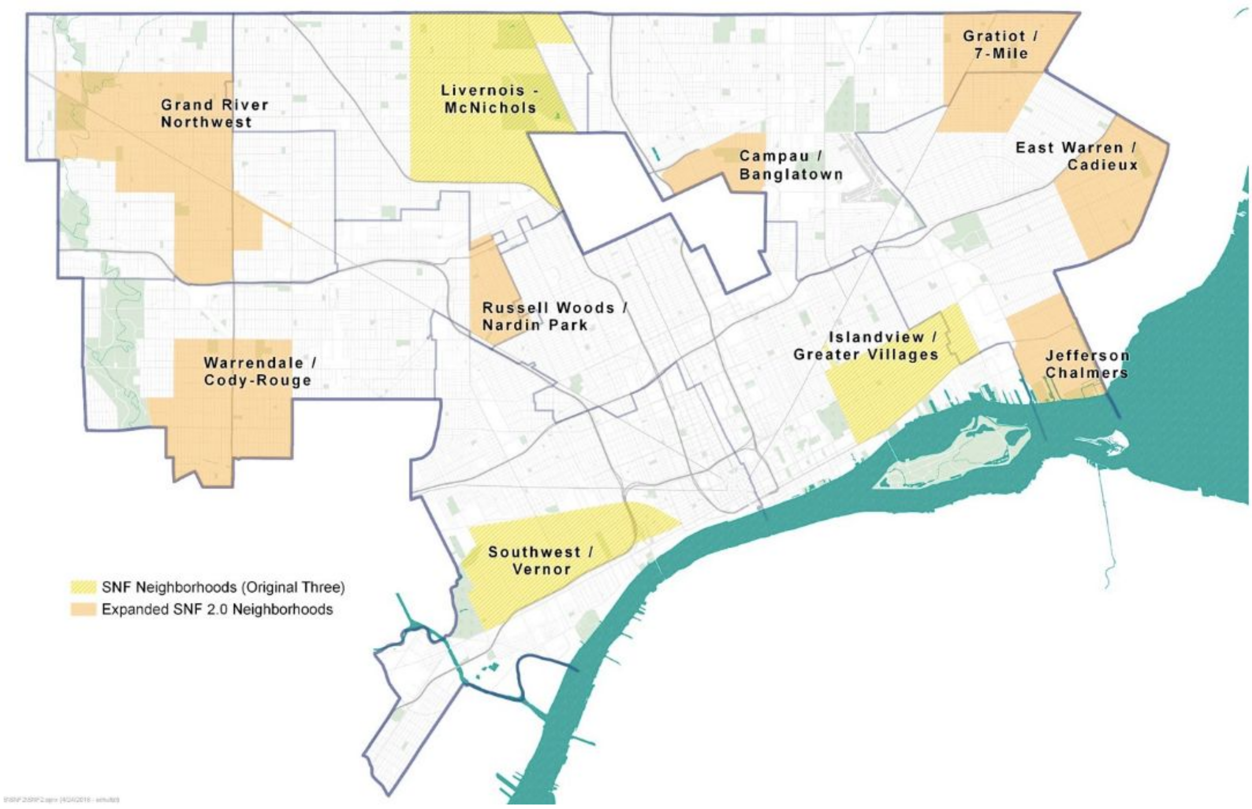
This all goes to show that even the best-intended inclusive growth strategies like the SNF not only stand at risk of falling short of their desired aims but, all the more, risk contributing to pervasive urban challenges like gentrification and displacement which they are purportedly aiming to mitigate. In a city like Detroit that has been mired by social and economic depravity for so long - and where there is real fear that the city’s recovery efforts will only benefit certain groups while leading to the further marginalization and displacement of others - we must ask: is the SNF really the right strategy to help Detroit’s most disadvantaged residents and communities? Or is it just another trickle-down growth strategy targeting neighborhoods in an ad hoc, scattered way? Next, I present quantitative findings on the neighborhoods selected to receive SNF investments in an attempt to answer this question.

4.4.2 SNF Numbers

As discussed earlier and depicted below in Fig. 22, the SNF initially targeted three neighborhoods (Livernois-McNichols, Southwest Detroit, and West Village - highlighted in yellow) and was expanded in 2018 to an additional seven neighborhoods throughout the City of Detroit (highlighted in orange). The pilot neighborhoods were selected by IDF in partnership with a team of analysts from JPMC based on neighborhood studies, demographic indicators, area median incomes, and state housing support funding. The team selected "tipping point" neighborhoods which showed capacity for growth based on existing community strengths and opportunities for increased density, mixed-use and commercial opportunities, and access to transit, but which also demonstrated a need for infrastructure upgrades and which were aligned with other public sector and philanthropic investment priorities (Allen, 2017; IDF, 2016b).

Figure 22. Target neighborhoods of the Detroit Strategic Neighborhood Fund

(Source: City of Detroit, 2018b)



Analysis of the SNF neighborhoods demonstrates that these are not, in fact, Detroit's most disadvantaged areas. For instance, at the initial time of investment, West Village had a lower vacancy rate (26.7%) compared to the city at large (29.3%); greater levels of educational attainment (with 22% of residents holding a bachelor's degree or higher, compared to 13% across Detroit); and a greater share of Whites than the city at large (IDF, 2016b). It was considered the "proof concept" neighborhood for the SNF, where "the turnaround was already starting to happen" (Interview 10). Meanwhile, in the Livernois-McNichols neighborhood - where the SNF team invested in mixed-use housing, independent shops, a new public park, and two greenways connecting the University of Detroit Mercy and Marygrove College - parts of the neighborhood seemed to be taking off while other stretches remained lined with vacant blocks. Overall, though, at the initial time of investment the neighborhood had a lower percentage of population below the poverty level (25% compared to 39%); a higher share of owner-occupied housing units (58% compared to 52%); and a higher median household income ($35,659 compared to $26,325) than Detroit at large (ibid, p. 49). Even the neighborhood which proved most challenging for the SNF team - Southwest Detroit, a highly diverse neighborhood where interviewees reported it was difficult to gain traction due to disputes and "bad feelings" among local community leaders (Interview 10) - the neighborhood had already been experiencing significant employment and population growth and had a lower vacancy rate (23.1% compared to 29.3%) and a lower unemployment rate (24% compared to 28%) than the city average (IDF, 2016b).

Research undertaken on the seven additional neighborhoods slated for investment demonstrate a diverse spread of socio-demographic profiles, with wide ranges in median household incomes and differing levels of homeownership and housing vacancy rates (see Fig. 23). Of the total ten SNF neighborhoods, four have housing vacancy rates higher than the city average of 29.76%, including Russell Woods/Nardin Park where nearly half of the housing units are vacant. Six have higher poverty rates than the city at large - including Campau Banglatown, where the poverty rate is 51.4% compared to the city average of 38.7% - while other neighborhoods like Livernois-McNichols, Grand River Northwest, East Warren/Cadieux, and Gratiot-7-Mile have relatively lower poverty rates of 26.4%, 30.8%, 32.6%, and 32.6%, respectively.

Figure 23. Neighborhood indicators in the ten SNF Neighborhoods, 2012 - 2016

(Data source: US Census. Data downloaded from PolicyMap.)

Area	Total Population			*% Black, 2012-2016*	*% White, 2012-2016*	*% Asian, 2012-2016*	*% Hispanic, 2012-2016*	*% of Households with Median Income below $50k*	*Homeownership rate*	*Housing unit vacancy rate*	*% Population in Poverty (2012-2016)*
	2000	2012-2016	% change								
Detroit City	**951,270**	**683,443**	**-28%**	**79.7%**	**13.6%**	**1.4%**	**7.5%**	**74.10%**	**48.18%**	**29.76%**	**38.7%**
Campau/ Banglatown	13,322	11,953	-10%	25.7%	25.7%	45.7%	0.3%	82.09%	68.35%	26.51%	51.4%
Islandview/ Greater Villages	21,176	12,994	-39%	79.8%	16.6%	0.7%	2.0%	73.68%	35.16%	34.05%	39.4%
Jefferson Chalmers	10,941	7,751	-29%	87.2%	9.8%	0.3%	0.2%	69.86%	48.18%	31.40%	44.0%
Gratiot/7-Mile	33,020	18,162	-45%	91.8%	4.8%	0.9%	0.4%	74.82%	46.45%	31.14%	32.6%
East Warren/ Cadieux	19,018	17,273	-9%	79.6%	17.3%	0.2%	1.2%	64.19%	61.62%	23.4%	32.6%
Livernois-McNichols	50,438	38,726	-23%	90.7%	6.4%	0.5%	0.9%	62.80%	61.45%	28.66%	26.4%
Grand River Northwest	57,335	44,257	-23%	89.6%	7.4%	0.4%	0.9%	63.79%	61.47%	21.35%	30.8%
Warrendale/ Cody-Rouge	35,483	28,633	-19%	63.9%	28.6%	0.2%	7.0%	79.69%	51.75%	28.98%	45.7%
Russell Woods/ Nardin Park	11,111	5,844	-47%	96.3%	2.7%	0.0%	0.4%	73.38%	43.64%	48.09%	40.5%
Southwest/ Vernor	33,443	30,104	-10%	8.7%	59.0%	0.1%	70.7%	74.06%	46.37%	21.14%	41.1%

Figure 24. Estimated percent of people living in poverty in Detroit, 2012 - 2016, with SNF neighborhoods outlined in black
(Data source: US Census. Image generated by the Author via PolicyMap)

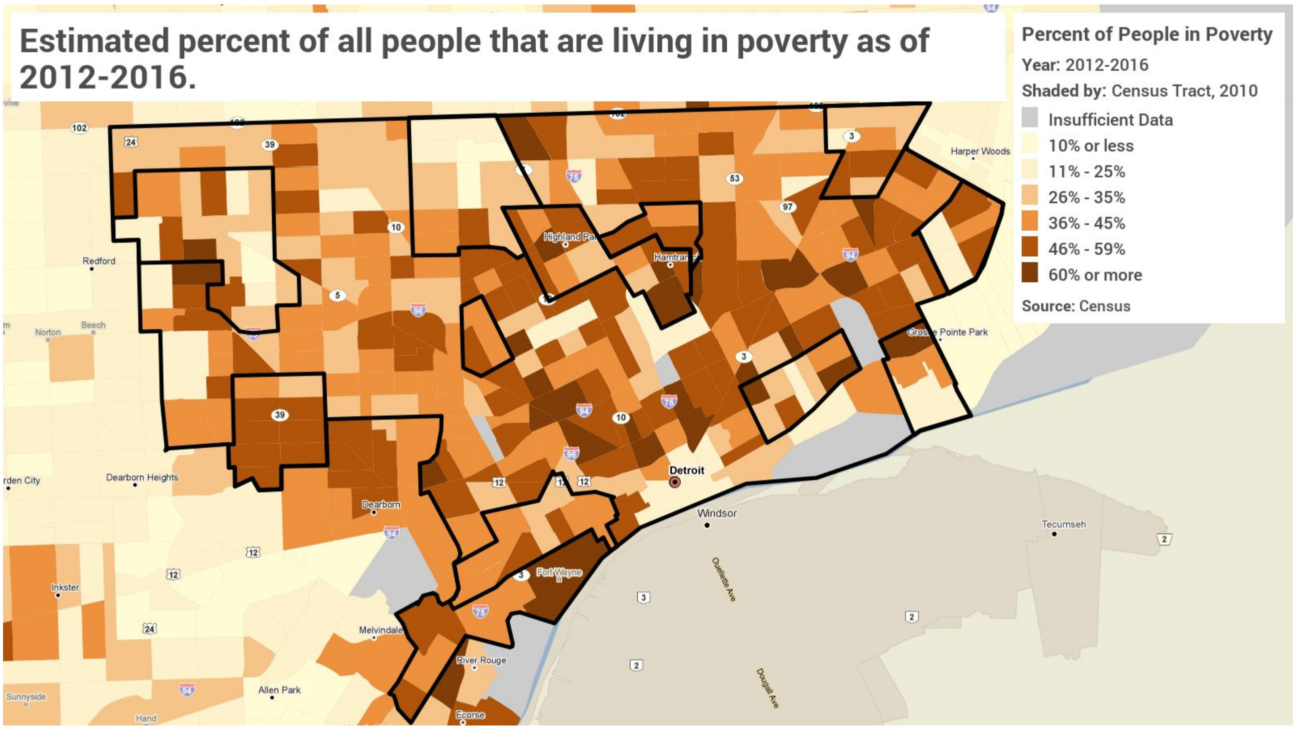
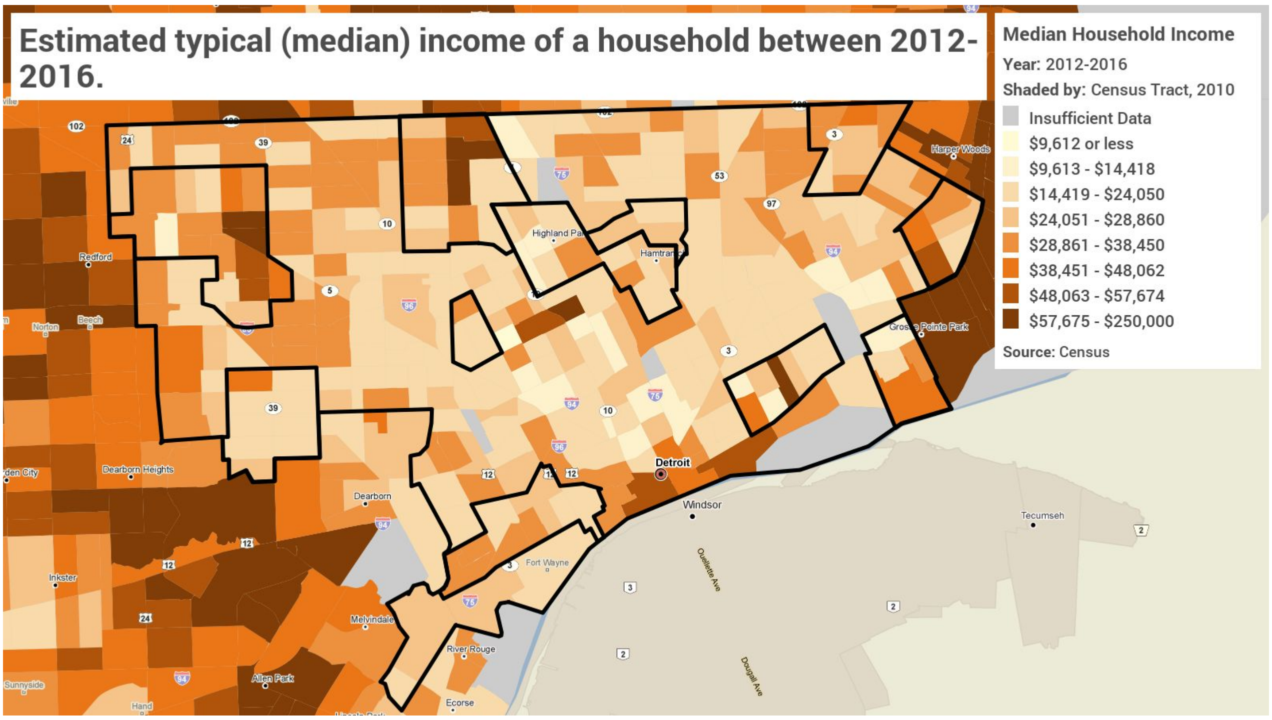


Figure 25. Estimated median household income[25] of Detroit neighborhoods, 2012 - 2016, with SNF neighborhoods outlined in black
(Data source: US Census. Image generated by the Author via PolicyMap)



[25] Note: Income ranges are set as 20%, 30%, 50%, 60%, 80%, 100%, 120% of Area Median Income (AMI) for one-person households, per 2017 Income Limits set by the US Department of Housing & Urban Development.

When looking at a map of poverty rates across the City by census tract (see Fig. 24), it is evident that although each of the SNF neighborhoods has pockets of concentrated poverty, many of Detroit's higher-poverty tracts - particularly those around downtown - have been excluded from SNF investments. In addition, when looking at a map of median household incomes (see Fig. 25), it appears that the SNF neighborhoods include some of Detroit's higher-income tracts relative to other parts of the city, particularly in Grand River Northwest, Livernois-McNichols, Gratiot/7-Mile, East Warren/Cadieux, and Jefferson Chambers - all of which are proximate to Detroit's more affluent suburbs.

In terms of demographics (see Fig. 23), seven of the ten neighborhoods have Black populations at or above the city average of 79.7%, with a few notable exceptions.[26] All of the SNF neighborhoods have experienced population loss since 2000, though only four at a higher rate than the city average of 28%. The hardest-hit neighborhoods include Gratiot/7-Mile and Russell Woods/Nardin Park - which have the largest Black populations (91.8% and 96.3%, respectively) and lost nearly half their population from 2000 to 2012/16.

By comparing the SNF neighborhoods to other areas of Detroit, it becomes clear that these areas represent a diverse range of communities in Detroit but not necessarily the most disadvantaged ones. As one CDFI representative acknowledged of the pilot neighborhoods: "They were probably three of the more stable LMI areas of the city. So they all showed good potential to move forward" (Interview 6). In fact, when the JPMC Service Corps team was working with IDF to identify the initial three pilot neighborhoods, they created a "go/no-go" template based on the community resources in each neighborhood and their perceived ability to absorb investments (Bower & Norris, 2018, p. 9). As Janis Bowdler, Global Head of Small Business and Community Development Initiatives at JPMC, reported:

> "It's not necessarily the hardest hit neighborhoods that get prioritized for redevelopment. We want to catch the 'tipping point' neighborhoods. Places that have something going for them, but could go either way. With a little investment, it unlocks a lot of potential." (qtd. in Bower & Norris, 2018, p. 9)

[26] These include Campau/Banglatown, which is 45.7% Asian; Warrendale/Cody-Rouge, which is 63.9% Black and 28.6% White; and Southwest Detroit/Vernor, where 70.7% of residents are Hispanic.

CDFI representatives indicated a similar logic, but added that part of the reason why they don't work exclusively in Detroit's hardest-hit neighborhoods is because they don't want to reinforce pockets of poverty and/or because some of the more impoverished areas simply can't absorb bursts of investments without being hurt in the process:

> "We also don't want to see our neighborhood be completely [low- to moderate-income]. You really need income integration in order for a neighborhood or community to thrive, so we don't want to create a pocket of poverty within a neighborhood." (Interview 6)

> "Some neighborhoods can take a lot more economic investment upfront while others we have to be much more thoughtful about. They're neighborhoods that are vibrant but maybe lower-income, you don't want to hurt them by putting too much economic investment in...We are not hitting every neighborhood with this model. And this is again where Invest Detroit as a CDFI, our tools only work in certain neighborhoods. I firmly believe every neighborhood needs love and attention today just like these neighborhoods are getting. Some other neighborhoods though might be better focuses for health and human service investment or workforce investment. And we stick to the lane where we think we can be effective." (Interview 10)

Among private sector partners like JPMC, the guiding rationale seems to be: Where can they get the most 'bang for their buck'? As one representative from JPMC reported, the reason why JPMC has chosen to support place-based initiatives like the SNF is because it allows them to leverage other stakeholders' investments and thereby demonstrate a greater value-add than if they were to spread their dollars all over the city:

> "If you are able to concentrate your investments alongside where the City is putting some efforts in and other philanthropic partners are putting some efforts in you can do something catalytic...This is making a dollar look like five type of work we're doing." (Interview 11)

In conclusion, it seems evident from the analysis of Detroit's urban regime and the narrative and numbers around the SNF that different stakeholders have their own rationale for supporting this inclusive growth strategy. The City appears invested in it for the sake of generating broad economic growth while ensuring that local residents do not get displaced in the process. Private stakeholders like JPMC appear invested in it as a sort of demonstration model that they can take to other places where they operate, and where they stand to benefit from an economic recovery. Local CDFIs, meanwhile - which depend on funding from public, private, and philanthropic sources - seem caught up in these diverse narratives, and are using the tools of financial inclusion to serve an inclusive growth agenda which ultimately might not prove so inclusive after all.

4.4.3 NPIF Narrative

Whereas the SNF involves a targeted neighborhood development approach at the urban scale, the NPIF Microfinance Fund on which GCBF and MSIF are collaborating is taking place at the regional scale and is solely focused on SME financing. Despite these major differences, the initiatives are comparable insofar as the UK RFPs are, like their US counterparts, having to navigate complex funding relationships and policy mandates as they pursue a publicly-directed initiative that is being similarly garbed in the narrative of inclusive growth. But whereas Detroit stakeholders are more specific about the outcomes they envision in their pursuit of inclusive growth, the phrase seems to be employed more loosely in the UK and with less of a focus on serving lower-income or other disadvantaged groups. Thus, whereas Detroit's inclusive growth strategy might be described as ideologically more "pro-poor" or "disadvantage-reducing" in nature - to borrow the terms of Klasen (2010) - the vision of inclusive growth in Manchester and Liverpool appears more broad-based, with greater emphasis being paid to *growth* than *inclusivity* per se.

According to the BBB (2016), the ultimate aim of the NPIF is to "[build] entrepreneurial ambition" and spur private sector financing in the North of England, which has historically relied more on local regional and devolved public funds than other parts of the UK (p. 16). One way to interpret this is to see the government's intent with the NPIF as two-fold - i.e. to: 1) encourage UK citizens to become more entrepreneurial, and thereby less reliant on government handouts; and 2) to encourage a historically more dependent region of the UK to become more fiscally self-sufficient and a stronger contributor to the national economy. If thus interpreted, the NPIF can be seen as yet another example of roll-out neoliberalism in the UK, where the retreat of the welfare state and recent waves of austerity measures have been implemented in the wake of the 2007 financial crisis, and where critics of devolution have argued that local authorities are gaining new statutory powers from the state but with diminished overall funding (Deas, 2014).

Seen in this light, the government's focus on supporting growth-oriented SMEs through initiatives like the NPIF can be viewed as having less to do with serving the needs of local economies than with boosting the UK's international competitiveness. To this end, the language of ambition and competition is central to the NPIF narrative, as indicated in press releases in which BBB officials emphasize how "NPIF is passionate about supporting ambitious, high-growth businesses" (BBB, 2017b) and commend loan recipients like the Frank Olsen Furniture company for showing "a strong appetite for growth, investment, and a desire to innovate" (BBB, 2017c). The BBB's repetitive use of adjectives like "ambitious," "high-growth," and "innovative" to describe their target businesses underscores the extent to which the NPIF is centered around a national growth narrative designed to encourage entrepreneurialism among internationally-competitive firms and startups.

The same narratives of entrepreneurialism and innovation have been embraced by the RFPs, who are required by the BBB through the terms of the NPIF Microfinance Fund to invest in businesses that can demonstrate growth potential. According to MSIF's Chief Operating Officer Lisa Greenhalgh, the SMEs that MSIF is targeting with the NPIF Microfinance Fund are "viable, dynamic regionally based SMEs, with innovative products and services, strong business plans and highly capable management teams, that are struggling to access the funding that will allow them to develop their businesses and market offering" (qtd. in MSIF, 2017). In NPIF press releases, representatives from MSIF and GCBF emphasize the growth potential of the businesses they serve by reporting how their clients will use the NPIF loans to fund major expansion plans. For example, in a press release on Clitheroe-based manufacturer Loxta Hardware - which received a £50,000 investment to fund product expansions that will "spearhead its entrance into the export market for the first time in 2018, focusing on European and Middle Eastern markets" - Mark

Gibbons of GCBF reported: “They came to us with a strong plan for growth, anchored to an ambitious brand extension, which we were very happy to support with funding from NPIF” (qtd. in BBB, 2018b). In these press releases, there is little to no mention of how the NPIF investments will serve the needs of local communities; rather, the emphasis is placed on the businesses’ growth ambitions, particularly in reference to expanding overseas trade.

From this analysis of the narratives being told about the NPIF Microfinance Fund, it appears that this initiative is being promoted as part of a broad-based growth strategy for the UK economy as a whole. Financial inclusion is still part of the narrative, insofar as NPIF Microfinance Fund recipients must be able to demonstrate that they have been unable to obtain all or part of their financing from other lenders. But does this requirement indicate an earnest attempt by the government and RFPs to promote the wider inclusion of disadvantaged SMEs in society, or is it merely a superficial ‘checkbox’ requirement inherited from former financial inclusion policies? In the next section, I evaluate available data on the kinds of NPIF Microfinance loans being made; their locations; and the outcomes being tracked. Through this analysis, it appears that whereas RFPs like GCBF and MSIF formerly placed greater emphasis on serving areas of socio-geographic exclusion, through more recent programs like the NPIF Microfinance Fund they have become less concerned with serving disadvantaged groups or areas and more ‘footloose’ with their lending geographies.

4.4.4 NPIF Numbers

Compared to the Detroit analysis, this section is relatively condensed due to challenges I encountered in obtaining sufficient data on the lending activities of NPIF to date. Data on the numbers and locations of loans made by RFPs like GCBF and MSIF is not as readily available in the UK as with CDFIs in the US and was difficult to obtain from the RFPs themselves and from industry representatives at RF. This is in part due to the fact that the RFP industry is less mature in the UK, and RFPs are not required to share their lending information publicly. Data on the NPIF Microfinance loans was also particularly difficult to obtain considering that the initiative was only recently launched in 2017.

However, from the quantitative and qualitative data available, it appears that these agencies are serving an inclusive growth agenda to an even greater extent than their US counterparts, insofar as their loans are being specifically targeted at SMEs with growth potential with little to no focus being paid to the interests of lower-income residents, businesses, or communities. This represents a change from as recently as a few years ago, when RF published a map showing where RFPs had made loans to SMEs in Greater Manchester compared to banks (see Fig. 26) and neighborhood deprivation levels (see Fig. 27), indicating some degree of RFP loan concentration in deprived neighborhoods.[27]

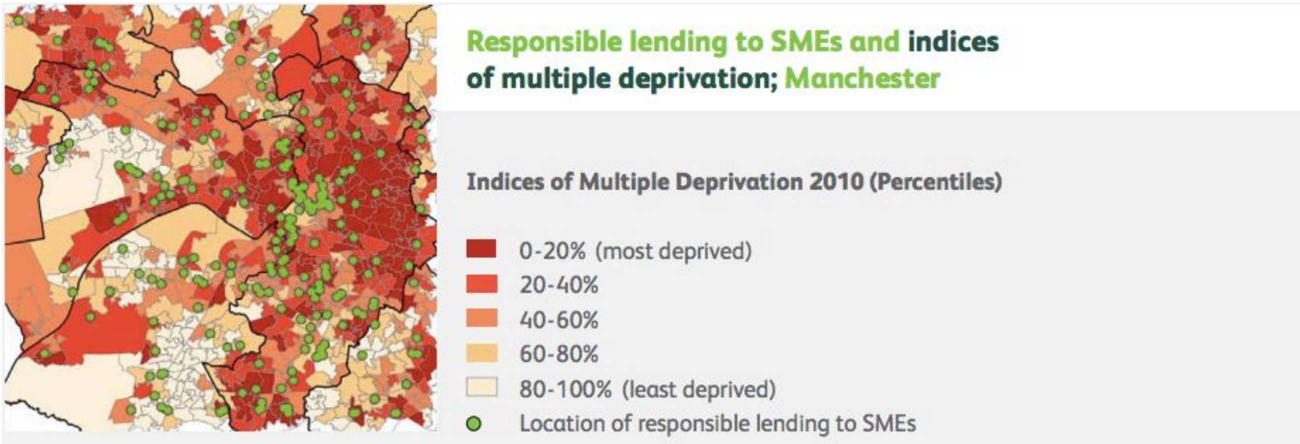
Figure 26. Locations of RFP loans to SMEs in Greater Manchester compared to bank lending, 2015

(Image source: RF, 2015, p. 12)

[27] As the report stated: "In 2015, responsible finance providers lent £5.5 million to over 900 businesses who could not secure finance elsewhere, and £8.7 million to over 19,000 people who may have otherwise sought out high cost alternatives. As the maps in this section demonstrate, these customers were located in more deprived postcode areas and where levels of bank lending were lower." (RF, 2015, p. 12). However, this appears to be a cursory analysis provided by RF - as there seems to be plenty of RFP investments in other parts of Greater Manchester - but I could find no way to confirm a statistical correlation between RFP lending and neighborhood deprivation rates based on available data. The source data for these maps was not provided, and RF has not provided any more lending maps of this kind since 2015.

Figure 27. Locations of RFP loans to SMEs in Manchester overlaid with neighborhood deprivation levels, 2015

(Image source: ibid, p. 13)

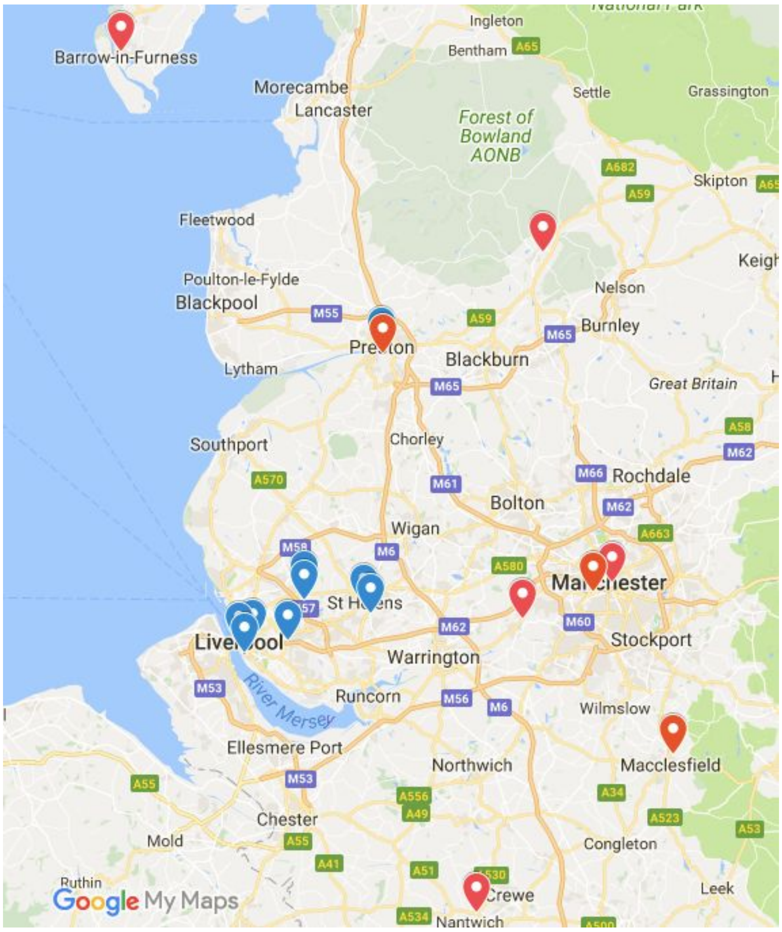


Although the NPIF Microfinance loans are not being mapped by the RFPs interviewed, through the press releases on some of the NPIF Microfinance loan recipients made available online a sampling of 17 businesses recently financed by MSIF and GCFB was mapped according to the firms' headquarters and is shown on the next page in Fig. 28. As this map shows, most of the MSIF loan recipients are concentrated in and around Liverpool, with three in the city center; five in outlying districts; and one in Preston. Meanwhile, of the GCBF loan recipients mapped, two are in Manchester, one is just outside of the city-region, and the remaining five are much further out. Compared to the loan recipients represented in the 2015 lending map of Greater Manchester (Fig. 26), the NPIF loan recipients are more geographically spread out and tend to be located further away from the city centers. RFP representatives explained that this is partly because the NPIF Microfinance loans cannot be used to support retail businesses (which are often located in city centers), and because the types of businesses they are targeting through NPIF tend to be either startups that can't yet afford downtown office space or trading and manufacturing companies that are often located in industrial parks: "Typically, we're looking for businesses that trade with other businesses. So oftentimes where you find trading businesses if you like to be based in industrial parks so that tends to be outside of the immediate city center which more like tends to be retail and/or professional services that don't need space to operate. So manufacturing for example would be too expensive to be in the City so they tend to be on the outlying areas within Greater Manchester." (Interview 3)

Figure 28. Map of recent NPIF Microfinance loan recipients

(Generated by the Author via Google Maps from NPIF press releases[28])

**Note: MSIF loan recipients are colored in blue and GCBF loan recipients in red*



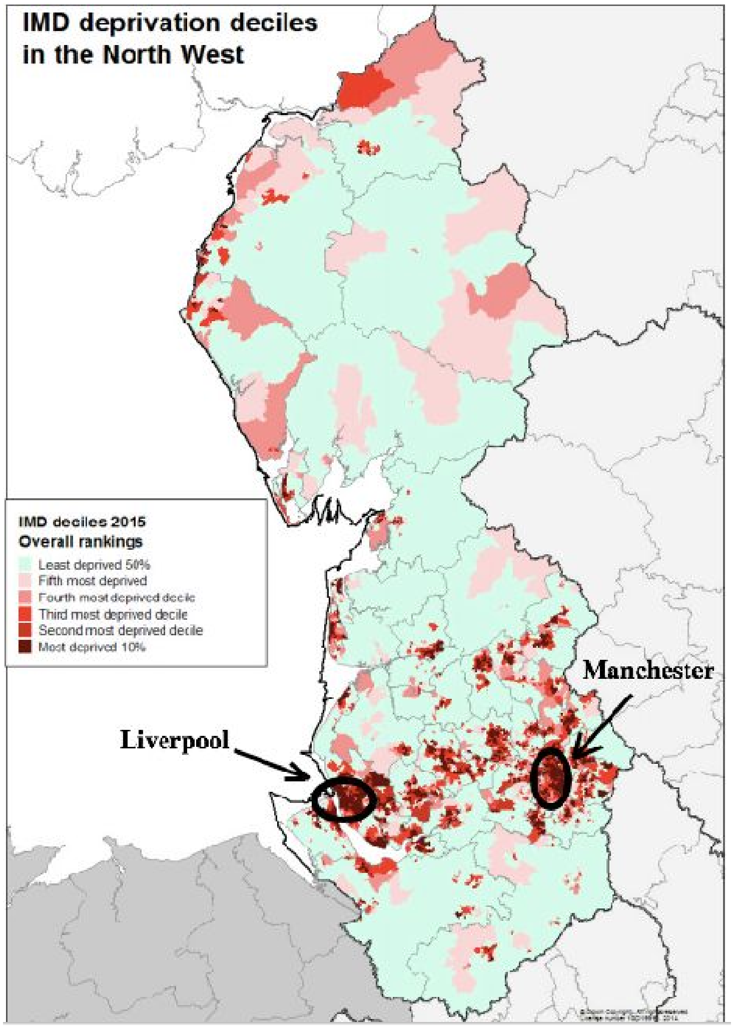
Considering that the Northern Powerhouse is intended to address regional imbalances in SME finance, the NPIF lending geography reflects the fact RFPs are making a more concerted effort to serve further-out areas of the North West of England than they have traditionally served. This has been challenging due to MSIF's and GCBF's limited staff capacity and fewer contacts in areas beyond the Liverpool and Greater Manchester city-regions. In areas like the Lake District, there is the added challenge of finding eligible businesses that fit the NPIF profile, since most of the businesses there are centered around hospitality and tourism rather than export or trade. As RFP staff explained: "We could find low-hanging fruit if you like in Greater Manchester but if you're looking to go further afield, in Cumbria for example, that can be a challenging geography...because of the nature of the area" (Interview 3).

[28] Press releases available at https://www.npif.co.uk/tag/npif-bfs-msif-microfinance/

However, if the goal of the NPIF were to benefit deprived areas, it's the cities themselves that should theoretically be receiving the bulk of the investments. As indicated by an analysis of credit supply and deprivation rates in the North West of England, the inner cities of Manchester and Liverpool have greater need for financing and community development than outlying districts. Not only do Liverpool and Manchester have the greatest concentration of deprived neighborhoods in the North West (see Fig. 29), but they have also seen the sharpest decline in SME lending in recent years, with loans outstanding from high street banks dropping by 15.2% from 2013 to 2016 in the NW as a whole, compared to 22.8% in Liverpool and 25.2% in Manchester[29] (British Bankers' Association, 2017).

Figure 29. Deprivation rates for neighborhoods in the North West of England

(Adapted from New Economy, 2015, p. 4)



[29] This includes loans outstanding from Barclays, Lloyds Banking Group, HSBC, RBS Group, Santander UK and Clydesdale & Yorkshire Banks, which collectively account for approximately 60% of bank lending to SMEs in the UK (British Bankers' Association, 2017).

Rather than focusing on SMEs in deprived areas, businesses financed to date through the NPIF include a variety of firms in the professional services, mobile technology, medical technology, manufacturing, trade, and design industries. The majority of the businesses have been startups, although some of the NPIF loan recipients are more established businesses that have worked with MSIF and/or GCBF in the past. Loans have been made for a variety of growth-oriented purposes including business and facility expansion; entrance into new markets (notably to new international export markets); staff expansion; technology and software upgrades; working capital; new product launches; etc. As previously noted, the NPIF funds must be used for growth cases, so the businesses served can't typically show any signs of previous financial distress or credit risk. As GCBF staff explained, this means that they are having to avoid "distressed turnaround" businesses - i.e. firms with a history of loss making or other signs of financial distress, but in which there is a strong case to support them until they turn around (Interview 3). Distressed turnaround firms were previously served by RFPs through nationally-funded initiatives like the Phoenix Fund,[30] but there's not a huge amount of government support for distressed turnaround businesses anymore. In turn, RFPs like GCBF have been serving fewer and fewer of these kinds of business in recent years (ibid). Nowadays, the kinds of businesses that RFPs are being encouraged to serve by the UK central government are ones that can contribute to economic growth and productivity through increased businesses turnover, employment, and profitability - all of which are key outcomes that the BBB plans on tracking among firms financed through the NPIF (BBB, 2016, p. 15).

This just goes to further demonstrate the extent to which the UK central government is able to impact the mission impact of RFPs through the kinds of funding they make available to them. In recent years, as the UK central government has moved away from traditional financial inclusion policies towards an inclusive growth mindset, RFPs like MSIF and GCBF have seen reduced funding for distressed turnaround businesses and increased funding for more profitable, higher-end businesses through initiatives like the NPIF. This is reflected in both the narrative and numbers surrounding the NPIF Microfinance Fund, which appears to be targeting growth-oriented SMEs for the sake of boosting national productivity rather than

[30] The Phoenix Fund was a national fund worth £100M when it was launched in 2000, and which ran until 2008. It was the first national fund to support CDFIs in the UK and was inspired by New Labour's policies to combat the financial exclusion of smaller businesses (Affleck, 2011).

serving the particular needs of disadvantaged SMEs or communities. From this analysis, it thus seems that RFPs have suffered “mission drift” due to their reliance on central government policies and funding to such an extent that they no longer serve as desirable candidates to expand capital to socially excluded or otherwise marginalized SMEs. Rather, in a post-financial crisis milieux, these organizations appear to be serving as exactly the kinds of agents of a more market-oriented, neoliberal government agenda that Mellor and Affleck (2006) feared they would become.

CONCLUSIONS AND IMPLICATIONS

As one RFP interviewee said of US and UK community development finance agencies: "Ultimately the actual *modus operandi*, if you like, for those kinds of organizations should be the same, because it's reaching out to communities and developing businesses that ultimately support people" (Interview 2). As this thesis has shown, however, there are many important distinctions between the US's CDFI sector and the UK's RFP sector, and many reasons to doubt whether they are operating under the same agendas.

By examining the plurality of factors at the organizational, local, national, and supranational scales which impact the specific contexts and institutional logics facing these nonprofits, this thesis has attempted to show the extent to which CDFIs and RFPs are acting in systemic or antisystemic ways, and the degree to which they are subject to mission drift based on their embeddedness in various urban regimes. To the extent that they can be considered 'alternative' financial institutions, CDFIs and RFPs are indeed serving customers that have been unable to access all or part of their financing from mainstream banks, but how far they go beyond this is a different matter for each organization.

Whereas in the UK RFPs seem to be merely filling market gaps and appear to have adopted more of a market-oriented growth mentality, in the US there is still an emphasis among CDFIs of serving lower-income and deprived groups. But even in the US - where policies like the CRA reinforce the idea that financial exclusion is a matter of social justice - CDFIs are subject to mission drift based on their embeddedness in different urban regimes. Through their reliance on external stakeholders via funding, governance, and other power dynamics, CDFIs and RFPs risk paying lip service to the entrepreneurial objectives of public authorities and private sector partners as they seek to generate broad-based economic growth in their respective cities and city-regions. This was demonstrated in the cases of Detroit - where CDFIs are pursuing the Mayor's "One Detroit. For all of Us" Inclusive Growth strategy through the SNF - and in Manchester & Liverpool, where RFPs are implementing the nationally-funded NPIF in partnership with Local Enterprise Partnerships and other public and private stakeholders, all of whom are hoping to see tangible economic benefits for their own city-regions.

In cities where CDFIs and RFPs are working to revitalize low- and moderate- income neighborhoods, even the best-intended inclusive growth strategies are at risk of exacerbating existing socio-spatial inequalities. Unless local stakeholders are successful in preserving affordable housing while investing in these neighborhoods, their dreams of 'revitalization' could merely lead to market rate increases and residential displacement in the very places they're trying to help. At a time when mainstream finance has become more highly regulated (at least, onshore), these kinds of multi-sector development efforts could in turn be serving as a sort of 'rent gap-closing 2.0' - i.e. a form of revitalization that "looks more like a new process of gentrification than a process of community-controlled redevelopment" (Newman & Ashton, 2004, p. 1151). For this reason, critical urbanists would do well to keep an eye on revitalization programs garbed in the terms of inclusive growth and study these projects' long-term impacts on local housing markets, social cohesion, and commercial activity. For example, tracking the longitudinal effects of projects like the Detroit SNF could help clarify whether equity goals are actually met in a lasting way.

Ultimately, this thesis suggests that in both the US and the UK, CDFIs and RFPs which have adopted a more market-oriented mentality are at risk of pursuing economic growth paradigms that might ultimately prove not so inclusive after all. As Rip Rapson, President of the Detroit-focused Kresge Foundation, recognizes: "How to crack the code of realizing economic growth that benefits the many, rather than the few, is something that has eluded every major metropolitan area in America" (Rapson, 2018) - and yet, this is exactly what inclusive growth advocates in cities like Detroit, Manchester, and Liverpool are trying to do. While the extent to which they will be successful remains to be seen, this thesis has demonstrated that there are many reasons to doubt whether inclusive growth will truly benefit deprived groups, or whether it is merely being used as a shiny slogan to mask development-as-usual in new narrative terms.

For those who would look to CDFIs and RFPs as agents of progressive urban change, this thesis cautions that these organizations are subject to mission drift in such a way that their lending activities might even be contributing to social inequalities and processes of "urban splintering" described by the likes of Graham & Marvin (2002). In the case of Detroit, for instance, the CDFIs studied are at risk of creating “islands of renewal in seas of decay” - to borrow a phrase from Berry (1985) - while in Manchester and Liverpool the RFPs under study appear to be avoiding the very kinds of deprived neighborhoods that need their investments most.

Nonetheless, we should not altogether dismiss these agencies just yet. Although we might ask the same kinds of questions about CDFIs that Leyshon & Thrift posed in 1996 - *Are they radical enough? Durable enough? Are they really alternative, or just operating within the mainstream?* - these agencies still offer up the same kinds of possibilities that Leyshon & Thrift identified: namely, these organizations can - in the best of scenarios - challenge the paradigm of profit maximization that rules the current financial system and act in a more bottom-up way to meet the credit needs of local communities. Thanks to CDFIs’ and RFPs’ hands-on approach to working with their loan clients - as opposed to the de-personalized approach that has become *en vogue* among MFIs in recent decades - these agencies seem better equipped to offer the kind of client-centric approach that Bank (2013) suggests is necessary to meet the financing needs of lower-income groups. In order to truly make inclusive growth a positive reality, though, it will take a complete reform of the current financial system. As Bank argues:

> “Evidence suggests that the financial sector, if left alone to the free market, not only may leave large sections of society out of financial services but also may heighten inequality by adversely affecting the quality of economic growth. Thus, there is a need for steering its development pathway through a financial sector development strategy to optimally contribute to inclusive growth. To realize the objective of financial inclusion, financial services for poor and low-income people should be viewed as a vital and integral component of the financial sector.” (p. 22)

CDFIs and RFPs alone cannot meet the task of ensuring financial inclusion for lower-income and deprived groups in urban communities. Rather, it will take a wholescale system change towards the way we think about finance and its role in society. This is a daunting task but one we cannot afford to ignore as the global financial system continues to become increasingly complex, leaving cities across the world vulnerable to system-wide shocks like we saw in the wake of the 2007 financial crisis.

ABBREVIATIONS

ACI	-	Actor-Centered Institutionalism
BBB	-	British Business Bank
CDFI	-	Community Development Financial Institution
CDLF	-	Community Development Loan Fund
CRA	-	Community Reinvestment Act (US legislation)
DDF	-	Detroit Development Fund (CDFI)
DEGC	-	Detroit Economic Growth Corporation
EOC	-	Entrepreneurs of Color (DDF Fund)
ERDF	-	European Regional Development Funds
GCBF	-	Growth Company Business Finance (RFP)
GMCA	-	Greater Manchester Combined Authority
IDF	-	Invest Detroit Foundation (CDFI)
ILA	-	Institutional Logics Approach
JPMC	-	JPMorgan Chase Bank & Co.
LEP	-	Local Enterprise Partnership (in the UK)
LMI	-	Low- or Moderate-Income (US terminology)
MFI	-	Mainstream Financial Institution
MSIF	-	Merseyside Special Investment Fund (RFP)
NPIF	-	Northern Powerhouse Investment Fund (UK)
OFN	-	Opportunity Finance Network (US CDFI trade group)
RF	-	Responsible Finance (UK RFP trade group)
RFP	-	Responsible Finance Providers (UK version of CDFIs)
SME	-	Small- and Medium-Sized Enterprises
SNF	-	Strategic Neighborhood Fund (Detroit)

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APPENDIX A: Timeline of Relevant Community Development Policies and Events in the US and UK

(Sources: Opportunity Finance Network; Responsible Finance; Immergluck, 2004; Dayson, 2011 & Affleck 2011)

US	UK
1964: Economic Opportunity Act enacted as part of Lyndon B. Johnson's "War on Poverty" to expand opportunities for impoverished citizens to raise themselves out of poverty.	
1968: Fair Housing Act passed to help combat redlining and other discriminatory housing practices	
1973: First CDFI established in the US	**1973:** First CDFI established in the UK
1974: Equal Credit Opportunity Act makes it illegal to discriminate against credit applicants on the basis of race, color, religion, national origin, sex, marital status, or age	
1975: Passage of The Home Mortgage Disclosure Act to promote residential lending transparency	
1977: Community Reinvestment Act ratified; encourages bank investments in low-income communities	**1979-1990**: Right-wing neoliberal policies enacted under the rule of Margaret Thatcher as Prime Minister of the UK
1981-1989: Shrinking federal support for CDFIs under the Conservative administration of President Ronald Reagan	**1981 - 2009:** UK Small Firms Loan Guarantee program covers up to 75% of default loss for banks lending to small businesses

1980s & 1990s:
Grameen Bank popularizes a new wave of microfinance across the world. Increased interest globally in the concept of social investment. Growing number of CDFIs in the US and UK. Rationalisation in the US and UK mainstream banking sectors as banks merge and withdraw from poorer areas.

Late 1990s/early 2000s: Growing policy interest in "inclusive" and "pro-poor" economic growth models.

US	UK
1993-5: CDFI Fund launched under President Bill Clinton. Riegle Community Development and Regulatory Improvement Act helps establish CDFIs. Overhaul of CRA to make it easier for banks to invest in and lend to CDFIs.	**1991 - 1996:** Small business lending from high street banks drops from £46.7B to £34.1B
1996: First CDFI Funds awarded	**Late 1990s- 2000s:** Growing interest in CDFIs under the the New Labour administration. Promotion of UK CDFIs by the New Economics Foundation and Joseph Rowntree Foundation as vehicles to tackle financial exclusion. Multiple reports citing policy recommendations borrowed from the US's CDFI industry.
	1998: The Prime Minister's Office establishes

2000: New Markets Tax Credit (NMTC) legislation signed by President Clinton to promote investments in low-income communities

2005: CDFI trade group rebrands as "Opportunity Finance Network" (OFN)

Policy Action Teams that report on financial exclusion among various small businesses and deprived communities.

2000: New Labour's Social Investment Taskforce makes recommendations to strengthen the UK's CDFI sector and bring employment to disadvantaged areas through enterprise and entrepreneurship

2000-2008: Launch of £189M Phoenix Fund, the first national fund supporting CDFIs in the UK, modelled in part after the US's 1994 Community Development Banking and Financial Institutions Act

2002: Launch of the Community Development Finance Association (CDFA) trade group for CDFIs in the UK. Establishment of the Community Investment Tax Relief to encourage private investments in deprived communities via CDFIs and help CDFIs become more self-sustaining.

2004: HM Treasury report on *Promoting Financial Inclusion* in disadvantaged areas. First publication of *The English Indices of Deprivation* which ranks UK neighborhoods on various socio-economic deprivation levels.

2006: Launch of the World Bank's Commission on Growth and Development to study inclusive growth in developing countries

2007/2008: Global Financial Crisis

2010: Launch of the G-20's Global Partnership for Financial Inclusion (GPFI)

2010: the European Commission proposes its Europe 2020 strategy which aims at "smart, sustainable, inclusive growth"

2012: Launch of the OECD's Inclusive Growth Initiative

2016: Launch of the OECD's Inclusive Growth in Cities Campaign

2008: Capital Magnet Fund created to finance affordable housing and community revitalization efforts in low-income communities. Federal Home Loan Bank membership opened to CDFIs.

2009: President Obama's Recovery Fund appropriates additional funds to the CDFI Fund and NMTC Programs.

2010: Small Business Jobs Act created to support small businesses. CDFI Bond Guarantee Program established to provide long-term capital to CDFIs.

2011: The Small Business Administration's

2009: Establishment of the Enterprise Finance Guarantee to expand the availability of government-guaranteed loans for SMEs.

2010: CDFI lending hits £200M in the UK

Community Advantage program's 7(a) small business lending guarantee program is opened up to non-depository CDFIs.	**2012:** Closure of Regional Development Agencies, a major source of funding for CDFIs; Launch of the £60M Regional Growth Fund program for CDFIs and the government-backed Start Up Loans Company. **2013:** Creation of the government-owned British Business Bank to expand capital for UK SMEs. Establishment of the Social Investment Tax Relief to provide tax relief to individuals making investment in social enterprises that have been unable to gain access to financing. **2014:** Beginning of English devolution deals, which devolve greater statutory powers to local authorities. Proposal of the Northern Powerhouse as a vision to rebalance the British economy. **2015:** The UK's Financial Conduct Authority cracks down on payday lenders and introduces a cap on the cost of credit. The CDFA relaunches as "Responsible Finance."
2016: "Inclusive growth" gains traction as a policy buzzword in the US **2017-2018:** Congress overrides President Trump's budget proposal to eliminate CDFI Program Assistance and Capital Magnet funding	**2016:** The UK votes to leave the EU. Launch of the RSA (Royal Society for the encouragement of Arts, Manufactures and Commerce)'s Inclusive Growth Commission to identify policy recommendations for inclusive growth in the UK.

APPENDIX B: Organizational Profiles and Finances

a) Organizational Descriptions

Invest Detroit. With a staff of 27 and over $230M in capital and tax credit allocations under management, the Invest Detroit Foundation (IDF) is the lead CDFI of the Detroit SNF. Originally established in 1995 by members of the Detroit Renaissance (now known as Business Leaders for Michigan) and certified as a CDFI in 2011, IDF's mission is to serve as a "catalyst for economic growth" in Greater Downtown Detroit and the surrounding region by financing and supporting "business development, commercial real estate, entrepreneurs, and high-tech companies" (IDF, 2018a). IDF manages a number of restricted loan funds[31] and offers a range of financing products including loans for business expansion, real estate development, and neighborhood retail. IDF also has a venture capital fund, *ID Ventures*, that partners with institutional, angel, and venture investors to provide loans of up to $250k for new tech and high-growth companies, as part of its "strong commitment to growing a robust tech community in Detroit and throughout Michigan" (IDF, 2015, p. 9)

Detroit Development Fund. With a staff of 10 and $21M in total assets, The Detroit Development Fund (DDF) is a 501(c)(3) CDFI that was initially established in 1998 by the Detroit Renaissance and Detroit Investment Fund to help revitalize distressed neighborhoods in East Detroit. The organization now operates citywide, providing loans of $50k to $150k to small businesses based in the City of Detroit that "have demonstrated growth potential; and have the ability to continue to grow and retain or add new jobs" (DDF, 2018c). It also provides predevelopment and preconstruction loans of $50k to $200k for affordable housing, multi-family rehab, and other commercial projects targeting lower-income neighborhoods and LMI residents. Its mission is "to improve the quality of life in underserved Detroit neighborhoods and for Detroit residents" (DDF, 2018a).

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[31] These include the *Urban Retail Fund*, which provides loans of $50k - $500k for neighborhood-based retail, service, and storefront businesses; the *Core City Strategic Fund*, which provides loans of $5k-$2.5M for commercial real estate projects in downtown Detroit, in alignment with transit-oriented development strategies; the *Chase IDF Fund*, which co-invests with JPMC for $500k - $2.5M loans for commercial and real estate businesses; and the *IDF Small Business Fund*, which provides loans of $50k - $750k loans in SE Michigan supported by investments from Goldman Sachs and the W.K. Kellogg Foundation.

Opportunity Resource Fund. With 15 staff and $19M in total assets, Opportunity Resource Fund (OppFund) is a state-wide CDFI that operates across Michigan to provide loans for affordable housing and mixed-use development, small businesses, and individual mortgages, targeting neighborhoods and end customers earning 30% to 80% of Area Median Income (AMI). The organization was borne out of the Michigan Housing Trust Fund in 1984, which merged with the McGehee Interfaith Loan Fund in 2004 to become the Michigan Interfaith Trust Fund. Rebranded as Opportunity Resource Fund in 2010, its mission is to "[provide] loans to create equitable, economic and sustainable opportunities throughout Michigan - one person, one job, one home at a time" (OppFund, 2018b). OppFund started lending in Detroit in 2011 and has focused most of its lending within the City limits on providing mortgages to LMI single-family homebuyers as well as home improvement loans of $5,000 to $25,000 through the City of Detroit's 0% interest Home Repair Loans program (Interview 6).[32]

GC Business Finance (GCBF). Established in 2002, The Enterprise Fund Limited (TEFL) - doing business as GCBF - is an RFP that serves as the lending arm of The Growth Company, a Manchester-based "not-for-profit, commercially driven organisation dedicated to economic development, inward investment, skills, employment and enterprise" that has a number of subsidiary organizations that work together to drive economic growth, provide business support and skills training, and attract large businesses within and beyond Greater Manchester (The Growth Company, 2018; Interview 3).[33] With over £74M in capital under management, GCBF "provides alternative business finance options for growing businesses that have been unable to obtain funding through a mainstream lender" (GCBF, 2018a). GCBF has loaned over £91m to 10,000+ businesses since inception and offers a wide range of loan products for businesses in Greater Manchester and across the NW of England, including unsecured personal loans of £500 to £200k to start-ups and aspiring

[32] This program serves low-income homeowners and/or homeowners located in designated neighborhoods where the majority of residents are LMI earners. With funding from HUD, Bank of America, and the Local Initiative Support Corporation (LISC), the Detroit 0% Home Repair Loan Program "is designed to help homeowners address health and safety issues, fix their homes, and eliminate blight" (City of Detroit Planning & Development Department, 2014)

[33] Established in Manchester in 1989 and governed by the GMCA, Greater Manchester LEP, and members of the private sector, The Growth Company operated as the "Manchester Growth Company" until recently, when it expanded its ambitions nationwide. The Growth Company continues to concentrate the majority of its work in Greater Manchester and the NW of England, however, as an umbrella organization for several Manchester-based organizations including GCBF, Marketing Manchester, the GC Business Growth Hub, and the Manchester Investment and Development Agency Service (MIDAS) (Interview 3).

entrepreneurs; business loans of £3k to £100k; and export finance loans of £3k to £150k for SMEs “looking to start or expand overseas trade activities” (GCBF, 2018c).

Merseyside Special Investment Fund (MSIF). MSIF is an RFP incorporated in 1994 by the Bank of England, Liverpool Chamber of Commerce and local businesses authorities. Since 1994, MSIF has invested £163.2M in over 2000 SMEs, creating or safeguarding around 15,000 jobs and attracting almost £300M in private sector funding through its investments. MSIF’s primary business, according to its most recent Chairman’s Statement, “remains lending and investing to SMEs in the Liverpool City Region where there is market failure, whilst at the same time maintaining its own sustainable fund available to SMEs across the North West” (MSIF, 2017 Annual Report and Financial Statement, p. 2). The organization prides itself on being independently run and managed, allowing it to be “extremely flexible in the way it invests” (MSIF, 2017 Annual Report and Financial Statement, p. 1). Over the years, MSIF has benefited from many of the same public programs for funding as GCBF such as Regional Growth Funds, the Start Up Loans Company, and the 2014-2016 NW Micro Loan Fund, but it has been more successful than GCBF in terms of establishing a £25M legacy fund in 2010 that allows MSIF to provide funds of ₤50k to ₤2M+ through loans and equity investments to established businesses in the region without government restrictions. Through its legacy fund MSIF provides development funding for businesses expansion from £3k to in excess of £500k, and up to £2M in debt, equity, or mezzanine finance for Management Buy Out or Buy Ins.[34]

b) Financial Comparisons

Of the five organizations, IDF is by far the strongest financially, with $73,292,994 in total assets and $9.9M in profits in FY 2016 (see Fig. B1). DDF and OppFund are comparably sized, with total assets of $11.2M and $12.5M, respectively. Although GCBF and MSIF both have relatively high total assets (approximately $107M and $56M, respectively), the majority of their assets are liabilities, i.e. owed to their debtors - in particular, to sources of public funding which are tied to specific programs (like the NPIF) and are time-limited.

[34] With Management Buy Outs/Ins, MSIF will invest upfront for a share in a businesses which is usually sold after 3-5 years. Mezzanine financing refers to a loan with a premium attached (usually a lump sum upon final payment) that serves as a bridge between traditional bank lending and equity finance, and which helps businesses that don’t have enough security to get a large enough loan from banks but are looking to expand.

Figure B1. Organizational financial profiles, 2016

(Data sources: IDF 2016a; IRS 2017a; IRS 2017b; TEFL 2017 & MSIF 2016)

2016	IDF	DDF	OppFund	GCBF	MSIF
Total Revenue	$22,041,582	$5,449,503	$5,518,333	£2,304,130 $3,312,647[35]	£5,785,375 $8,317,633
Profit	$9,879,854	$1,631,220	$3,950,105	£108,984 $156,686	£4,598,003 $6,610,549
Net Assets	$57,607,861	$10,149,553	$6,842,987	£6,534,495 $9,394,643	£8,839,402 $12,708,408
Liabilities	$15,685,133	$11,230,559	$12,548,415	£68,022,433 $97,795,852	£30,392,704 $43,695,591
Total Assets	$73,292,994	$21,380,112	$19,391,402	£74,556,928 $107,190,495	£39,232,106 $56,403,999
Net Asset Ratio	79%	47%	35%	9%	23%

In terms of profitability, from FY 2013 to FY 2016 most of the organizations experienced successive years of net profit, with certain exceptions (see Fig. B2). Fluctuations in profitability are very common among nonprofits, especially ones that depend on grants which are often received sporadically/in bulk payments, making some years much more successful on paper than others. Notably, as depicted in Figures B1 and B3, the US CDFIs have higher net asset ratios[36] than their UK counterparts, who rely on public debt to support the majority of their lending activity. This suggests that the CDFIs have greater ownership over their finances and, quite possibly in consequence, greater control over their financial decision-making. As discussed by Smith, Newon, Zielenbach & Duda (2008) higher net assets "give [CDFIs] more flexibility to make higher-risk loans and devote resources to more-involved small business development activities" (p. 6), whereas organizations with lower net assets have less room to take financial risks, are more reliant on debt funding, and are more subject to the funding constraints and mandates of their debtors.

[35] Pounds converted to US dollars at a conversion rate of 1.4377 as of March 31, 2016.
[36] The net asset ratio measures how much of its total assets an organization actually owns (as opposed to how much of its assets are liabilities) and is calculated as net assets divided by total assets.

Figure B2. Change in Net Assets by Organization, 2013 - 2016 ($ millions)

(Data sources: Organizational Audited Financials and Form 990s. Author's visualization.)

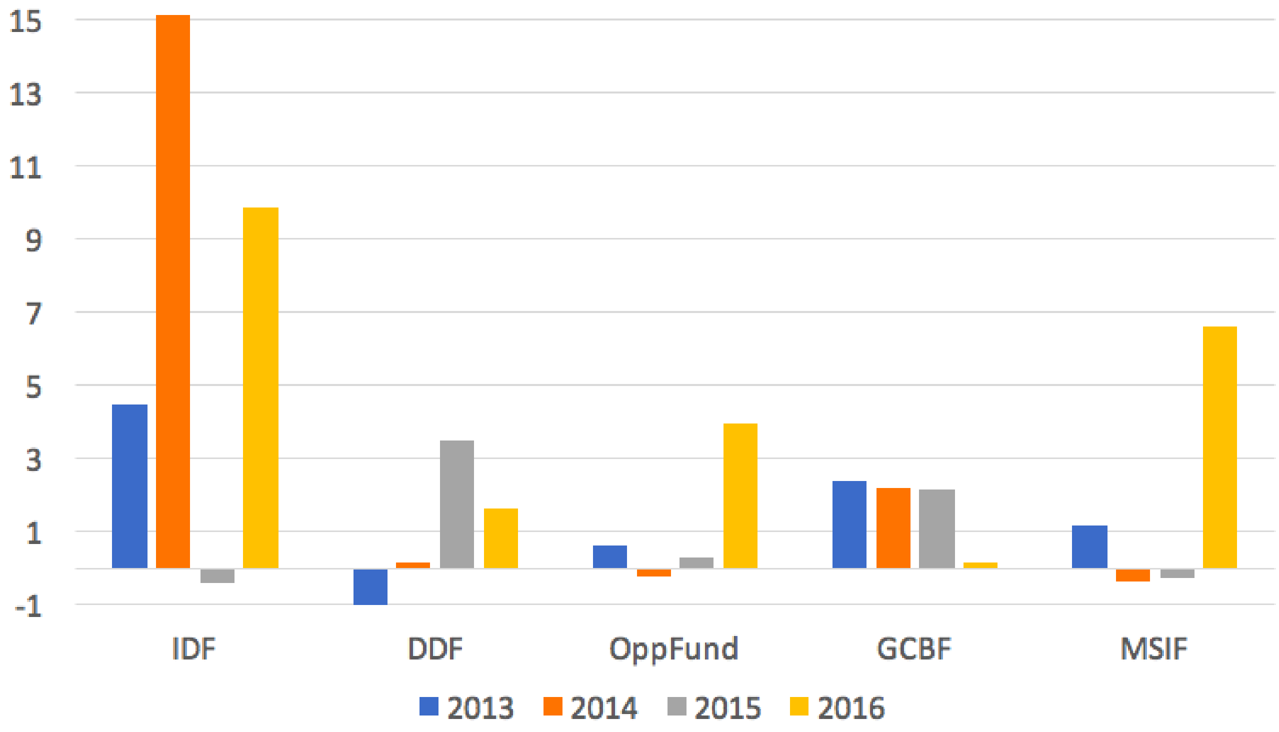
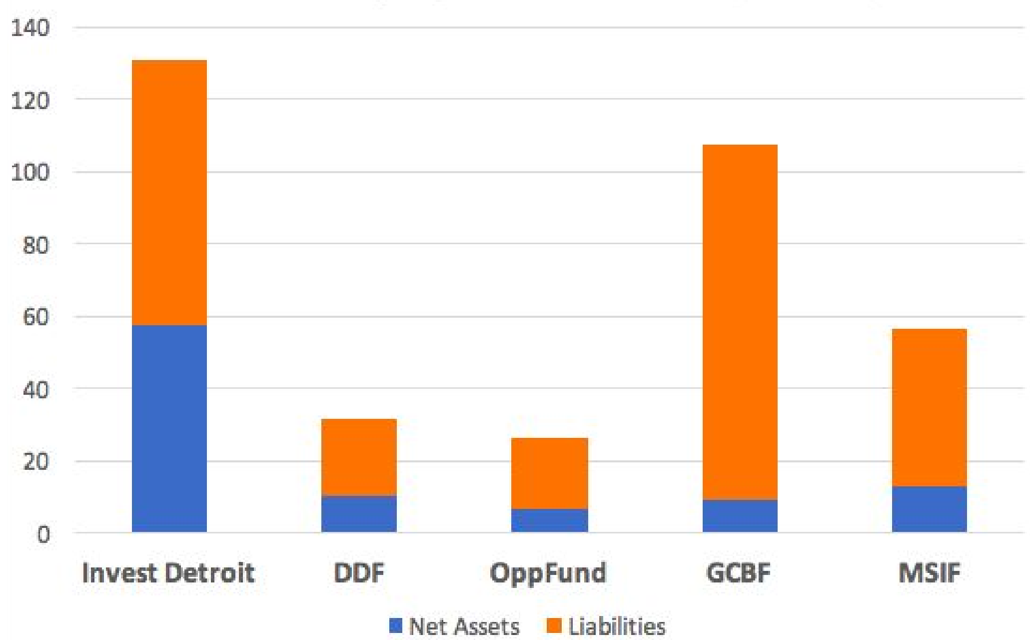


Figure B3. Total Assets by Organization, 2016 ($ millions)

(Data sources: IDF 2016a; IRS 2017a; IRS 2017b; TEFL 2017; & MSIF 2016. Author's visualization.)



APPENDIX C: Case Study Timelines in Detroit and Manchester/Liverpool

Detroit	Manchester/Liverpool
1984: Predecessor to Opportunity Resource Fund established **1995:** Predecessor to IDF established **1998:** Detroit Development Fund established	**1994:** Establishment of MSIF **1998**: Establishment of the Manchester Growth Company **2002:** Establishment of GCBF
2007/2008: Global Financial Crisis	
2011: OppFund starts lending in the city of Detroit. IDF becomes certified as a CDFI.	**2010:** Launch of the Regional Growth Fund **2012:** Launch of the Start Up Loans Company
2013: Detroit files for Chapter 9 bankruptcy. Mike Duggan is elected the first white mayor of Detroit since the early 1970s. Publication of the Detroit Future City Strategic Framework, a 50-year vision for the revitalization of Detroit	**2013:** Creation of the British Business Bank
2014: JPMC Bank announces $150M commitment to the city of Detroit **2015:** Launch of DDF's Entrepreneurs of Color Fund	**2014:** NW Micro Loan Fund established. The Manchester Growth Company launches its Co Angel Investment Service to connect high-growth businesses with business angels.
2016: Launch of the Detroit SNF in three neighborhoods	**2016:** Closure of the North West Micro Loan Fund
2018: Expansion of SNF to seven additional neighborhoods	**2017:** Launch of the NPIF. GCBF and MSIF are selected as Fund Managers for the NPIF Microfinance Fund.

APPENDIX D: Interview Guides

a) CDFIs and RFPs

1. Introduction of the research

Discuss: Interview topics, anonymity and confidentiality, expected duration of interview, permission to record/take notes

2. Background information

Item	Ask for example...
Role in the organization	How long have you been working here? What is your role in the organization? Why did you decide to get involved in this industry/work for this company?

3. Organizational Mission and Background

Item	Ask for example...
Mission	Why and when was the organization originally established? What its mission today? Has its mission changed since its founding? If so, how/why?
Legal composition	How does the organization operate, as a non-profit or for-profit? How did it choose the kind of business charter it wanted? What does this charter allow you to do/not do?
Size & Coverage	How many employees do you have? What are your total assets and portfolio size? How has the organization grown over the years? Where do you operate? Has your service area expanded over the years?
Governance	How is the organization governed? How do the Board of Directors get decided? Do you have any community members from deprived neighborhoods on your Board?
Funding	How is the organization funded? Who are your primary funding partners? How has funding changed over the years? What are your main funding challenges? How financial self-sufficient is the organization?
Partners	Who are your key partners? How closely do you work with local authorities? Banks? Other non-profits?

Customers	Who are your main business customers? What services do you provide them, in addition to financing? How has your clientele changed over the years, i.e. in terms of the size & types of businesses you serve? How do you gain new business customers (marketing, referrals, etc.)?
Opportunities and Threats	What are the greatest opportunities currently facing your organization? What about its greatest threats?

4. Impact of the Financial Crisis

Item	**Ask for example...**
Impact on Clients	How did the financial crisis impact your business clients? How were you able to respond to this impact? Is there a difference in the kinds of businesses you were serving before the crisis and afterwards? What about today?
Impact on Organization	How did the crisis impact your organization's finances and operations? Did it change the way you did business or where you did business? Have you made any changes to your organization's structure or mission as a result of the crisis?

5. Approach to Development Projects

Item	**Ask for example...**
Current Initiatives	What are some of your current development projects? How did these projects get started? What is your organization's role in these projects? Are there any other stakeholders I can contact about these projects? → **Ask specific details about the case study projects:** ● **Northern Powerhouse Initiative:** ○ What do you see as the main goals and benefits of the Northern Powerhouse Initiative? ○ How does this initiative align with your organization's mission and other activities? ○ How and why did your organization get involved with it? ○ How are you working with other RFPs to implement this initiative? With local authorities? With the British Business Bank? With the private sector? ○ What kinds of businesses are you serving through this program? How are you identifying clients?

	○ Are you targeting investments for particular areas or particular kinds of businesses? ○ What is the main criteria in whether or not a business receives a loan through this initiative? ○ How successful have you been in rolling out capital so far? ○ What are some of the key challenges in implementing this initiative? ● **Detroit Strategic Neighborhood Fund:** ○ How did this initiative get started? ○ How did you decide which neighborhoods to focus on? ○ Why did you decide to apply for funding from JPMC? ○ Who else is funding the project? ○ What are the overall goals of the project? ○ How are you working with JPMC, the City of Detroit, other CDFIs and nonprofits to implement this project? ○ What kinds of businesses are you lending to through this project? How have you found your business clients? ○ What are some of the key challenges you've faced in implementing this project?

b) Private Partners

1. Introduction of the research

Discuss: Interview topics, anonymity and confidentiality, expected duration of interview, permission to record/take notes

2. Background information

Item	Ask for example...
Role	How long have you been working here? What is your role in the organization? Why did you decide to get involved in this industry/work for this company?
Company Info	What does your company/bank do? What sets it apart from its competitors? What kinds of activities is it involved with in this city? How does it work with other stakeholders? Who are your key partners?

3. Impact of the Financial Crisis

Item	Ask for example...

Impact on Clients	How did the financial crisis impact your clients? How did your company respond to this impact? Is there a difference in the kinds of clients you were serving before the crisis and afterwards? What about today?
Impact on Company	How did the crisis impact your company's operations? Did it change the way you did business or where you did business?

4. Partnering with CDFIs/RFPs

Item	**Ask for example...**
Relationship with CDFIs/ RFPs	How does your company work with CDFIs/RFPs? What are the main advantages to your company in working with them? What does your company offer RFPs/CDFIs in return? How do your activities complement each other? What do you see as some of the strengths of the CDFI/RFP industry and its weaknesses? How do you envision your company working with these agencies in the future?
Current Initiatives	→ **Ask specific details about the case study projects:** ● **Northern Powerhouse Initiative:** ○ What do you see as the main goals and benefits of the Northern Powerhouse Initiative? ○ How does this initiative align with your company's goals and activities? ○ How and why did your company get involved with it? ○ How are you working with RFPs to implement this initiative? With local authorities? With the British Business Bank? With other members of the public and private sectors? ○ What kinds of clients are you serving through this program? How are you identifying clients? ○ Are you targeting investments for particular areas or particular kinds of clients? ○ What are some of the key challenges in implementing this initiative? ● **Detroit Strategic Neighborhood Fund:** ○ How did your company get involved with this project? ○ How does this initiative align with your company's goals and activities? ○ What is your company's role in the project? ○ How is your company working with the CDFIs to complete the project? Other public and private stakeholders?

	○ What kinds of clients are you serving through this project? How are you identifying clients? ○ Are you targeting investments for particular areas or particular kinds of clients? ○ What are some of the key challenges you've faced in working on this project?

c) Public Partners

1. Introduction of the research

Discuss: Interview topics, anonymity and confidentiality, expected duration of interview, permission to record/take notes

2. Background information

Item	Ask for example...
Role	How long have you been working here? What is your role? Why did you decide to work in the public sector?
Department Info	What does your department/authority do? What kinds of activities is it involved with in this city? How does it work with other stakeholders in the public, private, and third sectors? Who are your key partners?

3. Impact of the Financial Crisis

Item	Ask for example...
Impact on Constituents	How did the financial crisis impact your constituents? How did your department respond to this impact?
Impact on Public Sector	How did the crisis impact your department? Did it change the way you operated? How so?

4. Partnering with CDFIs/RFPs

Item	Ask for example...
Relationship with CDFIs/RFPs	How does your department work with CDFIs/RFPs? What are the main advantages to your department in working with them? What does your department offer RFPs/CDFIs in return? How do your activities complement each other? What do you see as some of the strengths of the CDFI/RFP industry and its weaknesses? How do you envision your department working with these agencies in the future?

Current Initiatives	→ **Ask specific details about the case study projects:** ● **Northern Powerhouse Initiative:** ○ What do you see as the main goals and benefits of the Northern Powerhouse Initiative? ○ How does this initiative align with other public sector goals and initiatives? ○ What is your role in implementing the initiative? ○ How are you working with RFPs to implement this initiative? With the British Business Bank? With other members of the public and private sectors? ○ Are you targeting investments for particular areas or particular demographic groups? ○ What are some of the key challenges in implementing this initiative? ● **Detroit Strategic Neighborhood Fund:** ○ What do you see as the main goals and benefits of the Detroit Strategic Neighborhood Fund? ○ How does this initiative align with other public sector goals and initiatives? ○ What is your role in implementing the initiative? ○ How are you working with the CDFIs to complete this project? Other public and private stakeholders? ○ Are you targeting investments for particular areas or particular demographic groups? ○ What are some of the key challenges in implementing this initiative?

APPENDIX E: Interview Summaries

Interview 1: Executive Staff Member, Invest Detroit
February 20, 2018. Phone. Duration: 45 minutes

This interviewee manages IDF's CDFI/CDE relationships and the its New Markets Tax Credit program and was referred to me by a mutual contact in the US CDFI industry. Although this interviewee did not join IDF until 2009, the interviewee provided a useful history of IDF and the changes it has undergone since the 2007 financial crisis.

Originally, the Detroit Investment Fund (DIF) managed the Lower Woodward Housing Fund, which was capitalized by a number of MFIs. Leading up to the crisis, Detroit was preparing to host the Superbowl, and there was a lot of vacant land near the stadium that was primed for development. Traditional banks were constrained by stringent loan-to-value requirements, so DIF stepped in to manage many of the projects. However, when the real estate market crashed in 2007/2008, many of the projects went uncompleted. DIF worked collaboratively with other investors to convert properties from ownership to rental, acquire senior loans, etc. The organized then formed a foundation and became a CDFI in 2010, which opened up new sources of funding, and was formally transferred the Lower Woodward Housing Fund that same year. As Invest Detroit adapted some of the vacant housing properties to multi-family mixed use, they got into small business lending since people noticed a lack of goods and services in these areas as people were moving in. Invest Detroit worked with CDCs and community organizations like Midtown Detroit and the Detroit Economic Growth Corporation.

Following the financial crisis, Invest Detroit went from being primarily a subordinate/gap/bridge lender for primary lenders, who faced capital constraints regarding their regulatory environments, to becoming a senior lender for larger, longer-term requests for commercial real estate development, as banks pulled back. It also started Invest Detroit Ventures in 2010 at the beckoning of the New Economy Initiative, which focuses on lending in SE Michigan and is not focused on low-income groups in particular.

With regards to the Detroit Strategic Neighborhood Fund, this interviewee reported that Invest Detroit was already working with DDF and OppFund in those neighborhoods, but the grant from JPMC helped pull them together more and enhanced the collaboration.

Interview 2: NPIF Program Manager, MSIF
April 21, 2018. Phone. Duration: 45 minutes.

I approached this interviewee through a cold call to MSIF after identifying their role as one of the main program managers for the NPIF Microfinance Loan Fund. The interviewee described MSIF as an organization that was created to provide an alternative to high street banks and which, throughout its 24-year history, has changed alongside its funding sources. While MSIF started with a mixture of European funds, it has now built up its own legacy funds and can lend more flexibly in terms of sectors, geography, etc. MSIF's ability to be more flexible with its underwriting criteria distinguishes it from main street banks, many of which have restrictive lending policies. Their ability to deliver a very personalized lending package also sets them apart, as well as their ability to work with clients that have credit issues, i.e. stemming from the financial crisis. MSIF has a wide array of partners including local growth hubs and business agency gateways. They run themselves like a small business, with 18 employees who are always very busy. The interviewee explained that there is no real anti-poverty thrust to their work, but that they work with other nonprofits that are more community-focused. When the financial crisis hit, a lot of businesses were just looking to survive; now, all the talk is about growth and expansion, and those are the kinds of clients they are serving.

The interviewee spoke very positively about NPIF, the BBB, and MSIF's working relationship with GCBF. The interviewee explained that MFS and GCBF were selected as Fund Managers due to their track record and ability to cover the whole NW of England. The interviewee discussed that the BBB provides some oversight in terms of compliance and monitoring outcomes, and that there is a lot of trust and communication between MSIF and GCBF in getting the funds out. The interviewee mentioned how the funds cannot be used to support retail, so MSIF has tended to go a little outside of the city of Liverpool with its loans for this program; otherwise, they tend to lend freely on an urban and rural basis.

Interview 3: NPIF Program Manager, GCBF
June 21, 2018. Phone. Duration: 1 hour.

I approached this interviewee through a cold call to GCBF after identifying their role as one of the main program managers for the NPIF Microfinance Loan Fund. The interviewee xplained how GCBF serves as the lending arm for The Growth Company, which is a nonprofit geared towards helping small businesses with either lending or business support, and in trying to match businesses and potential employees with skills to generate jobs and have a positive economic impact. Since the financial crisis, the credit criteria for MFIs has changed so it's harder for them to do unsecured lending to SMEs. Through initiatives like the Start Up Loans Company, GCBF is able to help entrepreneurs access capital needed to grow and scale up.

With the NPIF, the overall £400M in funding includes funds from the BBB, European Investment Bank, and £40M from 10 of the LEPs in the NW, so that there is close alignment between local, national, and supranational economic development objectives. GCBF is generally aligned with the GMCA's overall strategic plans in terms of funding SMEs in the region. GCBF's main targets in any project it works with typically include job creation, boosting GVA, and being able to make a return on investment. There is not an anti-poverty thrust to their work per se, with the exception perhaps of the Start Up Loans Company that aims to help people who may not be working but have a business idea. They also do not do local needs assessments or detailed targeting of investments, other than typically having 60% of their investments within the Greater Manchester region and 40% in other parts of the NW. Like MSIF, they are more flexible with their underwriting approach than MFIs and do not use algorithms to credit assess. Their risk appetite depends on which products they're managing and what default threshold is written into their contracts. Sometimes they partner with banks like NatWest on an informal basis to make referrals or co-lend, and that they ultimately want to help their clients become more bankable.

As most all of GCBF's funding comes from the government, one challenge moving forward is for GCBF to be able source money from elsewhere and develop their own evergreen fund. They are making strides towards this with GC Angels, which is allowing them to generate their own equity to lend back out as venture capital.

Interview 4: Former employee of the Detroit Economic Growth Corporation. June 26, 2018. Phone. Duration: 30 minutes.

This interviewee formerly worked with the Detroit Economic Growth Corporation (DEGC), an independent 501(c)(3) that works closely with the City of Detroit to promote economic development. The interviewee reported that the DEGC works very closely with CDFIs on a daily basis, particularly in recent years as Detroit's CDFI community has become especially robust. Previously, that there was a disproportionate role played by foundations, which recognized the need to grow and support Detroit's CDFI community. The interviewee acknowledged IDF as one of the more significant, if not the most significant, CDFIs operating in Detroit now in terms of promoting economic development.

The interviewee commented that CDFIs' flexibility in how they can invest is the main benefit of working with them. CDFIs can craft specific programs and consider deals that other lenders would not accept. The downside is that CDFIs are "grossly underfunded," which limits their ability to be as transformative as they otherwise could be. In general, though, the interviewee sees CDFIs as doing an excellent job in terms of filling market gaps, particularly in Detroit where commercial and real estate projects have historically been difficult to finance due to the age of the infrastructure and the weak market. In terms of targeting lower-income areas and low-income residents, the interviewee commented: "I don't think they [CDFIs] have always done well, but they've focused on it better in the last four to five years." The interviewee suggested that CDFIs in Detroit have actually become more focused on serving disadvantaged areas due to directives coming from the Mayor as well as national and philanthropic initiatives, i.e. from foundations like Ford, Kresge, and JPMC.

In regards to the Strategic Neighborhood Fund and the Mayor's Inclusive Growth strategy, the interviewee commented: "I think it's the right strategy" but "it's too soon to tell" whether it will be successful. The interviewee acknowledged personal bias in thinking that the SNF community engagement process had not been inclusive enough and that the initiative didn't necessarily serve all neighborhoods equally. "The question is," the interviewee remarked, "who gets the bigger opportunity [in these neighborhoods]." In regards to inclusive growth, the interviewee commented that in a city like Detroit that has a population of over 80% African Americans, inclusive growth would allow African Americans to fully participate in growth and decision making. The interviewee suggested that under the current strategy there has been a bias towards external firms and entrepreneurs, and that "a lot of times the businesses that are in a local market are taken for granted" - which is a disservice to the local economy, since 80% of an economy's growth comes from existing businesses. The interviewee suggested that local restaurant owners and other business owners in Detroit often complain that they aren't getting the same support from City Hall, CDFIs, etc. as newcomers, and aren't offered the same opportunities. In conclusion, the interviewee remarked that under City's current inclusive growth strategy, "I think things will be better, but I don't think things will be better for everybody."

Interview 5: Executive staff member, Inovus Medical.
June 28, 2018. Phone. Duration: 10 minutes.

Inovus Ltd. is a medical device company based in St Helens, UK (between Liverpool and Manchester) that received £80,000 of funding through the NPIF – GCBF & MSIF Microfinance Fund in 2017. This interviewee was referred to me by MSIF, which underwrote the loan to Inovus. The goal of the interview was to learn how Inovus found out about the NPIF and what the process of receiving the funds has been like for their company. THe interviewee reported that they found out about the NPIF Fund through GM's Growth Hub and its Access 2 Finance program, to whom they'd reached out as a relatively young startup looking for capital. They had just financed the purchase of a new manufacturing facility with bank funds but the banks had lost appetite in putting in more capital because Inovus was still such a relatively young company. Inovus had to pay more interest for the NPIF debt funding than they would have for a bank loan, but it was a good option at the time. They used the NPIF funding to launch two new products, and found the process of working with MSIF to be very good. Moving forward they will definitely consider working with MSIF again i.e. for an equity raise because MSIF has its own funds and they have a decent relationship with MSIF now.

Interview 6: Executive staff member, OppFund
June 29, 2018. Phone. Duration: 30 minutes.

I was referred to this interviewee by the respondent from Interview 1 at IDF. The purpose of this interview was to learn more about OppFund and its role in the Detroit Strategic Neighborhood Fund. This interviewee gave some background on the organization and discussed how they work statewide but in the City of Detroit primarily focus on single-family mortgage lending as well as the City of Detroit's 0% Home Improvement loan program. This interviewee described OppFund as a character lender, not a credit score lender, that is also unique for having an offering circular where socially-minded individuals can invest anywhere from $500 to $100,000 into their loan pool for deployment back into the community. OppFund primarily targets individuals and neighborhoods at 50% of area median income (AMI) or below, but they will do some loans that have a mixed income purpose in order to disencourage poverty concentration. Mostly their focus with end clients, though, is to finance clients that can't access traditional funding. With small businesses, they find that some of the main reasons why businesses get denied funding from MFIs is due to lack of collateral; length of time in business; and sometimes their credit score.

With the SNF, OppFund is one of the minor partners and is only providing single-family mortgages, which have been slow to deploy. It has been hard to identify eligible homebuyers particularly in these neighborhoods where a lot of the affordable homes are fixer-uppers. They are also challenged in finding eligible contractors to help do rehab work, since the city lost a lot of qualified contractors following the Great Recession. Also, in one of the three neighborhoods where they are working, housing prices have gone up so much that none of their potential buyers could afford to live there. Otherwise they are very pleased with the partnership and hope to deploy their $1M allocation by the end of the grant period. They also hope to be a part of the newly expanded SNF initiative covering seven additional neighborhoods, but feel it will be a stretch in terms of the workload and capacity needed.

Interview 7: Program Manager, Detroit Development Fund.
July 12, 2018. Phone. Duration: 25 minutes.

This interviewee works closely with business clients who receive funding through the SNF and other DDF programs like the Entrepreneurs of Color Fund. This interviewee reported that DDF primarily focuses on businesses that are located in the City of Detroit or looking to relocate in the city, and that a lot of their programming parameters are set by the funding they receive, i.e. from foundations. More recently, in addition to start-ups she's been seeing a lot of businesses needing growth and expansion funding.

With respect to the SNF, DDF has pretty much spent its initial investment but will continue investing in the three pilot neighborhoods through other funds like their EOC Fund. Examples of businesses they've funded through SNF include a nail salon in the Livernois neighborhood and a grocery store/butcher shop, start-up restaurants, and commercial building rehab in West Village. They mostly find clients through networking events, many of which are organized by the Detroit City Council Board. They've had more traction in the West Village and Livernois neighborhoods, whereas in Southwest Detroit it has been harder due partly due to the higher percentage of Hispanics in that area and associated language barriers. DDF is working with Southwest Business Solutions for entrepreneurs to hopefully start crossing these barriers and gaining more clients in that neighborhoods.

For the SNF funding, location really is the prime parameter for lending. In terms of whether there is an anti-poverty thrust to their work, the interviewee found it difficult to answer, but commented that they look to help families open and sustain a businesses partly out of the hope that the children of these entrepreneurs will be inspired: “We want the kids to see that there is an opportunity to come out and be an entrepreneur...We just want to show people there’s hope.”

Interview 8: Executive staff member, Detroit Development Fund. July 13, 2018. Phone. Duration: 25 minutes.

This interviewee was referred to me by Interviewee 1 from IDF and was able to shed additional light on DDF’s organizational background and involvement with the SNF. The interviewee shared how DDF has grown over the years particularly through the support of foundations and has lent ~$46M since inception, with $18M in current loans outstanding. They’ve grown the most in the past five years, and contribute a lot of their momentum to greater awareness of their products and word-of-mouth referrals from their customers.

DDF has always lent throughout the city of Detroit but has become more focused on targeting specific neighborhoods like West Village during the last two years or so alongside other CDFIs and with the encouragement of Mayor Mike Duggan. With the Detroit Strategic Neighborhood Fund and Entrepreneurs of Color Fund, DDF works closely with JPMC, the Detroit Economic Growth Corporation (on the Motor City Match and Motor City Restore programs) but not as closely with the City as IDF. They are focused on finding out what residents need or want in a neighborhood and making businesses and jobs walkable. The interviewee commented that the ultimate ambition of the City to stabilize 50 neighborhoods is quite ambitious, but that they are getting there little by little. In terms of anti-poverty efforts, DDF hopes that its business customers are able to stabilize their finances and (in many cases) inspire younger generations to gain an entrepreneurial spirit.

Interview 9: Anonymous Representative, NW Access to Finance. July 13, 2018. Phone. Duration: 10 minutes

NW Access to Finance is a non-profit arm of The Growth Company and serves as a Business Growth Hub primarily for Greater Manchester but also Lancashire. The organization offers free business counseling to SMEs in its service area, including assessing businesses’ financing needs, developing business plans, and identifying appropriate finance products and resources. They are one of the many referral sources for business to the NPIF Microfinance Loan Fund. Speaking with a representative from Access to Finance, I learned that the organization is half funded through ERDF funds, and half through funds from local councils in Greater Manchester. The businesses they work with must therefore meet the criteria for ERDF funding and have significant potential for growth, particularly with respect to creating and safeguarding jobs and having an economic impact on the Greater Manchester area. Many of their clients have come across barriers accessing finance which is why they help prepare them to be loan-ready and connect them to alternative funding sources like NPIF or angel investors. No mention was made of how Brexit and the loss of ERDF funding might impact their work.

Interview 10: SNF Program Manager, Invest Detroit.
July 20, 2018. Phone. Duration: 35 minutes.

This interviewee has been working with IDF since 2015 and was able to provide additional insight on IDF's role in the initial SNF and updates on its expanded version. The interviewee gave a thorough history of the initiative, which came out of the Woodward Corridor Initiative led by the City of Detroit,[37] Detroit Economic Growth Corporation, local CDFIs, and other partners to activate a critical mass of real estate along an expected transit-oriented development corridor. IDF and its partners then began thinking more critically about playing a catalytic role in particular neighborhoods, and developing a replicable template for neighborhood development that could be customized for particular communities. This model was expanded after the City won a nationally competitive grant from Reimagining the Civic Commons for its work in the Livernois-McNichols neighborhood.

In the first round of the SNF, the partners were able to raise $42M in two years, which allowed them to advance the project from 3 to 10 neighborhoods more quickly than originally planned. The main components of the strategy has been to invest in real estate projects and public goods infrastructure in an 8-10 block range in the neighborhoods, while also developing Detroit talent by hiring local or persons of color developers, architects, and builders to help complete the projects. At the same time the team has tried to preserve affordability in the neighborhoods and work with community leaders to make sure that the residents are getting what they really want and need in the neighborhood.

The interviewee stressed that Detroit's hope is to plan for inclusive growth and preserve affordability before it's too late. In other cities like San Francisco, Atlanta, and New York, city leaders are trying to retroactively create and preserve affordable units after prices have already skyrocketed. However, the interviewee also recognized that the kind of commercial investments IDF is making through the SNF can only be made in certain neighborhoods that are ready for investment, whereas other neighborhoods in Detroit (especially lower-income neighborhoods) might not be able to handle too much economic investment upfront. The interviewee also said that there have been challenges in terms of convening partners and local leaders in certain areas like Southwest Detroit and in gaining site control of planned developments.

Interview 11: Program Manager, JPMC Foundation
July 31, 2018. Phone. Duration: 30 minutes.

This interviewee was introduced to me by Interviewee 8 from DDF as the representative from JPMC who works most closely with DDF and other CDFI stakeholders on the SNF. As the local philanthropy manager for the JPMC Foundation in Detroit, the interviewee manages the Bank's $150M commitment to the City and other JPMC philanthropic

[37] For more on the Woodward Corridor project, see Bower & Norris (2018), p. 5

initiatives throughout the state of Michigan. The interviewee explained that JPMC has always been involved in working with some of the larger, national CDFIs (ie. ones with large balance sheets) to whom they can safely lend, but until about ten years ago the CDFI landscape was fairly small (~3 to 4 CDFIs) whereas now there are over a dozen CDFIs active in Detroit. WIth their $150M commitment to the City in 2014, JPMC took a step to provide low-cost capital to mid-sized CDFIs like IDF and Capital Impact Partners to whom they had not previously lent and which they have not previously done in other cities.

JPMC's PRO Neighborhoods initiative was another test model to using alternative lenders to help them achieve their philanthropic goals. The Detroit SNF was one of the successful applications that came out of this program. Throughout it, and throughout the process of putting together their $150M commitment to Detroit, JPMC worked closely with the CDFIs and the City, aligning their work with the City's Master Plan and strategy to create walkable neighborhoods. JPMC is in conversations with IDF about SNF 2.0 but doesn't know yet how they will be involved in the expansion of the initiative.

With regard to what motivated the PRO Neighborhoods initiative and JPMC's involvement with the SNF, the interviewee commented that it has little to do with CRA motivation because the bank already does enough to meet its CRA goals, but that they chose a place-based model because of their limited resources and the desire to make their investments as catalytic as possible. By concentrating investments in targeted neighborhoods where other stakeholders are also investing, you can really stretch your dollars. For example, in West Village, residential and commercial rates have risen substantially in the past 203 years and rents have gone from $1 to $1.70 per square foot. The interviewee sees this as an opportunity to build local economies that are now self-sustaining. At the same time, JPMC is working with City to figure out the best structuring mechanisms for initiatives like the Affordable Housing Leveraging Fund so that Detroit residents actually benefit from economic opportunity.

One interesting insight that came out of the conversation was that nearly half of IDF's staff half IDF's staff have previously worked for JPMC and/or its predecessor, the National Bank of Detroit (NBD). The interviewee attributed this to the limited talent pool and "brain drain" in Detroit, in which CDFIs often don't have the capacity to credit train their staff or recruit nationally so they have to recruit bankers from mainstream institutions. The interviewee identified this difficulty in sourcing talent and maintaining strong leaders within the industry as one of the main challenges facing CDFIs. The other key challenge is that CDFIs tend to face a large capital gap, and even banks like JPMC have trouble capitalizing CDFIs with less than $100M in assets. So helping small- and medium-sized CDFIs get to scale with low-cost capital is an ongoing challenge.