LOCUS

local investing for impact

A Partnership With the Center for Rural Entrepreneurship

Wealth Profile,
Transfer of Wealth Opportunity
& Donor Opportunity

Lake County, Colorado's Philanthropic Potential

August 2018

Developed for the Lake County Community Fund

About the Lake County Community Fund

The Lake County Community Fund (LCCF) helps build ongoing funding and a sustainable future for the extraordinary community of Leadville and Twin Lakes, Colorado. Donors who want to give to a charity that supports the community can contribute to the fund and know their donation is going to a trusted source. Leadville and Twin Lakes nonprofits can apply for grants through the fund to further their missions.

The work of LCCF is guided and informed by a belief in and commitment to:

- **Local.** LCCF values support for local people, businesses and organizations and strive to support those entities through communications, operations and grant-making.
- **Community.** LCCF values community input, guidance and support, all of which are critical as the foundation strives to understand community needs and fund initiatives to address them.
- **Diversity, Equity & Inclusion.** The community is home to people from a range of backgrounds and beliefs, cultures and traditions, opinions and experiences; LCCF values diversity, equity and inclusion because the foundation's initiatives are stronger when we draw on the rich perspectives the community offers.
- **Collaboration.** LCCF values collaboration because positive impacts are greater when we work together to harness our collective strengths.
- **Heritage.** LCCF values Leadville's rich heritage – our mining history, mountain culture and our unparalleled landscape makes ours an extraordinary community and serves as an inspiration to locals and visitors alike.

For more information, visit **www.lakecountycommunityfund.org**.

LOCUS Project Research Team

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LOCUS believes in empowering research – making data-driven decisions about economic development to be more strategic and, ultimately, create the kinds of economic development outcomes and long-term community prosperity you desire. We work hard to build tools and resources that communities can use to access and understand data and turn that raw information into knowledge you can apply in your community.

Guide to this Analysis

This Donor Opportunity Analysis is organized into three sections.

- ## Wealth Profile (Page 5)

  The **Lake County, Colorado Wealth Profile** provides a look at Lake County's household wealth holding and demographic makeup. Using data from Esri and the Federal Reserve this section helps to visualize how much wealth is in the community and who is holding that wealth. For comparison, the report includes a wealth snapshot for the U.S., Colorado, and the project's three zip code communities of Leadville, Granite, and Twin Lakes in an **Appendix**.

- ## Transfer of Wealth Opportunity Scenario (Page 9)

  Transfer of Wealth™ (TOW) opportunity analysis provides an estimate of American household wealth that will transfer from one generation to the next. It provides a reasonable estimate of the household wealth from which charitable giving and philanthropic investing could be realized. This analysis yields a conservative estimate of TOW, discounting wealth that is unlikely to be available for charitable giving and considering only wealth held by permanent residents of the U.S.

- ## Donor Opportunity & Potential Assessment (Page 20)

  LOCUS's **donor opportunity analysis** provides additional information about region and attributes of potential higher capacity (million plus estates) donors. Energizing your community's existing and potential donors is key to realizing increased legacy giving. At any given time, communities have a finite capacity to support donor development. Constructing strategic and smart development strategies is foundational. This information is useful for both targeting potential donors and creating more effective messaging and communication pathways.

Used together these analyses can strengthen and target donor development within Lake County. For more granular information, see the **Project E-Library**. All background research, data, and analysis related to the project, including benchmarking geographies and sub-county data is stored in the **Project E-Library**.

Section 1 – Lake County, Colorado Wealth Profile

Why Philanthropy?

For communities to thrive, they must continually invest in education, health care, economic development and other community amenities. Traditional sources of funding (e.g., local taxes, federal and state funding, and support from local businesses) have been under increasing pressure, particularly since the Great Recession. LOCUS's experience suggests that the greatest underdeveloped financial resource communities can mobilize to support community building is philanthropic giving. Community-based philanthropy is a way for the community to invest and have some "skin" in the economic development game. It is also a community engagement tool, providing opportunities for all community members to give back according to their means. Across the U.S., there are examples of the power of community-based philanthropy to drive community betterment, including young parents creating an endowment to support quality pre-school education and successful entrepreneurs endowing programs to encourage and support up-and-coming entrepreneurs, including youth. To encourage community philanthropy, however, the first step is helping the community recognize that they have wealth to give and to dream about the community they could create by using that philanthropic capacity wisely.

Estimating Philanthropic Potential

The starting point for understanding philanthropic potential is to understand wealth holding in the region. Since the 1980s, the U.S. Federal Reserve Board has commissioned an extensive research effort, *The Survey of Consumer Finances*, to gain insights into household income and net worth. Based on the data series produced by this research, LOCUS has identified relationships between several household characteristics and household net worth. The key wealth drivers in any community include:

- **Age.** Wealth accumulation follows a fairly standard pattern over time, increasing gradually as we build skills and a career, peaking at retirement and then declining as we draw down accumulated wealth in retirement.
- **Educational attainment.** An individual's education matters in terms of accumulating wealth over time. Average net worth of households with a college degree is twice as much as the national average.
- **Income.** There is a strong positive correlation between household income and average net worth. Average net worth increases rapidly once household income reaches $100,000, based on 2010 research.
- **Share of dividends, interest and rent income (DIR).** Passive income, from dividends, interest and rent, is used as a proxy for wealth holding. As the share of income from DIR increases, so does average net worth.
- **Work status (Self-employment).** On average, those who are self-employed or in a partnership tend to have higher average wealth holdings than those working for someone else – another reason why entrepreneurship is an important development strategy.
- **Occupation type.** Households headed by a person with a managerial occupation tend to have higher average net worth than other households – on average, twice the net worth of the average household.
- **Housing value.** As housing values increase – an important component of wealth holding – so does the average net worth of the household.

The next section provides a county level Household Wealth Profile for your community.

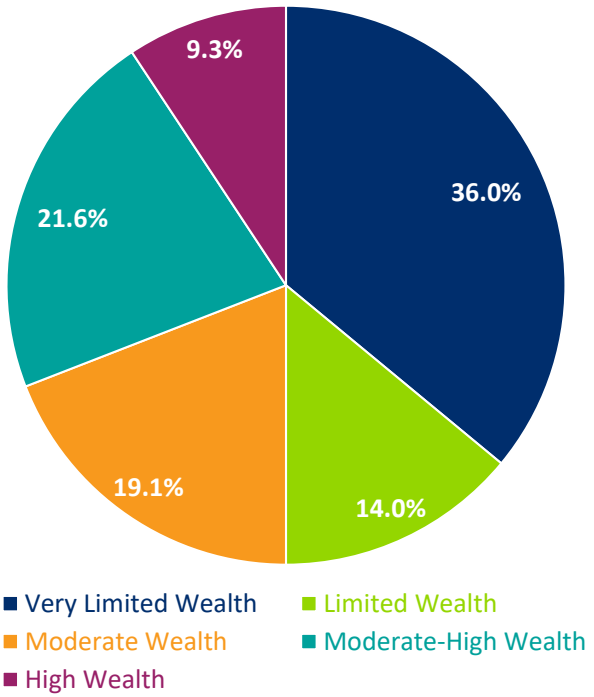
Lake County's Household Wealth Profile

Every community has a unique household wealth profile. Using 2017 information from Esri, LOCUS created the following **Household Wealth Profile** for Lake County.

What is a household?

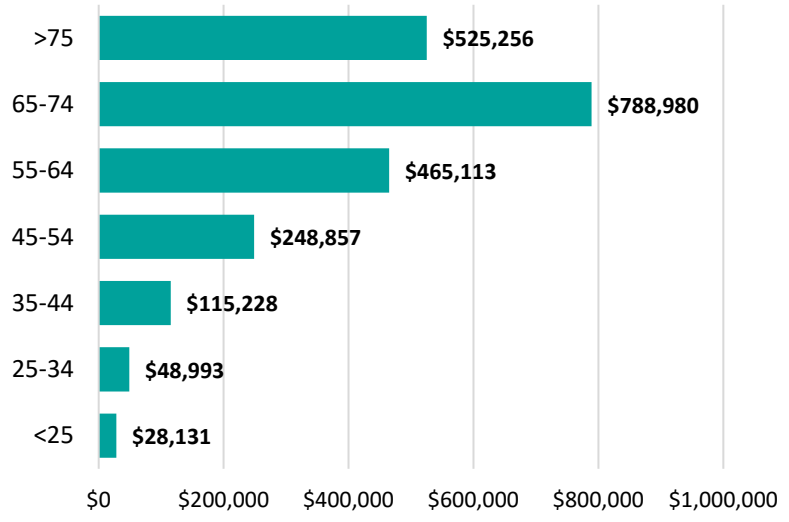
For the purposes of public surveys, a "household" is a group of people who occupy the same housing unit. This can mean a family, but it also includes unrelated people living together. All households have a "householder" or one person, or one of the people, in whose name the home is owned, being bought or rented. When surveys report a household's income, the income is the aggregate income of all the individuals living in the household.

Figure 1. Distribution of Wealth by Percent of Households



Wealth Status. The pie chart (Figure 1) illustrates the household distribution of wealth for Lake County in 2017. Half of Lake County's households have "very limited or limited wealth". These households can be donors but their capacity for legacy giving is very restricted. Another 20% of the county's households have moderate wealth and some capacity for limited legacy giving. Just over 1 in 5 households have moderate-high wealth. These donors have the potential to contribute to endowment capital campaign and special project giving. Finally, just over 9% of your community has significant wealth and the potential to create donor advised funds and make major gifts. Based on our work across the U.S., we believe that every community has some untapped potential for increased philanthropy. Developing this potential can create sustainable resources to help your community create a more prosperous future for present and future generations.

Figure 2. Average Household Net Worth by Age of Householder



Household Wealth and Householder Age. Households tend to go through a wealth creation cycle over the lifetime of the householder. Early on, we have little wealth as we are learning and advancing in our work and career. Often, we spend more than we are making as we buy a first car or first home and begin to have children. Once our children leave the home, we tend to earn more and save more. This transformation allows us to

accumulate assets and build wealth. Our early retirement years, for most of us, represent the peak of our wealth. Finally, as we grow older in retirement, we spend down or give away much of our wealth.

Figure 2 shows average household current net worth (CNW) by age of householder for Lake County. As you would expect, wealth is concentrated among households with an early retirement age householder (over 65 years old). However, there is significant wealth in households with middle-age householders (45-64 years old), suggesting the need to engage residents in a conversation about philanthropy well before they reach retirement. In fact, residents in these age groups may be highly motivated to make a difference in your community and have a passion, such as entrepreneurship or youth engagement, they would be willing to support.

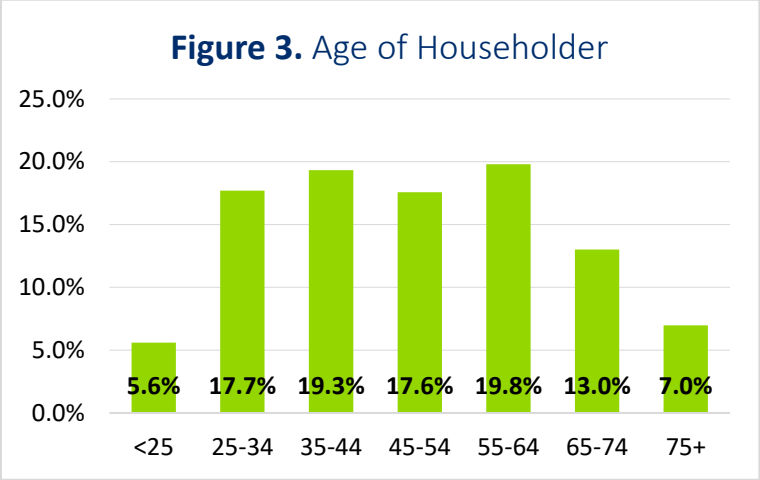


Figure 3. Age of Householder

Households by Householder Age. Lake County's householder demographic profile can have important consequences for the community's wealth profile. For example, many rural communities struggle to retain younger adults (20- to 35-year-olds) who are just beginning to create wealth **and** older wealthier residents (65 and older) who are moving to communities with more appropriate senior amenities (e.g., housing, health care) or following children and grandchildren who have left their hometowns. When a community loses older residents, their accumulated wealth typically leaves with them, a leakage of critical community philanthropic potential.

Figure 3 shows Lake County's current profile of householders by age cohort. Nearly 40% the county's households are headed by someone over the age of 55. More than 42% of the households have a householder younger than 45 and are in the early stages of wealth formation. Both these groups should be engaged in a discussion about philanthropy and its ability to influence the prospects of Lake County.

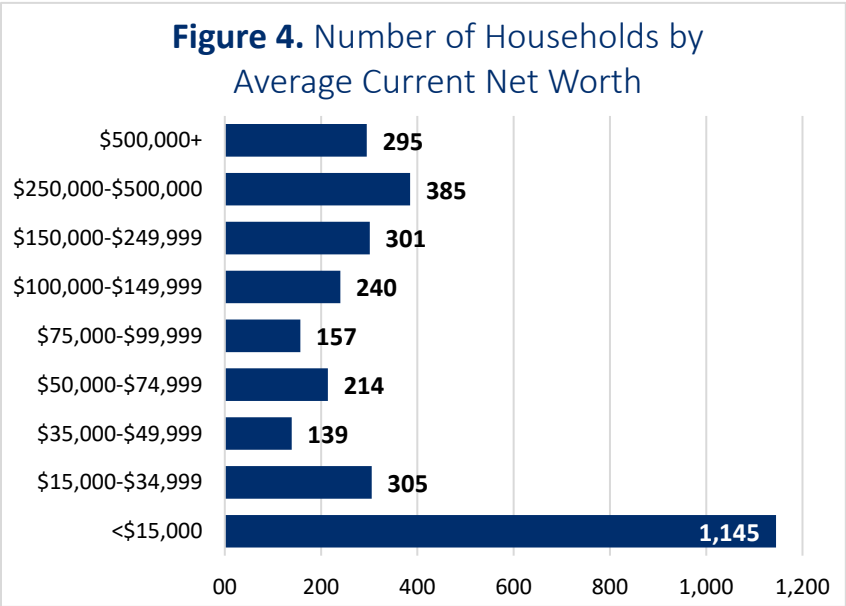


Figure 4. Number of Households by Average Current Net Worth

Households by Current Net Worth. In Lake County, 1,145 of households have less than $15,000 in net worth. At the other end of the wealth spectrum, 295 of the community's households have over $500,000 in current net worth, with an average estate for this group of nearly $2.4 million. Imagine if this group of Lake County residents gave

just 1% of their wealth holdings to the community; over $7 million could be placed into endowments that would be able to generate $313,000 annually for community betterment.

Asset Holdings by Net Worth. The Federal Reserve conducts a comprehensive national survey of household finances in the United States. As part of this robust research the Federal Reserve estimates asset holding by household wealth ranging from less than $15,000 in current net worth to over $20 million (figure 5). The Federal Reserve breaks all household assets into five types: housing (primary, secondary and seasonal), other non-financial assets (personal property like motor vehicles, furniture, etc.), stocks and bonds, other financial assets including retirement accounts, and non-stock business equity. Although this figure depicts the breakdown for the country as a whole, it offers insights into how assets are likely held in Lake County.

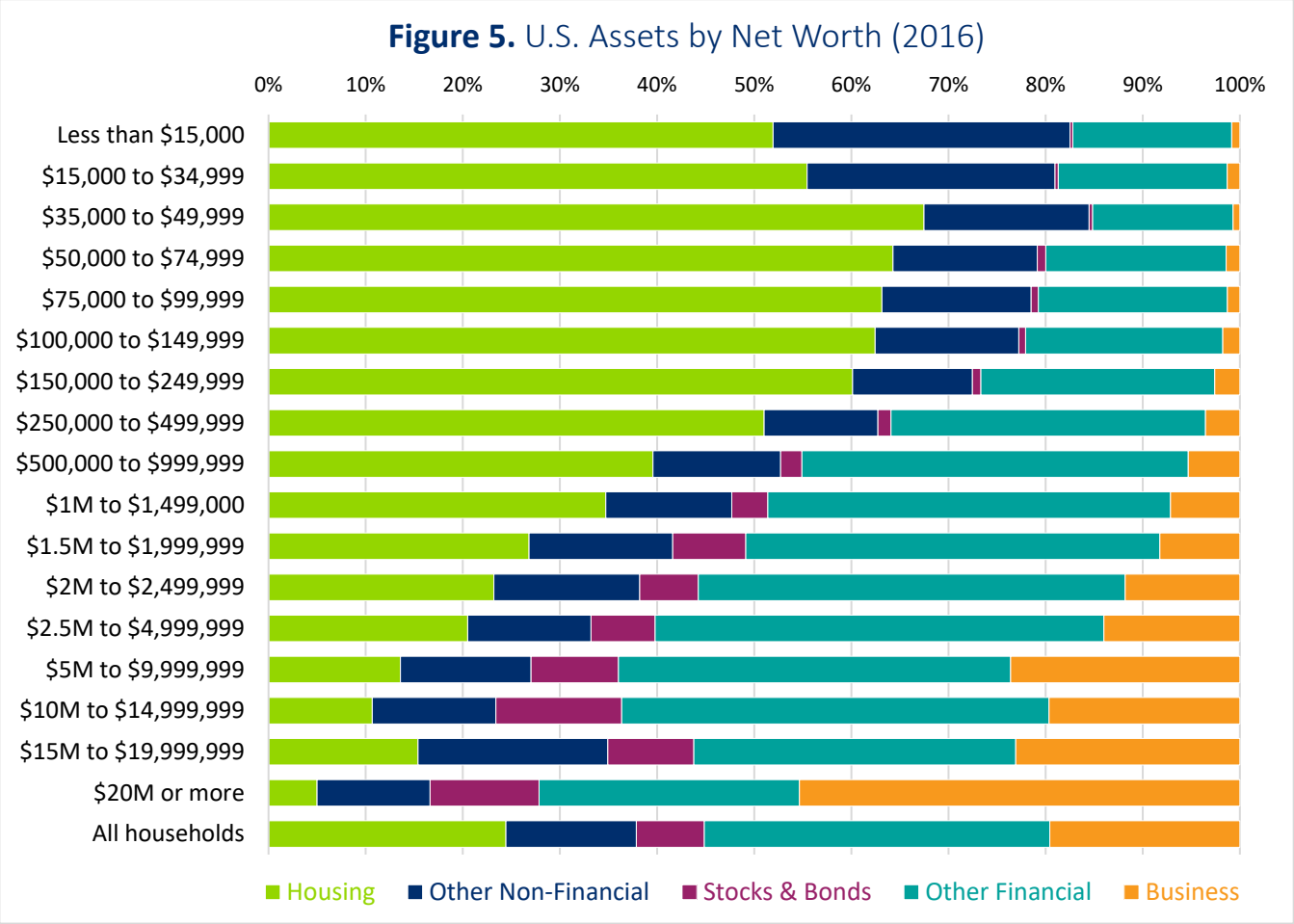


Figure 5. U.S. Assets by Net Worth (2016)

Section 2 – Transfer of Wealth Opportunity Scenario

Why TOW Matters

America's communities are struggling to find the financial resources necessary to support community and economic development. Traditional sources such as government funding are stagnant or declining. In this environment, possibly the single largest underdeveloped resource is community-based philanthropy fueled by capturing some portion of the TOW opportunity. As communities search for the dollars to invest in community solutions, their TOW opportunity represents a significant potential answer. The U.S. is in the midst of its greatest household intergenerational wealth transfer in history. If ever there was a time to organize and capture some of this wealth in communities, it is now. Our comprehensive Transfer of Wealth analysis provides detailed estimates of a community's philanthropic potential. With this information, you can begin conversations in your community around the "why" and "how" of growing a stronger philanthropic strategy.

Terms & Methods

- **Scenarios.** Our TOW estimates are scenarios of a "most likely future." We cannot forecast TOW opportunities with precise confidence. This is particularly true with our 50-Year TOW estimates. However, based on historical research and reasonable assumptions of the future, we are able to generate plausible TOW opportunity scenarios.
- **Real or Inflation-Adjusted Dollars.** Our TOW scenarios are presented in real, inflation-adjusted dollars. All dollar values are presented in 2017 dollars meaning that a dollar in 2067 has the same purchasing power as a dollar in 2017. By using real dollars, we remove the distortions of inflation from our findings.
- **Permanent Resident Household Values.** Our analysis considers the current net worth and TOW opportunity for only permanent residents or households. We do not consider wealth held by corporations, governments or nonprofit organizations.
- **2017 Household Current Net Worth (CNW).** 2017 household current net worth (CNW) is estimated using Esri data. We use these 2017 CNW values as the starting point for our TOW scenarios.
- **10- and 50-Year TOW Scenarios.** Our 10-Year TOW scenarios include the cumulative intergenerational wealth being transferred over the period of 2017 through 2026. Our 50-Year TOW scenarios include the cumulative intergenerational wealth being transferred over the period of 2017 through 2067.
- **5% Capture.** To illustrate the potential for growing additional permanent endowments, we use a 5% capture goal for the TOW opportunity. While hypothetical, this goal has become a frequently set and achieved target for community philanthropy.
- **5% Payout.** We use a 5% payout value associated with the TOW capture. This payout rate is historically reasonable for the philanthropic environment in the U.S. However, with the lingering financial challenges of the Great Recession, many foundations are now using a 4.5% or 4% payout rate.
- **Per Household Values (PHH).** In state, regional, or county TOW studies, in order to allow comparisons across geographies, we provide per household values for net worth and TOW opportunity. These values are calculated by dividing total net worth (TOW value) by number of households.
- **Total Values.** Larger and denser areas coupled with significantly wealthier households drive up total TOW values. Rural areas with lower populations and lower average household wealth create lower total values.

Transfer of Wealth Dashboard

LOCUS's **2017 Transfer of Wealth Opportunity Analysis** for Lake County provides an estimate of your region's household assets – homes, businesses, investments – that will transfer from one generation in the next 10 and the next 50 years. It provides a reasonable estimate of the household wealth from which charitable giving and philanthropic investing could be realized through strategic donor engagement.

Household Net Worth

$979 million

Transfer of Wealth

$66 million
OVER 10 YEARS

$151 million
OVER 20 YEARS

$499 million
OVER 50 YEARS

5% For Grantmaking

Capturing just 5% of the 20-Year TOW potential would create $7.5 million in new endowments. Over 20 years, this endowment could support average annual grantmaking of nearly…

SEE PAGE 19

5% For Local Investing

Investing just 5% of those new endowed assets over 20 years would generate enough local financing to …

Construct 5 new community facilities

Support 54 small business loans

A 5% investment could generate $5.4 million to meet "gap financing" needs in the region.

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America's Transfer of Wealth Opportunity

In 1999, Boston College catalyzed an ongoing conversation about philanthropic opportunity in America with the release of **Millionaires in the Millennium**. The Boston College study estimated that over a 50-year period, $41 trillion in household wealth would pass from one generation to the next. The report highlighted the opportunity for increased philanthropic giving that this massive transfer of wealth could support. Since 2001, the Center for Rural Entrepreneurship (now LOCUS Impact Investing) has completed over 60 **Transfer of Wealth Opportunity Studies** (TOW), ranging from our first study of rural Nebraska, to Los Angeles, Brooklyn, and a wide range of communities across the country. Since Boston College did not update the 1999 study, in 2011 LOCUS staff updated U.S. Transfer of Wealth opportunity scenarios for our **book**. We estimated that between 2010 and 2060 a remarkable $75 trillion in household wealth will transfer from one generation to the next. If just 5% of this potential was gifted for philanthropic purposes, an amazing $3.75 trillion in new endowments could be created – the equivalent of nearly 100 new Gates Foundations. In 2018, LOCUS in partnership with the ***Chronicle of Philanthropy*** updated America's inter-generational transfer of wealth opportunity for 2018 through 2067. America's 10-year TOW opportunity is now estimated at $8.8 trillion and its 50-year TOW opportunity at an amazing $97.2 trillion. Additional information on our latest U.S. TOW Study can be found at **here**, and the full study can be purchased from the *Chronicle* **here**.

Understanding Lake County's Philanthropic Potential

By design, LOCUS's Transfer of Wealth Opportunity estimates are very conservative in the following ways: they only consider permanent resident household wealth (first generation former residents could add to this potential); they eliminate personal property assets like cars, boats, art, and jewelry from our estimates; they discount other forms of wealth based on our experience as to the share of assets likely to become available for philanthropic giving. The Lake County, Colorado Transfer of Wealth Opportunity analysis presents future scenarios. The first is the **10-Year TOW Scenario** covering the period of 2017 through 2027. The second is the **20-Year TOW Scenario** covering two decades from 2017 through 2037, and the third is the **50-Year TOW Scenario** covering five decades from 2017 through 2067. Much has changed over the last 50 years, and it is challenging to capture how the TOW opportunity will change over this extended period. However, it is helpful to look longer term and consider the full impact of two generations on the future TOW opportunity.

Every community has under-developed philanthropic potential. Some communities have more potential because they are larger with more households and donors. Other communities have greater potential because of unique assets like successful closely-held family businesses or natural amenities including second homes. While there are philanthropic potential differences, each community should focus on its untapped philanthropic potential and pursue their own strategies for growing community benefiting endowments.

10-Year Transfer of Wealth Opportunity

The 2017 **10-year (2017-2027) Transfer of Wealth Opportunity** is estimated at $66 million for Lake County, Colorado. Table 1 provides comparative 2017 base year household wealth statistics for the United States, Colorado, and Lake County, Colorado. Per household values provide an easy tool for comparison. Colorado has slightly higher wealth when compared to the United States. Lake County's mean household current net worth (according to Esri) is lower when compared to both the U.S. and Colorado. While Lake County's philanthropic potential is lower relative to the U.S. and Colorado, there is significant under-developed potential in the community. If just 5% of your 10-year TOW opportunity could be realized through increased donor legacy giving, $3.3 million in additional community endowments could be grown over time. Assuming a sustained 5% annual payout from these endowments nearly $165,000 in additional grants could be made annually. Over a decade nearly $1.7 million in community improvement grants would be possible.

Table 1. 10-Year Transfer of Wealth Findings Summary

	2017 Base Net Worth		10-Year (2017-2027) TOW Opportunity			
Geography	Value (M)	Per Household	Value (M)	Per Household	5% Capture (M)	5% Payout (Th)
United States	$75,010,855.9	$609,066	$8,818,111.7	$71,600	$440,905.6	$22,045,279.3
Colorado	$1,460,590.6	$669,958	$138,284.8	$63,430	$6,914.2	$345,711.9
Lake County	$978.8	$307,712	$65.8	$20,681	$3.3	$164.5

Each community has potential for legacy donor development, increased charitable giving and increased giving to community and organizational endowments. We embrace "asset-based development" where communities focus on **what they have** versus **what they do not have**. Further **Donor Opportunity Analysis** is available in Section 3 with detailed information on the "kinds of donors" living within your county and the Leadville, Granite, and Twin Lakes areas.


Turquois Lake, Lake County, CO

20-Year Transfer of Wealth Opportunity

The Climax Molybdenum Company and its associated mine have been and are an important part of the economy and community in Lake County. Current estimates predict the closure of the mine in about 20 years. Consequently, the Community Fund asked LOCUS to run a 20-year TOW opportunity scenario. Looking at the 2017 through 2037 period, or the next 20 years, we estimate the TOW opportunity for the community at $151 million. If just 5% of this philanthropic potential were gifted back to the community through legacy giving, an estimated $7.5 million in new community endowments could be capitalized over time. These endowments would have the capacity to generate (at a 5% payout level) over $377,000 annually in community grants. Over a decade, nearly $3.8 million in grants would be possible.

Table 2. 20-Year Transfer of Wealth Findings Summary

	2017 Base Net Worth		20-Year (2017-2037) TOW Opportunity			
Geography	Value (M)	Per Household	Value (M)	Per Household	5% Capture (M)	5% Payout (Th)
United States	$75,010,855.9	$609,066	$19,936,664.7	$161,880	$996,833.2	$49,841,661.6
Colorado	$1,460,590.6	$669,958	$355,520.8	$163,074	$17,776.0	$888,801.9
Lake County	$978.8	$307,712	$150.9	$47,434	$7.5	$377.2

50-Year Transfer of Wealth Opportunity

Over the next 50 years the wealthiest American generation in history – the Boomers – will retire and transition their estates to the next generations and philanthropic causes. Millennials will emerge as the largest generation in American history, benefitting greatly from estate transfers from both Boomers and GenX. Both GenX and Millennials will create their own wealth and estates contributing to American household wealth and increased philanthropic potential. They will become the next cohorts of American philanthropists. We estimate that over the next 50 years (2017-2067) Lake County will experience nearly $500 million in transfer of wealth potential. Over this period – if just 5% of this wealth were gifted to community endowments, nearly $25 million in endowments could be capitalized. At a 5% payout rate, an amazing $1.247 million in grant making capacity would be created. Imagine what this could mean for the community over time.

Table 3. 50-Year Transfer of Wealth Findings Summary

	2017 Base Net Worth		50-Year (2017-2067) TOW Opportunity			
Geography	Value (M)	Per Household	Value (M)	Per Household	5% Capture (M)	5% Payout (Th)
United States	$75,010,855.9	$609,066	$97,170,892.8	$788,999	$4,858,544.6	$242,927,232.0
Colorado	$1,460,590.6	$669,958	$1,487,903.3	$682,486	$74,395.2	$3,719,758.1
Lake County	$978.8	$307,712	$498.8	$156,814	$24.9	$1,247.1

It is hard to imagine what our community will look like in two generations. Just reflect for a moment on all the profound change that has occurred over the past 50 years. While we cannot predict your TOW opportunity with complete statistical reliability through to 2066, we have produced a "likely scenario" of the future based on sound assumptions and modelling techniques. The true value in this estimate of philanthropic opportunity is not the exact number, rather it is a reasonable number that can be used to raise awareness of this remarkable opportunity, create a call to action, set philanthropic goals and grow resources that can support community building in Lake County for generations. We know this can be true because there are states, regions and communities in America doing precisely that and getting remarkable results.

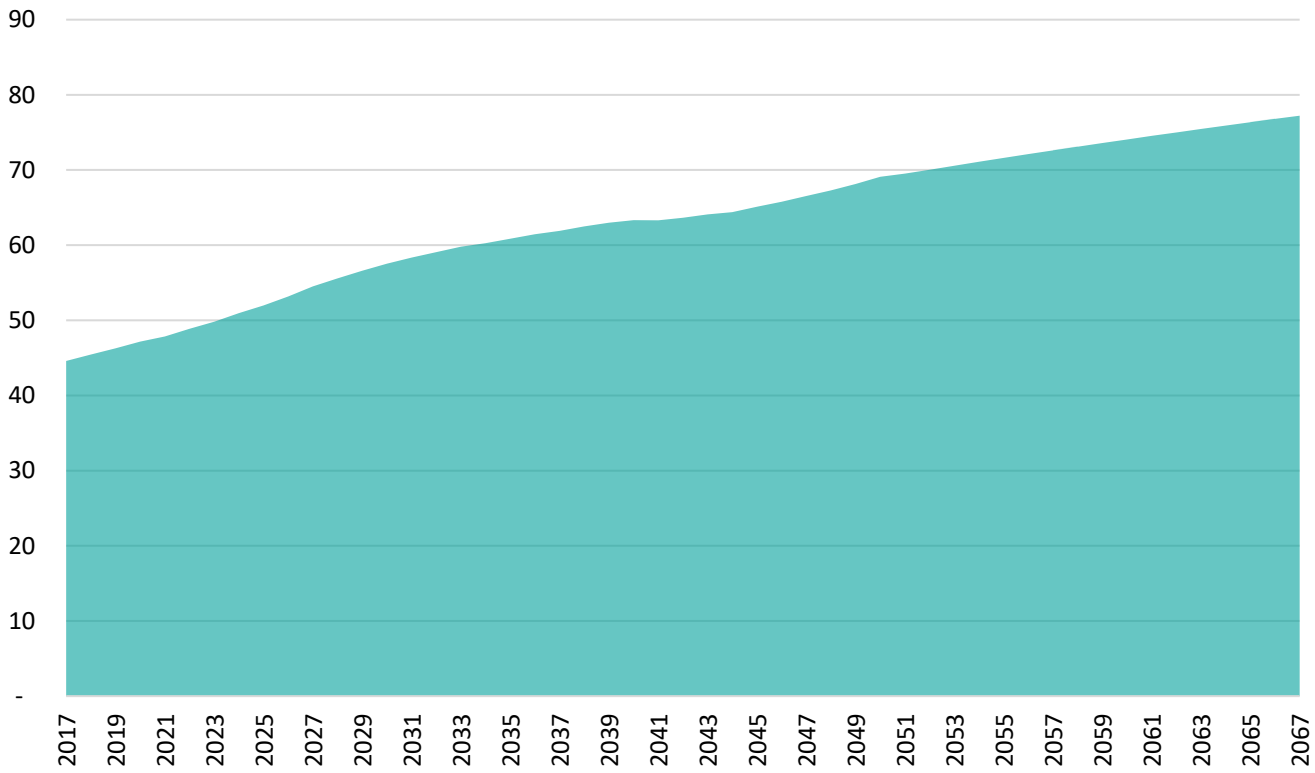
Southern Railroad by Breckenridge Grand Vacations

Visualizing Your Opportunity

Planned giving enables donors to give while they are alive and to witness the impacts of their charitable giving. Within our TOW opportunity scenario, we employ mortality rates as the primary trigger of household wealth transfer. When a death occurs, an estate is transitioned. Typically, this death and estate transition event occurs with older residents. Most often, older households have the largest estates and greatest capacity for gifts.

Figure 6 below our estimates of "estate" events based on projected mortality rates of permanent residents in Lake County. Beginning in the early years of our scenario (2017 through the early 2020s), we estimate that between 40 and 50 estates will transition each year on average. Given overall growth within Lake County, the number of transfer events will increase approaching nearly 80 per year in the later years (2060 through 2067). Increasing the capacity of your community to work with donors and present opportunities for making gifts as part of estate planning and transition will be essential to optimizing your TOW opportunity.

Figure 6. Projected Transferring Estates



Using this Information in Your Community

These **Transfer of Wealth** scenarios can be used by community leaders as a call to action. But, remember that this is just the beginning. These numbers are drawn from secondary data. You should dig deeper and use your own knowledge of the community to help create a deeper understanding of the potential for community philanthropy. Consider creating a community philanthropy team that could work with a local foundation, financial advisors, bankers and others in the community to better understand wealth holding. Remember that there is giving potential at all wealth levels so you should also bring a broad group of community residents together to begin to talk about the potential for community philanthropy. And, continue to connect philanthropic potential to the dreams and development opportunities in your community. Our experience tells us that people will give back to the community – with their time, talent **and** treasure – when they see an opportunity to connect their passions with the community's pathway to prosperity. One way to bring this information home for the people in your community is to use the **Dream Exercise** (see instructions in the box below). It is sometimes difficult to imagine large levels of financial resources, especially in a community that has been struggling for some time. The dream exercise helps people move into more creative, appreciative space – to consider what **might be possible**, given these new resources.

Dream Exercise

There never seems to be enough money to do the things we want to do to build a stronger community, but let's dream a bit! Assume we're successful in capturing the philanthropic opportunity in our community. Over the next two decades, we will have, on average, $377,000 **annually** for strategic grant making in Lake County. How would you suggest we invest these funds? Take some time to think on your own and then we'll share back as a group.

Other Scenario Considerations

Lake County is located in Colorado's Rocky Mountains. Unlike many Colorado mountain communities near resort development, Lake County has not seen rapid in-migration and growth. A mainstay of Lake County's economy has been the Climax Mine. Current estimates suggest this mine will close about 20 years from now. The closure of this mine will likely adversely impact the county and its population. However, over this same period, there is a reasonable case to be made that the county will see population growth associated with the overall demographic and economic trends driving Colorado's growth. The following analysis outlines the rationales for an alternative demographic, wealth and transfer of wealth opportunity scenario.

This scenario was developed to help the community explore the potential need for community philanthropy and the potential for greater philanthropic giving if these assumptions about demographic growth prove true. As is the case with the base TOW opportunity scenario, we are employing a 2017 base year in this analysis.

On or around 2037 the Climax Mine will close creating likely adverse economic and population impacts for Lake County. However, Colorado is currently growing rapidly. Desirable locations are filling up

driving costs of living and doing business. Colorado is likely to continue experiencing strong growth (compared to the Nation and many other regions of the country), pushing population to outlying communities where costs of living and doing business are comparatively and materially lower. Mountain and high amenity communities like Aspen, Vail, Cooper Mountain, and Breckenridge are increasingly congested and experiencing rapidly rising costs of living and doing business.

Three primary demographic groups are likely to consider settling in Lake County over the next two generations (50 years into the future):

- **Younger adults** are seeking more affordable but high natural resource amenity locations in Colorado. These younger adults are in the early stages of their lives and careers and represent the likely workforce for more established mountain communities.
- **Knowledge workers** are increasingly mobile and some of these workers are seeking high natural resource amenity communities again with greater affordability.
- Active and healthy **Retiring Boomers** are seeking more affordable high natural resource amenity communities.

Bottom line, many Colorado areas are filling up, gentrifying, and becoming unaffordable for potential residents. As the more developed and mature mountain communities fill up, continued in-migration will drive new residents to less developed and more affordable mountain communities with access to the same natural resource amenities that have been driving in-migration since World War II in Colorado.

Therefore, these trends, over the next 20 years and particularly over the next 50 years, could position Lake County for both absolute and structural growth and change. This alternative scenario would result in faster overall population growth for Lake County when compared with the current state demographer forecasts employed in the base TOW scenario.

We believe there is a case to be made for these three likely in-migration groups – younger adults, knowledge workers, and active retiring Boomers – which could have the following wealth and philanthropic opportunity impacts for Lake County:

- In-migrating younger persons or households will not quickly impact the wealth structure of a community. Over time, if they root and prosper, they can materially **impact a community's wealth profile**.
- Older adult (both knowledge workers and retiring Boomers) not only **add to a growing population** but typically bring **larger estates** with them. These kinds of demographic change can material impact a community's wealth profile and TOW opportunity more quickly.

To sum up, we believe that the following likely impacts are probable for Lake County over our scenario period:

- **Growing "bedroom" community residents and commuters** building on the current pattern of people living in Lake County but working in adjacent resort communities.
- **Rising number of "knowledge" workers and "entrepreneurs."** As more and more Americans become independent workers with the ability to choose where they want to live we anticipate that Lake County could offer a more affordable community choice for these new residents.
- **Increasing numbers of active and healthy retiring boomers.**

The challenging question is how quickly and how substantially these impacts will materialize. Much will depend on the Lake County's development decisions to enable or limit such development. Towards this end, we have developed an illustration regarding this possible dynamic we term "filling up."

An Illustration of the Concept of Filling Up & Pushing Out

Over the years we have undertaken work in the New Mexico corridor running from Santa Fe to Alamosa and into the San Luis Valley of Colorado. This is a historic region with Spanish settlement going back to the 1600s. This region is bounded by the remarkable San Juan Mountains on the west Sangre De Christo Mountains on the East. The southern portions of this region, particularly Santa Fe and Taos are known as "hot beds" of art and culture.

There are increasing numbers of people who want to be part of the Santa Fe and Taos art, culture and food scene. They want to have access to these hot spots of activity and this creative environment, but, for most, they cannot afford the cost of living and doing business in either Santa Fe or Taos.

Illustrating the "affordability" factor is current median housing prices for selected communities (median is the mid-point where half of the values are less and half are more):

- New Mexico = $161,600
- Santa Fe = $499,000 (3.1x more than the median NM housing price)
- Taos = $274,000 (less accessible due to location)
- Alamosa = $147,000 (less than the NM median housing cost)

As a result, communities like Monte Vista, Colorado have focused development on those wanting to be part of this regional art and culture scene offering lower costs. The higher costs in Santa Fe and Taos are driving less affluent residents to other communities stimulating development.

Just as Santa Fe and Taos have "filled up," gentrified, and become unaffordable for many who deeply desire to be part of this environment, we believe this same dynamic force is possible in Lake County and could shape the future of your community in material ways.

The Power of Endowments

Across the U.S., there is a growing **Community Development Philanthropy** movement. Communities large and small, rural and urban are establishing foundations, working with legacy donors and growing community endowments capable of supporting community betterment projects and economic prosperity strategies over time. Creating permanent community endowments is a powerful community building resource. It is a way to achieve a community's dreams.

What could happen in Lake County if you are successful in making the case to donors and achieving a 5% giveback goal? Table 2 provides an **endowment illustration** based on Lake County's unique transfer of wealth opportunity. Recognizing that such an aggressive goal is not achievable in a single year, we assume for the purposes of this example that 5% of the 20-Year TOW Opportunity, **$7.545 million,** was gifted in 2018. Over 20 years, these gifts would grow to over **$14 million** and over **$9.7 million** would be granted to support community betterment and prosperity. This example demonstrates the power of compound interest and permanent endowments, assuming a standard 7.5% annual investment return and a 4.5% average annual payout rate.

Table 4. Endowment Building Example

	Beginning Endowment Principal	Annual Earnings	Annual Grants	Ending Endowment Principal
Endowment Made	$7,545,000	$565,875	$339,525	$7,771,350
Year 1	$7,771,350	$582,851	$349,711	$8,004,491
Year 2	$8,004,491	$600,337	$360,202	$8,244,625
Year 3	$8,244,625	$618,347	$371,008	$8,491,964
Year 4	$8,491,964	$636,897	$382,138	$8,746,723
Year 5	$8,746,723	$656,004	$393,603	$9,009,125
Year 6	$9,009,125	$675,684	$405,411	$9,279,398
Year 7	$9,279,398	$695,955	$417,573	$9,557,780
Year 8	$9,557,780	$716,834	$430,100	$9,844,514
Year 9	$9,844,514	$738,339	$443,003	$10,139,849
Year 10	$10,139,849	$760,489	$456,293	$10,444,045
Year 11	$10,444,045	$783,303	$469,982	$10,757,366
Year 12	$10,757,366	$806,802	$484,081	$11,080,087
Year 13	$11,080,087	$831,007	$498,604	$11,412,489
Year 14	$11,412,489	$855,937	$513,562	$11,754,864
Year 15	$11,754,864	$881,615	$528,969	$12,107,510
Year 16	$12,107,510	$908,063	$544,838	$12,470,735
Year 17	$12,470,735	$935,305	$561,183	$12,844,857
Year 18	$12,844,857	$963,364	$578,019	$13,230,203
Year 19	$13,230,203	$992,265	$595,359	$13,627,109
Year 20	$13,627,109	$1,022,033	$613,220	$14,035,923
Total Grants			***$9,736,384***	

Impact Investing Example

What could happen in Lake County if you placed your funds into a philanthropic impact investing fund rather than a traditional endowment? Assuming that Lake County succeeded in raising the 5% giving goal of the 20-Year TOW opportunity, your community would have $7,545,000 to place into your endowment (as illustrated on the previous page). Now, let's look at the difference if *just 5% of the $7,545,000* were allocated to a philanthropic impact investment fund versus a traditional endowment fund.

In a traditional endowment fund (7.5% annual return with a 4.5% annual payout to grants), the $377,250 (5% of the original endowment) would yield the following impact potential over a 20-Year period:

The corpus would grow to a final endowment principal of **$701,796**
An average annual grant of **$23,180** made each year
A total of **$486,819** in grants for the full period

Alternatively, placing the 5% into a philanthropic impact investing fund used to meet "gap financing" needs in community interest projects presents certain challenges and possibilities. The corpus would not grow, but it would re-cycle as loans are paid back. There is a risk that some corpus may be lost due to bad loans. However, properly managed, the corpus would continue to capitalize new community betterment loans.

To build a reasonable illustration of the potential of a philanthropic impact investment, we are making the following assumptions:

- An impact period of 20 years (mirroring the endowment example)
- A 7-year loan cycle (every 7 years loans would be repaid and re-lent)
  These assumptions mean that the corpus could be lent 2.86 times over the 20-year period.
- The $377,250 is used for gap financing using a 20/80% leverage
- Every impact investing dollar lent would have an additional $4 leveraged

With these assumptions met, $377,250 would yield the following potential impact in Lake County:

A total loan making capacity of **$5,389,286** for the full period which could be put toward creating
over **5 new community facilities** (assuming $1 million average project cost) or
nearly **54 new business deals** (assuming $100,000 per deal)

In summary, the $377,250 endowed and granted would grow over time continuing to grant funds into perpetuity and generating $486,819 in community grants. Conversely, this same $377,250 placed in a community impact investing fund could support nearly $5.4 million in community and business projects.

This is not an either/or case, but it illustrates that lending is one more tool foundations can use to augment their grantmaking tools.

Section 3 – Donor Opportunity Analysis

Every donor is important. LOCUS believes community foundations grow stronger over time when they embrace an "all donors" philosophy, and work with every neighbor to engage in community philanthropy. Embracing every donor in your community will build relationships and will better position the foundation to tackle your community's thorniest challenges and seize your community's most promising opportunities. This section builds on the analysis from the previous sections to quantify and characterize the community's households and the various levels at which they might be engaged to support the foundation. The following subsections breakdown Lake County's households based on age, net worth, geography, and psychosocial characteristics to help the foundation refine its development strategy. While each donor dimension is presented separately for simplicity, these dimensions can be woven together to fully understand a potential donor engagement.

Donor Potential and Generational Group

As mentioned in Sections 1 and 2, the life cycle of a household has significant bearing on wealth formation and the availability of assets for community give back. For example, older and wealthier households will have higher capacity and might be asked to give financially and to give more. Younger and less wealthy households might be asked to give less and, perhaps, to give in different ways.

Table 5. Lake County Donor Capacity and Generation

Wealth	Description	Number of Households	Donor Capacity
Silent Generation	About 7% of Lake County's households have a householder that is 75 or older. These households have an average net worth of $525,000 and together have a total net worth of $117 million or 12 of the county's total net worth.	*222 households*	*Moderate Capacity*
Baby Boomers	About 33% of households have a householder born between 1943 and 1962. Average or mean net worth for this group is $594,000 representing 63% of all household wealth or $620 million.	*1,044 households*	*Higher Capacity*
Generation X	Just under 37% of all Lake households in 2017 fall into the GenX category. Average or mean net worth is $179,000. Generation X households own 22% of all household wealth in the county or $210 million.	*1,174 households*	*Moderate Capacity*
Millennials	Millennial households, or households with a householder born after 1983 comprise 23% of Lake County households. Average net worth for this group is just $44,000. Together they possess 3.3% of total wealth.	*741 households*	*Future Capacity*

Donor Potential and Net Worth

Looking simply at net worth, it is understandable that wealthier households will have greater capacity to give back to the community financially. Lake County's households, based on net worth, break down accordingly:

Table 6. Lake County Donor Capacity and Net Worth

Wealth	Description	Number of Households	Donor Capacity
< $100,000	About 62% of Lake County's households have a net worth less than $100,000. The average net worth for these 1,960 households is $25,000 and together they have a total net worth of $48 million representing 5% of all household net worth in Lake County in 2017.	*1,960 households*	*Lower Capacity*
$100,000 - $499,999	About 29% of households have net worth between $100,000 and $499,999. Average or mean net worth for this group is $253,000 representing 24% of all household wealth or $235 million. Just 1% of this wealth is equal to $2.3 million, a sizable start for a large and growing community endowment.	*926 households*	*Moderate Capacity*
> $500,000	Higher capacity donors are defined as those households with average or mean current net worth value above $500,000. Just over 9% of all Lake households in 2017 fall into this category or 295 households. Average or mean net worth is nearly $2.4 million. Higher capacity donors own 71% of all household wealth in the county or nearly $696 million. Just 1% of this wealth was gifted to community endowments that would be $7 million.	*295 households*	*Higher Capacity*

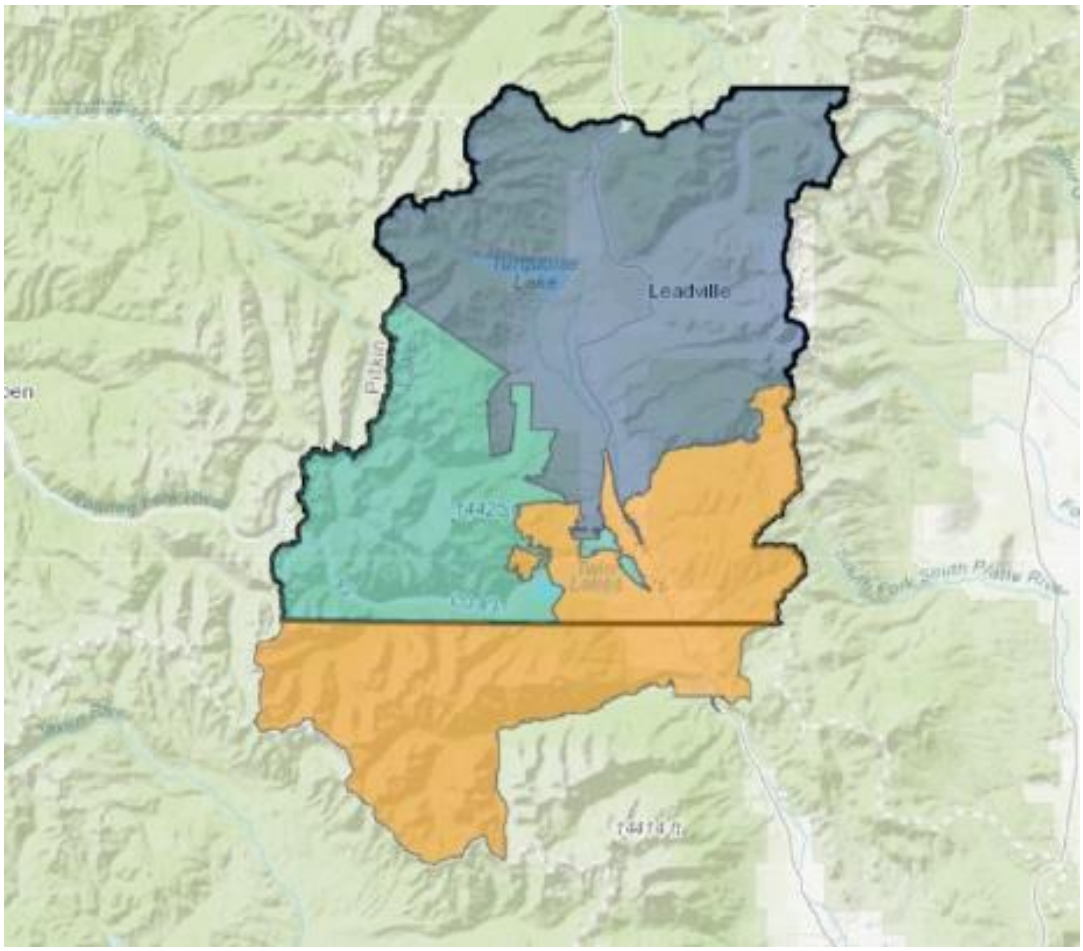
Donor Potential and Geography

Place-focused foundations constantly contend with the spatial dimension of philanthropy. Places help determine philanthropic need: access to food, access to work, environmental determinants of health. Similarly, places have relationship with donor development. Board member relationships, for instance, are likely to correlate with where they work and where they live. As foundations frequently target neighborhoods and communities for philanthropic investments, they too should consider the geography of development when identifying community events and trustee appointments to guarantee they are building needed relationships.

Lake County Community Fund has elected to profile the county's following zip codes:

Map 1. Lake County Target Zip Codes

Lake County, CO



80461
Leadville
7,632 residents in 3,054 households

81228
Granite
111 residents in 55 households

81251
Twin Lakes
149 residents in 80 households

For the selected geographies, Table 7 summarizes the mean net worth, the median net worth, the net worth ratio (mean divided by median – a rough measure of wealth distribution in the geography; higher values indicate higher income inequality), and the mean net worth for three critical householder groups. For context, the table also provides these values for the United States, Colorado, and Lake County as a whole.

Table 7. Lake County Target Zip Code Current Net Worth Indicators

Geography	Mean Net Worth	Median Net Worth	Net Worth Ratio	55-65 y/o Mean NW	65-74 y/o Mean NW	75+ y/o Mean NW
United States	*$609,066*	*$93,348*	*6.52*	*$894,686*	*$1,156,446*	*$698,061*
Colorado	*$669,958*	*$115,289*	*5.81*	*$1,054,199*	*$1,321,797*	*$749,102*
Lake County	*$307,712*	*$50,133*	*6.14*	*$465,113*	*$788,980*	*$525,256*
Leadville	$301,826	$49,039	6.15	$464,884	$778,310	$517,195
Granite	$628,236	$95,113	6.61	$803,903	$1,230,114	$1,486,047
Twin Lakes	$446,172	$69,808	6.39	$435,992	$1,002,631	$730,865

Donor Potential and Household Profiles

Demographic and socioeconomic characteristics have been used for decades particularly by retailers to understand markets and make decisions where to locate stores to better serve customers. Retailers see this data as a way to garner a deeper understanding of market demand so they can make strategic decisions.

One company known for providing this information to retailers is Esri. In their **Tapestry Segmentation** profiles, Esri organizes every American household into one of 14 "LifeMode" groups and within these groups one of 67 household Tapestry types. Esri also classifies every household based on six "Urbanization" groups.

Reviewing this information on Lake County can be useful to understand how businesses perceive your region. It can also be helpful because like business, philanthropy is providing a service to donors. Esri's segmentations may offer useful insights that can help foundations craft philanthropic services. For example:

- At one extreme (significant potential donor capacity) is the "Affluent Estates" LifeMode Group and within this group the "**Professional Pride**" Tapestry market. According to Esri, there nearly two million American households within this group. It is well-educated, in mid-life, has strong-investors, who are goal-oriented, and, by the time they are in their 50s and 60s, this group will have significant wealth and charitable potential.

- At the other extreme (right now, very limited donor potential) is the "Scholars and Patriots" LifeMode group and within this group there is the "**Dorms to Diplomas**" Tapestry market. These are college students mostly, and Esri estimates there are over 630,000 households that fall in this Tapestry group. Their average age is 21.6 years, and their future is before them – yet to be defined. Some may become "Professional Pride." Others will evolve into other Tapestry markets over time. They will eventually make up the future donor groups but their current charitable capacity is very limited.

Each LifeMode group and Tapestry Segment is defined by certain characteristics and given "index scores" on qualities such as diversity, wealth, socioeconomic status, housing affordability etc. To learn more about how Esri quantifies and defines these indicators, visit their website.

It should be noted that there are significant limitations to this data, and organizations should be careful when using it to make decisions that have consequences for households and communities. Like any data that attempts to reduce communities and neighborhoods to easy to understand profiles can miss nuance and important information. LOCUS recommends using this information only in conjunction with deeper community engagement and community assessment.

Summary Definitions

Median Age is calculated from the distribution of age by five-year age groups. Median Income divides the distribution of household income into two equal parts. Wealth Index is compiled from indicators of affluence such as average household income and average net worth etc. Diversity Index summarizes racial and ethnic diversity. Socioeconomic Index represents the relative social and economic status of residents belonging to each Tapestry Segment.

Table 8. Lake County's Esri Tapestry Profiles

28% **Parks and Rec** Median Age: 40.9 Median Income: $60,000 Wealth Index: 89 Diversity Index: 50.7 Socioeconomic Index: 104	"These practical suburbanites have achieved the dream of home ownership. They have purchased homes that are within their means. Their homes are older, and town homes and duplexes are not uncommon. Many of these families are two-income married couples approaching retirement age; they are comfortable in their jobs and their homes, budget wisely, but do not plan on retiring anytime soon or moving. Neighborhoods are well established, as are the amenities and programs that supported their now independent children through school and college. The appeal of these kid-friendly neighborhoods is now attracting a new generation of young couples." **More at Esri.com**
26% **Rustbelt Traditions** Median Age: 39.0 Median Income: $51,800 Wealth Index: 70 Diversity Index: 46.8 Socioeconomic Index: 97	"The backbone of older industrial cities in states surrounding the Great Lakes, Rustbelt Traditions residents are a mix of married-couple families and singles living in older developments of single-family homes. While varied, the work force is primarily white collar, with a higher concentration of skilled workers in manufacturing, retail trade, and health care. Rustbelt Traditions represents a large market of stable, hard-working consumers with modest incomes but an average net worth of nearly $400,000. Family oriented, they value time spent at home. Most have lived, worked, and played in the same area for years." **More at Esri.com**
14% **NeWest Residents** Median Age: 27.3 Median Income: $30,200 Wealth Index: 29 Diversity Index: 87.3 Socioeconomic Index: 65	"For this young Hispanic market, life has taken many turns recently. They are new to America and new to their careers, with new, young families. Many are new to the English language; nearly one-third of households are linguistically isolated. NeWest Residents are ambitious and dream of a better life. They aren't ready to fully adopt the American way of life but are willing to take risks for the benefit of their families. As the breadwinners, the men of the house work long hours in blue collar jobs, primarily in the service industry. Skilled workers steer toward construction and manufacturing sectors. Female labor force participation is somewhat low, perhaps due to the language barrier, but also because of their parenting responsibilities." **More at Esri.com**

12% **The Great Outdoors** Median Age: 47.4 Median Income: $56,400 Wealth Index: 122 Diversity Index: 35.6 Socioeconomic Index: 109	"These neighborhoods are found in pastoral settings throughout the United States. Consumers are educated empty nesters living an active but modest lifestyle. Their focus is land. They are more likely to invest in real estate or a vacation home than stocks. They are active gardeners and partial to homegrown and home-cooked meals. Although retirement beckons, most of these residents still work, with incomes slightly above the US level." **More at Esri.com**
11% **Emerald City** Median Age: 37.4 Median Income: $59,200 Wealth Index: 74 Diversity Index: 50.6 Socioeconomic Index: 122	"Emerald City's denizens live in lower-density neighborhoods of urban areas throughout the country. Young and mobile, they are more likely to rent. Well educated and well employed, half have a college degree and a professional occupation. Incomes close to the US median come primarily from wages, investments, and self-employment. This group is highly connected, using the Internet for entertainment and making environmentally friendly purchases. Long hours on the Internet are balanced with time at the gym. Many embrace the "foodie" culture and enjoy cooking adventurous meals using local and organic foods. Music and art are major sources of enjoyment. They travel frequently, both abroad and domestically." **More at Esri.com**
9% **Set to Impress** Median Age: 33.9 Median Income: $32,800 Wealth Index: 34 Diversity Index: 67.2 Socioeconomic Index: 120	"Set to Impress is depicted by medium to large multiunit apartments with lower than average rents. These apartments are often nestled into neighborhoods with other businesses or single-family housing. Nearly one in three residents is 20 to 34 years old, and over half of the homes are single person and nonfamily households. Although many residents live alone, they preserve close connections with their family. Income levels are low; many work in food service while they are attending college. This group is always looking for a deal. They are very conscious of their image and seek to bolster their status with the latest fashion. Set to Impress residents are tapped into popular music and the local music scene." **More at Esri.com**

Leadville, Granite, and Twin Lakes each have their own unique Esri Tapestry segmentation:

Table 9. Lake County Target Zip Code Esri Tapestry Profiles

Leadville	▪ Parks and Rec – 28.8% / 880 households – Moderate Capacity Donors ▪ Rustbelt Traditions – 27.7% / 846 households – Low Capacity Donors ▪ NeWest Residents – 14.7% / 449 households – Future Capacity Donors ▪ Emerald City – 11.5% / 351 households – Low Capacity Donors ▪ Set to Impress – 9.1% / 278 households – Future Capacity Donors ▪ The Great Outdoors – 8.2% / 250 households – Moderate Capacity Donors
Granite	▪ The Great Outdoors – 85.5% / 47 households – High Capacity Donors ▪ Silver & Gold – 10.9% / 6 households – Very High Capacity Donors ▪ Rural Resort Dwellers – 3.6% / 2 households – Moderate Capacity Donors
Twin Lakes	▪ The Great Outdoors – 100% / 80 households – Moderate Capacity Donors

Donor Potential and LOCUS Impact Investing Donor Types

Building on what Esri provides, LOCUS Impact Investing has developed our own likely donor types to capture the richest possible understanding of Lake County's potential donors. For more information on donor groups, view our **Donor Opportunity Profile**. While Esri has significant research backing the detail of their profiles, they do not capture important donor groups like farmers, closely-held business owners, or households with natural resource wealth through royalty payments. While it is difficult to quantify these potential donors within the county, a foundation can use this information as a guide to reflect on their current donor base and strategize on how to connect with these potential donors through ongoing or new development efforts.

Lake County's LOCUS Impact Investing Donor Types:

Rooted Wealth includes households with a long history in the community. They have often played central roles in the history and development of the area. This history, in turn, gives them a deep community attachment.

- *Old wealth represents inherited wealth passed on from one generation to the next. Often, these households are rooted generationally in a community or region. They typically have a legacy of engaging in and helping to build the community. Their charitable potential is evident and confirmed through past giving.*

- *Thrifty retirees are part of the social fabric of most communities, from urban neighborhoods to rural villages. These are folks who worked hard, spent less than they made, saved and invested well, and built modest estates over their lives. Often, they have deep roots in their community and are inclined to give back.*

- *Former residents grew up in your community, and they still it "home." Even when they have been gone for some time, they stay connected and care about their hometowns. They may want to give back but are often forgotten as potential donors.*

Entrepreneurs represent a core group within the community and drive innovation in new products and services. In so doing, they create and distribute new wealth – for themselves, their families, their investors, key employees and their communities.

- *While this part of United States has changed and even economically declined in some corners, closely-held family businesses can be found in most places. For the families that own them and invest in them, this represents a potential donor group with both capacity and motivation for giving.*

- *Since the 1940s and the rise of the middle class and suburbia, mainstays of many growing American communities are developers. Every reasonably sized and growing community has those dedicated to community growth. In most cases, they have wealth and deep ties to the communities that enabled their wealth.*

- *For many Americans there is a deep connection between their personal and business lives. These are lifestyle entrepreneurs that place high value on quality of life. Unlike growth entrepreneurs they are rarely rich, but they are often very successful and rooted in their communities. They are likely candidates for donor development.*

Specialized Talent are community residents who are often highly educated, have unique skills, and may be part of the creative class. Their unique skills may be in high demand, and they are often paid well for their work. While they may have started with little, they have the potential to become wealthy and build a large estate.

- *Richard Florida and others have shined a spotlight on the importance of creative individuals in our society and economy. Members of the creative class are innovative, often entrepreneurial and create new wealth through their innovation and talents.*

- *Specialized professionals are highly education and have developed a set of unique and in-demand skills. Even during the Great Recession there were jobs for many of them. Whether an oil driller or a surgeon, they are often well paid and have the potential to grow estates.*

Transplants or people moving from community to community can be a source of wealth creation by bringing entrepreneurial skills and new attitudes. They may come with little and work hard to build their wealth; they may move specifically to capture new opportunities, creating wealth in the process.

- *Rooted part-time residents have their legal residence elsewhere but spend consistent time the region. They may own vacation, second or retirement homes in mountain, coastal and other communities. While they have primary allegiance to their permanent hometowns, they spend enough time in the region to have established roots and become potential donors.*

- *In our mobile society, we often grow up in one community, build our careers and our wealth in another, and spend our golden years in another community. Households that are making the final move often scout new locations and spend time in their soon to be adopted hometown. They are actively looking for a place to spend their final, active, retirement days, and may be looking for ways to engage and contribute.*

Resource Wealth, or people who own resources and those who benefit from their development, have the potential to create significant estates. Many parts of the U.S. are experiencing a boom in resource development today with important implications for wealth creation and legacy giving.

- *Lake County has been home to significant mining operations over its history. These companies are often international players and have a long-term relationship within the community. There may be opportunities to partner with these corporate community members to (1) provide financial support related to donor development and (2) provide challenge grants to incentivize the development of endowments. This kind of engagement has precedent both in the U.S. and internationally.*

- *Personal wealth has long been associated with land owners. While corporate agriculture has become part of the American scene, there continues to be substantial numbers of farmers and ranchers running closely-held family operations. In some parts of the country, there is significant wealth and giveback potential associated with appreciating agricultural real estate.*

- *Across the U.S., there are unique landscapes with special amenities such as water, mountains, hunting resources, scenic views or recreational resources. These amenities have value. Those who own these assets can often create wealth for themselves by creating access for others to enjoy these amenity values. However, with an ever-growing population, these amenity resources are finite.*

About Us

LOCUS Impact Investing is a national social enterprise launched by **Virginia Community Capital** (VCC) in 2017, following acquisition of the nationally recognized **Center for Rural Entrepreneurship**, a nonprofit organization headquartered in Lincoln, Nebraska. For almost two decades, the Center has provided research and analysis related to community development philanthropy, including Transfer of Wealth™ Opportunity Analysis. LOCUS brings together the expertise of the regulated, certified CDFI (VCC) and its 12-year legacy of successfully deploying capital in underserved communities, with the Center's field-tested expertise and resources to help place-focused foundations identify and implement strategies that create a more prosperous community. LOCUS provides a continuum of solutions — from research and analysis to local investing services — to empower place-focused institutions to invest their capital locally to build prosperous, vibrant communities. To learn more about LOCUS, visit **www.locusimpactinvesting.org**.

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