ROOSEVELT INSTITUTE | CAMPUS NETWORK PRESENTS:

BUILDING COMMUNITY INVESTMENT AT NEW YORK UNIVERSITY

WHITE PAPER BY
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EXECUTIVE SUMMARY

Anchor institutions – large non-profit organizations like colleges, universities, or hospitals that are tied to a place by infrastructure and mission – should be harnessed to positively affect the growth of the local economies in which they reside. The multiple resources of anchor institutions can be vital tools used for stabilizing and strengthening the local economy, creating a more robust democracy, and reducing economic and social inequality.

One such anchor institution, New York University (NYU), has a unique opportunity to help counter growing economic inequality in New York City’s Lower East Side as a part of the school’s 2031 long-term strategic framework for growth. In this paper we propose that NYU invest $500,000 into the surrounding low-income neighborhoods, specifically into two Community Development Banks (CDBs), one in the Lower East Side and one in Chinatown. This investment is critical to the economic health of these neighborhoods, given that many residents would be disqualified from the financial services of many commercial banks. Because CDBs are insured by the Federal Deposit Insurance Company (FDIC) for deposits up to $250,000, NYU will be fully secure in making investments in the two neighborhoods with the greatest need, and because CDBs often have higher interest rates than commercial banks, this opportunity would allow NYU the potential for financial gain while simultaneously strengthening bonds with neighborhoods.

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Building Community Investment at New York University
By Eugenia Kim and Alan Smith, December 11, 2014

INTRODUCTION

U.S. public policy has largely failed to address job insecurity and economic volatility caused by globalization of recent decades. Far too often we see efforts to stimulate local economic development as an ever-faster race to the bottom. Government’s solution is to offer corporate entities tax breaks as incentives to bring or keep jobs to a community, but those efforts fail to increase the overall wealth of a city or of a community. Further, when a company does move jobs to a city, it is often removing them from a different location, which serves to destabilize one economy in favor of another. These trends have eroded communities’ capacity to self-govern, a skill necessary for counterbalancing increasing wealth and income inequality.

This paper proposes that anchor institutions – such as hospitals, universities, and community foundations – can and should be a stabilizing force in the face of such significant economic challenges. Anchor institutions are large non-profit organizations whose infrastructure and mission ties them to the communities in which they are located. By definition, these institutions are not pulled by many of the forces that destabilize other parts of the American economy, and they are heavily incentivized to have a vested interest in their surrounding communities. In many locations, anchor institutions have surpassed traditional manufacturing to become their region’s leading employers. From injecting wealth into local credit unions to alleviate problems of chronic under-banking, to supporting local women and minority-owned businesses, to hiring and purchasing locally to circulate money in the community, there are a plethora of useful things that an anchor can do. If the economic power of these anchor institutions were more effectively harnessed, they could contribute greatly to community wealth building.

NYU – located in one of the largest and most vibrant cities in the nation, and also one with extreme income inequality – is one such institution that has the capacity to democratize wealth building. In this paper, we first describe anchor institutions and explain their unique potential for stimulating local economies, strengthening democratic practices, and shrinking social and economic inequalities. We then propose ways for NYU to become a more involved and effective anchor institution and outline the significant benefits both to the surrounding community and to the institution. We provide examples for how other educational institutions have made similar investments and could serve as a model that NYU could replicate.

ANCHORS AND ECONOMIC DEVELOPMENT

Anchor institutions that fully embrace their mission as drivers of social and economic growth can create a stronger community and a shared prosperity.

The theory that anchor institutions should be able to dramatically affect the economy in which they sit is not a revolutionary one. Literature on anchors as primary employers, with the tools to sway economic development, has been a part of city planning knowledge since the 1970s. The University of Pennsylvania has been engaged in the economic turnaround of West Philadelphia for nearly 30 years, and cities like Baltimore have made “eds and meds” central to their city’s revitalization plans. Anchors are often the last remaining major assets in major rust-belt cities; they aren’t just good economic drivers, they are often the only economic drivers.

1 Anchor institutions can also include local governments, museums, sports teams, performing arts centers, other cultural institutions (theaters, zoos, etc.), and religious institutions.

2 http://community-wealth.org/content/eds-and-meds-cities-hidden-assets

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In many cases, anchor institutions are stabilizing economic forces in planning for economic development, as their needs are predictable and their spending does not change dramatically from year to year. While anchors can and do still fail, they can’t get up and leave, so they represent more dependable and “sticky” assets for a community than an equivalent corporate entity. Their cultural and economic reach is often profound. U.S. colleges and universities educate 21 million students annually, employ more than 3 million people, spend $373 billion in annual procurement (roughly three percent of GDP), and have endowments worth over $400 billion. Likewise, hospitals nationwide employ more than five million people, spend $750 billion in annual procurement, and have endowments worth over $500 billion. Collectively “eds and meds” spend over $1 trillion and employ eight percent of the U.S. labor force.

Anchor institutions typically interact with communities in seven potential capacities: a provider of products or services, real estate developer, purchaser, employer, workforce developer, cluster anchor, and community infrastructure builder. Eventually, an ideal anchor would manage to maximize the potential in all of those categories.

Equally important as anchor institutions’ role as drivers of economic stimulus and stability is their potential influence on strengthening democracy in their communities. Indeed, the community benefits of a stable economy go far beyond dollars and cents. To seek a situation in which, to quote Louis Brandeis, more citizens “may live and not merely exist,” we must build a vision that looks to principles of community democracy as an end unto itself, as well as a means to prosperity. In Making a Place for Community: Local Democracy in a Global Era, Williamson et al. argue for the prioritization of community economic stability in economic and social policy. They reference community economic stability to mean “a condition in which each geographic entity of significant size (such as cities, towns, and rural counties) possesses job opportunities and a general level of economic activity – that is, reasonably full employment at the community level – adequate to provide a decent standard of living for its population over a sustained period of time.”

When successful at these first goals of strengthening economies and democratic systems, anchors will contribute to one of the great challenges of our time: a reduction in economic and social inequality. To quote Roosevelt Institute Senior Fellow and Chief Economist Joseph Stiglitz, “The true test of an economy is not how much wealth its princes can accumulate in tax havens, but how well off the typical citizen is – even more so in America where our self-image is rooted in our claim to be the great middle-class society. But median incomes are lower than they were a quarter-century ago. Growth has gone to the very, very top, whose share has almost quadrupled since 1980.”

5 Clusters of anchors with a shared mission and understanding of their role in a community can act similarly to an industry cluster, “a group of firms, and related economic actors and institutions, that are located near one another and that draw productive advantage from their mutual proximity and connections”, Joseph Cortright, “Making Sense of Clusters: Regional Competitiveness and Economic Development” Brookings Institution, March 2006 http://www.brookings.edu/research/reports/2006/03/cities-cortright
7 Sabeel Rahmin, Beyond the Free Market. Salon.com http://www.salon.com/2012/03/04/beyond_the_free_market/
8 Thad Williamson, Gar Alperovitz, and David Imbroscio, Making a Place for Community: Local Democracy in a Global Era. (London: Routledge, 2003), xiv.
Anchors, working together, can do more than create a few hundred jobs or grow a specific pool of loans. Working together, they can set strong city and even region-wide baselines for wages, and serve as a driving factor for economic development, public safety, local purchasing, and quality-of-life initiatives. They can, working with their local communities, be a bulwark for standards that lift people out of poverty and build local economies that benefit community as well as capitol.

EXPANDING NYU’S ROLE AS AN ANCHOR INSTITUTION

Although New York City is arguably the world’s financial capital, it still remains a city of extreme wealth inequality. We often think about the inequality that exists between neighborhoods such as the Upper East Side and the South Bronx, but in fact inequality is much more localized within NYC communities. There are significant wealth discrepancies in the five ZIP codes where many of NYU’s buildings are located.\(^{10}\) Chinatown and the Lower East Side have poverty rates of 28 and 20 percent, respectively.\(^{11}\)

One of multiple factors driving income inequality in the Lower East Side and Chinatown – as in many low-income communities – is a lack of access to financial capital. Nearly one in five\(^{12}\) NYC households is unbanked (compared to the national average of 7.7 percent), meaning they do not have accounts in a financially insured institution.\(^{13}\) Unbanked households do not have access to the services that traditional financial services provide such as security, cost savings, and asset building. Traditional financial services provide opportunities for borrowers with reduced risk because they seek borrowers who have stable financial assets. However, the families in low-income neighborhoods without these assets have a difficult time borrowing money or obtaining loans to start small businesses, attend college, or purchase a home. Lack of access to these services further exacerbates these households’ financial instability, ensuring they remain unbanked.

There are a number of reasons why households choose not to bank with traditional financial institutions: inability to meet minimum balance requirements (60 percent); dislike or distrust of banks (34.2 percent); and high and unpredictable bank fees (30.8 percent).\(^{14}\) By helping more people to bank in local institutions with a clear track record of overcoming these problems, this reinvestment proposal hopes to allow for more community wealth to be provided to the low-income residents of the Lower East Side and Chinatown.

MAKING THE CASE FOR CDFIs

Community Development Financial Institutions (CDFIs) are private financial organizations that prioritize community development over the highest possible profits, which make their rates, mission, and service significantly different from traditional financial institutions. The interest rates of community development banks, for instance, are often much higher than those of traditional financial institutions. This makes it attractive for both NYU and members of the community to open an account in a CDB rather than a traditional bank. The shared mission of CDFIs has led them to turn local development into a force at a national scale. CDFIs are uniquely suited to further drive economic progress within a community because their mission is invested in the community itself rather than maintaining large branches across the country.

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10 Those ZIP codes are: 10002, 10003, 10009, 10012, 10013. For context, one part of Chinatown (10002) had 28 percent of its residents living below the poverty line, compared to nearly 20 percent on the Lower East Side (10009) 12.1% living below the poverty line in two others (10003 and 10012).
CDFIs are successfully performing their missions. The CDBs in Chinatown, the First American International Bank (FAIB), and the Lower East Side, the Lower East Side People’s Federal Credit Union (LES People’s FCU) help to provide beneficial financial services to the community. Since its founding, the LES People’s FCU has served more than 20,000 people, reinvested over $56 million back to the community through loans, and mobilized over $30 million in local savings. This, along with FAIB’s commitment to the community through working with the Chinatown Working Group, a revitalization project of Chinatown, make both CDBs worthy investments.

BENEFITS TO THE COMMUNITY
The alarming instances of poverty and unbanked residences in Chinatown and the Lower East side makes the evidence clear: there is a great need for increased community investment. CDBs are critical to the economic health of these neighborhoods, given that many residents would be disqualified from the financial services of commercial banks. For every $1 put into CDBs, $9.20 is leveraged by public and private dollars to support impact investment.

The communities of the Lower East Side and Chinatown could stand to benefit in the following ways:

Access to financial services
CDBs stand apart from commercial banks in that they cater to the needs of a community. For example, First American International Bank (FAIB) serves its clients by offering services in various Chinese dialects, since English is not the first language of many residents. This could be a simple solution to the language barrier that many Chinatown residents must overcome when trying to gain access to basic financial services.

Small businesses and family-supporting jobs
In areas without access to mainstream financial institutions, CDBs make secure investments to support local entrepreneurs in low-income areas. Unemployment in the Chinatown zip code of 10002 and the Lower East Side zipcode of 10009 is 10.5 and 7.4 percent, respectively. The CDBs located in both areas can provide the capital necessary to strengthen, support, and create local businesses and expand employment opportunities.

Community Development Organizations
Many traditional financial institutions choose not to assist in the development of nonprofit organizations that are critical to the livelihood of low-income communities. Flexible loan products can assist in the expansion of educational facilities and community centers that support these communities. In fact, FAIB already supports and partners with the Chinatown Working Group, a community based initiative designed to engage with residents, businesses, and city government to address a myriad of issues facing Chinatown. In an effort to understand the surrounding areas, the Chinatown Working Group has also examined parts of the Lower East Side as well.

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BENEFITS TO THE UNIVERSITY

There are many benefits to investing in a CDFI, especially for a university like NYU. CDFIs offer higher interest rates than commercial banks, they’re federally insured (and therefore safe investments), and they improve community-university relations. But that’s only the tip of the iceberg. NYU could stand to benefit in the following ways through investing $500,000 in FAIB in Chinatown and LES People’s FCU.

Consistent with mission and 2031 Expansion Plan

NYU has announced and made progress with the 2031 plan. By 2031, NYU hopes to complete the expansion of the university further into Washington Square Village. This expansion comes with a commitment for sustainability: “the university will be sensitive to its cultural and physical environments.” NYU plans for this sustainability commitment to manifest itself through the use of green buildings and accessible open space. In addition, “the university will be respectful of the communities, neighborhoods, and city on which it depends.” By recognizing NYU’s interdependence with the neighborhood and the city, the university also embraces the idea that the community success and the success of NYU are interrelated, which should also translate to its economic success.

The large number of community service groups on campus and the hours that students put into the community each year are evidence that NYU values its surrounding community. However, the university can and should do more than simply volunteering hours when the community is in desperate need of revitalization through capital.

NYU’s mission statement proclaims it to be a university that “has emerged as one of the most networked and extensive worldwide platform[s] for building knowledge and inventing new ways to meet humanity’s challenges” and that it “seeks to take academic and cultural advantage of its location.” By reinvesting in Chinatown and the LES through CDBs, NYU will help preserve the culture of the surrounding community and will expand opportunities for its students to learn about the people, history, and culture of said communities.

With the new 2031 expansion that is underway, our proposed reinvestment is aligned with NYU’s strategic direction. The plan itself calls for the “respect [of] the character of surrounding communities” and to “preserve and protect historic resources, provide sustainable growth, and showcase leading urban and architectural design.”

Public identity advantages

By supporting investments in the community, the university can publically show financial support to surrounding areas most in need of capital. Improved perception of NYU by its community can help show current and prospective students, faculty, alumni, stakeholders, and the larger New York City government that NYU values and is dedicated to the social welfare of its community members.

Improves community-university relations in the long term

This investment shouldn’t be purely symbolic of the commitment NYU has to the community. It can also serve as a stepping-stone for increased and longer-term investments into different CDBs. It could also be the first step in a longer-term investment plan for increased amounts of capital should these two investments prove profitable and beneficial to the university.

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19 Ibid.
20 Ibid.
22 Ibid.
Annual Percent Yields are better than most commercial banks
These liquid investments will not only create social returns for Chinatown and the LES, but also provide better returns than many mainstream banks. In comparison with other depository institutions, CDBs generally have higher interest rates due to lower costs and focus on mission.24 As Table 1 shows, we have listed the Annual Percentage Yields (APYs) taken directly from the bank websites for various accounts in LES People’s FCU, FAIB, and basic certificates of deposit (CD) in three major banks.25

Table 1. Annual Percentage Yield (APY) over the course of various times for different types of accounts in the LES People’s FCU, FAIB, and basic certificates of deposit in Bank of America, Chase Bank, and Citibank.26

<table>
<thead>
<tr>
<th>Account Type</th>
<th>LES (CD)</th>
<th>LES (SS)</th>
<th>FAIB (BA)</th>
<th>FAIB (CD)</th>
<th>BoA (CD)</th>
<th>Chase (CD)</th>
<th>Citi (CD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>0.50%</td>
<td>1.00%</td>
<td>0.40%</td>
<td>0.40%</td>
<td>0.05%</td>
<td>0.05%</td>
<td>0.20%</td>
</tr>
<tr>
<td>2 Years</td>
<td>1.00%</td>
<td>1.50%</td>
<td>0.40%</td>
<td>0.80%</td>
<td>0.10%</td>
<td>0.30%</td>
<td>0.25%</td>
</tr>
<tr>
<td>3 Years</td>
<td>1.25%</td>
<td>1.75%</td>
<td>0.40%</td>
<td>1.20%</td>
<td>0.12%</td>
<td>0.40%</td>
<td>0.35%</td>
</tr>
<tr>
<td>4 Years</td>
<td></td>
<td></td>
<td>0.40%</td>
<td>1.40%</td>
<td>0.15%</td>
<td>0.50%</td>
<td></td>
</tr>
<tr>
<td>5 Years</td>
<td></td>
<td></td>
<td>0.40%</td>
<td>1.60%</td>
<td>0.15%</td>
<td>0.60%</td>
<td>0.50%</td>
</tr>
</tbody>
</table>

Projected profits of CDBs are higher than those of most commercial banks
The CDB profits (FAIB and LES People’s FCU) – calculated by subtracting the final amount27 in the account from the starting amount ($250,000) – are higher than commercial bank CD profits. Maximum profit is represented by the options shown in red in Table 2 (3 years in LES Super Saver CD and 5 years in FAIB CD), which total to $34,066.35. Because the LES Super Saver CD is only open to graduated students,28 another option is to invest 3 years into the regular LES CD and 5 years in FAIB CD, which totals to $30,080.00.

https://www.faib.com/business/rates rates as of November 14, 2014
https://online.citibank.com/US/JRS/pands/detail.do?ID=SvCDs
26 Final Amount is calculated with formula FV=PV(t+APY)^t, where FV is future value (final amount), PV is Present Value (starting amount: $250,000), APY is listed rate from Figure 2, and t is term (years in account).
27 From left to right, the types of accounts in Table 1 are as follows: LES People’s FCU Certificates of Deposit; LES People’s FCU 25 Super Saver Certificates of Deposit of up to $10,000 to equal the $250,000 deposit; FAIB High-yield Business Account; 3 FAIB Certificate of Deposit accounts with up to $99,999 each; Bank of America Certificate of Deposit; Chase Bank Certificate of Deposit; Citibank Certificate of Deposit.
Table 2. Profits or gains over the course of various times in different types of accounts in the LES People’s FCU, FAIB, and the basic certificates of deposit in Bank of America, Chase Bank, and Citibank.29

<table>
<thead>
<tr>
<th>Account Type</th>
<th>LES (CD)</th>
<th>LES (SS)</th>
<th>FAIB (BA)</th>
<th>FAIB (CD)</th>
<th>BoA (CD)</th>
<th>Chase (CD)</th>
<th>Citi (CD)</th>
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<tr>
<td>1 Year</td>
<td>$1,250.00</td>
<td>$2,500.00</td>
<td>$1,000.00</td>
<td>$1,000.00</td>
<td>$125.00</td>
<td>$125.00</td>
<td>$500.00</td>
</tr>
<tr>
<td>2 Years</td>
<td>$5,025.00</td>
<td>$7,556.25</td>
<td>$2,004.00</td>
<td>$4,016.00</td>
<td>$500.25</td>
<td>$1,502.25</td>
<td>$1,251.56</td>
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<tr>
<td>3 Years</td>
<td>$9,429.68</td>
<td>$13,356.03</td>
<td>$3,012.02</td>
<td>$9,108.43</td>
<td>$901.08</td>
<td>$3,012.02</td>
<td>$2,634.20</td>
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<tr>
<td>4 Years</td>
<td>$4,024.06</td>
<td>$14,296.75</td>
<td>$1,503.38</td>
<td>$5,037.63</td>
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<tr>
<td>5 Years</td>
<td>$5,040.16</td>
<td>$20,650.32</td>
<td>$1,880.63</td>
<td>$7,590.54</td>
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Favorable Return on Investments of CDBs

Return On Investments (ROIs) calculated below in Table 3 are based upon the projected profits from Table 2 and further substantiate the claim that CDBs are a better financial option for NYU to invest its capital than commercial banks. CDB ROIs – calculated by dividing Net Profit by Amount Invested ($250,000) and multiplying by 100 – are certainly higher than the commercial bank CD ROIs. Like maximum profits, maximum cumulative ROI is represented by the options shown in red in Table 3 (3 years in LES Super Saver CD and 5 years in FAIB CD). Because the LES Super Saver CD is only open to graduated students as stated before, the other option is to invest 3 years into the LES CD and 5 years in FAIB CD.

Table 3. Return on investments over the course of various times in different types of accounts in the LES People’s FCU, FAIB, and the basic certificates of deposit in Bank of America, Chase Bank, and Citibank.30

<table>
<thead>
<tr>
<th>Account Type</th>
<th>LES (CD)</th>
<th>LES (SS)</th>
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<th>FAIB (CD)</th>
<th>BoA (CD)</th>
<th>Chase (CD)</th>
<th>Citi (CD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>0.50</td>
<td>1.00</td>
<td>0.40</td>
<td>0.40</td>
<td>0.05</td>
<td>0.05</td>
<td>0.20</td>
</tr>
<tr>
<td>2 Years</td>
<td>2.01</td>
<td>3.02</td>
<td>0.80</td>
<td>1.61</td>
<td>0.20</td>
<td>0.60</td>
<td>0.50</td>
</tr>
<tr>
<td>3 Years</td>
<td>3.80</td>
<td>5.34</td>
<td>1.20</td>
<td>3.64</td>
<td>0.36</td>
<td>1.20</td>
<td>1.05</td>
</tr>
<tr>
<td>4 Years</td>
<td>1.61</td>
<td>5.72</td>
<td>0.75</td>
<td>3.04</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Years</td>
<td>2.02</td>
<td>8.26</td>
<td>0.75</td>
<td>3.04</td>
<td></td>
<td></td>
<td>2.53</td>
</tr>
</tbody>
</table>

Secure investments

Like traditional banks, CDBs are regulated by the Federal Reserve and insured by the FDIC, which provides up to $250,000 in deposit insurance by the federal government for each deposit. Therefore, both deposits of $250,000 in FAIB and LES People’s FCU would be fully insured by the FDIC, ensuring minimal risk in this venture.

29 The account types of Table 2 are the same as and in the same order as those in Table 1 above. From left to right, the account types in Figure 3 are as follows: LES People’s FCU Certificates of Deposit; LES People’s FCU 25 Super Saver Certificates of Deposit of up to $10,000 to equal the $250,000 deposit; FAIB High-yield Business Account; 3 FAIB Certificate of Deposit accounts with up to $99,999 each; Bank of America Certificate of Deposit; Chase Bank Certificate of Deposit; Citibank Certificate of Deposit.

30 The account types of Figure 4 are the same as and in the same order as those in Figure 2 & 3. From left to right, the account types in Figure 4 are as follows: LES People’s FCU Certificates of Deposit; LES People’s FCU 25 Super Saver Certificates of Deposit of up to $10,000 to equal the $250,000 deposit; FAIB High-yield Business Account; 3 FAIB Certificate of Deposit accounts with up to $99,999 each; Bank of America Certificate of Deposit; Chase Bank Certificate of Deposit; Citibank Certificate of Deposit.
**Counterparty risk**
In addition, diversifying the university’s banks of deposit can help insulate the risk of a large impact from a potential shock affecting the national banking industry. For a long time, the National Association of College and University Banking Officers has recognized the importance of diversification for the stability of educational finances.31

**Local cost-saving procurement relationships**
NYU’s 2031 plan boasts of the local purchasing of NYU in 2009, reporting that $156,877,796 was spent within Greenwich Village alone and a larger $203,756,723 spent within Manhattan, not including Greenwich Village. Through supporting local CDBs, NYU can foster strong relationships with local enterprises that could lead to beneficial procurement opportunities.

**Service learning opportunities for students**
Students can take this opportunity to learn about urban development and investments through harnessing the power of CDFIs. The Wagner School of Public Policy at NYU can work with the CDBs to provide site visits to students who are interested in learning about urban development and the benefits of developing CDBs and CDFIs.

**BEST PRACTICES BY OTHER LARGE RESEARCH UNIVERSITIES**
The theory that anchors can deploy their resources to effectively strengthen their neighboring communities has been tested. One example is the collaboration between three Cleveland area Anchors: the Cleveland Clinic, Case Western Reserve University, and University Hospitals. As of 2010, these three institutions are surrounded by six neighborhoods that are home to 43,000 mostly black residents, living in households where the median income is $18,500. Many of the classic urban problems are manifested in the area: foreclosures, high crime rates, and stubbornly high unemployment numbers. Investment (in the form of job-training programs and the like) hasn’t done much to alleviate these problems.32 At the same time, these three anchor institutions are powerhouses of economic activity, spending a combined $3 billion on goods and services annually – and with almost none of that money being directed to the six neighborhoods physically surrounding these institutions.

As a part of a larger initiative to revitalize the University Circle area of Cleveland, a group called the Evergreen Cooperatives started a series of businesses designed to keep anchor wealth in the community. Based on a thorough analysis of the procurement needs of the three key anchor institutions, Evergreen Cooperatives started local worker-owned businesses to provide organic lettuce, environmentally-friendly dry cleaning services, and solar energy production. Their success with starting these businesses, which are all designed to compete with larger-scale procurement options while being a permanent part of the community landscape, proves that the divide between anchor institutions and communities in which they sit is surmountable.33

Other universities are becoming aware of their role as anchor institutions and understand what that can mean for development in a community. With this realization, many universities across the country have already begun supporting CDFIs and CDBs. Even NYU’s neighbors at Fordham University have supported the investment into CDFIs. Colleges of varying sizes have taken up this mantle of supporting their communities financially, from small liberal arts colleges like Wesleyan University to large research institutions like Duke University. Many of these universities have endowments much smaller than NYU’s endowment of $3.0 billion dollars in 2013.34

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32 The Economist, The hopeful laundry, Jan 7th, 2010 http://www.economist.com/node/15213793
33 The Evergreen Cooperatives http://evergreencooperatives.com/about/mission-goals-and-principles/

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shows other instances of universities across the country that have invested in the future of their surrounding communities through CDFIs and CDBs.

Table 4. Successful Best Practices for Community Investment by Other Large Research Universities. This chart was adapted from the Democracy Collaborative’s “Raising Student Voices” report.35

<table>
<thead>
<tr>
<th>Institution</th>
<th>Endowment</th>
<th>Cash and Cash Equivalents</th>
<th>Community Investments via CDFI Intermediaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carleton College</td>
<td>$645.6 million</td>
<td>$31 million</td>
<td>Partnered with St. Olaf College to create Northfield Community Investment Fund. Has contributed $1.5 million to the fund.</td>
</tr>
<tr>
<td>Duke University</td>
<td>$5.55 billion</td>
<td>$526.2 million</td>
<td>Invested $4 million in the Latino Community Credit Union and $8 million in the Self-Help Credit Union.</td>
</tr>
<tr>
<td>Fordham University</td>
<td>$491 million</td>
<td>$3.4 million</td>
<td>Made $250,000 deposits each into both the BethEx Federal Credit Union and the Amalgamated Bank following a student-led campaign.</td>
</tr>
<tr>
<td>Georgetown University</td>
<td>$1.3 billion</td>
<td>$69.4 million</td>
<td>Provided the seed capital for the creation of City First Bank in 1998.</td>
</tr>
<tr>
<td>Harvard University</td>
<td>$30.4 billion</td>
<td>$63.4 million</td>
<td>Invested $20 million in low-interest loans through the Harvard 20/20/2000 Initiative.</td>
</tr>
<tr>
<td>Johns Hopkins University</td>
<td>$3 billion</td>
<td>$182.2 million</td>
<td>Invested $10 million into the Homewood Community Partners Initiative in 2012. This group of non-profits, community organizations, and businesses will steer the investment to benefit Baltimore neighborhoods.</td>
</tr>
<tr>
<td>Macalester College</td>
<td>$634.5 million</td>
<td>$27.3 million</td>
<td>Macalester student coalition worked with The Responsible Endowments Coalition to move $600,000 into University Bank, a community bank in St. Paul, MN.</td>
</tr>
<tr>
<td>Oberlin College</td>
<td>$674.6 million</td>
<td>$9.7 million</td>
<td>Student Activity Fund invested about $150,000 into the Ohio Educational Credit Union.</td>
</tr>
<tr>
<td>Tufts University</td>
<td>$1.35 billion</td>
<td>$64.2 million</td>
<td>Student-led campaign led to an investment of $500,000 into community banks in Medford, MA.</td>
</tr>
<tr>
<td>University of Chicago</td>
<td>$6.57 billion</td>
<td>$190.1 million</td>
<td>Accepted a proposal from a student committee and invested $1 million into four community banks in Chicago, $250,000 each.</td>
</tr>
<tr>
<td>University of Cincinnati</td>
<td>$976 million</td>
<td>$65.8 million</td>
<td>Dedicated nearly $150 million from its endowment to finance low-interest loans, as well as an additional $8 million in operating grants for community redevelopment efforts.</td>
</tr>
<tr>
<td>Wesleyan University</td>
<td>$600 million</td>
<td>$8.9 million</td>
<td>Established two investments in the form of six-month $250,000 certificates of deposit into two local community banks as a result of a student-led campaign.</td>
</tr>
</tbody>
</table>

CONCLUSION
The current poverty levels in Chinatown and the Lower East Side surrounding NYU is staggering in comparison to the national levels, and even to many of its direct neighbors. The poverty numbers also correlate with the high

number of unbanked households, showing a clear solution. As an anchor institution, NYU has a responsibility and incentive to improve the economic conditions of these neighborhoods.

Two local CDFIs, FAIB in Chinatown and Lower East Side People’s Federal Credit Union (LES People’s FCU) have unique ties to the community. By having NYU hold $500,000 in these two CDFIs, these community institutions will have new access to capital that would be used for loans that directly benefit the communities of Chinatown and the Lower East Side. Data shows the usefulness of CDFIs as economic drivers, and is clear on the scale of financial capital contained within anchor institutions. This plan for local investment is a continuing step in a larger mission to fully utilize the power of anchor institutions and to promote the importance of CDFIs for unbanked or under-banked households.

By transferring funds to these two CDFIs, NYU stands to profit at a better rate than it would holding its capital in commercial banks. In transferring $500,000 into a certificate of deposit into these banks, NYU will see an economic advantage as well as the intrinsic value of improving relationships among community members, students, and the university. As people turn towards “eds and meds” as a cornerstone of a more equitable economy, NYU has a chance to be a national leader.