

DECEMBER 2022



APPALACHIAN
COMMUNITY CAPITAL



2022-2026 STRATEGIC ROADMAP

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About ACC

- ACC is a non-profit CDFI that raises capital for its members to increase small business lending in chronically underserved communities across Appalachia.
- Formed in 2013 as a membership network with 12 members, ACC's membership currently consists of over three dozen high-performing CDFIs and other mission-based lenders located in and serving the region.
- ACC members—many of whom have been in operation for decades—and their affiliates manage over \$1 billion in assets supporting economic development in Appalachia.



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WHAT IS A CDFI?

A CDFI is a certified community development financial institution.

CDFIs fill gaps in financing for economically-disadvantaged populations and communities.

There are four types of CDFIs: community development banks, credit unions, loan funds, and venture capital funds. Although they share a common vision of expanding economic opportunity for all, each has a different business model and legal structure.

More than 1,300 certified CDFIs operate nationwide; these organizations manage more than \$222 billion, creating jobs, affordable housing, financial health, and opportunity for all.



IMPACT

As a certified CDFI, ACC has a proven track record of turning investments into on-the-ground results. Since 2015, when ACC first began lending, through September 2022, ACC accomplished the following.

\$30M +

Investment capital raised which has unlocked additional capital and which members have recycled multiple times within communities.

2,000+

Small business jobs created or retained through member financing.

40%

Of the jobs created or maintained are occupied by low-income individuals.

110

Small business loans made in Appalachia, ranging from \$1,500 to \$3 million.

68%

Of the loans were made to businesses owned by persons or color and/or women.

28%

Of the loans were made in persistent poverty, distressed, and at-risk locations.

Between 2020 and 2022, members received over \$5 million in grants from ACC to help build their organizational capacity and to provide technical assistance and/or grants to small businesses and entrepreneurs in the region. In December 2022, the Ford Foundation announced that it was investing an additional \$10 million in ACC to ensure that capital continues to flow to Appalachian small businesses.

Since 2020, ACC has led an initiative, called [Opportunity Appalachia](#), in partnership with steering committees in 5 states in rural Central Appalachia (OH, VA, WV, TN and NC) to provide technical assistance to support larger projects such as downtown redevelopment; manufacturing facilities; community centers; health, wellness, and childcare centers; food and agricultural facilities; hotels; and retail enterprises.

THE REGION

The Appalachian Region, as defined by the Appalachian Regional Commission, includes 423 counties comprising all of West Virginia, and portions of Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia.

The region touches nearly every state down the eastern seaboard, connecting mountain communities and their rich human and natural resources into major transport corridors and urban hubs on both sides of the Continental Divide.

THE PEOPLE

With over 2.4 million small businesses in a population of 26 million, and more than 5 million residents of Black, Hispanic, Native, and other diverse backgrounds, the ACC service area is one of the most entrepreneurial and diverse rural regions in North America.

ARC's footprint comprises three federally recognized, and five state recognized, Native American Tribal Communities. In addition, the Appalachian states that have seen the most rapid increases in population since 2010 are all in the south—Alabama, Georgia, North Carolina, South Carolina, and Tennessee.



CHALLENGES

Despite their proven resilience and diversification value, regional small businesses face several challenges:

- The Appalachian Region is one of the most historically underinvested regions in the US, despite numerous high-profile programs and efforts.
- Appalachia is also one of the most underbanked regions in the US, with one bank branch for every 3,700 residents, and a decline in branch networks of nearly 20% between 2010 and 2020.
- Both distressed rural and communities of color face significant multi-generational inequity issues, including a lack of generational wealth and support networks, largely as a result of dependence on historic industries that extracted regional wealth rather than building it.



OPPORTUNITIES

Engaging with regional CDFIs offers opportunities for growth and development in the following areas.

- Reaching a larger segment of rural small businesses, communities of color, and other markets that have been excluded from the financial mainstream.
- Expanding “equity-like” debt (which would include convertible notes and/or long-term patient capital that is treated as equity on the balance sheet).
- Increasing flexible and affordable financial products that are tailored to match the specific needs of small business owners.
- Providing capacity-building support for CDFI managers and staff.
- Investing in technology and business processes.
- Strengthening regional CDFI networks and collaborations.
- Participating in an emerging green economy and diversity, equity, and inclusion (DEI) initiatives that will benefit various communities and populations, including distressed rural areas, communities of color, and other underinvested locations.

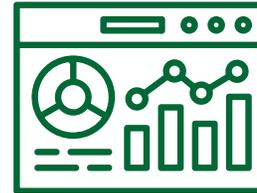


ACC's Vision for Generating & Supporting Economic Growth in Appalachia

- Using a combination of grants, tailored loan terms, and equitable lending strategies to incentivize CDFI and other mission-aligned borrowers to invest in targeted small business sectors, geographies, and populations.
- Creating a robust knowledge platform to facilitate peer-to-peer knowledge exchange, innovative replication, access to capacity-building tools and resources, and curated events tailored specifically to the needs of member CDFIs, their customers, and clients.
- Enabling efficient, cost-effective, and mission-aligned technology partnerships to enhance member efficiencies, risk management, and outreach to unserved/underserved entrepreneurs and communities across the region.
- Introducing new loan products that larger asset-sized members have identified as needed, but that are unavailable or hard to secure from conventional lenders. These include bridge loans, commitment loans, lines of credit, and New Markets Tax Credit leverage loans.



ACC's Focus Areas (2022–2026)



PILLAR I

Blended Finance Facility

Diversity, equity, and inclusion products and services focused on a combination of loans and grants for diverse small businesses, green energy projects, and other economic development priorities.

PILLAR II

Knowledge & Learning Platform

- Peer-to-peer knowledge and learning portal
- National training academy for small business lenders
- Professional certifications portal

PILLAR III

Technology Transformation

- Inclusive data analytics hub
- Process efficiencies and technology innovation
- Technology partnerships

PILLAR IV

Structured Finance Facility

- New markets tax credits and Opportunity Zone participation
- Bridge financing and lines of credit for CDFI members

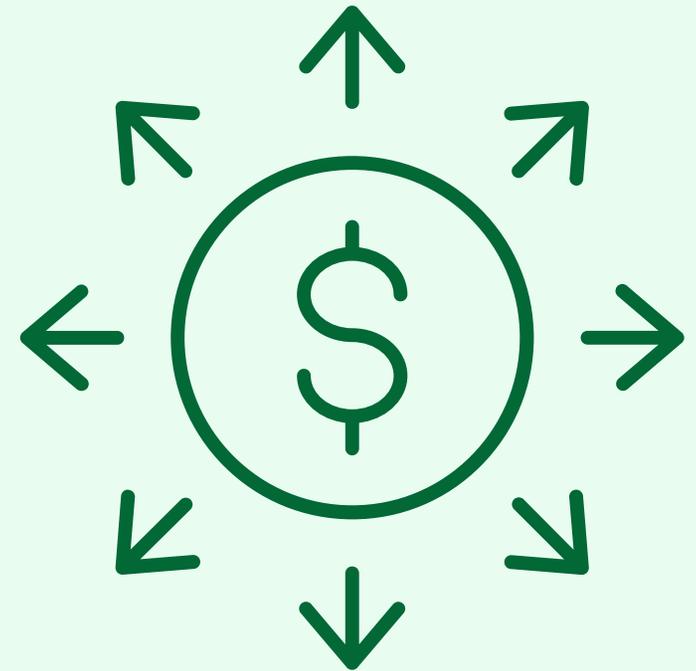
The following pages provide additional descriptions of each pillar.

PILLAR I

BLENDED FINANCE FACILITY

ACC will use a combination of grants, tailored loan terms, and equitable lending strategies to incentivize CDFI borrowers to invest in targeted small business sectors, geographies, and populations. ACC will focus on:

- Capital that benefits member CDFIs.
- Member CDFIs who can tap debt and grant capital and technical support for new priority initiatives with maximum time, cost, and capacity efficiency.
- Funding and impact efficiencies with donors and investors interested in diversity, equity, and inclusion and accelerating the green economy.
- Expanded outreach to the unserved majority of small businesses using refinancing facilities more broadly across Appalachia.
- Structural barriers to lending to historically low-credit and/or asset-constrained but viable entrepreneurs and small businesses.
- Donors and investors who can contribute to a pool of capital with multiple CDFIs drawing from it, resulting in greater diversity of users.



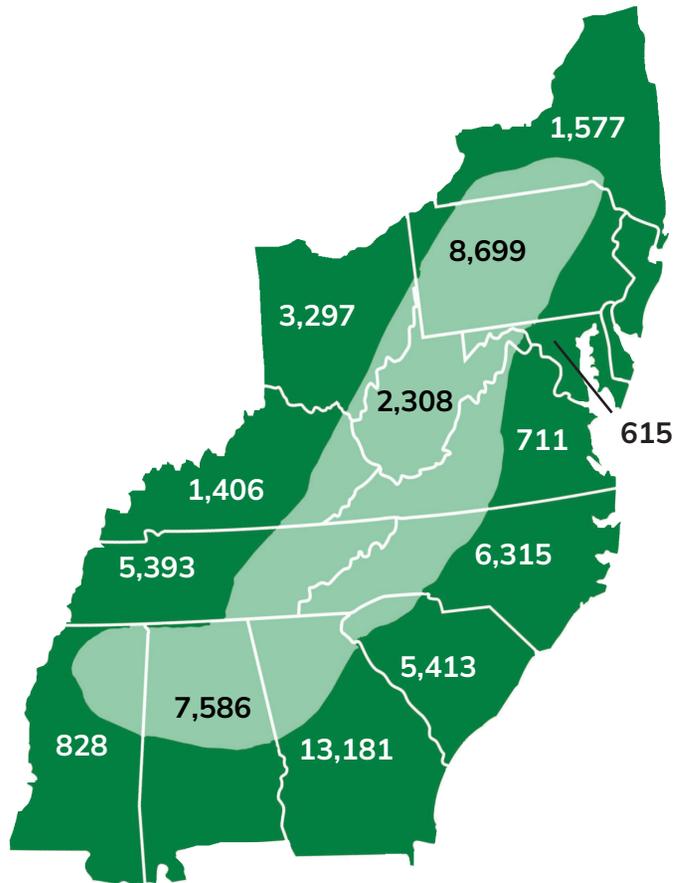
OPPORTUNITIES TO REACH UNDERSERVED, COMMUNITIES OF COLOR IN APPALACHIA

- The current ratio of population to small business owners is 11 residents to 1 small business owner (11:1), making the overall region one of the most dynamic small business entrepreneurship markets in the US.
- Examining the relationship of populations of color to small business ownership, the ratio deepens dramatically: 80 residents of color to 1 small business owner of color (80:1), indicating continuing and significant obstacles to small business ownership overall for the region's Black and Brown communities.
- Public data reported by ACC members indicate that there is an opportunity to increase outreach in their service areas to businesses owned/operated by persons of color. Research shows that the vast majority of small businesses owned by persons of color in the region are not currently being reached with financial tools and resources that are needed for the businesses to grow and thrive.

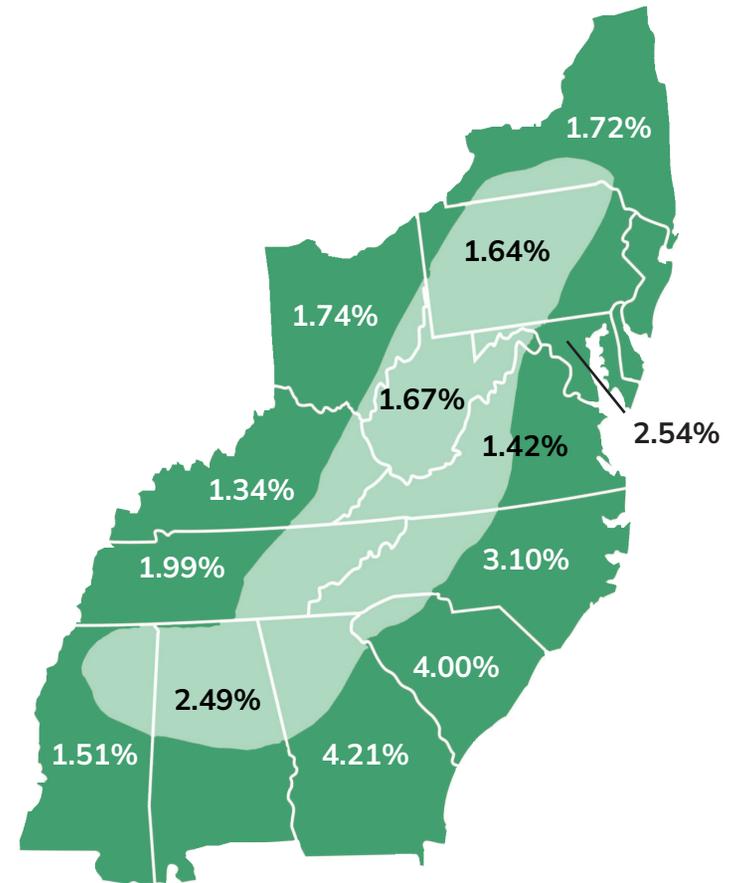


DIVERSE SMALL BUSINESSES IN APPALACHIA

Number of Diverse Small Businesses in Appalachian Counties



Percent of Diverse Small Businesses in Appalachian Counties



Note: Business data for the Appalachian counties was sourced from Data Axle during September 2021 to December 2021
<https://www.data-axle.com/our-data/business/data>.

PILLAR II

KNOWLEDGE & LEARNING PLATFORM

A virtual on-line community for Appalachia-serving CDFIs is needed to facilitate networking, shared learning, and peer-to-peer mentoring. The Knowledge and Learning Platform envisioned by ACC will enable 1) the sharing of resources and information (such as new products); 2) the convening of members for training, professional courses, and certifications; and 3) the creation of a forum for problem solving and new ideas. ACC also envisions a virtual marketplace and a searchable database of members, best practices, standardized loan documents, and partnership opportunities.

The creation of an online, 24/7 customized learning and exchange platform has tremendous potential to generate the following benefits to ACC and its members:

- Builds on and adds value to existing resources such as Opportunity Finance Network's CDFI Connect platform.
- Leverages the inherent value of a member-based organization—ACC as facilitator/broker of collaboration and peer learning.
- Creates a foundation that can be adapted and expanded as members' learning and collaboration priorities evolve.
- Builds greater regional visibility and access for ACC members across multiple stakeholder and client constituencies.
- Offers potential to generate revenue by developing and marketing fee-for-access services.



PILLAR III

TECHNOLOGY TRANSFORMATION

Lack of data analytics capacity as well as back-office and front-end process efficiency are major challenges to achieving timely, accurate insights into market need and opportunities. Powerful new technologies are available “off the shelf” and readily deployable to achieve maximum benefits for ACC members and the areas that they serve. In leveraging technology and resources, ACC is committed to developing a digital toolkit that will allow members and other ACC stakeholders to better identify lending gaps and opportunities in the region as well as creating shared technology products and services for members. Technology upgrades will:

- Offer cost efficiencies for small and mid-sized member CDFIs unable to support development and maintenance of in-house data analytics and research capabilities on an ongoing basis.
- Leverage aggregated scale value of member portfolios to attract “white label” and other technology vendors who will not otherwise prioritize low-scale partners.
- In concert with Knowledge Platform capabilities, provide time- and-cost efficiencies to individual CDFI members seeking access to best-in-class industry insights into proven technologies, reputable vendors, and demonstrated business channel integrations and approaches to achieving process efficiencies and scale-to-market.
- Provide capacity support and technical assistance facilities grounded in localized ARC regional markets to quickly and effectively meet ACC member needs.



PILLAR IV

STRUCTURED FINANCE FACILITY

Based on member feedback and recent historic performance, there is a need for targeted structured finance products delivered by ACC to selected members.

Pillar IV introduces new loan products that larger asset-sized members have identified as needed but may be unavailable or hard to secure from conventional lenders. These include bridge loans, commitment loans, lines of credit, and New Markets Tax Credit leverage loans. ACC will also explore the aggregation and refinancing of loans from member portfolios as a means of helping member-CDFIs to revolve their capital.

Implementation of this strategy will allow ACC to deliver value-adding financial tools tailored to member needs and requirements as an incentive for joining the ACC network. The strategy focuses on the following objectives:

- Enables members to access bridge financing in periods of need without undue risk.
- Increases options for CDFI members to accelerate investment in high-potential structured-finance opportunities.
- Amplifies member capacity to tap into New Markets Tax Credits and Opportunity Zone prospects and expands community impact.



ACC Deployment & Capital Raising Goals

KEY CAPITAL DEPLOYMENT OUTCOMES 2022–2026

Total projecting lending of up to **\$57 million** in new loans including deployment of **\$53.7 million** in new wholesale loan capital; and up to **\$18 million** in operating, pass-through, and capital grants raised to support and strengthen 30+ member CDFIs.

BREAKDOWN OF THE PROJECTED \$75 MILLION CAPITAL

\$51 million	in intermediary and participation lending to CDFI members.
\$6 million	in structured finance lending participation for larger and more complex, high-impact projects.
\$4 million	in pass through grants focused on strengthening lending outcomes and technology.
\$14 million	in operating and capital grants to grow ACC capacity to assist member CDFIs and to sustain better-than-market loan terms.

ACC DEPLOYMENT & CAPITAL RAISING

PROJECTED DEPLOYMENTS	Historic - 2022 – 2023	4 YEARS - 2023 – 2026	5 YEARS - 2022 – 2026
LENDING GOALS			
Pillar IV Structured Finance	\$ 0	\$ 6,000,000	\$ 6,000,000
Intermediary Loans	\$ 20,500,000	\$ 28,500,000	\$ 49,000,000
Participation Loans	\$ 500,000	\$ 1,500,000	\$ 2,000,000
TOTAL LENDING	\$ 21,000,000	\$ 36,000,000	\$ 57,000,000
PASS-THRU GRANTS	\$ 975,000	\$ 3,000,000	\$ 3,975,000
TOTAL CAPITAL DEPLOYED TO CDFIs	\$ 21,975,000	\$ 39,000,000	\$ 60,975,000
CAPITAL RAISING GOALS			
	Historic - 2022 – 2023	3 YEARS - 2023 – 2026	5 YEARS - 2022 – 2026
New Borrowed Capital	\$ 10,125,600	\$ 43,624,400	\$ 53,750,000
Retired Borrowed Capital	\$ 8,400,000	\$ 3,850,000	\$ 12,250,000
NET BORROWED CAPITAL	\$ 13,700,000	\$ 39,774,400	\$ 41,500,000
GRANTS			
Pillars I and III Pass-thru Grants	\$ 975,000	\$ 3,000,000	\$ 3,975,000
Capital Grants to Reduce Cost of Blended Capital & Improve NAR	\$ 1,707,500	\$ 2,000,000	\$ 3,707,500
TOTAL PASS THRU AND CAPITAL GRANTS	\$ 2,682,500	\$ 5,000,000	\$ 7,682,500
OPERATING GRANTS			
Pillars I and III Pass-thru Admin	\$ 0	\$ 300,000	\$ 300,000
Pillar II - Knowledge and Learning Pilot	\$ 0	\$ 1,500,000	\$ 1,500,000
Pillar III - Technology Transformation Pilot	\$ 1,700,000	\$ 2,250,000	\$ 3,975,000
Operating Grants	\$ 1,732,800	\$ 2,862,700	\$ 4,595,500
TOTAL OP GRANTS RAISED	\$ 3,432,800	\$ 6,912,700	\$ 10,345,500
TOTAL GRANTS RAISED	\$ 6,115,400	\$ 11,912,700	\$ 18,028,100

Pillar I: Blended Financing	DEI Focus—Loans paired with grants for rural businesses, businesses of color, refinancing, and green projects
Pillar II: Knowledge & Learning Pilot	Virtual on-line community for Appalachia-serving CDFIs to facilitate networking, shared learning, and peer-to-peer mentoring
Pillar III: Technology Transformation	Data analytic support and advisory services to members on a cost-recovery basis paired with pass-through technology grants
Pillar IV: Structured Finance	New Markets Tax Credit leverage loans, bridge loans, commitment loans, lines of credit

Note: ACC projections were updated in January 2024.

Acknowledgments

Forecasting was never more difficult than the period from 2020 to 2022 as the country experienced health and economic crises resulting from a global pandemic, racial and political disruptions, and a wealth gap that only seemed to grow wider for historically underserved communities in rural and urban areas, tribal lands, and other locations.

Like many CDFIs, ACC threw its playbook out the window during the pandemic and reassessed how it could better serve its members, its CDFI borrowers, small businesses, and communities throughout the Appalachian Region. As a result, we did a reset and prepared a new strategic plan.

Yet a strategic plan is only as good as the individuals responsible for implementing it. ACC is fortunate to be collaborating with **high-performing members and other mission-aligned lenders** who provided invaluable insights during this process about what they need from ACC to better support their communities. We thank them!

Thanks also go to:

- **ACC's Board of Directors**, which is comprised of CEOs of CDFIs, working and living in Appalachia and who keenly understand the challenges and opportunities of the region.
- **Investors and Funders** who have supported ACC throughout our growth.
- **Shining Rock Ventures**, whose team was instrumental in helping to craft an ambitious plan that has the potential to move the needle for so many communities throughout Appalachia.

Donna Gambrell

Donna Gambrell

President and CEO – Appalachian Community Capital

A stylized graphic of a mountain range composed of several jagged, overlapping peaks. The peaks are rendered in two shades of blue: a darker blue for the foreground and a lighter blue for the background. The mountains are set against a dark blue circular backdrop that is partially visible on the left and bottom edges of the frame.

Appalachian Community Capital was created in 2013 to increase small business lending by providing under-served communities with new sources of capital.

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