Investing in Place:

How nonprofits, foundations, and local government make social investments to affect change in community economic development in Toronto's Neighbourhoods Improvements Areas

by

Hilary Evans Best

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Abstract

In response to growing economic disparity in the City of Toronto, there has been a shift towards a community economic development approach in Toronto's most disadvantaged neighbourhoods, exemplified by the Toronto Strong Neighbourhoods Strategy (2005) and the Toronto Strong Neighbourhoods Strategy 2020. In addition to the City's efforts, a small community of foundations and nonprofits are also taking this approach. While community economic development has shifted the focus and social investment practices of these organizations, its impact is less clear. In this paper, I explore how nonprofits, foundations, and local government make decisions about how to make social investments to affect change in community economic development in Toronto's Neighbourhoods Improvements Areas (NIAs). On the basis of this analysis, I offer a series of recommendations to enhance decision making processes and evaluate the impact of these social investments on local economies in Toronto's NIAs.

Keywords: community economic development, poverty alleviation, neighbourhood, measurement, evaluation, social investment

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Errors are my own.

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Acronyms

IRIS	Impact Reporting and Investment Standards
NIAs	Neighbourhood Improvement Areas
TSNS	Toronto Strong Neighbourhoods Strategy
TSNS 2020	Toronto Strong Neighbourhoods Strategy 2020
Urban HEART	Urban Health Equity Assessment and Response Tool
WHO	World Health Organization

Definitions

Attribution the process of drawing causal links and explanatory conclusions about the relationship between observed changes and specific interventions (International Development Research Centre, 2004)

Canadian Index of Wellbeing an index of community health that incorporates indicators of community vitality, democratic engagement, education, environment, health, leisure, culture, living standards, and time use (Canadian Index of Wellbeing, 2014)

Community Economic Development a community-led multi-faceted activity or strategy which seeks to improve the social and economic circumstances of a select population (Zizys, 2003)

Impact the outcomes of a particular activity less any portion of the outcomes that would otherwise have occurred

Local Economic Development a process by which public, business, and nongovernmental sector partners work collectively to create better conditions for economic growth and employment generation (World Bank, 2011)

Longitudinal Measurement an investigation where outcomes are measured at multiple points in time (Heagerty, n.d.)

Neighbourhood geographic units built from multiple Statistics Canada Census Tracts containing several city blocks and housing between 7,000 and 10,000 people (City of Toronto, 2014)

Outcomes changes that occur as a result of program activities (Funnell and Rogers, 2011)

Social Investment the dedication of financial and staff resources into initiatives, projects, programs, and policies to create a positive social and economic outcome

Social Investors the local governments, nonprofits, and foundations making social investments

Social Procurement the use of purchasing power to create social value; social procurement involves the utilization of procurement strategies to support social policy objectives (Barraket and Weissman, 2009)

Sustainable Livelihoods a holistic, asset-based framework for understanding poverty and the work of poverty reduction (Tamarack, n.d.)

1.0 Introduction

While regional economic development has long been a priority of policy makers, local economic development at the neighbourhood level has only more recently become an area of focus. The last two decades have seen a shift in focus from the central state as the organizing unit of social and economic development to the local (Wilson, 1995; City of Calgary, 2014). This approach "emphasizes the unique factors of the spatial milieu in which the [economic] activity occurs, while at the same time recognizing the embeddedness in larger structures" (Wilson, 1995).

Neighbourhood-level economic development builds on the assets of locales, which include "'the human and other capital resources of the residents'; 'the physical stock of buildings, infrastructure and amenities'; 'the locational position within the region that creates economic rental value of the land'; [and] 'the political strength of residents in larger formal and informal governmental systems'" (Morin and Hanley, 2004), to achieve local improvements in quality of life.

In response to growing economic disparity in Toronto as identified by Hulchanski (2010) and others, there has been a shift towards a community economic development approach in Toronto's most disadvantaged neighbourhoods. Community economic development addresses social exclusion and declining neighbourhoods through linkages to economic and urban development agendas (Morin and Hanley, 2004). There is a wide range of community economic development strategies, with approaches including economic planning and development, job readiness preparation, enterprise support, access to capital, and community-wide coordination (Zizys, 2003) as detailed in Figure 1. Divisions within the City of Toronto and a small community of foundations and nonprofits have begun to use this approach.

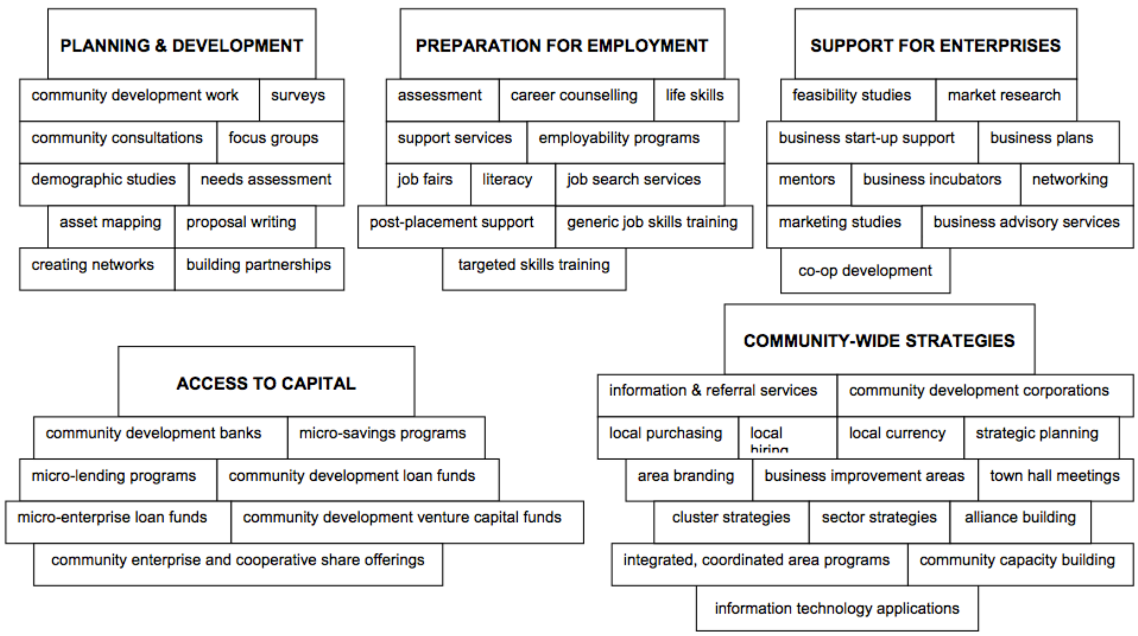

Figure 1: Community Economic Development Activities

Source: Zizys, T. (2003). Community Economic Development for Toronto. The Toronto CED Learning Network. Retrieved from http://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/ccednet/pdfs/2003-zizys-toronto_ced.pdf

While community economic development has certainly shifted the focus and social investment of local government, nonprofits, and foundations, the impact of this approach is less clear. In this paper, I explore how nonprofits, foundations, and local government make decisions about how to invest to affect change in community economic development in Toronto's Neighbourhoods Improvements Areas (NIAs). On the basis of this analysis, I offer a series of recommendations to enhance social investment decision making processes and evaluate the impact of these social investments on local economies in Toronto's NIAs.

1.1 A Word on Language

In this paper, I use the term *social investment* to describe the dedication of financial and human resources by a variety of different types of organizations into initiatives, projects, programs, and policies to achieve desired social and economic outcomes. While these social investments do not carry the expectation of a financial return, they do hold the expectation of enhancing or improving a particular outcome in the local economies of Toronto's NIAs. In this paper, I refer to the local governments, nonprofits, and foundations making these investments as *social investors*.

It is important to note that different organizations use different terms to describe social investments. Nonprofits use the terms programs, pilots, initiatives, strategies, disbursements, or funds. Foundations use the terms grants, investments, or funds. Local government uses the terms grants, investments, or contracts. Though not all organizations use the term *social investment*, I use it here as an umbrella term to offer insights into a set of similar approaches.

1.2 Context

Prior to 2004, the City of Toronto took a city-wide approach to economic development. The City's 2001 *Social Development Strategy*, which identified a number of broad priorities related to strengthening communities, investment in social infrastructure, and expansion of civic leadership and partnerships, responded primarily to changing fiscal realities that placed greater financial burden on municipalities for delivering social services. The *Strategy* placed the City of Toronto in the context of the Greater Toronto Region, focusing on the need to advocate as a unified whole for the needs of the region at the provincial and federal levels (City of Toronto, 2001).

However, a surge in gang activity and gun violence in the mid 2000's prompted a shift in the City's focus to address the underlying social and economic factors contributing to the rise in crime in some of the city's most disadvantaged neighbourhoods (Dale, 2010). This began with the City's adoption of the 2004 *Community Safety Plan* which targeted city programs and services in "at-risk neighbourhoods" to reduce crime (Miller, 2004).

Academic analysis further reflected the need for a neighbourhood-based approach by identifying growing geographic disparity in the economic realities of Toronto residents. According to Hulchanski (2010), "In the 35 years between 1970 and 2005, the incomes of individuals have fluctuated, owing to changes in the economy, in the nature of employment (more part time and temporary jobs), and in government taxes and income transfers. These changes have resulted in a growing gap in income and wealth and greater polarization among Toronto's neighbourhoods." Most strikingly, in Hulchanski's (2010) analysis, the downtown area comprised of predominantly high income neighbourhoods in 1970 saw average household income increase by 99% by 2005. This is contrast to the inner suburbs where predominantly low income neighbourhoods in 1970 saw average household income decrease by 37% by 2005. These trends are illustrated in Figure 2. Structural changes to the economy have resulted in deindustrialization, lack of jobs, and racialized crime in these areas (Nugent, 2013).

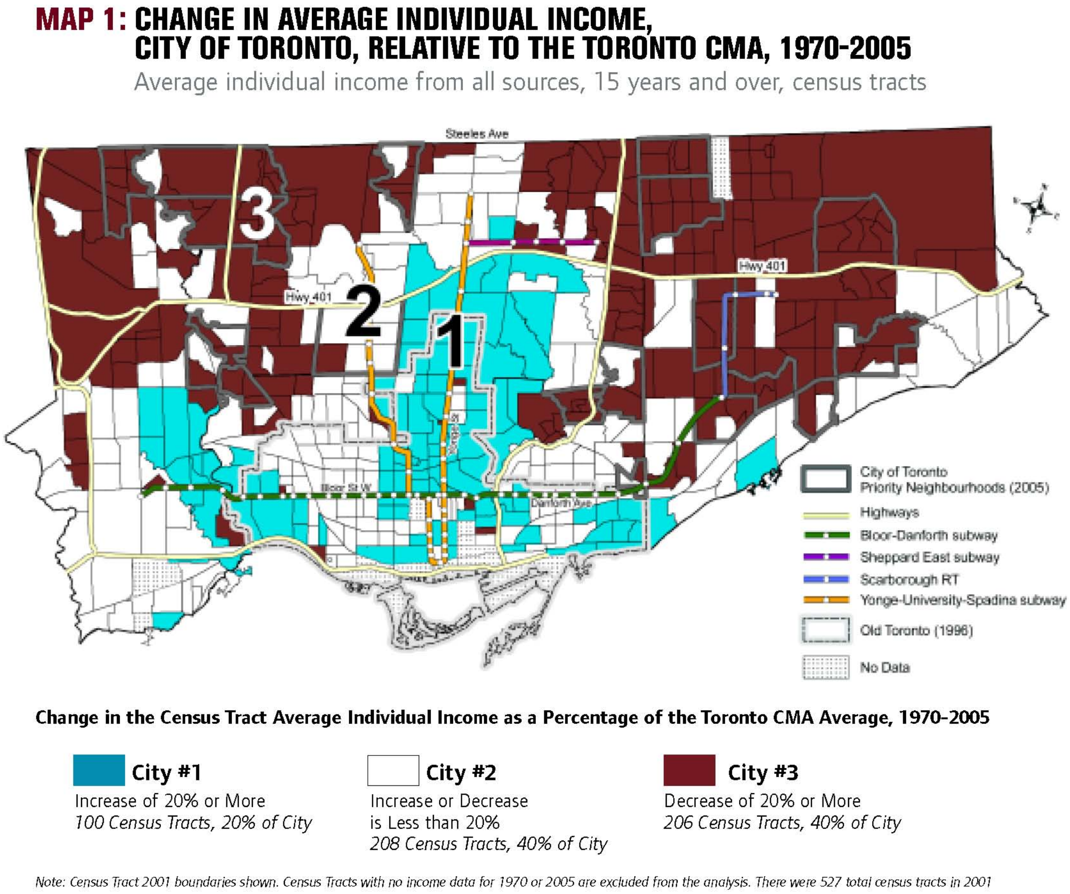

Figure 2: Hulchanski's Three Cities

Source: Hulchanski, D. (2010). The Three Cities Within Toronto: Income Polarization Among Toronto's Neighbourhoods, 1970-2005. University of Toronto Cities Centre. Retrieved from http://www.urbancentre.utoronto.ca/pdfs/curp/tnrn/Three-Cities-Within-Toronto-2010-Final.pdf

In 2004, the United Way of Greater Toronto and the Canadian Council on Social Development released their report *Poverty by Postal Code.* The report identified a trend of rapidly concentrating poverty in certain Toronto neighbourhoods using census tract data. In addition to providing a valuable quantitative analysis of the trends of neighbourhood poverty, the report recommended that the neighbourhood, as a geographic unit of intervention, move to the top of policy agendas at all levels of government (United Way of Greater Toronto and The Canadian Council on Social Development, 2004).

Following up on this work, a multi-sectoral group of civic leaders convened as the Strong Neighbourhoods Task Force to develop a strategy for revitalizing neighbourhoods experiencing poverty[1]. The Task Force's report *Strong Neighbourhoods: A Call To Action…* (2005) recommended focused investment from all levels of government in nine neighbourhoods with very poor access to social services and significant socio-economic challenges. The report recommended that residents themselves lead investment in these neighbourhoods through the creation of Local Neighbourhood Investment Partnerships (The Strong Neighbourhoods Task Force, 2005).

In October 2005, Toronto City Council adopted many of the recommendations of the Task Force in its *Toronto Strong Neighbourhoods Strategy* (TSNS). TSNS identified 13 "priority neighbourhoods" for targeted investments led by a neighbourhood investment board, as shown in Figure 3. The strategy called on the City to establish a monitoring tool to identify local needs, to work collaboratively across city divisions through the Interdivisional Committee on Integrated Responses for Priority

[1] The Task Force was a joint initiative of the City of Toronto and the United Way of Greater Toronto. It was supported by the Government of Canada, the Province of Ontario, and the Toronto City Summit Alliance and included representation for government, community, labour, and corporate sectors.

Neighbourhoods, and to work closely with local partners including the United Way (Toronto City Clerk, 2005).

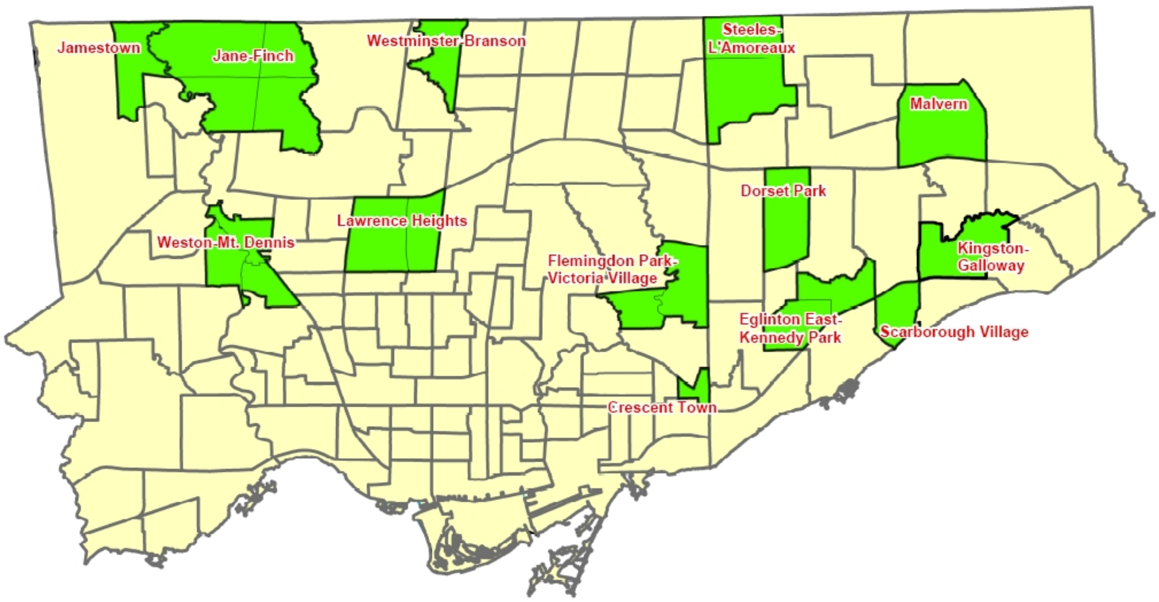

Figure 3: Map of Toronto's 2005 Priority Neighbourhoods

Source: LocalWiki. (2007). List of Toronto's Priority Neighbourhoods. Retrieved from https://localwiki.org/toronto/Priority_Neighbourhoods/_files/list%20of%2013%20priority%20neighbourhoods.jpg/_info/

While the TSNS directed much needed resources to vulnerable neighbourhoods, there was some discussion at the City as to the appropriateness of singling out, and therefore potentially stigmatizing, certain neighbourhoods (Toronto City Clerk, 2011). Council directed the TSNS staff team to focus on strengthening all neighbourhoods and monitoring wellbeing across a broader range of issues (City of Toronto - Social Policy Analysis and Research, 2014a). Following consultations with residents, businesses and agencies in 2011, TSNS was revised and adopted by council in 2012 as *Toronto Strong Neighbourhoods Strategy 2020* (TSNS 2020). Key changes to TSNS 2020 included (City of Toronto, 2014b):

- A name change from "Priority Neighbourhoods" to “Neighbourhood Improvement Areas” (NIAs);
- New criteria for choosing NIAs based on a World Health Organization (WHO) methodology called Urban HEART (Health Equity Assessment and Response Tool), adapted for the Toronto context by the City of Toronto, the Centre for Research on Inner City Health, and United Way Toronto, among others; and,
- A monitoring and evaluation strategy to identify progress, learn from experience, and enhance accountability.

Following analysis of Toronto’s neighbourhoods using the Urban HEART methodology, 31 NIAs were identified as shown in Figure 4.

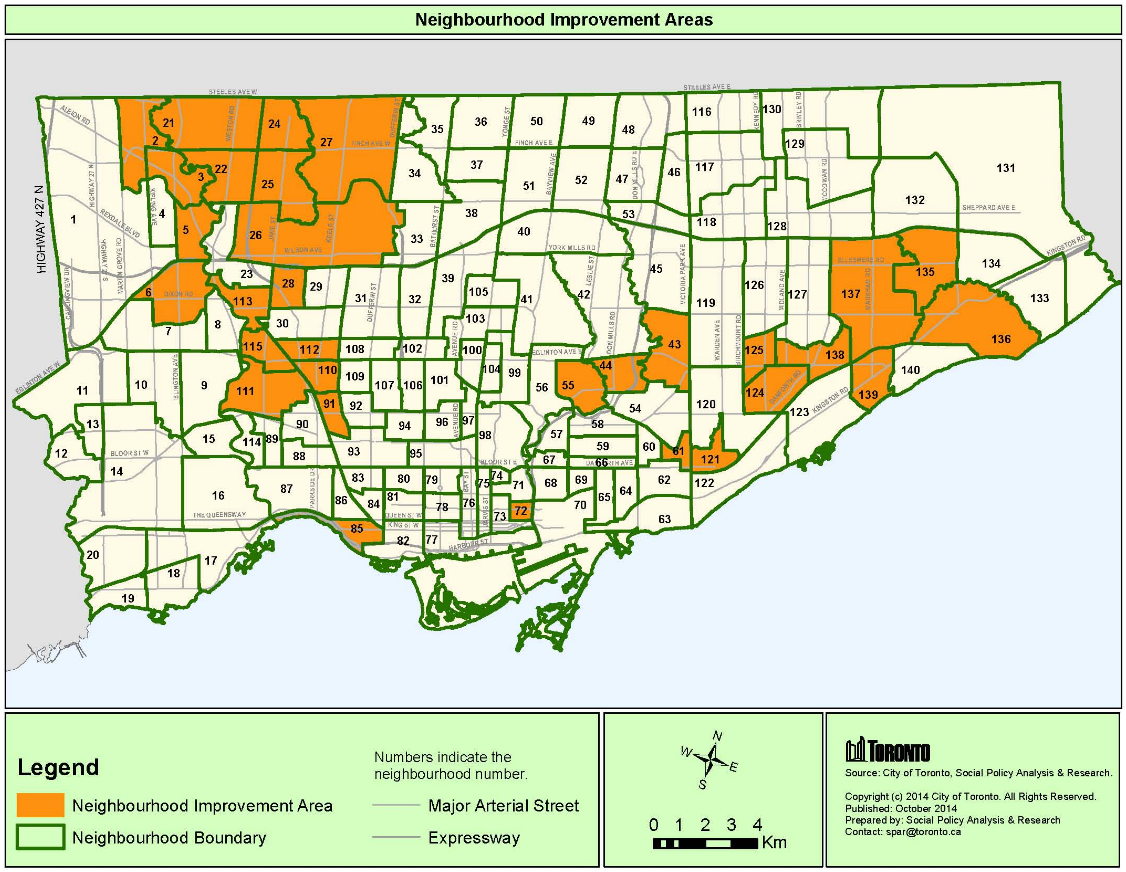

Figure 4: Map of NIAs

Source: City of Toronto – Social Policy Analysis and Research. (2014c). Neighbourhood Improvement Areas. Retrieved from http://www1.toronto.ca/City%20Of%20Toronto/Social%20Development,%20Finance%20&%20Administration/Shared%20Content/Strong%20Neighbourhoods/PDFs/TSNS%202020%20NIAs_v2.pdf

Driven by these policy changes and the needs of local residents, the City, local nonprofits, and foundations have been exploring new ways to engage local residents in the development of local economies in order to achieve improved economic outcomes.

1.3 Research Questions

Given the relatively recent adoption of a community economic development approach by a number of different actors working in Toronto's Neighbourhood Improvement Areas and the strong potential for meaningful change offered by this approach, this project explores the research question: How might nonprofit organizations, foundations, and local government enhance their social investment decision making processes and evaluate the impact of their social investments in community economic development in Toronto's Neighbourhood Improvement Areas?

To answer my proposed research question, I broke the exploration into four components guided by the following questions:

- What are the relationships between stakeholders?
- How are social investment decisions made currently?
- What are the desired outcomes of social investment in community economic development?
- How could decisions be made to increase the impact of social investments in community economic development?

2.0 Methods

To address my research questions, I used a variety of primary and secondary research methods including a literature review, stakeholder analysis, systems mapping, and semi-structured interviews. Methods were selected on the basis of their ability to help address the identified research questions. Multiple techniques were selected for each research questions to allow for triangulation of results. See Table 1 for an explanation of how the methods chosen align with the data requirements.

Table 1: Methods and Data Requirements

Data Requirements	Method			
	Stakeholder Analysis	Literature Review	Systems Mapping	Semi-Structured Interviews
What are the relationships between stakeholders?	X		X	X
How are social investment decisions made currently?		X		X
What are the desired outcomes of social investment in community economic development?		X		X
How could decisions be made to increase the impact of social investments in community economic development?		X	X	X

2.1 Literature Review

Academic, government, and practitioner documents were reviewed for approaches to neighbourhood-level community economic development, social investment decision making, impact measurement, and evaluation.

2.2 Stakeholder Analysis

Stakeholder analysis is a method of collecting and organizing the needs and interests of various groups to understand potential points of conflict and opportunities for alignment (CFC Medialab and Stein, 2014). It involves a process of identifying key stakeholders, understanding and articulating their needs and interests, ranking those needs and interests in order of their importance to the stakeholder, and then identifying a path for addressing these needs and interests. In this project, I used stakeholder analysis to understand stakeholder needs and how they relate to one another in social investment decisions.

2.3 Systems Mapping

Systems mapping is a set of tools used to "increase and aid our capacity to grasp and work with super complexity" (Sevaldson, 2011). Systems mapping blends tools from systems science, design thinking, and visualization to provide representation for the actors, relationships, processes, and networks that comprise a system (Sevaldson, 2011). Systems mapping allows for consideration of the system from a holistic perspective, rather than dissection of particular units of the system, and the identification of key nodes, processes, or leverage points from which to influence the system (Ryan and Hamilton, 2012).

I used systems mapping to understand the relationships between stakeholders in community economic development in Toronto's NIAs and the dynamics between various parts of the system. This involved the identification of different parts of the system, the understanding of relationship dynamics between different actors in the system, and the identification of potential leverage points for amplifying impact in Toronto's NIAs.

It should be noted that for the purposes of this project, I chose a fairly limited scope for my systems map based on information gleaned through the literature review and semi-structured interviews. For example, relations to the provincial or federal government have not been considered though they certainly have implications on the actors and relationships displayed within the system.

2.4 Semi-Structured Interviews

I conducted 14 semi-structured interviews with three stakeholder groups. Three interviews were conducted with representatives from divisions within the City of Toronto active in community economic development initiatives in Toronto's NIAs. Five interviews were conducted with foundations active in community economic development initiatives in Toronto’s NIAs. Six interviews were conducted with nonprofit organizations active in community economic development initiatives in Toronto’s NIAs. Interviews were sought with individuals at the Manager or Director level within these organizations who had made social investment decisions focused on community economic development in Toronto’s NIAs. Sample job titles of individuals participating in interviews include Director, Executive Director, Manager, and Chief Strategy Officer. Participants were sought using expert sampling - identifying key organizations with expertise in the area of community economic development in Toronto's NIAs and selecting a Director or Manager-level employee to interview. Interviewees received an email requesting their participation and were required to review and complete a consent form.

The purpose of these interviews was to understand how social investment decisions are made in each type of organization and the desired outcomes of these investments. I designed and used an interview guide with a series of open-ended questions designed to elicit reflection and discussion with subjects. Please see Appendix A for further materials related to these interviews.

3.0 Findings

3.1 What are the relationships between stakeholders?

There are a relatively small number of actors engaged directly in community economic development in Toronto's NIAs. As one interviewee indicated, it is a relatively new area of focus for nonprofits and the City, which have traditionally focused on social service delivery as a method of poverty reduction. Though it is a nascent system, there is evidence of network development between stakeholders. In this section, I discuss concentrations of power, connections, and delays within the community economic development system, as well as the needs and interests of stakeholders.

3.1.1 System Dynamics

The power to make social investment decisions rests in a few organizations, including the City, foundations, and some nonprofits (namely, those with direct sources of revenue). It is important to note that while residents are engaged in some of these decision-making processes, through consultation or representation on councils, many social investment decisions are made without the direct inclusion of residents. In interviews, representatives from all stakeholder groups indicated the importance of local engagement in their work. Yet, for the most part, residents lack social investment decision-making power, as illustrated in Figure 5. For example, four of the five foundations interviewed do not have a decision-making role for residents in their social investment processes.

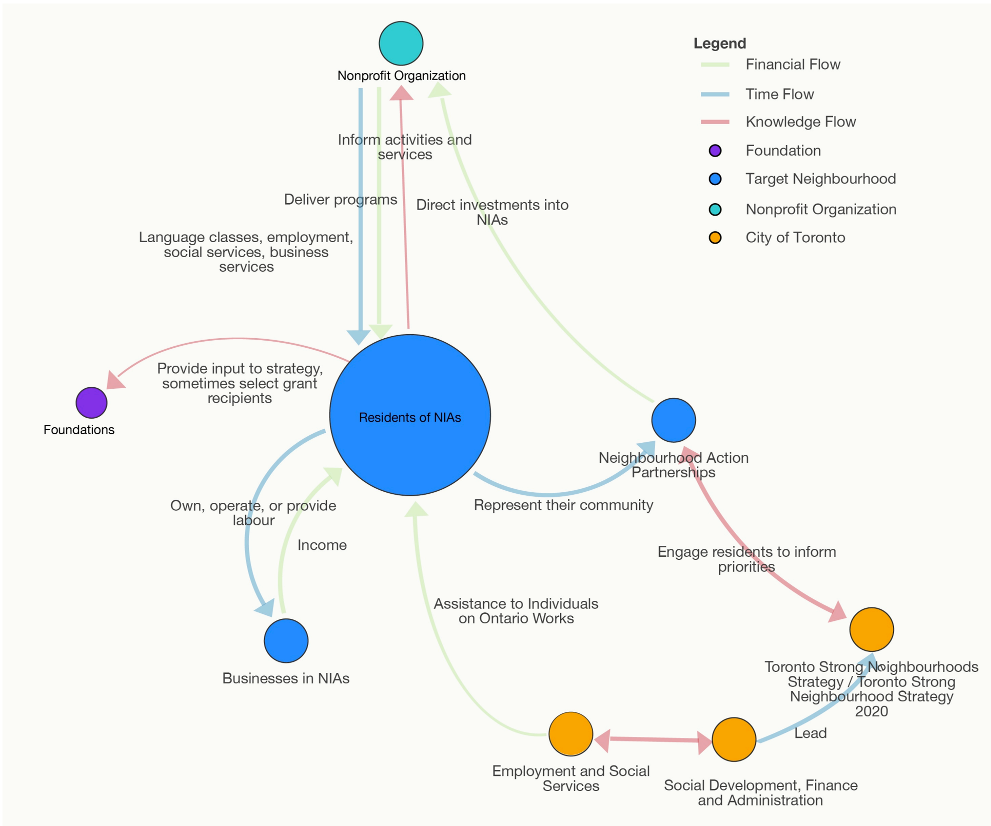

Figure 5: The Role of Residents in the Community Economic Development System

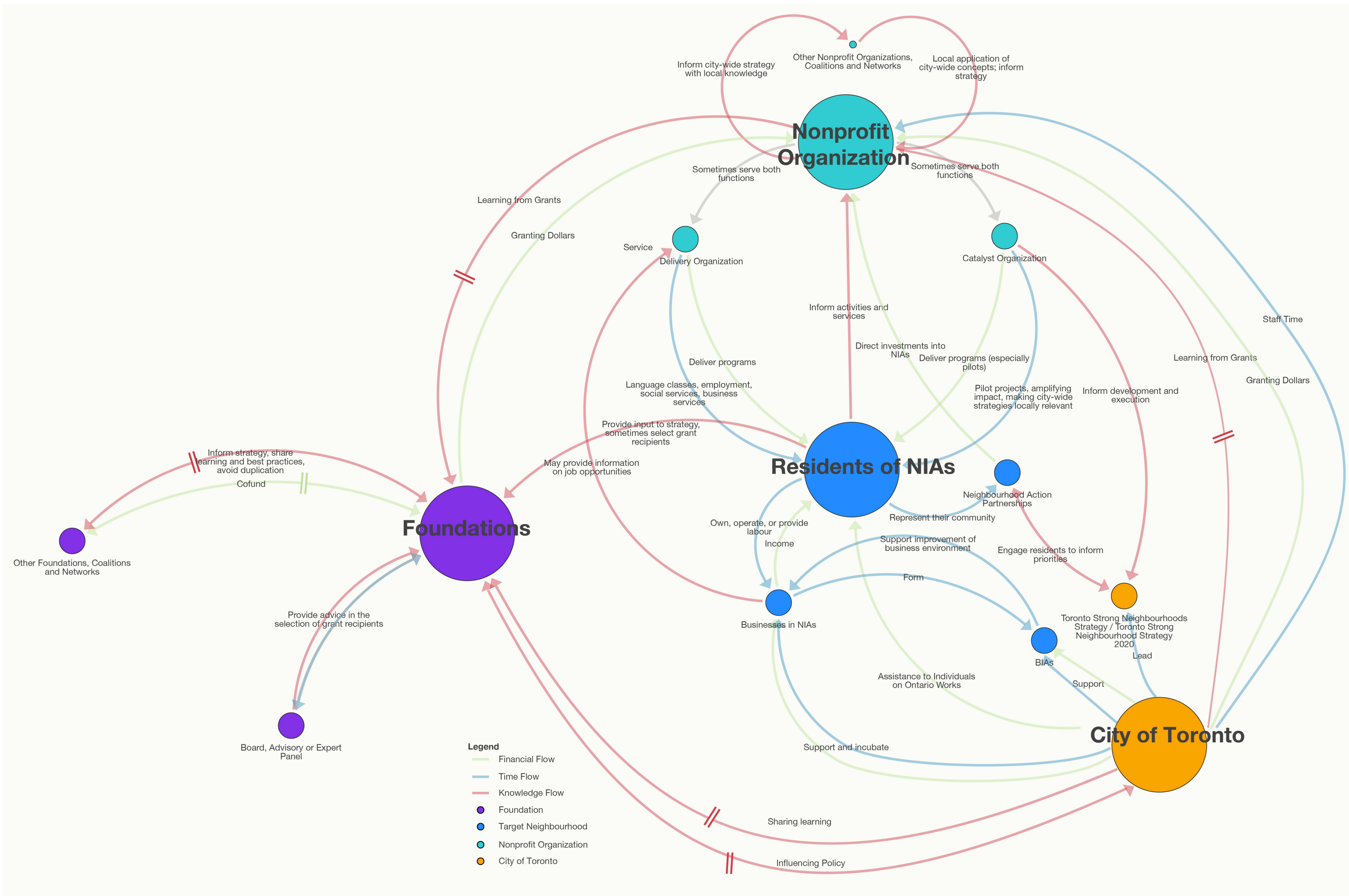

Figure 6: The Community Economic Development System in Toronto's NIAs

The systems map in Figure 6 shows relationships between organizations through the flows of financial resources, knowledge, and time. The green arrows, representing financial flows, are primarily directed towards nonprofit organizations that then re-allocate these dollars into programs and activities to benefit local residents. One notable exception is the flow of dollars from the City's Economic Development and Culture division to local Business Improvement Areas, a potentially untapped actor in the system[2]. The blue arrows, representing investments of time, are a key contribution of City and nonprofit staff to engage and support residents within the NIAs, particularly when financial resources are scarce. The red arrows, representing flows of knowledge, predominate the system and connect nearly every actor.

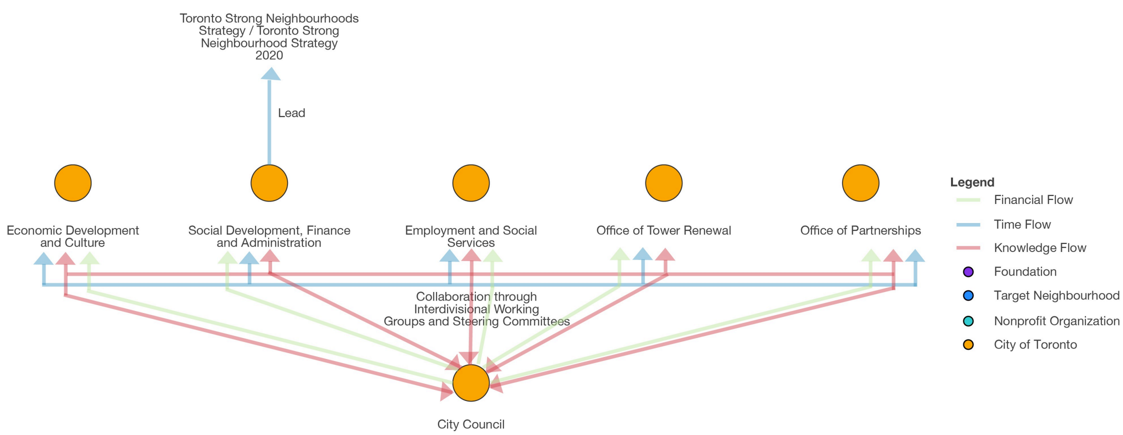

Figure 7: The Role of the City of Toronto in the Community Economic Development System

[2] Of the 78 Business Improvement Areas in the City of Toronto, 12 are in or include territory within NIAs. 11 of the 31 NIAs have a Business Improvement Area within their territory.

Connections within stakeholder groups are quite strong. For example, the City shows strong internal connections between units through flows of knowledge and participation in interdivisional working groups, as shown in Figure 7. Residents have the strongest connections with the nonprofit organizations active in their communities, with whom they interface on frontline service delivery. Foundations show the weakest connection to residents, though there is great variation within this stakeholder group. Interestingly, of the foundations and grant making nonprofits interviewed for this study, it was the larger organizations that tended to engage residents in a decision-making role when investing.

Importantly, there are very weak connections between each social investor and businesses in NIAs as shown in Figure 8. Though there are structural impediments to the development of this relationship, such as restrictions on the social investment of dollars to private organizations, this represents a significant weakness in a system designed to support economic development.

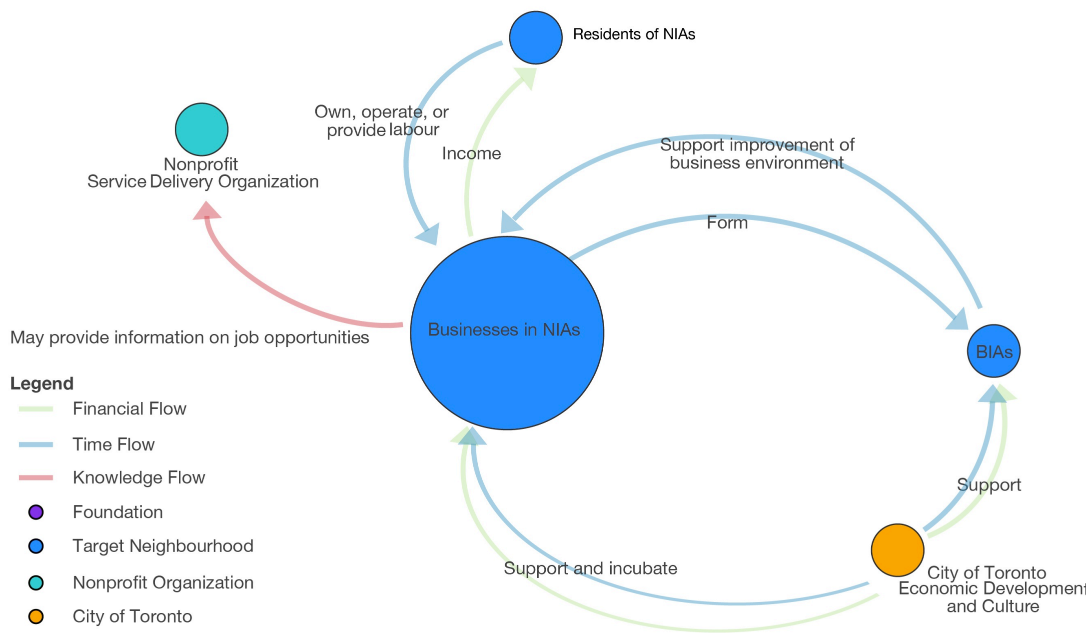

Figure 8: The Role of Business in the Community Economic Development System

Finally, the systems map shows delays in the flows of knowledge. It takes time for stakeholders to make decisions, invest in projects, learn from those social investments, and then synthesize this knowledge in a way that is useful to other stakeholders. These delays may result in a slower pace of change in responding to this learning and point to the need for increased frequency of knowledge sharing through the development of a community of practice.

3.1.2 Stakeholder Dynamics

An analysis of stakeholder needs, shown in Figure 9, reveals some important critical pathways that govern change within the community economic development system. First, all stakeholders put the acquisition of the resources they need to sustain themselves first. This makes whomever is the primary source of a stakeholder's resources their most important stakeholder: for the City, it's Council; for local businesses, it's customers; for residents, it's local businesses; for foundations, it's their fundholders or founders. In such a tight knit system, this makes the unlocking of resources somewhat challenging, with each stakeholder dependent on the agreement of their primary source. This gridlock points to the ongoing need to draw additional actors with financial resources into the system in order to ease delays in supporting proposed initiatives; for example, the private sector.

Second, the stakeholder analysis makes clear the number of other interests that need to be satisfied before a resident can access a living wage. This suggests that possible interventions may take a long time to have an impact on residents' incomes. Moreover, possible interventions targeting meaningful work beyond a living wage may take even longer.

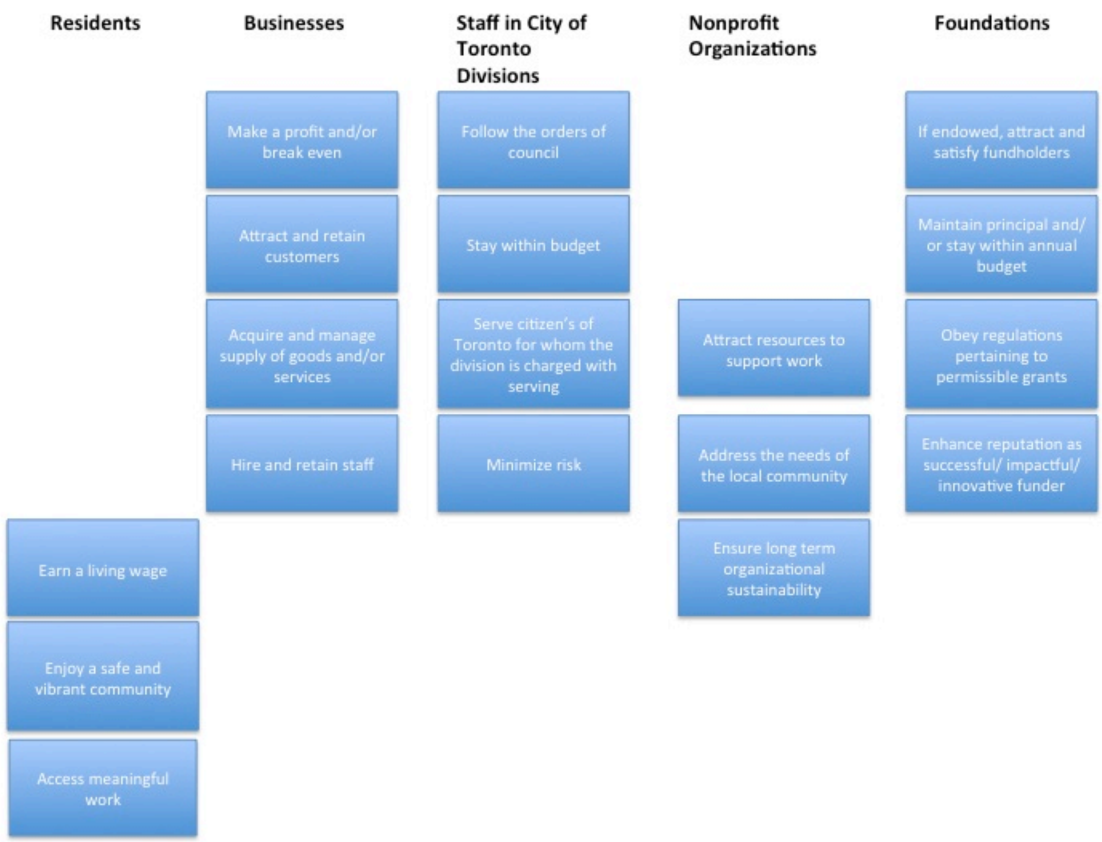

Figure 9: Stakeholder Analysis in Toronto's Community Economic Development System

3.1.3 Conclusion

The nascent system of community economic development, while consultative with residents, has for the most part placed the power to make social investment decisions in the hands of the City, foundations, and a few nonprofit organizations. There is an opportunity to enhance the impact of the system by broadening the group of actors making social investments, such as the private sector, and the group of actors being targeted by community economic development initiatives, for example local businesses and BIAs. Change in the system will be supported by opportunities to increase the frequency of knowledge sharing to ensure that new learning is embedded in subsequent project design.

3.2 How are social investment decisions made currently?

Though local government, nonprofits, and foundations each make social investments in community economic development, they do so in very different ways. For example, foundations may grant, commission, or tender a fee for service contract in order to support an organization with a shared desired outcome. A nonprofit organization allocates its financial resources or staff time to a particular project or initiative. Social investments from local government vary based on the division in question and the resources at their disposal. Local government can grant, invest in local infrastructure, offer tax breaks or rebates, or provide staff time to support an initiative.

These organizations also have different decision making processes, criteria, and constraints by which they make their social investments. As I explore in this section and summarize in Table 2, this can result in very different social investments across organizational types.

Table 2: Summary of Social investment Decision Making Approaches, Criteria and Constraints by Organization Type

	Local Government	Nonprofit	Foundation
Approach	• Opportunistic • Coordination between divisions • Engaging local communities	• Emergent • Evidence-based	• Spectrum: responsive to creative • Spectrum: community-driven to advisor-driven
Criteria	• Addressing a need identified by the community	• Addressing a systemic barrier • Ability to draw resources from their network	• Distribution • Grantee Reputation or Existing Relationship • "High impact" • Diversified funding
Constraints	• Often require Council approval • Greater need than available resources	• Limited resources	• Greater need than available resources • Interests of fund holders (in the case of endowed funds)

3.2.1 Local Government

City interviewees described the importance of community engagement in determining how to allocate funds and other resources to affect community economic development in NIAs. Some divisions have created community councils, for example Neighbourhood Action Partnerships, to convene local residents to identify and prioritize community needs and to develop opportunities to address these needs. According to several interviewees at the City, lots of importance is placed on developing positive relationships with local residents and organizations through the social investment process.

Where initiatives are proposed within the mandate of a particular division, staff can provide both funding and time to support an initiative. Where initiatives require Council's approval in order to move forward, staff endeavor to seek this approval. Interviewees remarked that demand for support routinely outstrips available resources.

Several interviewees at the City described their social investment approach as opportunistic[3]. In the words of one interviewee, "opportunities came along to fill an identified need and we jumped on those." This opportunistic social investment approach allowed the City to capitalize on the resources and interest of new partners and to achieve meaningful, albeit unexpected, impact. For example, the creation of the Community Hub strategy[4], in many ways a cornerstone achievement of TSNS, was not an intended outcome at the outset of the strategy but rather a happy coincidence that aligned with provincial investment. As one interviewee remarked, "Neighbourhood needs are really complex so we keep the parameters [for social investment] fairly broad."

[3] It should be noted that investments have yet to be made under TSNS 2020. As such, interviewees primarily reflected on investments made under TSNS.

[4] Community Hubs are a central neighbourhood spaces that bring together a range of services and programs to respond to community needs in one location.

One important area of focus for the City with regards to its social investment processes has been better coordination and communication between various internal divisions. As one interviewee explained, “There is a notion of bureaucracy at the city. But for its size and complexity, the city is fairly nimble ... It... takes work to negotiate across divisions.” Horizontal working groups or interdivisional steering committees are common ways to break down divisional silos to collaborate on shared objectives. City interviewees saw improvement in internal coordination and communication, a reflection corroborated by other stakeholder groups.

In terms of areas for improvement, City interviewees identified the need for better communication with Toronto’s communities about the role of each division and the work that they are doing, individually and collectively, in the area of community economic development.

3.2.3 Nonprofit Organizations

Guided by their strategic plan or mission statement, the nonprofit organizations interviewed tended to take a three-pronged approach to social investments in community economic development: identifying systemic barriers, opportunities, and resources.

First, nonprofit interviewees indicated that they try to identify the systemic barriers at play in their communities that prevent the individuals they serve from achieving improved economic outcomes. Nonprofits have identified, and are tackling, a wide range of barriers, including exclusion from job opportunities as a result of foreign credentials and small markets within NIAs.

Second, nonprofit interviewees identified a number of strategies for finding or creating opportunities to help the individuals they serve to overcome these barriers. On the demand side, many nonprofits engage in research to identify industries with strong potential for job growth, particularly in entry-level jobs which do not require post-secondary education. On the supply side, research is also conducted to understand the interest level of potential participants in a proposed program. Nonprofits look to their own networks to understand what elements can be leveraged to support a potential opportunity, including their ability to bring funders to the table. Similar to interviewees at the City, several nonprofit interviewees highlighted their organic or emergent approach to social investment. As one nonprofit interviewee said, “where momentum meets opportunity is where we are active. In some cases, we work to develop momentum and scan the environment for resources to support it.”

Finally, nonprofits work to find new resources and conserve existing resources to support their work. Interviewees noted that their ability to create change in the communities they serve is constrained by their funding realities (e.g. limited sources of unrestricted revenue, dependence on limited grant funding). As screening criteria, some organizations maintain a local lens on a particular neighbourhood or target population to ensure that their efforts are not spread too thin. Some interviewees with less conventional approaches to community economic development stressed that a key element of finding new resources is communicating the impact of their model to existing and potential funders. It is important to note that a lack of available operating funding means that nonprofits are constantly seeking programmatic funding – in part to fund their core operating costs. According to Brest (2003), in the US in 2001, less than 16 percent of the grants budgets of the thousand largest foundations provided general operating support. Though these figures are not available for the City of Toronto, one can imagine that a similar kind of pressure is placed on local nonprofits to develop new fundable programming in order to keep the lights on.

3.2.3 Foundations

The foundations interviewed seek strategic alignment between their organizational objectives and their grant making. These objectives may be informed by research, by the desires of fund holders (in the case of endowed funds), or by residents or neighbourhood organizations through consultation.

Many of the foundations emphasized that need greatly outpaces available funding. For this reason, the criteria by which foundations judge potential grant recipients are very important. Though these criteria differ across organizations, a few common elements were expressed. These include:

1. *Geographic Distribution*

Most of the foundations interviewed seek to make their social investments across their geographic mandate rather than concentrating resources in one neighbourhood or area.

2. *Grantee Reputation or Existing Relationships*

Many of the foundations interviewed described themselves as relationship-based funders. They indicated a preference for organizations with which they have an existing relationship or who have demonstrated their prior ability to achieve impact or to innovate.

3. *"High Impact"*

Many of the foundations interviewed are looking for "high impact" opportunities, though they differed somewhat in their definitions. High impact was variously defined as:

- The ability of grantees to achieve measurable community benefit. These grantees can demonstrate a prior track record of success and the ability to achieve larger systems change through scaling or replication. Some foundations target what they call new or innovative approaches while others favour proven approaches.

- The ability of grantees to learn from their grants and to share that knowledge with the field. These grantees are comfortable adapting to new circumstances and adjusting their initiatives as feedback is received. As one social investor put it, "We look for projects where we can learn; where there is the potential to impact larger systems… What are the new approaches - because we know the approaches that got us here are not going to move us forward?"
- Strong leadership and operational excellence. These grantees are characterized by their ability to undertake strategic planning and to engage in education and advocacy work beyond direct service delivery.
- The ability of a grantee to engage partners in a collaborative effort.

4. *Diversified Funding*

Most of the foundations interviewed operate on a short-term funding cycle - typically one year. Therefore, they tend to favour organizations with diversified funding bases who can continue work on a particular initiative beyond a granting cycle and who have the financial capacity to receive and use a grant well.

Beyond these commonalities, a few important distinctions emerged between the interviewed foundations with regards to their social investment processes. First, the foundations interviewed ranged on a spectrum from responsive to creative investors. Some funders only responded to applications from grantees, allowing communities to take the lead on identifying and addressing local needs. Others took a more creative approach, taking responsibility for identifying and developing initiatives to address identified needs and then engaging a group of partners to support this work. One social investor described their approach this way: "Sometimes we see an opportunity on the horizon and are able to capitalize on it. For example, we saw the opportunity of a major sporting event and convened a whole slew of divergent groups together. We knew there was going to be so much capital investment, we wanted to explore how we could create social capital by engaging people who didn't necessarily see themselves reflected in the major sporting event. [The resulting strategy] connected neighbourhoods that aren't necessarily connected to the event."

Second, the foundations interviewed ranged on a spectrum from community-driven to advisor-driven social investment processes. Some foundations take most of their guidance from the community, even allowing community members to select winning grants, while others convene panels of subject matter experts and advisors to select winning grants. Nearly all foundations interviewed indicated their desire to be transparent in their decision-making processes and to share their learning from their grant making with the broader field.

3.2.4 Conclusion

As outlined above, local government, nonprofits, and foundations take somewhat distinct approaches to their social investment decisions, in part dictated by the needs of their primary stakeholder (for local government, City Council; for nonprofits, their funders; and for foundations, the advisors and/or fund holders). Two central continuums arise across all of these organizations that characterize their social investment decision making, as illustrated in Figure 10. First, organizations fall between an opportunistic and an intentional approach. In the former camp, a sense of possibility, experimentation, and inclusivity drive the desire to remain open to new ideas and proposals that might not necessarily fit neatly into a set of pre-determined objectives. In the latter camp, organizations define a set of outcomes, often drawn from research and direct consultation, and build deliberate social investment strategies to drive progress towards these outcomes. Second, organizations fall between community-driven and advisor-driven. Though nearly all organizations interviewed aim to be responsive to local communities, many social investment processes prioritize the expert perspective. While none of these typologies are definitive (organizations usually fall somewhere along this continuum), nor are any approaches superior, they do offer a useful frame for understanding the diversity of social investment decision making approaches.

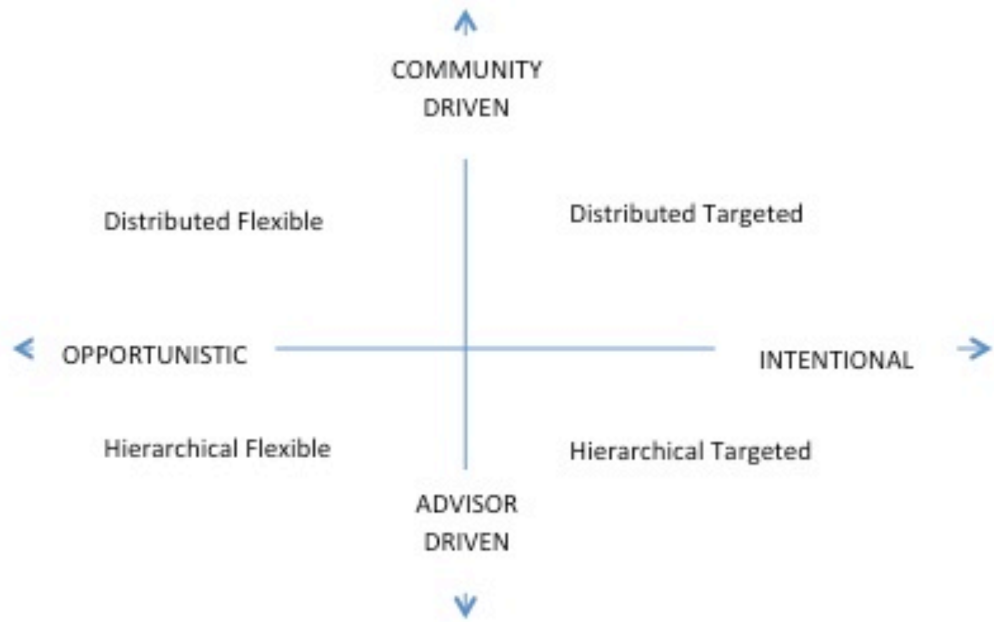

Figure 10: Typology of Social Investment Decision Making Approaches

3.3 What are the desired outcomes of social investment in community economic development?

Most activities undertaken by local government, foundations, and nonprofits are intended to produce benefits for a target population. Whether articulated or not, a program theory – an understanding of how certain activities produce these benefits – usually underpins these activities. Evaluation is a formalized method for understanding how these benefits are produced as a result of a given initiative.

Outcomes are a key component of a program theory. Outcomes are changes that occur as a result of program activities (Funnell and Rogers, 2011). By articulating specific outcomes, a robust and measurable program theory can be developed to understand if and how a program produces a desired change. Funnell and Rogers (2011) suggest, “Outcomes should be defined as clearly as possible and in measurable terms as far as possible, but genuine difficulty in doing so should not be cause for eliminating the outcome from [the program theory].”

Articulating a program theory, and specifically defining desired outcomes, enables the identification of measures or indicators to assess changes in the target environment. As Funnell and Rogers (2011) point out, “Program theory can provide a focal point for making decisions about which aspects of program performance are to be measured or evaluated…” Measurement can help to show where a program is succeeding, failing, or yielding learning opportunities.

As I explore in this section and summarize in Table 3, the field has cultivated a diversity of desired outcomes and approaches to measurement and evaluation.

Table 3: Summary of Desired Outcomes, Measurement Approaches and Challenges by Organization Type

	Local Government	Nonprofit	Foundation
Desired Outcome	• Helping individuals to find work • Engaging employers in the improvement of local economies • Helping individuals to form enterprises • Helping neighbourhoods to create jobs • Building skills and capacity amongst individuals and the neighbourhood organizations that serve them • Creating economic opportunity	• Increased choice and opportunity for the individuals they serve to improve their economic outcomes and enhance financial stability • Behavioural change • Development of knowledge, skills, and abilities, • Increased participation in employment, training, and entrepreneurship	• Transitioning women out of poverty towards a sustainable livelihood • Creating more and better jobs • Narrowing the income gap • Building work, wealth and well being • Increasing the awareness and understanding of complexity of poverty • Increasing funding in the field overall • Driving innovation • Making strategic investments • Learning from grants and sharing that learning with the field
Measurement Approach	• Urban HEART (for some divisions) • Neighbourhood Monitoring (for some divisions)	• Dictated by the funders • Developmental evaluation • Communicating to partners the value of their work and their operational model	• The Canadian Index of Wellbeing • Sustainable Livelihoods • Case studies • Visual and Narrative Storytelling

	Local Government	Nonprofit	Foundation
Challenges	• Measuring softer outcomes • Longitudinal measurement • Attribution	• Difficulty of quantifying change • Long time frame over which change takes place • Important changes difficult to measure • Data collection	• Difficult to measure progress when funding innovative or strategic approaches • Difficult to measure across projects while staying nimble

3.3.1 Local Government

As the City begins to implement TSNS 2020, the articulation of desired outcomes and the plan for measuring and evaluating progress towards these outcomes is evolving. However, some of the outcomes for City divisions engaged in this work as articulated by interviewees include:

- Helping individuals to find work;
- Engaging employers in the improvement of local economies;
- Helping individuals to form enterprises;
- Helping neighbourhoods to create jobs;
- Building skills and capacity amongst individuals and the neighbourhood organizations that serve them; and,
- Creating economic opportunity.

Some interviewees could not articulate desired outcomes for their division but rather stated that outcomes are articulated at the level of a project and identified in Memorandums of Understanding with project partners.

In terms of measuring progress towards these outcomes, again the City's work is evolving. In 2013, the City adopted a modified version of the WHO's Urban HEART framework to measure outcomes in economic opportunity, social and human development, governance and civic engagement, physical environment and infrastructure, and population health at the neighbourhood level. According to an interviewee at the City, this framework will be used to measure progress towards desired outcomes in community economic development. However, it was agreed that the metrics identified within the framework[5] are at too high a level to be able to measure change year over year. Instead a neighbourhood monitoring tool will be developed to measure lower level indicators biannually allowing for finer grain progress to be measured.

Interviewees at the City identified a number of challenges with regards to measuring progress towards desired outcomes. First, it is difficult to assign metrics to some of the "softer" outcomes the City targets, such as increased self-confidence amongst

[5] For the Economic Opportunities domain of the Urban HEART framework, metrics include the unemployment rate for individuals ages 15 and over, the percentage of the population who are considered "low income" based on income tax data, and the number of individuals receiving some form of social assistance.

participants. Second, very few of the divisions represented in the sample indicated that they take a longitudinal approach to measurement or consider attribution in their work. As a result, it may be difficult for the City to understand the impact of their social investments over time.

3.3.2 Nonprofit Organizations

The nonprofit organizations interviewed spoke about their desired outcomes in the context of increased choice and opportunity for the individuals they serve. According to interviewees, choice and opportunity "lead towards financial stability" for individuals in NIAs. To achieve these ends, some of the organizations interviewed target individual outcomes such as behavioural change, the development of knowledge, skills, and abilities, as well as increased participation in employment, training, and entrepreneurship.

Some of the specific metrics used by nonprofit organizations cited during interviews included:

- the number of registered businesses emerging from the nonprofit's programs;
- the number of orders generated by businesses in the nonprofit's programs;
- the income generated by businesses in the nonprofit's programs; and,

- the number of entrepreneurs accessing microloans from the nonprofit’s partner organization.

In large part, funders dictate the measurement practices and approaches used by nonprofits. One interviewee cited their work with two “diametrically opposed funders” which results in the use of both heavily qualitative and heavily quantitative approaches. Some funders provided support to nonprofit organizations in the use of developmental evaluation frameworks. Several of the nonprofit interviewees viewed these frameworks positively, given their ability to reflect the complexity of their operating environment and their focus on learning and adaptation to new information as a project progresses.

Overall, the nonprofit organizations interviewed valued measurement as an important way of communicating to partners the value of their work and their operational model. In this capacity, one organization cited the use of a social return on investment metric to measure impact over the long term.

The greatest challenges identified by the nonprofit organizations interviewed concerned the difficulty of quantifying or capturing what they regarded as important changes as a result of their work. Several interviewees stressed that changes in community economic development outcomes tend to happen on long time frames, making it difficult and expensive to measure change over the lifetime of a grant.

Others added that their most important impact occurred in areas that were difficult to measure, such as improved self-confidence or enhanced social networks. Several interviewees also faced data collection challenges such as inaccurate or incomplete information provided by individual program participants. Finally, many organizations were being asked to measure difficult albeit important concepts, such as the long term sustainability of their program or individual businesses, which they found difficult to do.

3.3.3 Foundations

Several of the foundations interviewed had a broadly articulated set of desired outcomes for their work in community economic development. These included:

- Transitioning women out of poverty towards a sustainable livelihood;
- Creating more and better jobs;
- Narrowing the income gap;
- Building work, wealth, and well being;
- Increasing the awareness and understanding of complexity of poverty; and,
- Increasing funding in the field overall.

A few of the foundations interviewed had a desired outcome to drive innovation or make strategic investments though a definition of these terms was not provided. Of the foundations who indicated that they don't define outcomes or that their outcomes are project or initiative specific, the perspectives of their primary stakeholder (e.g. fund holders, founders) and the nature of local opportunities was said to shape their work. Nearly all foundations interviewed also indicated that an important outcome of their work is the ability for all partners to learn from experience and to share that learning with the field.

The foundations interviewed identified a variety of measurement frameworks that they are using to measure progress towards their desired outcomes. These included:

- The Canadian Index of Wellbeing
- Sustainable Livelihoods
- Case Studies
- Visual and Narrative Storytelling

Those foundations who do not undertake measurement suggested that it is difficult to measure progress when funding innovative or strategic approaches and that it is difficult to measure impact across projects while staying nimble.

3.3.4 Conclusion

Defining outcomes in the context of a complex environment is challenging for all stakeholders. There is a desire to be flexible, given the potential for new partners to come to the table or for new ideas to present themselves. There is also a desire to be innovative and to try new approaches. There is no one recipe for community economic development and as such, it is difficult for those trying to foster the conditions for it to take root to clearly articulate their desired outcomes. There is even some hostility towards articulating desired outcomes as limiting the potential for new ideas to flourish. This has resulted in a fairly diverse set of outcomes as articulated by stakeholders, even amongst those working on shared projects. While each of these outcomes may be a valuable piece of the puzzle, organizations active in the field have not reconciled how these pieces fit together into a coherent whole. Given the current state of affairs, it would be difficult for many of the organizations interviewed to describe how they would know when they had achieved success and therefore, difficult to plan or justify their social investments towards that achievement. Moreover, in spite of championing a local approach to social investment, there is a critical lack of neighbourhood-level outcomes, articulated in a way that reflects the local context. As I argue later in this paper, the clear identification of desired outcomes, even if those outcomes are difficult to measure against, is critical to the success of this field.

One symptom of this lack of clarity in outcomes is an underdeveloped approach to measurement. Even within organizations, the degree of unity in measurement frameworks, approaches, and protocols across divisions or projects is unclear. The field lacks common definitions of frequently used metrics such as employment or income. This is particularly true in the case of “softer” or qualitative measures, such as increased self-confidence. In many cases where measurement is being undertaken, power in the selection of the measurement framework often rests with the funders. There may be value in taking a more collaborative approach to be developing, implementing, and learning from measurement. At the very least, it could result in increased buy-in and consequently better and more accurate data. A lack of focus on attribution makes it very difficult for the impact of projects or initiatives to be differentiated from other factors. This in turn makes it challenging to identify and scale up the most successful interventions in a complex system.

Finally, there is a concern that measurement and evaluation slows progress or diverts attention and resources away from “getting things done”. Because of the urgency of needs in the target communities and the tremendous human costs of the status quo, there is enormous pressure (both internal and external) on organizations in this field to make progress. Equally, there is a desire not to burden already thinly stretched service-delivery organizations with unnecessary activities. Yet, measurement and evaluation are the processes by which organizations can identify those initiatives that are most effective at making progress towards desired outcomes and can help in the investment of limited resources. In order to overcome this concern, the value of measurement and evaluation must be better understood by local government, foundations, and nonprofits, as well as residents themselves.

3.4 How could decisions be made to increase the impact of social investments in community economic development?

At the root of all community economic development activities is the desire to meaningfully improve the lives of individuals and communities. As a young field, many stakeholders, processes, and products are still evolving, creating potential for even greater impact to be achieved as more is learned about effective interventions. As discussed in this section and summarized in Table 4, the stakeholders interviewed offered a variety of suggestions for how the field as a whole can increase its impact.

Table 4: Summary of Recommendations for Increasing Impact by Organization Type

	Local Government	**Nonprofit**	**Foundations**
Recommendations	• Invest in field building	• Develop field knowledge • Encourage collaboration • Improve measurement and evaluation practices • Support a cultural shift to invest in neighbourhoods • Align the timescales of changes in political priorities and neighbourhood change • Invest in sustaining, maintaining, implementation • Open up funding to less proven organizations	• Invest in field building • Scale up impact • Improve external communication

3.4.1 Local Government

The local government representatives interviewed suggested that the community economic development field is constrained by what it sees as possible interventions into neighbourhoods. Therefore, they noted, it is important to invest in community economic development organizations so that they can expand their thinking around what possible interventions could look like. As one interviewee said, “People are used to thinking about services and programs using a social services lens. We are far less practiced in thinking about economic development. You can't grow beyond what you know." This expansion of the frame of possibility could include capacity building activities, such as conferences, and enhanced understanding of international best practices.

3.4.2 Nonprofit Organizations

Nonprofit interviewees identified a number of areas for improvement in the field including knowledge development, cultural shifts, synching of programmatic, political and funding cycles, rejuvenation of the organizations receiving funding, and enhanced monitoring and evaluation practices.

The nonprofit organizations interviewed felt that emphasis needs to be placed on continued knowledge development and collaboration within the field. For example, better access to neighbourhood-level labour market statistics was seen as an example of the kind of information needed in order to enhance impact.

Several organizations called for a cultural shift in the city as a whole - both in terms of the responsibility individuals and institutions feel towards the health and well being of our most vulnerable neighbourhoods and the meaningful engagement of local communities in setting economic development agendas. For example, some organizations interviewed are working with anchor institutions such as hospitals and universities to shift the mindset of these organizations about their role in the local community and to leverage their purchasing power to effect positive change through social procurement. As one social investor said, "Our thesis is that everyone is part of the neighbourhood and that when you are part of the neighbourhood you have a responsibility to the neighbourhood."

Some of the nonprofits interviewed expressed frustration at the perceived mismatch between political and funding cycles and the time required for neighbourhood level change to take root. As one interviewee said, "[Political priorities] tend to change more quickly than people in the field can do the work to support them. We often just arrive at a place of understanding where deeper connections are being made and then the priorities shift." Citing the recent shift from Priority Neighbourhoods to NIAs as an example, the interviewee remarked, "By the time we are out of pilot funding we'll just be starting to see whether our program is working or not. Organizations may even be shutting down due to the end of a funding cycle just as they are learning that their model is working. This also means that the learning from these models is lost - only for the same thing to be built again from scratch."

With regards to funding cycles, there was a perceived bias towards new projects at the seed or pilot stage, with less attention being paid by social investors towards scaling, stabilizing, maintaining and implementation stages. As one interviewee posited, "It is a very human dynamic - people want to find a comprehensive solution and there are incentives for funders to fund the innovative transcendent programs… We are starting a lot of programs, projects and organizations, [but] it may be sustaining organizations that needs a critical eye." Another interviewee added, "We raise every dollar that we put out into the community, and donors like the new shiny thing, for example, building a building. The reality is that buildings have ongoing costs and it is really hard to fundraise for this. I'd really like to say to government, you don't have to raise dollars from donors, you can be most accountable to the taxpayer by supporting these tried and true programs that we have now scaled. I think government ought to move back into that space, with foundations and nonprofits working in the piloting space."

At the same time, some interviewees suggested that the same organizations are receiving funding, regardless of whether or not they are producing desired outcomes. As one interviewee noted, "Identified organizations continue getting funded based on their reputation and past work but they may no longer be innovators in the field. There is a bit of a gate keeper system: if you get in, then you can stay for a long time based on relationships and past work.... Funders' reputations get tied up in the organizations that they fund. Shifting funding becomes very difficult, even if the model is not so successful. "

Interviewees identified a need to improve measurement and evaluation practices including the identification of common metrics. As one interviewee put it, "we need to get better at identifying success and building on it. We need to recognize what is working and making sure that it continues."

3.4.3 Foundations

The foundations interviewed had a variety of ideas on how to improve outcomes in the field of community economic development including field building, scaling up, and improving communication.

As one interviewee said, "We are on the front end of field building. We need to look at building field capacity while working on a specific initiative...There is very little community economic development capacity in Toronto." Towards this end, interviewees emphasized the importance of sharing learning across the sector, collaborating, and supporting each other's work.

Several interviewees singled out the need to scale up their work to meet growing demand in this area. As one interviewee said, "We have heard from the field that what we are doing is good, we just need to do more of it." Some interviewees noted the need to expand funding beyond nonprofits to include organizations like social purpose businesses. This will require the adjustment of the legal structures governing foundations, as one interviewee noted, "The structure of organizations suited to tackle these challenges are being created… The legal and regulatory framework needs to catch up to how we are starting to tackle these challenges."

Finally, several interviewees stressed the importance of better telling the story of impact in the field. This includes the importance of assessing and improving upon existing evaluation strategies. As one interviewee said, "if you can't tell the story [of your work], people aren't going to be interested in investing in it."

3.4.4 Conclusion

Community economic development in Toronto's NIAs has enjoyed a surge of interest from many different sectors and disciplines as a useful frame for achieving meaningful changes in these neighbourhoods. As interviewees identified, there are a number of opportunities to enhance the impact of these actors as the field matures. Key recommendations include greater attention to field building (including capacity building and knowledge development/sharing), better alignment of programmatic, political and funding cycles to ensure that progress is not lost when priorities change, and more focus on identifying and supporting successes where they occur.

4.0 Discussion

This analysis has identified a number of challenges to enhancing social investment decision-making processes and evaluating the impact of social investments in community economic development in Toronto's NIAs. Table 5 summarizes these challenges and offers a corresponding recommendation; each are discussed in greater detail in sections 4.1 and 4.2 respectively.

Table 5: Summary of Challenges and Recommendations for Toronto's Community Economic Development Field

Challenge	Recommendation
Target communities are not empowered to make the social investment decisions that will affect their own lives and livelihoods. This includes the local business community in NIAs.	Social investors must empower local residents and businesses to play a social investment decision-making role.
Delays in knowledge sharing mean that new social investments don't necessarily reflect the learning of previous social investments.	Social investors must invest in low-cost opportunities to share knowledge more rapidly.
A lack of clearly defined outcomes makes it difficult for stakeholders to understand and communicate what is being achieved by their social investments.	Social investors must work with target communities to clearly define the desired outcomes of their social investments.
A lack of clearly defined metrics makes it difficult for stakeholders to identify when success has been achieved.	Social investors must articulate a common language for measuring success.
Funding and political cycles do not match the lifecycles of community economic development initiatives.	Social investors should align their funding cycles with appropriate timelines for success and entrench progress against political changes with effective measurement and evaluation.

4.1 Challenges

As discussed above, Toronto's community economic development field faces a number of challenges.

1. Target communities are not empowered to make the social investment decisions that will affect their own lives and livelihoods. This includes the local business community in NIAs.

The nascent system of community economic development, while consultative with residents, has for the most part placed the power to make social investment decisions in the hands of local government, foundations, and a few nonprofit organizations. There is an opportunity to enhance the impact of the system by broadening the group of social investors, such as the private sector, and the group of actors being targeted by community economic development initiatives, for example local businesses and BIAs.

In terms of barriers to change, social investors face or may perceive that the engagement of local residents and businesses in decision making may require ceding some control over outcomes to other parties who may place value differently. Social investors have a number of targeted objectives and accountabilities to achieve these objectives as identified in section 3.2; these objectives may include delivering “high impact” projects, achieving geographic distribution, investing in established relationships, and diversifying their social investments.

2. Delays in knowledge sharing mean that new social investments don't necessarily reflect the learning of previous social investments.

The field of community economic development is producing lots of knowledge, capturing learning from many different projects and initiatives. However, flows of knowledge between stakeholders are relatively slow, delaying possible program improvements. Increasing the frequency of knowledge sharing will support the evolution of the community economic development system by ensuring that new learning is embedded in subsequent project design.

Social investors active in community economic development face or may perceive a number of barriers to sharing knowledge more quickly. The most pressing barrier may be the cost associated with sharing information, which must be supported by an organization with available resources for the benefit of the community economic development community. Organizations may perceive this as a diversion of funds from projects that have the potential to create immediate impact. Second, there may be the perception of competition amongst various organizations to find and fund the most innovative projects; by sharing information on the success of these endeavours, they risk admitting failures or giving away the secrets of their success to organizations they may view as competitors.

3. A lack of clearly defined outcomes makes it difficult for stakeholders to understand and communicate what is being achieved by their social investments.

Local government, nonprofits, and foundations have struggled and sometimes resisted defining the desired outcomes of their social investments, making it difficult to say when success has been achieved. While framing outcomes in the context of a complex environment is challenging for all stakeholders, it is essential. As Cameron Norman (2014) writes, "Without documentation of what this "amazing stuff" looks like, a theory or logic explaining how those activities are connected to an outcome and an observed link between it all (i.e., evaluation) there really is no evidence that the world is changed – or at least changed in a manner that is better than had we done something else or nothing at all." It is time to revisit the assumption that because community economic development is complex or because needs are too urgent to delay action, stakeholders are absolved of responsibility for evaluating social investments . Indeed, it is evaluation which will help to shore up the case for further social investment, especially in a context where needs outstrip available resources. Evaluation, developed in concert with the end users who will benefit from these activities, is essential to the healthy evolution of the field.

Social investors face or may perceive a number of barriers to clearly defining outcomes. The most significant barrier for these investors may be scaling back on their opportunism when it comes to making social investments. It may require them to say no to projects that don't align with their desired outcomes. Second, defining outcomes successfully requires the buy-in of many stakeholders – some organizations may perceive a lack of support from their stakeholders who may be used to making social investments according to the status quo.

4. A lack of clearly defined metrics makes it difficult for stakeholders to identify when success has been achieved.

Measurement is one of the most challenging elements of work undertaken in the field of community economic development. This is in part due to the lack of a common language with which to discuss the impacts of various social investments and interventions. This limits the ability of the field to identify when success has been achieved and therefore, difficult to plan or justify social investment towards that achievement.

Social investors face or may perceive a number of barriers to clearly defining metrics. Most significantly, some organizations may value the flexibility of defining measurable indicators in a way that makes sense for their own portfolio of social investments. Second, there is a cost associated with creating and maintaining a shared database of commonly used metrics that must be absorbed by an organization or a collective of organizations. Social investors may perceive this expenditure as diverting funds away from projects with the potential for immediate impact.

5. Funding and political cycles do not match the lifecycles of community economic development initiatives.

Those vying for funding from social investors perceive a bias towards early stage projects, at the cost of supporting projects at the scaling or maintaining phase. Similarly, some perceive that political leaders eager to make their mark on this file are too willing to abandon good work being done in order to pursue new avenues of impact. Interventions in complex systems take time to yield the full range of their potential impact. Yet, those interested in seeing improved outcomes are often impatient to see those changes take place, resulting in misalignment between funding, political, and programmatic lifecycles.

Social investors face or may perceive a number of barriers to re-setting the timelines of their social investments. Importantly, social investors may feel that the high level of demand for resources prevents them from increasing the length of grants in order to support as many initiatives as possible. Second, there is a perception that shorter grants entail lower risk to social investors as they can more easily walk away from a grant that has not been successful. Any attempt to lengthen grants could be perceived as increasing risk to the social investors. Finally, social investors may face uncertainty of available resources over a longer period of time and may be unable to commit to multi-year funding.

4.2 Recommendations

1. Social investors must empower local residents and businesses to play a social investment decision-making role.

Successful initiatives engage residents beyond consultation; they enshrine a seat at the table for residents in placing funds where they are most needed. This approach could take many different forms: from neighbourhood investment councils to participatory budgeting initiatives. The empowerment of local residents should also include a meaningful spot at the table for local businesses and entrepreneurs - groups that in many cases are not being included in current decision making processes.

One of the key barriers to embracing this recommendation will be the necessity for social investors to cede some control over the outcome of investment decisions. To address this concern, social investors can help to further define the parameters of the decision making process - clearly articulating desired outcomes and decision making criteria (for example, geographic distribution). By educating decision makers about the nature of the desired outcomes, these decision makers will be better equipped to blend their own experience and expertise with the social investor's objectives to arrive at their decisions. This recommendation does not necessarily require a policy change. Rather it requires the creation and adoption of new methods of community engagement that allow those with intimate knowledge of the local context to identify and guide investment decisions in order to achieve maximum impact.

The United Way of Toronto offers a useful example of how residents can be empowered in a social investment decision-making processes to great effect. The United Way offers Resident Action Grants as a part of their Action for Neighbourhood Change initiative. Residents in priority neighbourhoods are responsible for setting up the grants process, selection criteria, making the call for proposals, and selecting successful projects. Between 2005 and 2014, Resident Action Grants totaling $670,000 funded 132 neighbourhood improvement projects (United Way Toronto, 2014). According to the United Way (2014), "[Resident Action Grants] are the only grants directly available to people in priority neighbourhoods." While not directly targeted to community economic development projects, the Resident Action Grants offer a useful model for how residents can be empowered in a social investment decision making role.

While it is likely that social investors are aware of the approach that the United Way has taken, this approach has not been broadly adopted by organizations with smaller budgets that may feel unable to divert their limited resources in this manner. In the case of the United Way, Resident Action Grants represent a small fraction of their total investments, perhaps making the case for an even smaller pilot investment stream for smaller investors.

2. Social investors must invest in low-cost opportunities to share knowledge more rapidly.

Several actors identified that greater impact in the field could be achieved through investment in field building. Convening partners in a community of practice can help to create field building opportunities by investing in the creation of light touch channels for actors within the field to share knowledge on an ongoing basis. According to Kasper (2007), communities of practice help participants to "expand their horizons, gain knowledge, make connections, and explore and test ideas in a non-threatening environment." For community economic development practitioners, this could include monthly community of practice meetings or webinars to allow knowledge sharing to happen more easily. A neutral industry body, such as the Canadian Community Economic Development Network, could convene these meetings, or a social investor with a strong interest in field building could take the lead. Successful community building is likely to be most successful with a combination of online and in person programming.

One of the key barriers to embracing this recommendation will be to equitably cover the costs associated with running a community of practice. One way to do this may be to engage an existing field level organization, such as the Canadian Community Economic Development Network, to enhance existing programming. Costs could be covered by levying a small participation fee or by seeking donations through crowd funding.

One example of this being done effectively is Social Finance Connects. Social Finance Connects is a monthly webinar series that highlights a key initiative, project, or issue in the field of social finance. The webinars, hosted by the MaRS Centre for Impact Investing, inform and connect a variety of stakeholders within the Canadian social finance field.

While most social investors are likely aware of existing communities of practice or the potential of this model to be used in the community economic development field, this tool has likely not been adopted yet due to the strong focus that social investors place on their intended beneficiaries, rather than on the internal development of the field.

3. Social investors must work with target communities to clearly define the desired outcomes of their social investments.

Acknowledging that the field of community economic development in Toronto's NIAs is a complex one, social investors must clearly identify their desired outcomes in order to be able to ascribe change to their activities. Those seeking to build the field must help to increase the understanding of local government, foundations, nonprofits, and residents of the purpose and value of evaluation. Namely, evaluation will help to increase the accountability of these organizations to the individuals and communities they serve and help the organizations to learn from previous social investments in order to enhance the impact of future endeavours.

One of the key barriers to embracing this recommendation will be to overcome the desire of some investors to maintain an opportunistic approach to their investments. This could be achieved by allocating some portion of their investments to an innovation fund that could be drawn on when an unexpected opportunity presents itself. It is important to note that this fund should still have a set of outcomes associated with it, even if those outcomes are slightly more general to allow for new opportunities to fit within their parameters.

The Hewlett Foundation offers a useful example of how one social investor adopted and implemented an outcome-focused approach to their grant making (William and Flora Hewlett Foundation, 2012). Driven by the desire to have the greatest impact possible given limited resources, the Hewlett Foundation began pursuing a new framework to help guide their grant making. Out of this desire, the foundation developed a process called outcome-focused grant making. This process begins with definition of the foundation's strategic direction and goals by its Board, with input from grantees, experts, policy makers, and other funders. On this basis, the Board identifies the initiatives of the Foundation. Program staff are then charged with defining initiative-specific goals (measureable outcomes, rationale, and scope) against which a strategy can be built and assessed. Staff then develop a logic model and theory of change to establish the connection between their grant making activities and the desired outcomes, identifying the assumptions that underpin the model. Next, staff undertake a capacity scan and identify metrics to measure their progress towards an outcome and desired target. The Hewlett Foundation calculates expected return in order to compare potential projects. Finally, staff develop budgets, funding, partnership, capacity building, monitoring and evaluation, and phasing and exit plans. According to the foundation, the strategy has resulted in the achievement of greater impact and improved decision-making.

While social investors are aware of outcome-focused approaches, like the Hewlett Foundation's, they may be reluctant to adopt such an approach for a variety of reasons including diminished flexibility, the relative newness of the field, and the desire for greater experimentation.

4. Social investors must articulate a common language for measuring success.

Collectively, the field must invest in building a shared language for measuring success. This language will allow the field to discuss the impacts of various social investments and interventions, identify when success has been achieved, and improve the planning and justification of the social investments towards those achievements. Where possible, this catalogue should include recommendations on how to measure "softer" indicators frequently identified as the most challenging by social investors (e.g. self-confidence). The enhanced credibility offered by a shared measurement language will help the field to better understand the purpose and value of measurement, including the ability to capture the kinds of incremental changes that one might see over the course of an initiative.

One of the key barriers to embracing this recommendation will be to address the desire of some social investors' to maintain their flexibility with regards to how they are defining measures of success relative to other actors. One possible approach will be to educate investors on the value of a shared language. This is perhaps best articulated by recipients of social investments who in many cases can quantify the costs of having to report back to many different investors who measure impact in different ways. Helping social investors to understand the avoidable costs and tangible benefits of embracing a common language will help to ease the transition.

One example of how this work is being done successfully in other sectors is the Global Impact Investing Network's Impact Reporting and Investment Standards (IRIS). IRIS is a "catalogue of generally-accepted performance metrics that leading impact investors use to measure social, environmental, and financial success, evaluate deals, and grow the credibility of the impact investing industry" (Global Impact Investing Network, 2014). By offering a standardized definition and usage guidance for particular indicators, IRIS offers impact investors the tools they need to speak the same language: across investments in their own portfolio and in the context of a particular sector. Common metrics in the field of community economic development could include: number of full time jobs created; increase in annual incomes; and number of registered businesses.

While some social investors may be aware of taxonomies like IRIS, a reluctance to engage in a formalized measurement system may discourage them from pursuing such tools.

5. *Social investors should align their funding cycles with appropriate timelines for success and entrench progress against political changes with effective measurement and evaluation.*

There is an opportunity for social investors to better align their funding cycles with the lifecycle of a community economic development initiative. This includes ensuring that the various niches along the lifecycle of an initiative, from seeding, to piloting, to scaling, to maintaining, are covered by the ecosystem of social investors. This also includes re-thinking the length of social investments. While a one year grant may be ideal for the seeding or piloting phase, it will not be enough to see demonstrated impact at the scaling or maintaining phase.

On the political timescale, new political leadership will likely be interested in putting their own stamp on a particular program or strategy. City bureaucrats can help to guide those leaders to understand the successes that have already been accomplished through improved measurement and evaluation practices, seeking helpful ways for new leadership to contribute to an approach, rather than re-setting the agenda.

One of the key barriers to embracing this recommendation will be to address social investors' concern of not being less able to meet the high demand for investment in the field as a result of adjusted funding cycles. To combat this fear, the ecosystem of investors must come together to fill the various niches across the program lifecycle. Additionally, it must be emphasized that stretching investments thinly in order to meet demand may actually negate the potential for positive impact from those investments by not giving the projects enough time to achieve their objectives or share learnings with the wider sector.

An example of this approach is the Ontario Trillium Foundation's recent work to re-vamp its investment streams to reflect the different resource needs of projects and initiatives at different phases of their lifecycle (Ontario Trillium Foundation, 2014). Seed grants between $5,000 and $75,000 over one year will support projects at the conceptual stage. Grow grants between $50,000 and $250,000 per year over two to three years will support projects to replicate, scale, or pilot a tested model. Collective impact grants of up to $500,000 per year over three to five years will support projects that engage a collective strategy and support transformative action. While the success of this strategy is yet to be determined, the framework offers a useful example of the kind of alignment funders can create with their intended project lifecycles.

While social investors are likely aware of the Ontario Trillium Foundation's approach, they may be waiting to see how this approach fares before they explore opportunities to align themselves along this funding lifecycle.

4.3 Limitations

While this study offers some useful insights into the social investment decision making processes in community economic development in Toronto's NIAs, it is not a comprehensive picture of the state of the system. Key limitations of this study include:

1. *No Representation of Residents or Local Business Owners*

Due to time constraints, it was not possible to engage residents or local business owners in a meaningful way. This study emphasizes the importance of engaging local residents and it is made weaker by not being able to reflect the perspectives of individuals living and working in these neighbourhoods.

2. *Self-Reported Data*

As many interviewees indicated that their evaluation frameworks were under development or revision, very few were able to share documentation explaining their process. As a result, reflections from interviewees could be considered anecdotal rather than grounded in the actual frameworks themselves.

3. No Analysis of Quantitative Data

No interviewees offered quantitative data of their impact for review. Again, this lack of data makes it very difficult to comment on the effectiveness of social investments to date or the rigour of current measurement and evaluation practices.

4. Small Sample Size

The time constraints of this project and the relatively small number of community economic development practitioners resulted in a fairly small sample size for interviews. This study could be made more robust through an increased sample size.

4.4 Further Research

There are a number of different directions for future work in this area, primarily to develop more practical approaches for social investors to adopt each of the recommendations. Potential avenues for further research include:

1. Engaging residents and local business owners for their perspectives on community economic development in NIAs

Residents and local business owners play a critical role in the community economic development system. Due to time constraints, their perspectives are not reflected here. Future research could complement this analysis of the perspectives of social investors with those of the intended beneficiaries. A human-centred design approach would allow residents and local business owners to co-create a community economic development system that effectively meets the needs of the intended beneficiaries.

2. *Methods and processes for empowering local residents and businesses to play a social investment decision making role*

Convention methods of engaging local residents and businesses fall short of empowering decision making amongst the intended beneficiaries of community economic development efforts. Further research could be done to develop more inclusive models of social investment decision-making that could be easily adopted by social investors.

3. Action research related to the development of a community of practice

Communities of practice are essential to the development of a young field, yet the community economic development community has fairly limited arenas for sharing knowledge. With many social investors focused externally on intended beneficiaries, there is an opportunity to conduct action research in developing a community of practice and examining the impact of this effort on operational and investment outcomes.

4. The development and/or adaptation of evaluation and measurement frameworks for the purposes of community economic development

Some interviewees indicated that they appreciated the value of developmental evaluation approaches, while others seem not to have found an evaluation framework that works for their purposes. Future research could more closely investigate the needs of community economic development practitioners in this regard and develop prototypes to test in the field. This research would allow for the co-creation of measurement and evaluation approaches that meet the needs of social investors.

5. Action research related to the mapping of social investors against community economic development lifecycles

This work has identified a need for social investors to better align their funding cycles with the lifecycles of a community economic development initiative. There is an opportunity to undertake action research to identify where social investors currently fall on this lifecycle, gaps across the lifecycle, and potential areas for greater activity.

5.0 Conclusion

As a relatively young field, community economic development, specifically focused in Toronto's NIAs, has not undergone a fulsome evaluation of its impact. This study explored the research question: how might nonprofit organizations, foundations, and local government enhance their social investment decision making processes and evaluate the impact of their social investments in community economic development in Toronto's Neighbourhood Improvement Areas. Using a literature review, systems mapping, stakeholder analysis, and semi-structured interviews, I identified the relationships between stakeholders and the current process for making social investment decisions. By examining the desired outcomes and approaches to measurement within the field, as well as reflections from stakeholders on how the impact of social investment could be improved, I was able to identify a series of gaps that need to be addressed to ensure the healthy evolution of the field. These included a lack of decision making power amongst target communities, including local businesses; delays in knowledge sharing across the field; a lack of clearly defined outcomes; a lack of clearly defined metrics; and a mismatch between funding and political cycles and the lifecycle of a community economic development initiative. Drawing on the perspectives of various stakeholders, I offered recommendations to social investors to address these gaps including: empowering local residents and businesses at the social investment decision making table; investing in low-cost opportunities to facilitate the sharing of knowledge; defining desired outcomes; articulating a common language for measuring success; and aligning funding cycles with appropriate timelines for initiative success. These recommendations are suitable for further and more practical exploration in a series of non-academic publications. Through partnership with a field-level body, such as the Canadian Community Economic Development Network, these publications could reach a larger audience and engage a larger field-level discussion with social investors outside of the City of Toronto. This research could be furthered by closer analysis of the perspectives of local residents and businesses as well as more practical explorations of how each of the recommendations could be developed.

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Appendix A: Interview Materials

Invitation Letter

Subject: Request to Participate in Interview on Decision Making in Investments in Local Economic Development

Dear X,

I hope this finds you well.

I received your contact information from (Name of Colleague/Website).

My name is Hilary Best and I am currently pursuing my Master's in Strategic Foresight and Innovation at OCADU.

My Major Research Project, conducted in partial fulfillment of the requirements of my degree, is focused on how local non-profit organizations, foundations and governments make decisions about how to invest to affect change in local economic development in Toronto's Neighbourhood Improvement Areas.

Given your expertise in this area, I wonder if you'd be willing to participate in a brief interview regarding your organization's investment decision making process in projects or programs in Toronto's NIAs. I have attached both a consent form outlining the intent of the project and the confidentiality of data provided and an interview guide which contains the proposed questions for this interview.

Please let me know if you'd be willing to participate. I'd be happy to answer any questions or concerns you may have. Alternatively, if there is someone else at your organization with whom I should be in touch, please let me know.

Many thanks,
Hilary

Hilary Best

M. Des Candidate

OCADU

T: 416-846-9787

E: hb12jg@student.ocadu.ca

Interview Consent Form

Date

Project Title: Investing in Place: Evaluating the Impact of Investments in Local Economic Development

Principal Investigator:

Hilary Best, Student – Masters of Design in Strategic Foresight and Innovation

OCAD University

416 -846-9787

hb12jg@student.ocadu.ca

Faculty Supervisor (if applicable):

Helen Kerr, Professor

Faculty of Graduate Studies

OCAD University

416 703 5377

hkerr@faculty.ocadu.ca

INVITATION

You are invited to participate in a study that involves research. The purpose of this study is to explore how local non-profit organizations, foundations and governments make decisions about how to invest to affect change in local economic development in Toronto's Neighbourhood Improvement Areas.

WHAT'S INVOLVED

As a participant, you will be asked to participate in a brief interview regarding how your organization makes investment decisions. The proposed interview questions have been attached here. Interviews can be conducted in person at a location of your choice or by phone, depending on your preference. Participation will take approximately 30-60 minutes and can be scheduled a time that is convenient for you.

POTENTIAL BENEFITS AND RISKS

Possible benefits of participation include an enhanced understanding of and opportunity for reflection on your organization's investment strategy including its strengths and weaknesses; an enhanced understanding of the impressions of local business owners on the impact of your investment strategies through the receipt of the final project report; additional tools for enhancing the potential impact of investment decisions through the receipt of the final project report; and additional tools for measuring the potential impact of investment decision through the receipt of the final project report

Possible benefits to the wider local economic development community include an enhanced understanding of the existing model of investment decision making; an enhanced understanding of the strengths and weaknesses of that model; an enhanced understanding of the needs of business owners in neighbourhood improvement areas; an enhanced understanding of areas of opportunity for improving outcomes through enhanced investment decision making models; an enhanced understanding of how to achieve common principles for evaluating investment decisions; and access to an additional resource in this area, the final report.

There also may be risks associated with participation including higher than usual levels of stress associated with answering questions related to your professional decisions and organizational strategy.

CONFIDENTIALITY

The information you provide will be kept confidential, i.e. your name will not appear in any thesis or report resulting from this study. However, with your permission attributed quotations may be used. Shortly after the interview has been completed, I will endeavour to send you a copy of the transcript to give you an opportunity to confirm the accuracy of our conversation and to add or clarify any points that you wish. Data collected during this study will be stored in a password protect word document on my personal computer. Data will be kept until the completion of the project (expected date of completion: January 31, 2015) after which time data collected during this interview will be destroyed through the deletion of the word document. Access to this data will be restricted to myself.

▢ Yes, I wish to be attributed for my contribution to this research study. You may use my name alongside statements and/or quotations that you have collected from me pending my confirmation of their accuracy.

VOLUNTARY PARTICIPATION

Participation in this study is voluntary. If you wish, you may decline to answer any questions or participate in any component of the study. Further, you may decide to withdraw from this study at any time, or to request withdrawal of your data (prior to data analysis October 15, 2014, and you may do so without any penalty or loss of benefits to which you are entitled.

PUBLICATION OF RESULTS

Results of this study may be published in a Master's Major Research Project, a personal blog, professional and scholarly journals, and/or presentations to conferences and colloquia. In any publication, data will be presented in aggregate forms. Quotations from interviews will not be attributed to you without your permission.

Feedback about this study, including the final report, will be available from myself, Hilary Best, by January 2015. I can be reached at 416-846-9787 or hb12jg@student.ocadu.ca. The final report will be published at hilarybest.wordpress.com

CONTACT INFORMATION AND ETHICS CLEARANCE

If you have any questions about this study or require further information, please contact the Principal Investigator, Hilary Best, or the Faculty Supervisor (where applicable), Helen Kerr, using the contact information provided above. This study has been reviewed and received ethics clearance through the Research Ethics Board at OCAD University File 2014-41. If you have any comments or concerns, please contact the Research Ethics Office through cpineda@ocadu.ca.

CONSENT FORM

I agree to participate in this study described above. I have made this decision based on the information I have read in the Information-Consent Letter. I have had the opportunity to receive any additional details I wanted about the study and understand that I may ask questions in the future. I understand that I may withdraw this consent at any time.

Name: ____________________________

Signature: ____________________________ Date: ____________________________

Thank you for your assistance in this project. Please keep a copy of this form for your records.

Interview Guide

I want to thank you for taking the time to meet with me today. My name is Hilary Best and I would like to talk to you about your experiences making investments in local economic development initiatives in Toronto's Neighbourhood Improvement Areas. The purpose of this study is to explore how local non-profit organizations, foundations and governments make decisions about how to invest to affect change in local economic development in Toronto's Neighbourhood Improvement Areas.

The information you provide will be kept confidential, i.e. your name will not appear in any thesis or report resulting from this study. However, with your permission attributed quotations may be used. Shortly after the interview has been completed, I will endeavour to send you a copy of the transcript to give you an opportunity to confirm the accuracy of our conversation and to add or clarify any points that you wish. Data collected during this study will be stored in a password protected word document on my personal computer. Data will be kept until the completion of the project (expected date of completion: January 31, 2015) after which time data collected during this interview will be destroyed through the deletion of the word document. Access to this data will be restricted to myself. You are under no obligation to answer any of my questions and you may elect to withdraw from the study at any time.

Do you have any questions about what I have just explained?

Are you willing to participate in this interview?

Do you wish to be attributed for your contributions to this study, including the use of your name alongside statements and/or quotations that I collect during this interview pending your confirmation of their accuracy?

How does your organization fit into the ecosystem of local economic development in the City of Toronto? What role does your organization play and how does it interact with other stakeholders?

What are the desired outcomes of investments your organization makes in local economic development projects or programs in Toronto's Neighbourhood Improvement Areas?

Describe your organization's process for making investments in projects or programs with a local economic development objective in Toronto's Neighbourhood Improvement Areas?

When you are presented with multiple deserving projects or programs with local economic development objectives in Toronto's Neighbourhood Improvement Areas, how do you decide which one to invest in?

What works well about your investment decision making process for projects or programs with local economic development objectives in Toronto's Neighbourhood Improvement Areas?

What could be improved about your investment decision making process projects or programs with local economic development objectives in Toronto's Neighbourhood Improvement Areas?

How do you measure the impact of investments your organization makes in projects or programs with local economic development objectives in Toronto's Neighbourhood Improvement Areas?

How might you increase the impact of the investments your organization makes in projects or programs with local economic development objectives in Toronto's Neighbourhood Improvement Areas?

Is there anything more you would like to add?

I'll be analyzing the information you and others gave me and preparing a final report with an intended completion date of January 2015.

I'll be happy to send you a copy at that time, if you are interested.

Thank you for your time.

Interview Thank You Letter

Subject: Thank you for Participating in an Interview on Local Economic Development

Dear X,

I hope this finds you well.

Thank you so much for participating in a recent interview on local economic development. Your contributions were very valuable and I really appreciate your generosity with your time.

As a result of your participation in the interview, I hope you benefited from the opportunity for reflection on your organization's investment strategy.

I anticipate that the final report of this research will be ready in January 2015, at which point, I look forward to sharing it with you.

If you have any questions or concerns, please don’t hesitate to get in touch.

Many thanks,

Hilary

Hilary Best

M. Des Candidate

OCADU

T: 416-846-9787

E: hb12jg@student.ocadu.ca