

**Impact Investing for Community Foundations
Webinar Series**

**Part II: Developing and
Implementing Place-Based
Impact Investing Strategies**

July 13, 2011

Co-sponsored by



Agenda

- **Community foundation impact investing options**
- **Place-based impact investing**
- **Featured strategies:**
 - **The Boston Foundation**
 - **The Community Foundation for Greater Atlanta**
- **Questions & discussion**
- **Resources**

Presenters



Lisa Cremin
Director
The Community Foundation for
Greater Atlanta
www.cfgreateratlanta.org



Leo Quigley
Senior Program Officer
The Boston Foundation
www.tbf.org



Peter Berliner
Managing Director
PRI Makers Network
www.primakers.net



Lisa Richter
Principal
GPS Capital Partners
www.gpscicapitalpartners.com

Impact Investments

- **Financial investments** that generate social and financial returns.
- Includes the full range of investment **types** and **returns**.
- **Program-Related Investments (PRIs)**: Made primarily for program purposes. (*IRS-defined* for *private foundations*.)
- **Mission-Related Investments (MRIs)**: Generally, investments with market-rate expected return and from investment funds.

Community Foundation Impact Investing Options

Lead	<ul style="list-style-type: none"> • Foundation • <i>Cleveland</i> 	<ul style="list-style-type: none"> • Donors • <i>Orange County</i> 	<ul style="list-style-type: none"> • Both • <i>Orange County</i>
Source of Funds	<ul style="list-style-type: none"> • Unrestricted funds • <i>California (CCF)</i> 	<ul style="list-style-type: none"> • Donor Advised Funds • <i>Kansas City</i> 	<ul style="list-style-type: none"> • Both • <i>Marin</i>
Expected Return	<ul style="list-style-type: none"> • Concessionary • <i>Boston</i> 	<ul style="list-style-type: none"> • Market-Rate • <i>Atlanta</i> 	<ul style="list-style-type: none"> • Both • <i>Vermont</i>
Asset Classes	<ul style="list-style-type: none"> • Selected • <i>Marin</i> 	<ul style="list-style-type: none"> • Traditional Allocation • <i>Vermont</i> 	<ul style="list-style-type: none"> • Both • NA
Execution	<ul style="list-style-type: none"> • Direct • <i>Baton Rouge</i> 	<ul style="list-style-type: none"> • Intermediaries/Funds • <i>San Francisco</i> 	<ul style="list-style-type: none"> • Both • <i>Kalamazoo</i>
Geography	<ul style="list-style-type: none"> • Local/Regional • <i>Boston, Atlanta</i> 	<ul style="list-style-type: none"> • Global • <i>Seattle</i> 	<ul style="list-style-type: none"> • Both • <i>Seattle</i>

Place-Based Impact Investing

Grounded in established approaches:

- Comprehensive Community Development
- Smart Growth
- Building Healthy Communities

Place-Based Impact Investing

Comprehensive Community Development:

- Complex, inter-connected, and cross-sectoral approaches to community change
- Economic development; equitable opportunity
- Sustainable built environment
- Nonprofit capacity and sustainability

Place-Based Impact Investing

Smart Growth / Healthy Communities

- Economically vibrant
- Socially equitable
- Environmentally sustainable

Place-Based Impact Investing

- **Based on mapping of local needs**
- **Target neighborhoods or larger regions**
- **May address sectoral or broad economic issues**
- **Often part of a collaborative regional development plan**
- **Uses multiple types of capital**



***... building and sustaining a vital,
prosperous city and region,
where justice and opportunity are
extended to everyone.***

- **Geography: Greater Boston**
- **Founded in 1915**
- **Total Assets: approximately \$800 million**
- **\$15 - 20 million annually in discretionary grant funds**
- **\$60 million annually in donor advised grants**

What We've Done:

Incorporated Value Statement and Impact Goals

Mission Statement

As Greater Boston's community foundation, The Boston Foundation devotes its resources to building and sustaining a vital, prosperous city and region, where justice and opportunity are extended to everyone.

Value Statement

In everything we do, we will seek to broaden participation, foster collaboration and heal racial, ethnic and community divisions.

TBF Tools

Making grants to nonprofit organizations and designing special funding initiatives to address this community's critical challenges.

Working in partnership with donors and other funders to achieve high-impact philanthropy.

Serving as a civic hub and center of information where ideas are shared, levers for change are identified, and common agendas for the future are developed.

These tools are applied – with maximum alignment – to advance TBF's Impact Goals.

Impact Goals & Objectives

Greater Boston residents are successful and thriving.

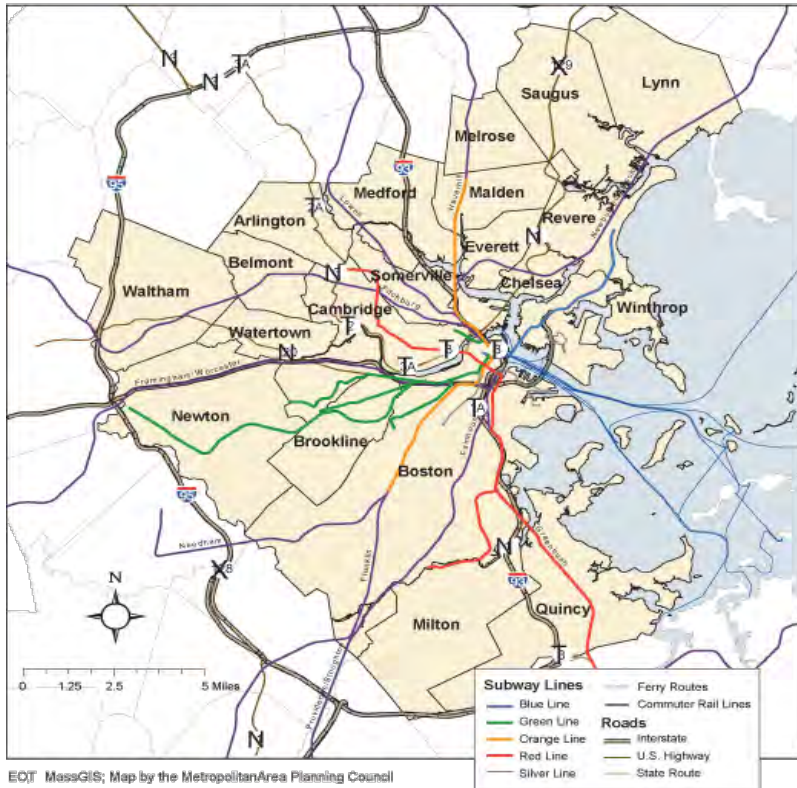
- Improve outcomes for Boston's residents across the education pipeline.
- Increase health and wellness of Greater Boston residents.

Greater Boston communities are vibrant, safe and affordable.

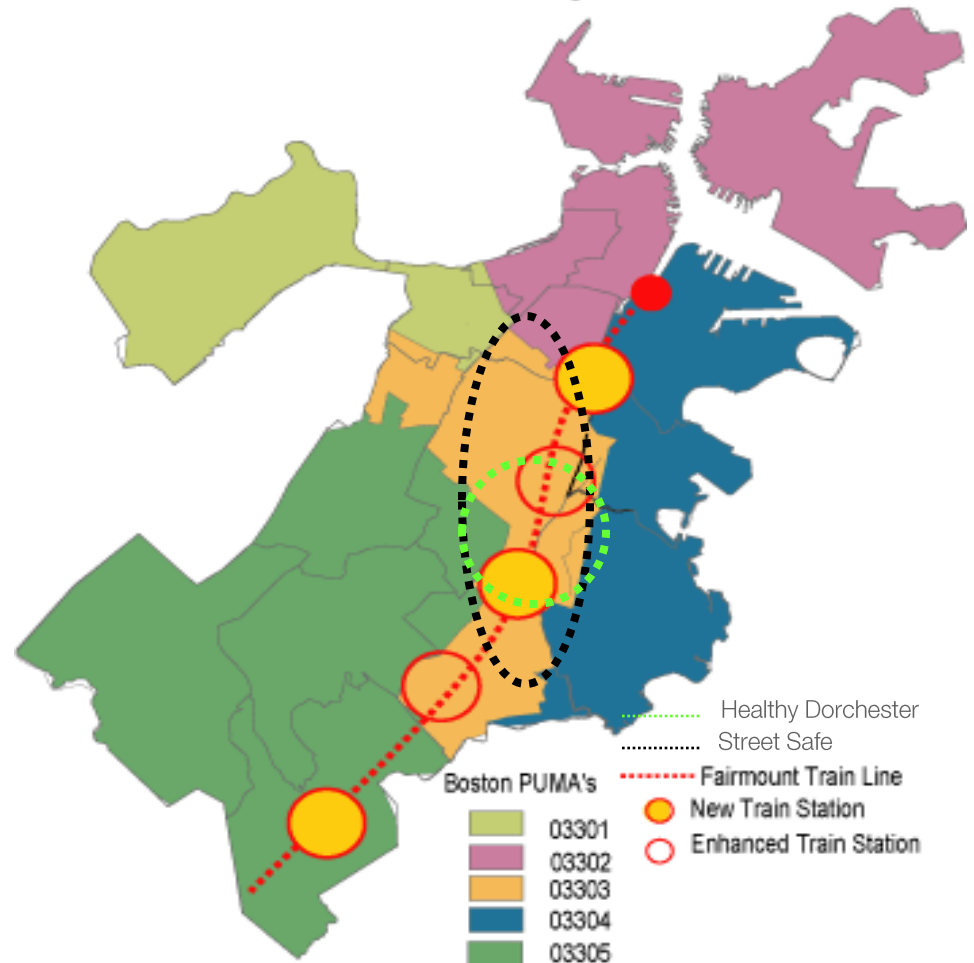
- Increase the livability, affordability, and safety of Boston neighborhoods.
- Enhance arts and cultural vibrancy in Greater Boston.
- Increase jobs growth and economic equity and competitiveness in Greater Boston.

Place Based Investing: Targeted Response

Greater Boston Transportation Network



Leveraging through alignment – transit, safety, health, housing & economic development



Impact Strategy:

- **All the tools in the toolbox – research, convening, policy, grantmaking, PRI loans, loan guarantees, social media**
- **PRI investments through experienced intermediaries, structured funds**
 - **\$6 million low-interest loans, \$5.5 million loan guarantees**
 - **Investments target Greater Boston, but not exclusively**
- **Field-building through capacity building and financial innovation**
 - **Grant support to nonprofit borrowers where necessary**
 - **Impact investing product development – Social Impact Bonds**

Below Market-Rate Loans:

- **Home Funders: \$2.5 million loan @ 1%, 10 years.**
Supports a \$25 million fund that lends to nonprofit developers at interest rates as low as 2% for **Extremely Low-Income Housing**
- **SRO Housing: \$1.5 million loan @ 2.5%, 10 years.**
Subsidizes predevelopment loans for single room occupancy units
- **Funds administered by CEDAC and Mass Housing Partnership**



Below Market-Rate Loans and Loan Guarantees:



- **Neighborhood Stabilization Loan Fund: \$2 million loan @ 2%, 5 years to address foreclosure throughout the Commonwealth. \$22 million fund (\$17 million MHIC/MHP, \$4 million PRI, \$1 million DHCD top loss; with federal NSP2).**



- **Housing Reserve Assurance Program: \$3 million loan guarantee, 18 years, matched by \$3 million from MHP. Liquidity facility for nonprofit housing developers using Low Income Housing Tax Credits.**



- **Charter School Loan Guaranty Fund: \$2.5 million loan guarantee, 10 years. Backs \$15.5 million loan pool with LISC and MassDevelopment for school buildings or leasehold improvements.** ¹⁶



Lessons:

- **Delegate underwriting and loan administration to seasoned intermediaries.**
- **Leverage capital resources of quasi-public lenders and CDFIs.**
- **Monitor location of investments in structured funds to ensure mission/geography goals achieved.**
- **Use local funder collaboration to leverage investment from national foundations and other capital sources.**
- **Match PRI loan terms to other loans in blended funds.**



The Community Foundation
FOR GREATER ATLANTA

***...strengthens our region by
providing quality services to
donors and innovative leadership
on community issues.***



The Community Foundation
FOR GREATER ATLANTA

Geography: Atlanta's 23-county region

Year Established: 1951

2010 Total Assets: \$740 million

2010 Grants to Nonprofits: \$98,790,395

Sources of funds:

\$80,278,504 or 81% are donor advised grants

\$6,602,946 or 5.1% are designated

\$5,820,869 or 5.9 % are from supporting organizations

\$6,088,075 or 6.1% are competitive grants (Common Good Funds) and local funds



The Community Foundation

FOR GREATER ATLANTA

“Key to our success as a place-based funder is ensuring we have a deep understanding of the issues and communities in our region.”

Improving Communities

Click on an issue or geographic area below to learn more about our work and how we're making a difference in your community.

Choose Issue:

Or, Browse by County:



Improving Communities

Click on an issue or geographic area below to learn more about our work and how we're making a difference in your community.

Choose Issue:

- ✓ Arts, Culture & Humanities
- Civil Rights--Immigrants
- Civil Rights--Women & Children
- Community Improvement--Economic Development
- Diseases, Disorders--HIV/AIDS
- Diseases, Disorders--Obesity
- Education--Early School Readiness
- Environment
- Human Services--Foster Youth
- Human Services--Homelessness
- Mental Health--Substance Abuse
- Youth Development



The Community Foundation
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Goals

- 1. Engage our Community**
- 2. Strengthen the Region's Nonprofits**
- 3. Advance Public Will**
- 4. Practice Organizational Excellence**



The Community Foundation
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Featured Impact Investment:

Nonprofit Loan Fund

Created in response to 2009 feasibility study that found:

- 50% of nonprofits had a budget shortfall**
- 82% of these were due to timing**
- 70% indicated they may borrow if loans were available**
- 65% of nonprofit organizations do not have a vibrant, stable banking relationship**



Nonprofit Loan Fund:

- **Helps nonprofit organizations in The Foundation's 23-county area with financial literacy, coaching and working capital loans.**
- Capital and funding:
 - \$320,000 from The Foundation's endowment
 - Guarantee of \$80,000 provided by two donors
 - \$50,000 annual budget provided by local banks
- Governance and staffing:
 - Advisory board of bankers and nonprofit leaders
 - Staffed by former banker and lending trainer



Eligibility:

- **Available to qualifying nonprofit organizational borrowers**
- **Operating budgets between \$250,000 and \$3,000,000**
- **3-year history as a 501(c)3**
- **Required to secure loans with a verifiable source of funds for repayment**
- **Loan request must have been declined by a bank**



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Loan Terms:

- **Loan Size: Minimum \$10,000; maximum \$50,000**
- **Interest Rate: Prime +2% depending on risk**
- **Loan to Value: Not to exceed 80% of the identified source of repayment**
- **Loan Tenor: Generally not to exceed six months but may be up to one year**



Activity to Date:

Lending and pipeline development:

- Fully executed loans, both repaid (2)**
- Facilitated direct loans to nonprofits from banks (5)**
- Site visits re: loan inquiry/application (6)**
- Nonprofits declined loans after referrals to banks (8)**
- One-on-one advising on borrowing with nonprofits (12)**
- Financial profiles developed via data collected from nonprofits (17)**
- Loan inquiry discussions or meetings (30)**



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Activity to Date:

Financial literacy and coaching:

- Nonprofit staff attended a Nonprofit Loan Fund orientation presentation located at sponsor bank venue (61)**
- Nonprofit leaders briefed or educated about Nonprofit Loan Fund or borrowing through various classes, grant briefings, orientations for government contracts, Georgia Center for Nonprofits Nonprofit Summit’s “Becoming a Bankable Nonprofit” session, etc. (333)**



Lessons:

- **Banks not responsive to small nonprofit credit needs.**
 - **Nonprofits need training to learn about and qualify for credit.**
- **Foundations ask for financial statements but not projections.**
 - **Nonprofit organizations need to learn how to prepare projections.**
 - **Foundation program staff need to learn how to interpret projections, and now asks for projections with grant requests.**
- **Grantmakers do not make good lenders.**
 - **Assign financial due diligence to objective party with relevant skills, which are different from program skills.**
- **Impact investing offers multiple channels for donor engagement.**



The Community Foundation
FOR GREATER ATLANTA

Goal	Nonprofit Loan Fund
Engage philanthropy	<ul style="list-style-type: none">• Donor guarantees• Bank operating support
Strengthen nonprofits	<ul style="list-style-type: none">• Training:<ul style="list-style-type: none">• Financial projections – cash flow worksheets• Qualifying for credit – readiness to borrow• Facilitating banking relationships
Advance public will	<ul style="list-style-type: none">• Systems change: Decrease late payments on contracts from government entities. Shine light on tardy reimbursements. Motivate nonprofits to seek financing and banks to provide it to qualifying organizations.
Practice organizational excellence	<ul style="list-style-type: none">• Collaboration, leverage and risk-sharing• Skills-based division of labor:<ul style="list-style-type: none">• Marketing• Loan Fund Administration• Track performance

Q and A



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Uses and Applications

Loans

- The Boston Foundation, www.tbf.org
- <http://cedac.org/HF/HF.html>
- http://www.mhp.net/rental_development/news.php?page_function=detail&mhp_news_id=389
- http://www.mass.gov/Agov3/docs/smart_growth/conference08/b8_flatley.pdf
- The Community Foundation for Greater Atlanta, <http://www.cfgreateratlanta.org/>
- <http://www.cfgreateratlanta.org/Grants-Support/Nonprofit-Loan-Fund.aspx>

Loan Guarantees

- The Boston Foundation, www.tbf.org
- <http://www.massdevelopment.com/financing/specialty-loan-programs/charter-school-loan-guarantees/>

Apply your registration fee to membership today!

- Investment policy statements
- Loan documents and other templates
- Guides for use of PRIs
- PRI Activity Database
- Deals Clearinghouse
- E-networking
- Articles and books

Network Resources

PRIMakers Network Webinars

- **Part III: Establishing an Impact Investing Program**
Wednesday, August 10, 9:30-10:30 am Pacific/11:30 am-12:30 pm
Central/12:30-1:30 pm Eastern
- **Part IV: Optimizing and Evaluating Impact Investing Programs**
Wednesday, September 7, 9:30-10:30 am Pacific/11:30 am-12:30
pm Central/12:30-1:30 pm Eastern

PRIM Institute: Building Healthy Communities

November 9 - 11, Princeton, New Jersey

Hosted by the Robert Wood Johnson Foundation

www.primakers.net

Other Resources

Equity Advancing Equity: How Community Philanthropy Can Build Racial and Social Equity Through Mission Investing. Bernholz, Lucy, and Lisa Richter, Blueprint Research + Design, San Francisco, CA, September 2009.

Unscrambling 'MRIs' and 'PRIs', Levitt, David, *Philanthropy Journal*, April 5, 2011, [http://www.adlercolvin.com/pdf/DAL's%20Article%20\(00319112\).PDF](http://www.adlercolvin.com/pdf/DAL's%20Article%20(00319112).PDF)

Grantmakers In Health Guide to Impact Investing. Richter, Lisa, Grantmakers In Health, Washington, DC, May 2011.

Solutions for Impact Investors: From Strategy to Implementation, Godeke, Steven and Pomares, Raul, Rockefeller Philanthropy Advisors, 2009.

Philanthropy's New Passing Gear: Mission-Related Investing – A Policy and Implementation Guide for Foundation Trustees. Rockefeller Philanthropy Advisors.

Program-Related Investing: Skills & Strategies for New PRI Funders. GrantCraft.

The PRI Directory: Charitable Loans and Other Program-Related Investing by Foundations. The Foundation Center, 2009.

Program-Related Investments: A User-Friendly Guide. David S. Chernoff, Associate General Counsel, The John D. and Catherine T. MacArthur Foundation (focuses on private foundation regulation).

These and other resources and materials are accessible via:
www.primakers.net/publications_articles_and_transcripts

THE F.B. HERON FOUNDATION'S CONTINUUM OF MISSION-RELATED INVESTING

