Place-Based Impact Investing: An Emerging Philanthropic Tool to Benefit Greenville

Greenville Partnership for Philanthropy
January 14, 2018
Objectives for this Session

• Introduce the basics of place-based impact investing and connect it to the membership’s leadership on critical community issues including discussion of how local investing is another tool for furthering community priorities.

• Demonstrate through selected stories that there are several entry points to place-based impact investing and that members can tailor the right approach for their institution, their partners and the Greenville community.

• Identify members’ hopes, concerns and future learning objectives to help advance GPP’s exploration of place-based impact investing practice.
Agenda Overview

• Moving toward Impact
• Good...Better...Best and the Tool of Impact Investing
• Focus on Place-Based Impact Investing Challenges and Opportunities
• Identifying your Hopes, Concerns and Future Learning Questions
• Break
• Deeper Dive!
Introductions
Organizational Mission

- Education: 9
- Environment: 5
- Low-Income/Poverty: 5
- Arts & Culture: 4
- Economy/Workforce: 4
- Children: 3
- Health: 3
- Housing: 3
- Investing: 2
- Foods: 2
- Transportation: 1

LOCUS
Local investing for impact
Target Population

- None/No Response: 6
- Residents: 3
- Low-Income: 3
- Children: 2
- Youth: 1
- Unemployable: 1
Moving Toward Impact
Community Leadership in Philanthropy

Happens when a foundation or group of foundations...

• are a catalyzing force
• that create a better future for all
• by addressing the community’s most critical or persistent challenges
• inclusively uniting people, institutions and resources
• and producing significant, widely shared and lasting results.
Community Leadership, ctd.

• Is a way of aligning **all of a foundation’s work** – grantmaking, convening, investing, (donor and asset development if a community foundation), etc. – to produce significant results for the people and the region.

• Is not about doing a single program or initiative.

• Always involves **community and resident engagement** – tackling tough community issues requires the knowledge, insights and perspectives of those most engaged in and affected by these issues.
Community Leadership and Economic Development

• Many regional economies are not producing broadly-shared community prosperity, and too many families are falling behind.

• Foundations want to do more to help families, businesses, and communities do better – economic success for more, and for all.

• Foundations want to “not just do good, but do better.”
Not just doing **good**...doing **better**

Let’s say you want to address a community issue like:

**Hungry Children and Families**

<table>
<thead>
<tr>
<th>Option 1</th>
<th>Option 2</th>
<th>Option 3</th>
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<tr>
<td>Feed people by supporting or setting up a food pantry</td>
<td>Provide training and assistance to parents so that they can save costs, repair finances, and get benefits, a job (or a <em>better</em> job) -- and afford to buy enough food.</td>
<td>Support strategies to modernize and grow the local economy and businesses so that you have an adequate supply of good jobs.</td>
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<tr>
<td><strong>Treat the symptoms</strong></td>
<td><strong>Cure the disease</strong></td>
<td><strong>Prevent the disease</strong></td>
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<tr>
<td>Good</td>
<td>Better</td>
<td><strong>Even Better:</strong> <em>Transformative</em></td>
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Defining Broadly Shared Community Prosperity

Grow multiple forms of **CAPITAL**
Recognize, invest in, and grow the many types of capital – individual, intellectual, social, natural, built, political, cultural and financial – needed to sustain an economy.

Root **OWNERSHIP** in the Region
Create pathways for more local ownership, control and influence over economic drivers and the wealth those drivers generate.

Improve **LIVELIHOODS** for those living on the margins
Strengthen and improve livelihoods – high quality, living-wage work and careers – for all residents, especially those on the economic margins.

created with the Aspen Institute Community Strategies Group
Becoming More Impact Driven

Foundation or Philanthropist Driven
Good work; support favorite nonprofits
- Donor Advised Funds
- Affinity Funds

Community Leadership
Identifying community priorities
- Convening
- Supporting research
- Engagement

Strategic Grant Making
Aligning grant assets with community priorities
- Strategic/nonprofit endowments
- Support for critical community issues

Community Impact Driven
Aligning all assets with community priorities
- Local investing
- Asset unlocking and leveraging
Investing into **local** companies, organizations, and funds with the intention to generate measurable **community benefit** alongside financial returns.
Social Investing in the United States

• $12 trillion of $47 trillion total market
• That is 25 cents of every dollar
Place-Based Impact Investing Field

Grants | Local Direct Investments | Local Intermediary Investments | Market Traded & Mission Aligned Investments | Screened Investments | Unscreened Investments

WHERE MOST FOUNDATIONS ARE

WHERE SOME KEY INNOVATORS ARE
Why Place-Based Impact Investing

- Continued contraction of resources that support community & economic development

- Growing sense among philanthropic partners that more than grant dollars are needed to address critical community issues

- Complex community issues require collaborative solutions – no single organization or form of investment will create transformational change
Why Foundations are Moving This Way

• Leverage more resources for community benefit
  – It’s another tool in the toolkit
  – Complement to grantmaking efforts
• Build the local impact investing ecosystem
• Scale community solutions
• Be responsive to philanthropist trends (millennials)
• Help capital flow to underserved communities
Challenges for Place-Focused Foundations

• Recognizing this as your domain
• Getting board buy-in
• Aligning foundation resources to do the work
• Building the ecosystem
• Defining and measuring impact
• Sourcing, assessing and deploying
• Monitoring
Stories
Screening Investments

- Baltimore Community Foundation’s CFO started to research if investments were actually harming populations the Foundation was actively trying to help.
- Investment Committee was told by financial manager it wasn’t possible to understand and report on their investments at that level.
- Foundation decided to divest entire portfolio and move it into low fee broad index funds. It didn’t want to be actively choosing investments that were not values-aligned.
- Now, they’ve committed 4% of assets to impact investments in the city.
Support the Balance Sheet of Ecosystem Partner

- Health care conversion foundation serving Petersburg Virginia region ($131M assets in 2017)
- Mission: To transform our place into a healthy, vibrant and economically vital region by strategically leveraging resources for community impact
- Tool
  - $250,000 deposit (FDIC insured) into VCC Bank, a mission-aligned bank and B Corp serving Virginia
  - Lending partner in the region
Donor Capitalized Fund

- Fund established at the Community Foundation of St. Clair County ($59M assets in 2017) by donors interested in supporting business development and downtown revitalization in Blue Water Region of the community.
- Acts like an “angel investor group” – consider potential investments including pitches, hold annual events to raise awareness.
- Voting members contribute at least $1,500 (now 70 members strong)
Support Investment Capacity of Ecosystem Partner

- Arkansas Community Foundation ($335M assets in 2017) made $1 million PRI to Communities Unlimited
- 1.5% interest rate, 10 year term
- Supported loans to small businesses in the AR Delta and loans for community facilities (water and wastewater)
- PRIs to two other CDFIs and now assessing the landscape for ways to do more direct investing in the state
Responsive Investing

- Hutchinson Community Foundation ($35M assets in 2017)
- Approached by nonprofit for $250,000 grant – not possible! What about a loan?
- $35,000 gap financing in Phase I
- $200,000 construction loan in Phase II
- Total $1.7 million project
- 2% loan for 15 years
- 50% from endowed investments and 50% from donor advisors who opted in
Outcome Directed Investment

- Regional foundation ($103M assets in 2017) serving Reno and surrounding counties
- Created Community Housing Land Trust LLC within CF following research and community conversations about gap in workforce housing
- Trust develops housing for sale or lease to low-income residents
- Holds land in permanent land-lease arrangements with improvements owned by residents or nonprofit property managers
- Related $500K loan to CDFI for workforce housing development in Reno
Endowment Investment Strategy

- Northern California foundation ($30M assets in 2017)
- Began with single request in 2009 – impetus to create an investment policy
- Committed 5% of portfolio to regional community development investments (reallocated from the “fixed income” component of asset portfolio)
- Partnered with local Community Development Financial Institution (Redwood Economic Development Commission)
- Blended capital in the deals – some grants; some low cost capital
Endowment Investment Strategy

- Coastal Community Foundation ($258M assets in 2017) serving nine SC coastal counties
- Deliberative education process preceding decision to put $3 million for place-based impact investing
- Using competitive process to identify deals
- Will consider loans, loan guarantees, equity investments
- Between $50K and $600K
- Access to economic opportunity, affordable places and inclusive spaces and education focus areas
- Early!!!
100% Mission

• Regional foundation in Wisconsin Rapids ($30M assets in 2017)
• Made decision to be 100% for mission in 2014
  ➢ Invest in funds, companies & organizations creating a more equitable, sustainable economy in Central WI
  ➢ Invest in mission and values aligned companies in WI
  ➢ To meet risk management responsibility, invest in mission & values aligned companies outside WI
  ➢ Secure strategic holdings in Central WI and WI companies that are not mission & values aligned in order to advocate for policy change
Your Turn
Your Turn

Hopes

Concerns

Questions
Your thoughts and takeaways