FINANCING DREAMS

CommunityWorks Carolina - a CDFI at work in Greenville
Impact Investing

• Why impact investing?
• How? - existing vehicle to “get toe in the pool”
• What? - current opportunities in Greenville
• Who? - in Greenville is already using CDFIs
Impact Investing

Greenville Partnership for Philanthropy Series

• Intro @ Commerce Club in January
• CDFI as a “way to start”
• Seeing impact investments at work in a community - field trip to Spartanburg’s Northside Development
• Making an investment - learning as we go
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>
</tr>
</thead>
<tbody>
<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><em>Treat the symptoms</em></td>
<td><em>Cure the disease</em></td>
<td><em>Prevent the disease</em></td>
</tr>
<tr>
<td>Good</td>
<td>Better</td>
<td>Even Better: <em>Transformative</em></td>
</tr>
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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
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? Financial Wealth Disparity

- Percentage of households that are underbanked - households that have a checking and/or a savings account and have used non-bank money orders, payday loans, rent-to-own services, pawn shops in the past 12 months
  - Gville Co: 18.4%
  - SC: 23.4%
  - US: 19.9%

- Percentage of households with zero or negative net worth
  - Gville Co: 25.7%
  - SC: 15.7%
  - US: 16.9%

- Prevalence of income poverty among households of color compared to white households
  - Gville Co: 4.6x higher
  - SC: 2.5x higher
  - US: 2x higher

*Income Poverty is a fundamental indicator of financial insecurity and instability and is more prevalent among households of color than among white households in every state.*

It will take 228 years for black families to accumulate the same amount of wealth as whites.
Origin of CDFIs
What is a CDFI?

Community Development Financial Institutions are private mission-driven financial institutions that provide capital and development services to low-income individuals and low-income communities.

Community Development loans do the following:

- Provide Affordable Housing (single family and multi family)
- Provide Community Services
- Provide financing for small businesses or farms with gross annual revenues equal to or less than $1M
- Provide financing to revitalize or stabilize distressed areas, disaster areas or underserved metropolitan areas
- Provide products and services for underserved markets

Four Types of CDFIs

Community Development Banks
Provide capital to rebuild economically distressed communities through targeted lending and investing.

Community Development Credit Unions
Promote ownership of assets and savings and provide affordable credit and retail financial services to low-income people, often with special outreach to minority communities.

Community Development Loan Funds
Provide financing and development services to businesses, organizations, and individuals in low-income communities. Types: microenterprise, small business, housing, and community service organizations.

Community Development Venture Capital Funds
Provide equity and debt-with-equity-features for small and medium-sized businesses in distressed communities.

In 2017, CDFIs made over

120,000
loans or investments

$5 billion
investments and loans to
12,000 small businesses

$41,744
average size of each loan or investment

27,962
affordable housing units financed

CDFI Loans & Investments in SC between 2003-2014

19 CDFI’s in SC
$18,842,030 in CDFI Fund awards to SC organizations since 1996

CommunityWorks provided a loan for $175,000 to Soteria to purchase a 16 bed facility for men re-entering society after incarceration.

While there, these men are not only provided with the necessities of food, clothing and shelter, they also have access to education and technical training, mentorship, drug and alcohol counseling, financial literacy classes, Bible study and full time employment.

Soteria works to create opportunities for previously incarcerated men to reenter society through transitional housing, life skills, and job training.

Recidivism Rate in South Carolina

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate</th>
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<tbody>
<tr>
<td>2010</td>
<td>24.8%</td>
</tr>
<tr>
<td>2011</td>
<td>23.4%</td>
</tr>
<tr>
<td>2012</td>
<td>22.4%</td>
</tr>
<tr>
<td>2013</td>
<td>23.1%</td>
</tr>
<tr>
<td>2014</td>
<td>22.7%</td>
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CWC provided a $500,000 loan to The Greenville Housing Authority to develop the Preserve at Logan Park, an affordable housing development that will house seniors and veterans.

The loan will support the renovation and new construction of a 193-unit complex and will include 113 Section 8 Project-Based Vouchers for seniors as well.


The mission of TGHA is to provide quality affordable housing that serves as a foundation to improve lives.
In 2016, New Age Health Mobile Dental Care received an $11,629 loan from CommunityWorks to start an affordable mobile dental care service. They provide dental care to residents of Greenville County that lack access to dental services. The mobile dental clinic targets HeadStart centers to serve kids.

Social Impact
Workforce Development
Affordable Healthcare
Minority Business Owners

Need for Affordable Healthcare

15% of Greenville County residents are uninsured
11% of South Carolina’s business are minority owned

Why invest in CDFIs?

• CDFI investments work well for foundations that want the impact of direct investment in local businesses and facilities, but don’t want to build foundation capacity to deliver loans and manage loan risk.

• CDFIs are re-certified annually by US Treasury and subject to rigorous third party Wall Street ratings.
Benefits of Investing in CDFIs

• CDFIs pool capital from multiple investors to make community impact loans. *This reduces financial risk because CDFIs spread their dollars over diversified portfolio of loans.*

• CDFIs form close community relationships to identify community’s strengths and form local partnerships, resulting in direct impact in communities.

• CDFIs serve financially underserved communities. *They provide capital to overlooked and under capitalized communities.*
More Benefits of Investing in CDFIs

- CDFIs are staffed with loan officers and create systems needed to market and manage a loan portfolio
- CDFIs offer technical assistance and development services
- CDFIs help individuals manage profitable businesses
- CDFIs monitor and manage risk and hold loan loss reserves

Video Source: Opportunity Finance Network
Example Impact Investments

**Short Term**
- Individuals & Banks
- $250,000 over 5 years @ 3.5%
- Interest paid annually or quarterly

**Long Term**
- Larger Banks & Foundations
- $500,000 over 10 years @ 2%
- Interest paid annually

**Self Help CDFI Credit Union**
- Individuals, Banks & Foundations
- $250,000 over 3 years @ 2.75%
- Federally Insured
Local Investors in CWC

- Mary Reynolds Babcock Foundation
- Bon Secours St. Francis Health System
- Jolley Foundation
- Hollingsworth Funds
- South State Bank
- Capital Bank
- Wells Fargo
- PNC Financial
- United Way of Greenville County
- Community Foundation of Greenville
Opportunities in Greenville County

- CommunityWorks - *small business loans, homeownership assistance, housing development*
- Greenville Housing Fund - *affordable housing development & land acquisition*
- Homes of Hope - *affordable housing*
- Self Help CDFI Credit Union