Beyond Grants: Cultivating Place-Based Foundations as Impact Investors

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Meet the Panelists

Teri Lovelace
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Empowering place-focused foundations to invest their capital locally to build prosperous, VIBRANT communities

**Our Place**
- Serves Arkansas, Mississippi, Tennessee, Texas, Oklahoma, Louisiana and Alabama
- 2016 Impact: 487 unique communities served with a total population of 761,566

**Our CDFI**
- Founded: 2014
- Staff: 49 Full-Time Professionals
- Assets: $14 million
- 2016 Lending: 93 loans at $2,044,816
- 2016 Lending Leverage: $30,123,012
**Our Place**
- Serves Kentucky and Central Appalachia, with a focus on 54 counties
- Focuses lending on enterprise development and energy efficiency

**Our CDFI**
- Founded: 1976
- Staff: 33 total staff
- Assets: $30 million
- 2016 Lending: 60 loans at $3.6 million

**Our Place**
- Serves the Greater Baltimore Region
- Estimated Population: 2,710,489

**Our Foundation**
- Founded: 1972
- Staff: 38 total staff
- Assets: 800+ unique philanthropic funds, $157 million in core assets & $102 million in allied assets.
- 2016 Grants: $16 million
What is Impact Investing?

Investing into companies, organizations and funds with the intention to generate measurable social and environmental impact alongside and financial return.

Growth of Social Investing

$8.7 trillion of $40 trillion total market

Sustainable Investing Growth in the United States (Billions) 2005-2016

Sustainable Investing Growth Since 2014

33%

Source: US SIF Foundation

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"The world has changed, and so must we."
Clara Miller, President of F.B. Heron Foundation

Leverage more of resources for community impact
Complement grantmaking efforts
Scale community solutions
Respond to donors (millennials)
Help capital flow to underserved communities

Impact Investing: A Framework

Source: Adapted from document provided by The John D. and Catherine T. Macarthur Foundation
Macro Trends – place focused foundations

Moving away from “responsive grant making” to “strategic grant making” & mission-aligned investing.

Community foundations seeking ways to stay relevant, have greater impact & attract new donors.

Foundations getting pressure to use more than just 5% of their assets for local impact.

Foundations are beginning to lend for local projects.

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Macro Trends – donors & policy

New generation of “activist” donors emerging

Next generation want a multitude of philanthropic tools for change

Anticipated $59 trillion transfer of wealth from 2007 – 2061

IRS rules relaxed on mission investments for private foundations (9/15) and expanded PRI examples (4/16)

DOL relaxed rules on social investments

Growth in rural community development philanthropy *

* Source: Aspen Institute & Center for Rural Entrepreneurship
Unleashing the power of endowments: The next great challenge for philanthropy.

Darren Walker, President of Ford Foundation

Ford Foundation announced $1B in MRIs over next 10 years
Kresge’s $300M allocation of MRI/PRIs
Surdna earmarked 10% of endowment for MRI/PRIs
Heron Foundation – “all in”
Community Foundations – Arkansas, Baltimore, Kentucky, Chicago, Denver, Atlanta, Buffalo, Cincinnati and others

Filling the Gaps Left by Traditional Lenders

March 19, 2015:
Presentation to Impact Investment Committee

June 13, 2016:
Executed Promissory Note and Loan Agreement for $1 million

October 20, 2016:
CU drew down $500,000

February 13, 2017
CU drew down $250,000
**What's Possible?**

DeWitt, AR – Delta community of 3200 people

Delta Bioenergy: 1st multi-stakeholder cooperative in Arkansas turns winter energy crop and wasted vegetable oil into biofuel.

Loan Amount: $32,000

Loan Purpose: Purchase two storage tanks to store biodiesel

Impact: Condemned fuel transfer station transformed into small business park / Created 47 new jobs, generates $4 million in revenue, contributes $140,000 in sales taxes to city

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**Community Foundation Partnership**

LEAF – Leveraging Enterprises in Appalachia Fund at the Foundation for Appalachian KY > A donor-advised fund to provide supplemental collateral when needed for MACED loans

Project Partnership – On a long-term downtown revitalization plan

Loan Guarantee – For a bridge loan to start construction on a local arts center financed by USDA

Cost Sharing – To purchase the license for an arts entrepreneurship training curriculum to be implemented by regional community colleges

Shared Office Space – Future renovation work together

Collaboration – Appalachia Funders Network impact investing task force
Strategically Accommodating Impact Investing

Sector Demographics
- Non-Industrial
- Social Infrastructure
- Private Foundation

Racial Demographics
- White
- Black
- Hispanic

Gender Demographics
- Female
- Male

Social Impact Measurement and Evaluation Partnership Development Human Centered Design

Financial Impact
- Financial Management
- Donor engagement

Racial Equity
- Cultural Competency
- Targeted Citywide Partnerships

Risk Assessment
- Technical Assistance
- Underwriting

Measurement and Evaluation Partnership Development Human Centered Design

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Impact Investing in Hastings, MI

Mission-Aligned Investment

Local Context

1975: Identified need for chain hotel in Hastings

2006: Adopted HomeTown Partners with a pillar for entrepreneurship

2008: BCF board selected Economy as priority and allocates 40% of unrestricted grant making (~$20,000/year)

BCF worked with County Economic Development Alliance to fund locally-focused economic development initiative

CDFI Action

Gifts from five different donors to seed revolving fund > Funds held separately from the traditional funds at BCF

Goal: Economic vitality through mission-aligned investment vehicles

Partner: Great Lakes Capital Fund

Total Value of Fund: $1,325,000

Total Value of Loan: $1,025,000

Additional Donors: $20,000

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What Does it Take?

Creative Partnership

64 Rooms
Indoor Swimming Pool
Conference Center
Employs 10 Individuals

Economic Development Impacts:
supports tourism, key sector in county; provides jobs; conference space

Pain points

Culture Change
Policies & Procedures
Transaction Execution
Servicing, Monitoring & Reporting

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QUESTIONS?

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