

Local Impact Investing

Addressing Critical Community Opportunities & Challenges with *Flexible, Patient Capital*

Virginia Funders Network
2023 Annual Conference
May 2, 2023

Session Designers & Presenters

Garreth Bartholomew, UVA MPP Candidate/ Purple Tiger Intern

Chris Carothers, Jessie Ball duPont Fund

Debby Kasemeyer, Northern Trust

Deb Markley, VCC Social Enterprise

Michelle Nelson, Community Foundation for a greater Richmond

Caroline Nowery, VCC Social Enterprises

Lisa O'Mara, VCC Social Enterprise

Stephanie Randolph, Purple Tiger Impact/Cassiopeia Foundation

Overview

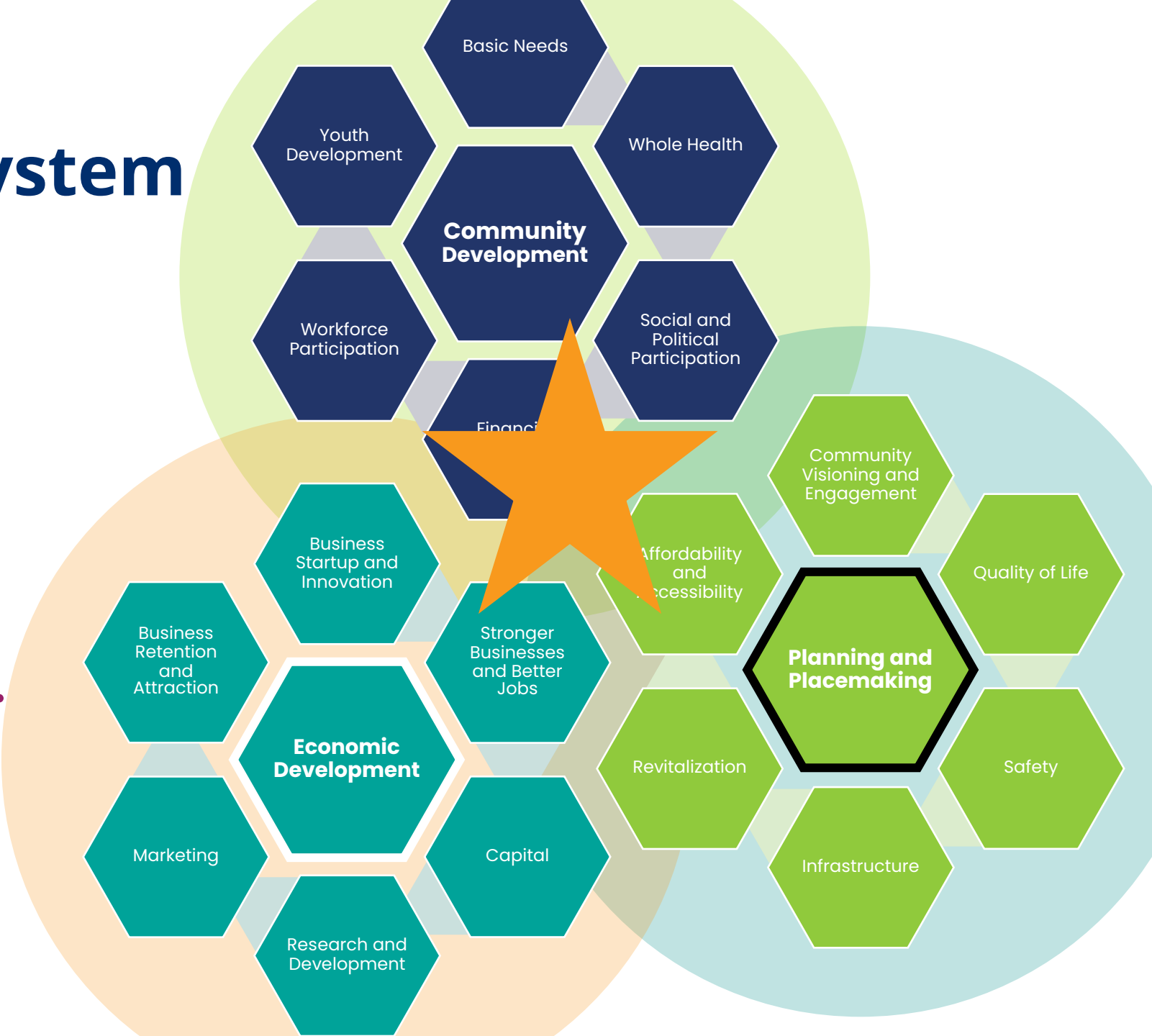
- Provide level setting definitions and context for our conversation about flexible patient capital.
- Hear from VFN members about WHY they decided to expand impact by leveraging their assets as patient, flexible, risk-absorbing capital.

Breakout with colleagues in your region to:

- Identify a regional opportunity or challenge that may be a good fit for investment/cannot be addressed by traditional grantmaking alone.
 - Consider your investment ecosystem – What partners exist? What is missing? Who can fill the gaps?
- Preview the VFN Impact Investing Resource Library – a tool to facilitate collaboration and education for Virginia funders.

Model of a Development Ecosystem

Increasingly, we see philanthropy “leading from the middle” – working at the intersection of **Community Development**, **Economic Development**, and **Planning/Placemaking**.



Bringing a Diverse and Flexible Toolkit

Convening

- Helping to identify a shared community vision
- Bringing community partners together to build collaboration

Grantmaking

- To build the capacity of community partners
- To address community needs where there is no opportunity for return of or on capital
- Supporting social services and responding to community needs

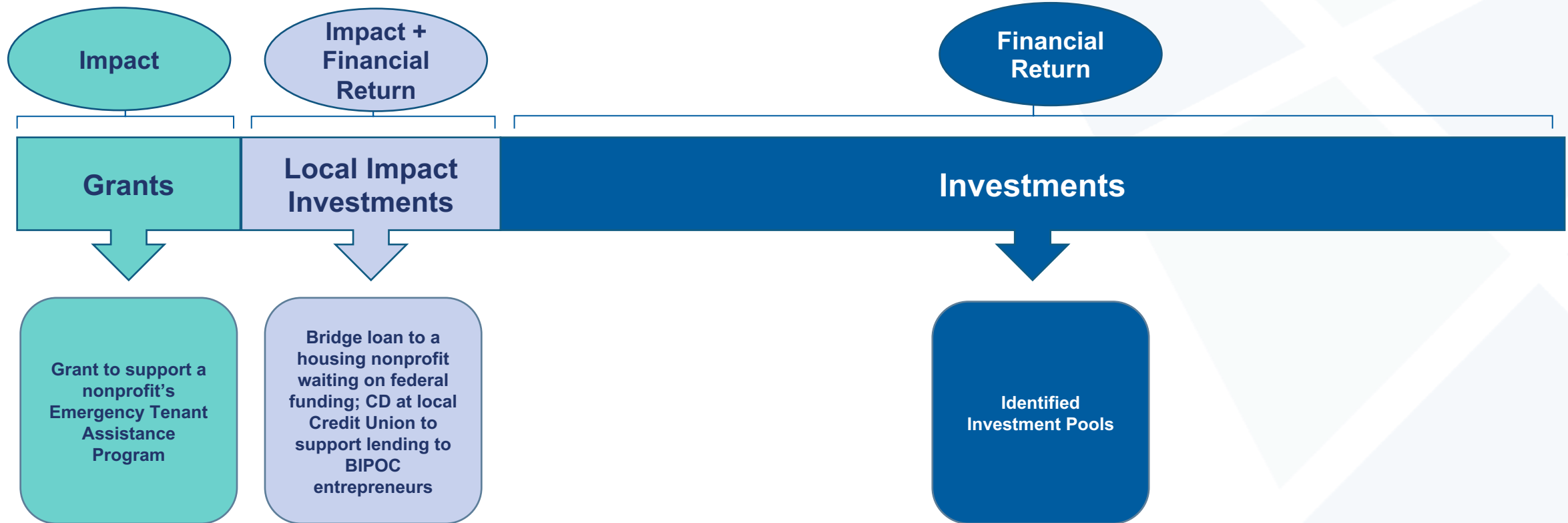
Advocacy

- Identifying and supporting local policy changes
- Centering equitable prosperity in economic development

Investing Locally

- Flexible, patient lending to local businesses, organizations, funds to generate social and financial return
- Catalytic capital (e.g. guarantees, loan loss reserve) that unlock others' capital

The newest tool blends elements of grantmaking AND investing.



Why are foundations stepping into this new role?

Desire to have greater place-based impact.

There are other ways to make a difference. How can we have the greatest impact with our dollars?

Some community challenges require tools other than grants.

Job creation, affordable housing, sector (e.g., food system) development challenges often mean working with different organizations seeking loans, equity or credit enhancements.

Community needs surpass grant resources.

Only a small portion of resources are dedicated to grants. What about the other 95%?

Strategic investments unlock capital.

Capital that foundations provide can often leverage private and public dollars.

Partnership are Key!

Investment Ecosystem Defined

- The “**enabling environment**” within which community investment happens (Center for Community Investment*).
- Everything that contributes to developing and funding projects that address **community challenges and opportunities**.
- Strong ecosystems support prosperous communities; **ecosystem gaps** present opportunities for philanthropy to step up.

*<https://centerforcommunityinvestment.org/resource/shaping-the-enabling-environment-an-introduction/>

Partners In a Healthy Investment Ecosystem

Demand for Capital	Intermediaries/Technical Assistance Providers	Supply of Capital
Businesses	Community Development Financial Institutions (CDFIs)	Government
Non-Profits	Incubators/Accelerators	Foundations
Social Enterprises	Neighborhood-based groups	HNWI & Family Offices
Cooperatives	Community Development Corporations/Developers	Banks/Credit Unions
Individuals/Residents	Public Sector agencies (local, state, federal)	Angel & Venture Capital Funds
Stakeholders	Elected Officials	Blended Finance Funds
	Community Leaders	CDFIs
	Content or Policy Experts	
	Service Delivery Providers	
	Anchor Institutions	

Community Foundation of Bloomington and Monroe County (Indiana)

The Foundation	Established in 1990; 250+ funds with \$44 million in assets
Role in Building the Ecosystem	Regional Opportunity Initiatives – supporting organization of the CF with mission to advance economic and community prosperity in 11 county region CDFI Friendly Bloomington – first in the US – to address ecosystem capital access gap for flexible, affordable capital
Role as Local Investor	Committed up to 5% of investable assets to local impact investments. Solicits donors for gifts: 70% go to local investments and 30% to cover program costs
Community Impact Example	Nonprofit emergency homeless shelter and state-certified childcare center’s new \$3.25M building project (after being displaced from their facility): <ul style="list-style-type: none">• \$2 million loan from bank• \$900,000 in capital campaign pledges (source of debt repayment)• CF: \$300,000 loan, 3.5% interest, 5 years (using bank due diligence)

Questions?



Tool You Can Use: VFN Impact Investing Library

Garreth Bartholomew, UVA MPP Candidate/
Purple Tiger Intern

Why use the VFN Impact Investing Library?

- 1) Collaboration *is vital* - that's why VFN exists.
- 2) Elevate best practices and lessons learned

Our goal: Make it easy to identify, understand, *and* connect with folks across the impact investing spectrum to support your learning journey, deal sourcing and co-investment.

The Library is a tool that we hope will grow, with your help and ongoing input. It is not, however a complete representation of all the impact investing activity in the Commonwealth.

Data Findings for Impact Investing

What is Impact Investing?	Those engaged in impact investing have a <i>diversity of definitions about what it is</i> - includes investments producing market-rate returns locally to impact-first investments designed to accelerate the foundation's mission.
How common is this in Virginia?	10 foundations are engaging in impact investing – contributing over \$115,000,000 into the Commonwealth alone.
Who is engaging?	VFN impact investors span across organizational type. Community Foundations, Private Foundations and Health Conversations are the most common.

Data Findings for Impact Investing

Where is this happening?	Economic Development & Housing are the most common uses of this capital, followed by Social & Economic Justice.
Is impact investing growing?	33 members (28.6%) are <i>at least curious</i> about scaling impact investing opportunities
When will expansion happen?	16 organizations (13%) is planning to expand their impact investing allocation in the <i>next 2-3 years</i> .

Key Takeaways:

1) Successful investments:

- Respond to community needs – opportunity to expand impact
- Engage Ecosystem Partners who help turn a community project into viable investment
- Are not “one-size-fits-all”

2) CDFIs are critical foundation partners beyond channeling capital:

- Building capacity and technical assistance, due diligence, risk mitigation, and leveraging public and private funds along investment pipeline

3) Collaboration and leveraging resources *are vital*. Everyone has a role to play in the capital stack.

4) Board/staff support *is crucial*. You move at the speed of trust.

5) Everyone, *including experienced impact investors*, is looking to make new partners and is excited about learning and sharing about new projects in the Commonwealth, regardless if they are or are not part of them.



VIRGINIA FUNDERS NETWORK

A Sneak Peak



Landing Page

Total Approximate VFN-Member Impact Investing in Virginia

\$115,450,000.00

Number of Philanthropic Entities in VA Impact Investing



20

Organizations

Number of Contacts



22

Contacts

Number of Sample Impact Investments Made



33

Investments

Total AUM by foundations engaging in impact investing

\$2,461,750,000.00

Regions with impact investing activity



8

Regions

Number of Virginia Sectors Impacted



10

Sectors

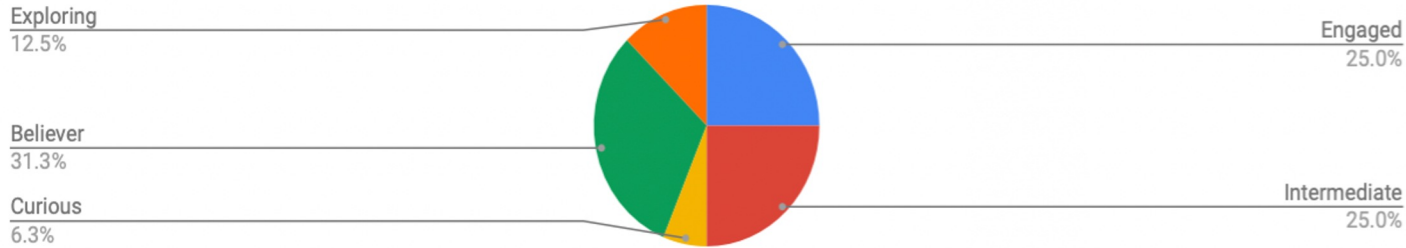
Number of Staff Working On Impact Investing



24

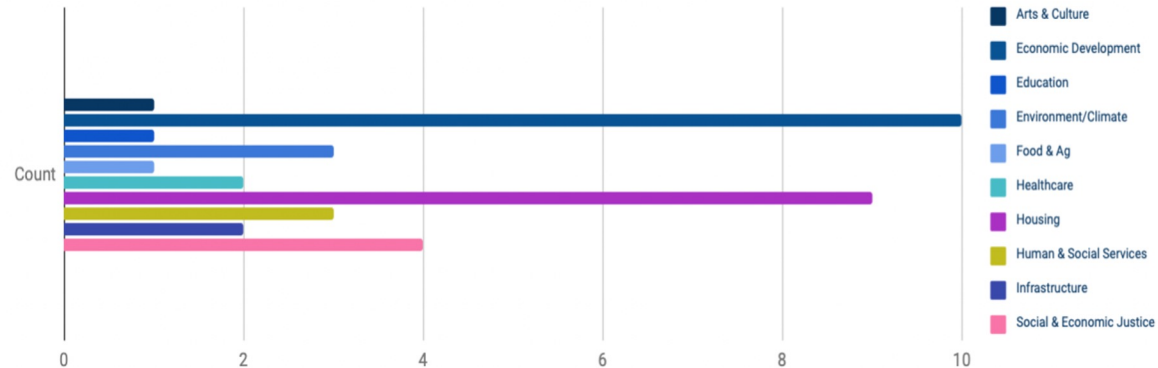
Staff

IMPACT INVESTING EXPERTISE BY PERCENTAGE



Engaged	2
Believer	5
Curious	1
Engaged	4
Exploring	2
Intermediate	4

NUMBER OF IMPACT INVESTMENTS BY SECTOR



Arts & Culture	1
Economic Developpr	10
Education	1
Environment/Climat	3
Food & Ag	1
Healthcare	2
Housing	9
Human & Social Sen	3
Infrastructure	2
Social & Economic Jt	4



Content Overview

Organizations

Investments

Contacts

- Org Type
- Fdn Name
- Asset Size
- Grantmaking
- Experience Level
- Impact Strategies
- Geographic Priority
- Staff Size
- Impact Investing Staff
- Mission

- Return Expectation
- Fdn Name
- Investee/Deal Name
- Amount
- Asset Class (equity, debt...)
- Length//Term
- Source of Funds (Corpus, Grant...)
- Impact Sector 1
- Impact Sector 2
- Notes

- Contact Name
- Fdn Name
- Title
- Contact Preference
- Email
- Phone

Tag	Organization	Investee/Deal Name	Amount	Type	Term	Source Of Funds	Impact Sector	Secondary Sector
Below Market Rate	PATH	4PFoods (FP)	\$1,000,000	Debt	10 year	Corpus	Food & Ag	Environment/Climate
Capital Preservation	Harvest Foundation	5 Points Housing Community (Fund)	\$1,000,000	Equity	3 year	Corpus	Housing	
Below Market Rate		Blue Ridge Regional Airport Expansion (FP)			5 year	Grant Funds	Infrastructure	Economic Development
Capital Preservation		Charlottesville Area Community Fc				Grant Funds	Housing	Economic Development
Market Rate		Charlottesville Area Community Foundation			10 year	Grant Funds	Economic Development	
Capital Preservation		Charlottesville Boys and Girls Club (501c3)				Carve-Out	Human & Social Services	Social & Economic Justi...
Capital Preservation		Coalfield Water Development Fund			30 years	Others	Infrastructure	
Capital Preservation		Community Investment Collaborative (501c5)				Grant Funds	Social & Economic Development	Economic Development
Market Rate		Lumberland Forest - Nature Conservancy (501c3)			10 year	Corpus	Environment/Climate	
Market Rate		Danville Tobacco Warehouses (Acquisition)			10 year	Corpus	Economic Development	Housing
Capital Preservation		Economic Growth Institute			5 years	Grant Funds	Economic Development	
Below Market Rate		Enterprise (CDFI/Fund)			10 years	Corpus	Housing	
Capital Preservation		Fairfax Youth Fund (Fund)	\$2,000,000	Recoverable Grant	5 years	Grant Funds	Education	Human & Social Services
Capital Preservation		Friends of SW VA	\$200,000	Recoverable Grant	3 years	Grant Funds	Economic Development	
Below Market Rate		Historic Masonic Theatre (FP)	\$1,500,000	Equity, Bridge Loan	10 year	Grant Funds	Arts & Culture	Economic Development

How to Use the Impact Investing Library

Need help building a compelling case for your board?

Use the Investment Tab to search for foundations with similar experience
(CDFIs/Social Justice Strategy)

- 7 foundations have invested in CDFIs
- 3 note economic justice as a primary or secondary impact priority
- 4 different investees

How to Use the Impact Investing Library

Are you seeking advise on a Deal?

Use the Investment Tab to search for foundations with similar experience
(Housing Investments)

- 9 Foundations with examples of *Housing Investments*
- Ranging from \$750k - \$11M
- Split between below market rate to capital preservation
- Capital source split between corpus and grant funds

How to Use the Impact Investing Library

Are you looking for co-investors?

Use the Organization & Investment Tabs to search by geography & strategies used

Economic Development

- 7 Foundations w/examples of *Economic Development investments* as the primary impact category
 - 2 Foundations are in the Charlottesville Area
 - 2 Foundations have a statewide focus

Environment/Climate

- 4 Foundations identify Environment/Climate as impact priorities
 - Strategies range from recoverable grants, equity and debt

How to Use the Impact Investing Library

Are you looking other foundations to learn with?

Use the Organization Tab and sort by Experience Level

- 1 Foundation interviewed is “Curious”
- 3 Foundations are currently “Exploring” Impact Investing.
- 4 Foundations consider themselves “Intermediate”

We expect to see these numbers grow as other ask to be included in the Library.

Next Steps

1. We're not done yet! Interviews and data validation are undergoing!
2. Contact me/Garreth Bartholomew (ghb5he@virginia.edu | 615-945-6247) or Stephanie Randolph (skr@purpletiger.org) if you want to be included or know someone who wants to be involved.
3. VFN will make the Library available to all VFN Members are a “member only resource”
4. We'll be following up with narrative spotlights in the VFN newsletters to dive into specific deals and highlight key lessons and best practices.



VIRGINIA FUNDERS NETWORK

THANK YOU!