

Philanthropy's Role in Economic Development Finance

Redwood Region Rise – Economic Development Finance Working Group
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Humboldt Area Foundation + Wild Rivers Community Foundation



Chetco
Chilula
Chimariko
Coquille
Hupa
Karuk
Lassik
Nomlaki
Nongatl

Sinkyone
Tolowa
Tsnungwe
Tututni
Wailaki
Whilkut
Wintu
Wiyot
Yurok



Humboldt Area Foundation + Wild Rivers Community Foundation

Vision: a generational outcome of “A Thriving, Just, Healthy and Equitable Region.”



Humboldt Area Foundation + Wild Rivers Community Foundation

Animated by four specific, decade-long Goals:

- Racial Equity
- Thriving Youth & Families
- Healthy Ecosystems & Environments
- A Just Economy & Economic Development



Humboldt Area Foundation + Wild Rivers Community Foundation

FROM OUR COMMUNITY

\$4.1 million raised from
1,891 individual donations

TO OUR COMMUNITY

\$8.5 million disseminated across
1,227 community grants

\$11.7M
TOTAL GIFTS & GRANT
REVENUE FY23

TOTAL ASSETS

\$165,672,948.25

LIABILITIES

\$38,441,842.37

NET ASSETS

\$127,231,105.88



Humboldt Area Foundation + Wild Rivers Community Foundation



What are your questions about philanthropy's role in economic and community development projects?



Contents

Foundation Basics

Mission Investing / Catalytic Funding Examples

Appendix & Resources



Foundation Basics

Grantmaking

Mission Investing

Convening & Planning

Catalyzing



Grantmaking

Some Concepts

- Program grants
- General operating support / unrestricted grants
- Donor advised fund distributions

- Required 5% payout (private foundations)
- Recoverable grants
- Pooled / aligned grantmaking



Mission Investing at Foundations: Loans

Some Questions to Ask

- Does the foundation do its own underwriting and loan servicing or do they work through/with a lending partner?
- What do the foundation's IPS (investment policy statement) or lending criteria say about allowable types of loans/guarantees, amounts, terms, applicants, maximum allowable loan per applicant, maximum total lending portfolio?
- Does the foundation lend out of its endowment corpus only, or does it host separate special-purpose loan funds with donor advised fund holders and/or pooled funds from other impact investors.



Mission Investing at Foundations: Equity

Some Questions to Ask

- Does the foundation staff handle equity investing or do they work through/with an OCIO (outside chief investment officer)?
- What is the path to direct pitching, if any? Or are equity investments made solely through investment groups, funds, etc.
- What are the project / organization criteria or positive / negative screens for equity investments?



Mission Investing at Foundations: PRI

A Note on Program Related Investing

A term associated with *private* foundations. Per the IRS: PRIs can meet minimum 5% annual grant payout requirements as long as investments clearly were **made for social and not financial return**.

Financial returns are expected to be minimal, community benefit is expected to be significant.

Note: Community Foundations are *public charities*, so the minimum payout requirement doesn't apply, and PRI is not pertinent.



Convening & Planning, as Anchor Institutions

Examples

- Paying for or conducting research
- Community outreach and engagement
- Hosting planning tables
- Administering complex projects
- Influencing gov't priorities & public program design



Catalyzing Other Funds

- Directly pay for technical assistance / pre-development
- First-in capital & pre-development grants, matching
- Subordinate, patient, low-cost capital
- No-cost capital (usually via PRI: recoverable grants / 0% loans)
- Grants to buy down interest rates
- Loan guarantees / credit enhancement / loan loss reduction
- Collaborative capital: co-investing + aligned or pooled grant funds



Case Examples

Zero Gap Fund: Forest Resilience Bond





Zero Gap Fund

Rockefeller Foundation &
MacArthur Foundation:

"Catalytic Capital Consortium"

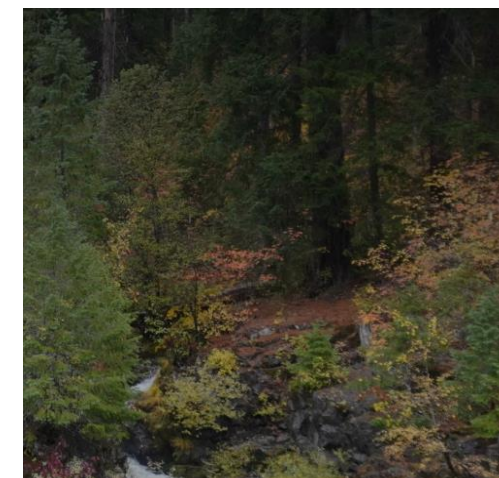
...portfolio includes "Forest
Resilience Bond"

Forest Resilience Bond

Forest Resilience Bonds I & II in Yuba: Private sector investors invest in the FRB, which provides upfront funding for restoration work. Principal and interest repayments of the bonds secured via cost-share contributions by the various parties benefiting from the forest restoration work.

North Yuba Forest Partnership (NYFP) "working forest" collaborative of nine organizations doing forest restoration across 275,000 acres of North Yuba River watershed. Using FRB model to finance more than \$100 million of restoration work.

Scaling. Blue Forest also plans to test the FRB model in multiple new landscapes and geographies across the Western U.S.





Invest Appalachia

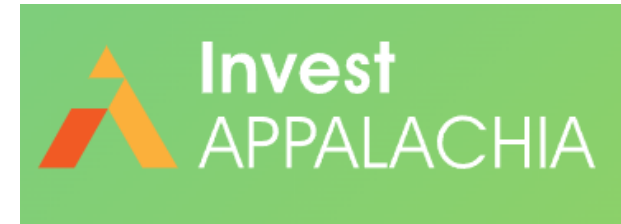
Robert Wood Johnson Foundation & Cassiopeia Foundation

Invest Appalachia

Started with 6 years of collaborative stakeholder design for new community-controlled resources and permanent infrastructure for Central Appalachia.

RWJF invested \$19 million in the first close. Target is \$40 million. Other foundations following.

The IA Fund is providing capital to community economic development projects including small businesses, real estate, housing, non-profit enterprises, and community infrastructure.





hou'

shu' shaa nin-la

yôotva

wokhleu

gracias

thank you!

Appendix

1. Impact Investing terms and concepts in philanthropy
2. Social Justice Oriented Mission Investing in Philanthropy
3. Philanthropy's Role in Building Capacity for Community & Economic Development Projects



1. Impact Investing Concepts in Philanthropy

ESG

Mission-related Investing (MRI)

Socially Responsible Investing (SRI)

Program-related Investing (PRI)

Impact Investing

Catalytic Capital



Environmental, Social, Governance (ESG)

ESG investing looks at the company's **environmental, social, and governance** practices, but **financial returns remain the primary objective**.

Analyzes risks (the money companies stand to lose by ignoring ESG factors) and the money they stand to gain from seizing ESG opportunities.

There are several standardized ESG scoring methodologies.

Source: [Investopedia ESG, SRI and Impact Investing](#)
Investopedia: [Socially Responsible Investment](#)



Socially Responsible Investing (SRI)

Socially Responsible Investing involves choosing or disqualifying investments based on **specific ethical criteria**.

SRI tries to balance two goals—social impact and financial gain—by applying **negative and positive screening**, e.g.

- filtering out undesirable or harmful (tobacco, weapons, oil/gas)
- actively including desirable, ethical *according to investors* (health care, environmental protection)

Source: [Investopedia ESG, SRI and Impact Investing](#)
Investopedia: [Socially Responsible Investment](#)



Impact Investing

Any type of investments intended and structured to **generate both a financial return and a measurable social return.**

Note we use the term “social return” to be inclusive of positive social, economic, and/or environmental change.

Impact investing includes financial capital deployed by all types of investors, including **individuals, commercial investors, and institutions.** It is the broadest term used to describe the investment of assets (rather than grants or distributions) for community change

Source: [Investopedia ESG, SRI and Impact Investing](#)



Mission-related Investing (MRI)

MRIs are impact investments made by foundations and other types of charitable organizations.

They are made primarily to diversify and enhance the foundation's investment portfolio and, at the same time, align with the foundation's goals and **deliver some measurable social return.**

The financial returns can be market rate or may be priced at a below-market rate to achieve a social return.

Source: [Community Foundation Field Guide to Impact Investing](#)



Program-related Investing (PRI)

A term most often associated with *private* foundations. Per the IRS: PRIs can meet payout requirements as long as they clearly were **made for social and not financial return**.

Financial returns are expected to be minimal, community benefit is expected to be significant.

By contrast: MRIs are generally structured to generate significant financial return and some social return.

Source: [Community Foundation Field Guide to Impact Investing](#)



Catalytic Capital

Catalytic capital addresses households', organizations', and community institutions' critical gaps in access to capital by

- offering financing that accepts disproportionate risk and/or concessionary returns
- Seeks to generate positive impact
- Seeks *ALSO* to enable third-party investment that otherwise would not be possible.

Source: [Catalytic Capital Consortium](#)



2. Social Justice Oriented Mission Investing in Philanthropy





INVESTMENT DEMOCRACY

With our grassroots partner organizations, Ujima hosts neighborhood and city-wide planning assemblies with hundreds of residents, local business-ess and employees to set investment priorities and vote on investments that help achieve shared community goals. Local finance professionals and Ujima Members comprise the Ujima Fund's Investment Committee (IC), which conducts due diligence and makes recommendations to members before all investments come to a vote.



EQUITABLE RETURNS

Normally, higher risk capital is compensated with higher returns, but we think about risk more broadly. For a working class investor, investing \$100 may be higher risk than a wealthy investor investing \$10,000. Ujima will leverage philanthropic dollars to secure the investments of working class investors and support reasonable returns for other investors seeking radical impact with their investments.



COMMUNITY ECONOMICS

Ujima's participatory multi stakeholder model unlocks new ways to mitigate investment risk and grow portfolio resilience. Ujima activates its base of community investors, organizers and business professionals to channel consumer dollars to community-oriented businesses, support those businesses with hands-on technical assistance, secure purchasing contracts with local anchor institutions, and support policy campaigns for a more just economy.

BIPOC Community-led Investing

Boston Ujima Project

The 5 Rs of Rematriation

relational	Do you have relationships with other Native women entrepreneurs and value empowering others?
rooted	Are you aware and informed by your community's needs?
restorative	How does your business speak to abundance and closing the racial wealth gap?
regenerative	Will your business have a seventh-generation impact?
revolutionary	How is your business game-changing?

Regenerative Finance: Indigenous Lens

Native Women Lead's Matriarch Revolutionary Fund

Regenerative Finance + Community Capital

Kataly Foundation's Restorative Economies Fund

Restorative Economics: Theory of Liberation



Restorative Economics Framework © 2017 by Nwamaka Agbo is licensed under CC BY 4.0

Capital as a Tool for Liberation



More Regenerative Finance

Also learn from...

Justice Funders Integrated Capital Fund

Black Farmer Fund

NDN Fund

Seed Commons

RUNWAY



3. Philanthropy's Role in Building Capacity for Community & Economic Development Projects



Redwood Coast Region Priorities

We anticipate that the greatest needs, gaps, and potential for building capacity to access public funds for transformative community and economic development rest with the following types of organizations:

Native American Tribes –
planning, housing,
health, workforce,
business, and
environmental/climate
strategies and depts

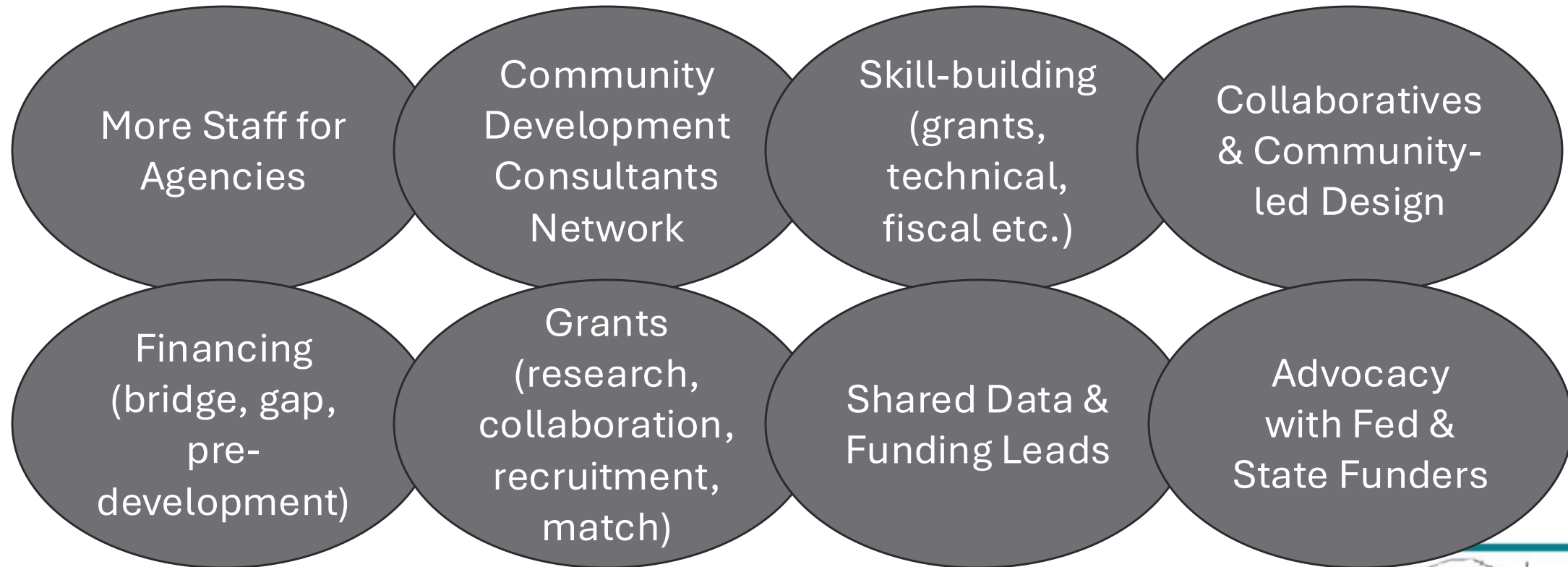
**Small, especially
BIPOC-led &/or
BIPOC-serving
Community Orgs** –
working on youth &
families, climate
resilience, economic
justice, racial equity

**Small, isolated
Special Service
Districts &
community
managed assets** –
Water, Fire,
Microgrid, etc.



Solution Hypothesis

A cross-sector regional capacity building strategy will probably need to comprise:



Potential Roles for Philanthropy

In helping community partners secure and manage public funding for community development projects

Research & Communication/Dissemination

Government Relations & Advocacy

Ad Hoc / Informal Technical Assistance

Formal Technical Assistance Programs

Coalitions, Convening & Collaboration

Grantmaking & Braiding Public-Private Funding

Securing Public Funding with / through the foundation



Potential Roles for Philanthropy



Research & Communication/Dissemination

Synthesize and aggregate data about key community partners' interests and needs related to the foundation's priority areas

Identify and track projects, project pipelines, and project funding & pre-development details to gauge key partners' active demand in these three areas

Track federal & state news about current and upcoming funding programs & share with key partners

Track & share relevant federal & state grant opportunities with key partners

Help key partners match with and analyze relevant funding opportunity NOFOs/NOFAs

Conduct or pay/partner* to conduct research that would support multiple key partners' related planning and pre-development needs, ensuring Native and community sovereignty over data and research processes. (*e.g. with CCRP)

Potential Roles for Philanthropy



Government Relations & Advocacy

Maintain HAF+WRCF & Network relationships with key federal & state agency leaders on behalf of region/partners

Be visible at key federal and state agency convenings

Participate on select advisory bodies, task forces, etc

Help partners fulfill grant requirements, e.g. "must consult with a community foundation"

Contract w/ lobbyists & govt relations consultants for independent view of where our region's priorities fit into state and federal strategies/programs/visions, how to influence.

Engage in policy advocacy / education re funding priorities, program design, etc

Use our relationships and access to agency leaders to increase community projects' competitiveness and likelihood of getting funding through storytelling and advocacy.

Potential Roles for Philanthropy



Ad Hoc / Informal Technical Assistance

Help partners analyze public funding opportunities so they can decide whether to apply

Supply letters of support for partners' funding applications

Provide support for letters of enforcement when partners request back-up (in case of violations of fed/state agency regulations)

Apply for public funding that will be fiscally hosted by another agency for projects being implemented by partners

Potential Roles for Philanthropy



Formal Technical Assistance Programs

Help select partners complete applications for public funding, or review drafts (internal team on-call for this).

Help partners develop program design & documentation for use in public funding applications (do this in-house with staff, or pay for subject-matter experts as pre-development \$).

Run Grant Architects Program on ongoing basis (training). Partner with PTAC to include procurement training, too.

Incubate a Community Development Consultants Network with subject matter experts our partners most need to design projects and secure public funding (consulting).

Incubate a regional anchor institution or coalition that can host or support long-term collaborations, create readiness for project pipelines, help design capital stacks of public funding blended with mission-driven private capital, etc.

Potential Roles for Philanthropy



Coalitions, Convening & Collaboration

Convene (or support convening & facilitation for) collaborative group(s) that want to do community visioning & planning together

Facilitate coalitions working on project pipelines laying foundations for public-private braided funding

Convene co-applicants and facilitate process and MOUs to collaborate on a specific public funding proposal(s).

Host learning site visits of policymakers, agency leaders, and private funders to help them understand the region and its Tribal and community institutions, and lay groundwork for development of public programs and funding opportunities that are a good fit

Potential Roles for Philanthropy



Grantmaking & Braiding Public-Private Funding

Financial support for pre-development needed to prepare projects for public funding opportunities that require projects to be “shovel-ready” or “last-mile”. Do this through CORE/Klamath regranting, by raising new PRI, & granting own funds (discretionary, strategic).

Support **cashflow for partners who are working with reimbursement-only grants, grants with infrequent payouts, or grants that require project funds be placed in escrow**. Do this through recoverable grants, low-interest repayable loans, and/or a revolving line of credit co-developed with financing partner like AEDC.

Supply the match funding frequently required in federal and state grants (often a burden for Tribes and small agencies).

Fund the groundwork needed for partners to pursue **alternative financing**: tax credits, bond financing, community capital, etc.

Potential Roles for Philanthropy



Securing Public Funding with / through a foundation (with the capacity to handle government grants)

Apply for public funding that will be fiscally hosted by another agency for projects being implemented by HAF+WRCF/CORE Hub with partners

Secure and fiscally host public funding for projects being implemented by partners

Secure and fiscally/programmatically manage public funding for HAF+WRCF/CORE Hub's direct implementation