

An Innovative Approach to a Common Problem

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If you only follow the headline news, it's easy to forget that Chicago is one of the world's great cities, home to major museums, universities, and corporate headquarters, with an economy larger than many nations. You would certainly find it hard to believe that there are neighborhoods in Chicago's south and west sides that are experiencing dramatic rebirths, in part because of better access to affordable capital and collaborative public and private partnerships. This is exactly the impact that Benefit Chicago, a collaboration between the MacArthur Foundation, The Chicago Community Trust, and the Calvert Foundation aims to stimulate by mobilizing a \$100 million impact investment fund.

As today's global "social sector" diversifies and grows, its demand for capital and funding is expanding and changing, too. While traditional philanthropic grants remain essential for many groups and the uncertainty surrounding the current federal budget proposal, "impact investments" are increasingly sought after by nonprofits, social enterprises, businesses, and financial intermediaries that have suitable revenue sources and potential for income generation alongside a clear mission to create positive social impact.

Interest in impact investing is also growing, not only within philanthropy, but also among private investors, wealth advisors, money managers, and corporations. In addition, a growing interest in social enterprises emanates from the idea that capital from investors along with private businesses can - and must - be harnessed to alleviate poverty, foster environmental sustainability, and tackle a range of social challenges, from health to education, to financial inclusion and economic equality.

However, there are fundamental mismatches between investors and capital seekers. On the side of capital seekers, the mainstream market does not typically provide the right kinds of financing for nonprofits and social enterprises that need it. A report, commissioned by the MacArthur Foundation and The Chicago Community Trust called Bridging the Gap, summarizes these findings. It illustrates that significant need exists among Chicago-based social sector organizations for impact capital that is low-cost, patient, and flexible. Without additional funding, nonprofits and social enterprises report an expected shortfall of well over a \$100 million in investment capital over the next five years.

From the perspective of impact investors, there is a lack of straightforward investing opportunities. Interested investors do not have a clear simple easy way to invest, let alone invest for local impact. This dysfunction within the current financial ecosystem means there is no efficient way for impact investors to connect with organizations

that need financing. Investing directly into small, mission-driven organizations poses a broad set of challenges from sourcing opportunities, deal structuring, to risk and portfolio management. As a result, many otherwise motivated investors choose not to engage in impact investments, and therefore, the supply of financial capital devoted to driving meaningful positive change remains far smaller than its potential.

By connecting social enterprise businesses and community development financial institutions (CDFI's) to patient, flexible, and risk tolerant capital, we look to provide the precious resources needed across the financial ecosystem to increase the capacity of organizations and therefore their impact.

Our investment strategy looks to collaborate with other organizations within the impact investing space to help fill the dysfunctions and inefficiencies within a given investment opportunity. We see one of our roles as conveners of opportunity. To that end we created a position called the navigator. This position manages the engagement with prospective applicants, advising and partnering to ensure they are optimizing funding, building capacity, and implementing smart strategy. They also work with our ongoing database of technical assistant providers and community development financial institutions (CDFI's) helping to match applicants with the most appropriate financing and support for their initiative, Benefit Chicago or otherwise. This also serves to make

sure that we are well positioned and understood within the financial eco system, creating numerous co-investing opportunities and reducing overlap and confusion among lending institutions.

Benefit Chicago also creates a unique opportunity for individuals to become impact investors. With as little as \$20 anyone can purchase a Benefit Chicago Note online and that investment will help to drive impact throughout Chicago. This opportunity for individuals to directly invest in their city is an incredibly powerful tool. This tool can not only lead to a change in the physical landscape of many of our communities, but change in the hearts and minds of those who will witness first-hand what happens when individuals focus their efforts collectively for good. We designed Benefit Chicago with the intent of making it easy for individuals, foundations, and corporate institutions to invest for local impact, while simultaneously easing the process borrowers must go through to obtain much needed capital. We believe that if we can demonstrate this new approach to investing, more private capital might follow into key areas, creating stronger more vibrant and resilient communities.

About the Author

William W. Towns is a scholar, activist, and practitioner dedicated to helping solve civic and urban issues at the structural level. William is currently the executive director of Benefit Chicago. His

responsibilities include strategy development, investor relations, deal sourcing, and media relations.

He came to Benefit Chicago from the University of Chicago, where he was an Assistant Vice President and led the University's Neighborhood Initiatives team.

He is alum of Loyola University Chicago and the University of Notre Dame. Currently, he is enrolled in MIT's Sloan School of Management's Advance Management Program, focusing on strategy and innovation, and is a Ph.D. Candidate at Benedictine University where his research looks at the managing of expectations between anchor institutions, their cities, and the communities in which they reside.

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About the Collaborators

The Chicago Community Trust has been serving the people of metropolitan Chicago together for more than 100 years to bring about conditions for a thriving region where all residents enjoy a high quality of life and opportunities for a better future in a prosperous and inclusive community. For more information, visit cct.org.

The John D. and Catherine T. MacArthur Foundation supports creative people, effective institutions, and influential networks building a more just, verdant, and

peaceful world. The Foundation has a 30-year track record in impact investing and has dedicated \$500 million of its investment assets solely to this purpose. The Foundation also is deeply committed to its hometown community, Chicago, where it has provided nearly \$1.1 billion in grants and impact investments since 1978. For more information, please visit macfound.org.

Calvert Foundation is a global impact-investing intermediary that connects investors with the causes and places they care about through its Community Investment Note. Since 1995, Calvert Foundation has helped investors create measurable social impact in communities, with a 100 percent repayment rate of principal and interest to its investors.* For more information please, visit calvertfoundation.org.