

Impact investing gives Santa Fe Community Foundation another tool

By Bruce Krasnow

The New Mexican | Posted: Monday, March 3, 2014 4:45 pm

For Brian Byrnes and the board of the Santa Fe Community Foundation, it's really quite simple: They are here to grow the communities in Northern New Mexico, not the profits on Wall Street.

And so a concept known as impact investing, where assets are invested locally, is a logical move forward for the foundation, which works to strengthen nonprofits and expand services through collaboration, education, training and giving.

Impact investing gives the foundation another tool as it works to make a difference, said Byrnes, the community foundation's president and CEO.

"We see this as a beginning, a first step into this area; we want to signal there are ways to have an impact besides grant making," he said. As the program evolves, Byrnes said it can bring a significant amount of new money into Santa Fe — especially if other foundations embrace the idea.

The impact investment movement started in community foundations a decade ago — and one of the first to go forward was the Vermont Community Foundation, where Byrnes worked before coming to Santa Fe. The philosophy is to take investment money and loan it out locally with low interest for a set time period, but get a predictable return much like a bond or a fixed-income mutual fund.

The Santa Fe Community Foundation is one of the smallest to embrace the concept, said Jon Quinn, the foundation's donor services and initiatives manager, who has researched the topic. "We are paving the way for small community foundations to do this," Quinn said.

The plan is for the Santa Fe Community Foundation, based on Paseo de Peralta near the Roundhouse, to start small by placing 5 percent of its pooled assets into local impact projects, some \$2 million initially. The first loan of \$250,000 was made in February to Homewise so the nonprofit housing organization can expand the dollars going to families needing home-improvement loans.

The Santa Fe Community Foundation is really a compendium of hundreds of small donor-supported initiatives, many in specific educational or cultural areas where individuals or families want to sustain a passion over generations. There is a fund to help professional artists pay for emergency medical care, and another to assist "individuals of low or moderate income with veterinarian expenses related to cancer care for their pet including chemotherapy, radiation treatment, pain management and supportive care," according to the foundation's website.

But to fund these efforts, the foundation invests its donated dollars, spending the earnings while maintaining the core principal for future philanthropy. Many small donors who want to establish a

philanthropic legacy turn to the foundation not only for its expertise in managing programs but for investment expertise as well.

“Donors put their money with us because they trust us, so we have to do this very well,” Byrnes said.

And so, if impact investing is to replace the simple purchase of government bonds, there has to be due diligence and financial surety.

The initial efforts will be with existing nonprofit organizations with an established track record, with more impact investments growing gradually.

Quinn said \$61 billion is managed by community foundations nationwide, and some impact projects include:

- The Cleveland Foundation investing \$3 million in an initiative to develop worker-owned cooperative businesses.
- The Denver Foundation investing \$7.5 million for energy efficient upgrades in a tenant-owned building.
- The Napa Valley Foundation allocating \$500,000 for the purchase of a power plant at a local hospital.

In Santa Fe, the Homewise loan program assists low- and middle-income families so they can hire contractors for needed repairs such as stucco, roofing, heating and ventilation. It serves all qualified homeowners, not just those who purchased through Homewise. The program has advantages, as closing costs and interest rates may be lower than through a traditional bank or credit union, and the loan proceeds go directly to the project contractor.

Homewise has 120 outstanding loans, and the Santa Fe Community Foundation investment could mean another 16 families receiving loan money, which will then ripple through the economy with construction jobs and gross receipts tax spending.

“This is a big deal for us, it’s the first time a foundation in New Mexico has done it,” said Mike Loftin, executive director of Homewise. “Our big challenge is raising capital to meet the needs. We’ve raised a lot of money from banks and banks have been good, but this gives another way for philanthropic people to invest in these programs and invest for a return.”

Joohee Rand, a Harvard-educated MBA who directs strategic initiatives at the Santa Fe Community Foundation, is the point person for making sure results meet certain benchmarks. In the Homewise program, for instance, she wants to not only guarantee the money is loaned to families of modest means at reasonable terms and then repaid, but that it helps build financial security by boosting home equity and perhaps credit scores.

Kenneth Romero, a vice president of New Mexico Bank and Trust in Santa Fe who sits on the foundation board, said nonprofits can borrow from a bank, but the foundation is in a position to be more flexible with loan terms and fees, and more creative in its approach. Plus, impact investing brings more capital into Santa Fe at a time when banks might be limited.

“We have another \$1.5 million to deploy, we’ve set that aside, and it’s open to investors,” Romero said. He hopes some of that can be used to leverage capital from other sources so the foundation can collaborate with the private sector or a nonprofit. “It creates this synergy,” he said.

There are challenges with a new initiative, and many needs in Santa Fe that the foundation wants to tackle — building economic opportunities for low-income individuals, helping families who struggle with cash flow — may be difficult. And there are always venture capitalists with good ideas but who are not prepared for an infusion of capital.

“How do you deploy capital in neighborhoods that don’t have an investment history?” asks Byrnes. Still, he calls philanthropy “the R and D of social change.”

“There’s a lot of experimentation going on in the world of philanthropy, there are many things emerging all the time,” he said. “There’s enormous need and enormous potential for creativity.”

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