

Local Impact Investing Models for Health Conversion Foundations

An Ideas Exchange with
Grantmakers in Health

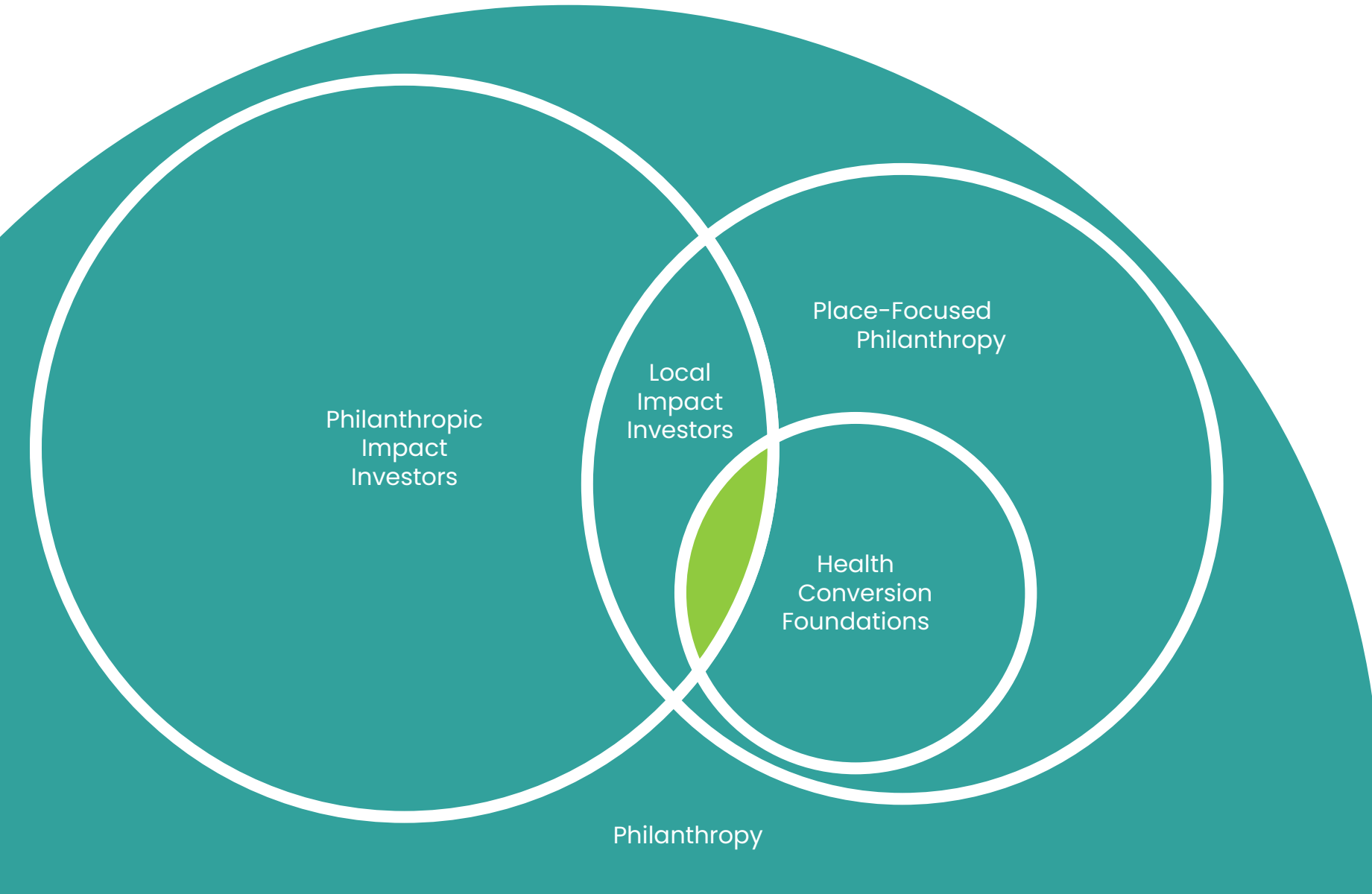
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What was the motivation behind this project?

- LOCUS was asked by a partner, **“What type of impact investing programs do health conversion foundations build? And how are they resourced?”** To answer, we interviewed their peers: The Colorado Health Foundation, California Wellness, Healthcare Georgia Foundation, Cone Health Foundation, and Mary Black Foundation. We committed to sharing our findings.
- Grantmakers in Health and LOCUS hosted a session in June, *Bringing it Home: Local Impact Investing as a Tool for Equitable Development*. We were joined by Colorado Health, Healthcare Georgia, and Cone Health.
- GIH and LOCUS thought it was important to share the learnings and keep the conversation going!

A **peer group** at an intersection of fields



Why **impact** investing? Why **local**?



Why health conversion foundations are becoming *local impact investors*



Some community challenges require tools other than grants.

Job creation, housing, sector development, wealth building often require investments of equity or loans.



Community needs surpass grant resources.

Only a small slice of resources are dedicated to grants. What about the other 95%? Can some of those dollars be creating impact, too?



Strategic investments unlock capital and change systems.

Local investing can be a systems approach, building the capacity of institutions to sustain ongoing, mission-aligned investment in areas of interest to investors such as food access, housing, dependent care, etc. Investments position foundations to work more closely and advocate for change with new community partners.



Focus on justice, equity.

The wealth that built our institution came from the community. If we don't reinvest locally, we are divesting from our neighborhoods.



How are your programs **designed?**



Design Dimension: **Impact**

Dimension	What We Heard
Issue, Sector or Topic <ul style="list-style-type: none">→ What outcomes are we seeking?→ What sectors are we trying to influence?	<ul style="list-style-type: none">▪ Common outcomes: Building Household Wealth, Creating Equitable Capital Systems, and Addressing the SDOHs.▪ Common sectors: Housing, Small Business, Food Systems, Childcare, and Healthcare Facilities.
Population <ul style="list-style-type: none">→ Who are we trying to reach and why?	Many organizations name specific groups (race, age, wealth, gender, health status, etc.) to be the focus of their programs.
Geography <ul style="list-style-type: none">→ What communities (neighborhoods, towns, zip codes, etc.) are the focus?	<ul style="list-style-type: none">▪ The relationship between place and health and wealth means that foundations sometimes target specific places for their investing.▪ Alternatively, many foundations leave impact investing open to their entire service area.
Programmatic Alignment <ul style="list-style-type: none">→ Do we need grant resources too?→ How will this relate to other impact efforts?	Foundations may augment existing grant strategies with their impact investing or may develop a stand-alone investment strategy to leverage the tool. As programs mature, they frequently use a comprehensive strategic planning process to inform their efforts across grantmaking, investing, advocacy, etc.

Design Dimension: Capital Uses

Dimension	What We Heard
Investment Types and Partners <ul style="list-style-type: none">→ What kind of investments will make a difference?→ Who are our likely community partners?	<ul style="list-style-type: none">▪ Foundations can make investments directly into opportunities▪ Foundations can make co-investments with other investors (through intercreditor agreements & participations)▪ Foundations can make investments into intermediaries that will relend, deploy, and/or recycled until maturity.
Risk and Financial Return <ul style="list-style-type: none">→ What are your expectations for return and term?→ What steps can we take to ensure success?→ What happens if an investment goes bad?	<ul style="list-style-type: none">▪ Build processes that allow the foundation to gauge investment alignment▪ Develop covenants that allow the foundation to monitor investment progress over time▪ Have routine check-ins with investees and internal stakeholders to consider any modified terms▪ Most balance the impact of the investment with its risk and financial return and adopt catalytic investing strategies:<ul style="list-style-type: none">▪ Accept a rate of return or price that is lower than expected▪ Guaranteeing a portion of payment in the event of default▪ Forgo claims on collateral or prioritizing repayment of other lenders▪ Accept long or uncertain time periods for repayment▪ Allow for flexible or non-traditional terms to meet specific needs of investee

Design Dimension: Source and Amount of Funds

Dimension	What We Heard
Source of Funds <ul style="list-style-type: none">→ What assets would we like to use?→ What consequences do we anticipate from using that source?→ When investments are repaid, where do the assets go?	<ul style="list-style-type: none">▪ Foundations make impact investments through the foundation's endowment/investable assets (mission related investments).▪ Foundations make impact investments from the distribution (program related investments). In the case of PRIs, many foundations increase their distributions policy so as not adversely impact grantmaking efforts.
Amount of Funds <ul style="list-style-type: none">→ What size program are we trying to build? And how quickly?	<ul style="list-style-type: none">▪ Size of programs can be defined as a fixed-dollar. Fixed-dollar programs only grow with additional board action.▪ Size of programs can be defined as a fixed-percent of assets. Fixed-percent programs can grow over time without board action.▪ Some foundations instead opt for as needed programs that do not specify a program size.

Design Dimension: Governance and Resourcing

Dimension

What We Heard

Governance

- How will we make investment decisions?
- Who will make investment decisions?
- What reporting do we need?
- What expertise is required?
- What policies need to be put in place?

Program oversight (sometimes decision making) can fall to the **finance committee**, **program committee**, or a **purpose-built committee**. Like with grantmaking, foundations are also exploring democratizing or conveying power over investment decisions to the communities they serve.

Resourcing

- How will we source, assess, and service investments?
- What program and finance staffing do we need? What external assistance might we need?
- How will we cover the costs of local impact investing activities?

Foundations frequently tap the skills of both their **program** and **finance** teams to launch their efforts. Over time, they may task the work to a **dedicated team member** or a **working committee** of staff and volunteers. Foundations also regularly engage outside partners or **consultants** to help source, assess, and/or service investments. Consultants are regularly engaged for documenting and reviewing investments. To resource these efforts, many foundations consider impact investing part of operations and do not require the investments themselves to internalize these costs.



**In ten minutes, we will hear an illustration
of these dimensions through a peer story.**
But first...



1. We value your feedback.

- What was captured well?
- What did we miss?
- How can these program dimensions be strengthened?

Send your thoughts to Travis at:
tgreen@locusimpactinvesting.org



2. Get to know your peers.

These conversations were so helpful in program construction. We want to help aid the growth of that peer community.

In small groups, share:

- Your name, role, and foundation
- Where are you on your placed-based/local impact investing journey?

See you back here in 10 minutes.

Connect with Us



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