

"DEEP DIVE" CASE STUDY

Initiative: Impact Investing

Foundation: The Seattle Foundation, Norman Rice, President

Category: Community Leadership/Public Policy

Summary Description:

In early 2010, The Seattle Foundation (TSF) made its first mission-related investment of \$1 million—in the small business stabilization and development loan fund of a local community development financial institution (National Development Council). During the ensuing 3 years, TSF invested an additional \$3 million in loan funds and other vehicles that help to increase capital and financial stability of “underbanked” businesses; support job creation and neighborhood vitality, particularly in low-income communities; and promote environmental sustainability through energy-efficient retrofits of commercial and mixed-use projects. The terms of these investments range from 7-10 years, at interest rates of 1-6%.

When The Seattle Foundation embarked on its MRI program, we believed that the outcomes of our initial investments (job creation, small-business development, etc) would be compelling to our donors interested in economic development and/or social entrepreneurship. We anticipated that, over time, more Foundation fundholders would choose to co-invest alongside us, and that the MRI program would become an important tool for donor recruitment and retention.

Outcomes:

- More than 150 loans closed (totaling \$11M), including 30+ to women/minority-owned businesses
- More than 1100 jobs created or retained
- Increased capacity of Foundation to build partnerships with intermediaries to support our programmatic strategies

Learnings:

- Mission-related investments (MRIs) and other non-traditional uses of a community foundation’s assets can have a clear and significant impact on the sustainability and vitality of local neighborhoods and communities—particularly for those that have historically struggled to attract investment capital.
- Marketing MRIs as a donor engagement tool is more challenging than we had anticipated. We are looking to institute a MRI Donor Advisory Committee as an engagement tool with fundholders, but would be interested in an honest and robust discussion with our peers about how (if at all) foundation donors can be mobilized to support MRIs and other alternative-investment programs for maximum community impact.
- Contemplating how to utilize MRIs to leverage other programmatic goals (i.e. place-based projects).