Community Investment Guarantee Pool (CIGP)/Locus Impact Investing

guaranteepool.org

ABOUT THIS PROJECT

WHY WAS THIS NEEDED?
Challenge: While many philanthropic organizations indicate they want to find more innovative uses for their capital beyond grants, many do not have the back office infrastructure or technical knowhow to efficiently issue guarantees. Others are too risk-averse to even attempt using guarantees. Meanwhile, community development organizations languish while mission-mind intermediaries hunt for the right partners that align with their bespoke geographies, sectors and proposed impacts.

Solution: With a pooled model, philanthropies prorate their risk, find new ways to collaborate, increase their impact, and give intermediaries a one-stop-shop to turn to when they need credit enhancement to get a project financed.

<table>
<thead>
<tr>
<th>IMPACTED LOCATION</th>
<th>YEAR APPROVED</th>
<th>KRESGE PROGRAM</th>
<th>GRANT SUPPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>National</td>
<td>2019</td>
<td>N/A</td>
<td>$200,000</td>
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<td></td>
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<table>
<thead>
<tr>
<th>TYPE OF TRANSACTION</th>
<th>AMOUNT OF INVESTMENT</th>
<th>TERM OF INVESTMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guarantee</td>
<td>$10 million</td>
<td>15 years</td>
</tr>
</tbody>
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Photo courtesy of CIGP. The Willowbrook project, above, is supported through the Guarantee Pool and will be a 7-unit permanent supportive housing project built on land provided by LA County.
We had four main goals in creating CIGP. We wanted to:

◊ Catalyze the use of foundations’ balance sheets – a relatively untapped resource.
◊ Create more efficient access for users of the guarantee.
◊ Demonstrate how foundations can work in syndicates to better manage financial risk across multiple parties.
◊ Accelerate investment in low-income communities.

The Pool is designed so that the lender benefiting from the guarantee will share in the risk of loss in a meaningful way.

Beneficiaries pay a guarantee fee to help cover the costs of operating the Pool.

Guarantee allocations are expected to average about $3 million per organization.

Guarantees will address liquidity risk, credit risk, collateral substitution, and equity substitution.

It is rare to see philanthropic organizations collaborate in such a way, across sectors and across missions. We wanted to demonstrate to the field a new way to work to further impact together.

ABOUT THE BORROWER

The Community Investment Guarantee Pool was incubated within The Kresge Foundation before its public launch in January 2020. It is now managed and operated by Locus Impact Investing, a division of Virginia Community Capital (VCC), a CDFI. VCC was established in 2006 with an initial $15 million and a goal to leverage that investment for an economic return to underserved areas. Since its founding, VCC-financed projects have created or retained more than 5,500 jobs, financed over 5,000 affordable housing units, and funded nine much-needed healthcare facilities. VCC’s staff has provided more than 14,000 hours of free advising. All told, more than 7 million square feet of business and housing spaces have been created or rehabilitated with VCC’s leadership. LOCUS provides philanthropic organizations with customized insights, strategies, advice and outsourced services to accelerate the progression from exploring to unlocking to deploying and to enhancing the effectiveness of local impact capital.

IMPACT MEASURE

Unlock $5 of capital for every $1 of guarantee

KEY PARTNERS:

Investors listed on front; The Rockefeller Foundation provided grant support.

Key Considerations

Aaron Seybert
Managing Director
Social Investment Practice

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