



Marin
Community
Foundation

Advancing Economic Success:
**Community Foundations Building Family,
Community, and Regional Prosperity**

Marin Community Foundation Loan Fund

March 19, 2015

What is your organization – and your role in it?

Marin Community Foundation

- Program Director, Loans and Affordable Housing
- Capacity Building and technical assistance
- 12 years at MCF
- Advisor on capital projects and financial due diligence

The Marin Community Foundation was founded with one simple aspiration: *to make a difference in the lives of others through thoughtful, effective philanthropy*

- 28-years-old with total assets of \$1.6bn and 54 staff members
- Granted approximately \$64mm in FY14. 48% in Marin, 52% outside Marin- \$28mm Buck Trust and \$36mm other
- 4 program areas – Education, Economic Opportunity, Health, and Environment
- \$20 million loan fund



Marin County economics and demographics

- Average income for family of 4:
\$100,000
- Latino family of 4:
\$35,000 income
- **19%** of Marin residents are living in poverty
- **85%** of Marin County is preserved as state or federal park
- Average home cost is
\$1,000,000



3 overarching factors shaped our direction

- Community need – banks typically do not want to lend to small-medium nonprofit organizations
- Recognition that grants were not the only tool for long-term change. *Are short-term grants the best tool for change for a long-term issue?*
- Desire for self-sustainability

Sector focus – nonprofit capital development

- Lender scan – Banking community and CDFIs
- Organizational scan – capacity for borrowing
- Internal scan – What loan opportunities exist which were funded with grants? Long-term impact
- Cross cutting impact benefits – education, health, environment
- Long-term financial sustainability and asset creation for organization





What research was performed to identify our product?

Based on the fact that demand for loans was greater than our supply of capital, we developed an impact investment strategy

- *Market research*
- *Partnership analysis and development*
- *Donor profiles*
- *Investment vehicle*
- *Lending platform research*
- *Board mentorship*
- *Philanthropic services*
- *Donor interviews*

Key Concepts:

- Self sufficiency
- Donor engagement
- Scalability

Product Demand

- Demand for local investments exists
- Socially responsible investment option was limited
- Target DAFs with long-term investments
- Donors are interested in the idea of impact investing
- Unique product amongst peers
- Education required internally and externally

3 (or more) insights from analysis

- Need to tell our story and connect with the emotional tie
- Triple bottom line return
- Some donors appreciate the idea of accountability that loans bring
- Didn't anticipate the difficulty and internal resources required
- Met with skepticism internally



What is our foundation niche?

- Most community foundations do not have a loan fund/impact investment program
- Very few foundations have an II DAF product
- Affinity groups exist and impact investing has allure

Gap analysis results:

- Demand for triple bottom line investments exist
- Donors want a local investment option
- There is a desire for investing philanthropic resources (DAFs)

Action taken to close the gap and help advance community and regional economic success

MCF created one of the first donor impact investment platforms. We have raised nearly **\$2mm** to help support the capital growth of the loan fund. This model is now being **replicated** and **researched** around the country.

Overall approach

- Met with Executive Committee members separately
- Lined up one or two donors
- Determined what the sell points were for each executive committee member
- Sold concept to board members individually, then as a whole
- Modified the product to reduce risk to Foundation

Foundation tools

- Leveraged donor relationships, convening, IT

Who has helped

- Donor services

What did it cost

- Political capital



What has happened in our community as a result?

- Increased the loan fund capital by \$2 million.
- Funds have been reinvested multiple times over the past 5 years
- Capital growth: individual, intellectual, social, cultural, natural, built, political, financial
- Quarterly updates remind investors of their impact and social return
- Investments in low income neighborhoods and the nonprofit community
- Over the past 10 years we have:
 - helped to create more than 800 affordable homes
 - preserved hundred of acres
 - developed domestic violence programs
 - funded arts organizations and even a Zen community

- **Communications** – quarterly update
- **Donor development** – training Philanthropic Services staff
- **Accounting** – How do you account for the changes
- **IT** – Software for the loan fund and investments



- Financially self sustainable
- Diversity of funding and investments
- Marketing and communications
- Loan loss reserve/equity
- Demand for low interest, higher risk loans
- Strong partnerships with outside investors and stakeholders
- Internal systems and capacity need to improve



3 pieces of advice

- Get buy-in from leadership - they need to own the product
- Define success and timeline
- *Just do it*



Marc Rand, PD for Loans & Affordable Housing

- mrاند@marincf.org
- 415-464-2522