



Oregon Impact Fund

VISION

The \$20 million Oregon Impact Fund provides catalytic growth capital to Oregon-based nonprofit and for-profit ventures, funds and intermediaries that have a quantifiable impact on job creation and retention in underserved communities, affordable housing, education, access to health care, and natural resource management.

DESIGN

The Fund consists of \$10 million in loans from donors, which are guaranteed and matched by the OCF endowment to form a \$20 million fund. The Fund makes \$500,000 to \$2 million investments and will deploy the capital within three years. In exchange for providing the guarantee and liquidity to donors who may not renew after three years, the endowment will receive a competitive return on its capital.

EXPERIENCE

Since 2014, OCF's impact investing pilot has invested \$2.75 million in eight ventures and intermediaries across Oregon. The portfolio has an average interest rate of 1.9 percent and loan terms ranging from four to 10 years. The expected impact of these loans includes:

- 529 jobs created or retained
- 53 units of housing created or stabilized
- 500 units of annual patient capacity created

While the pilot focused on low-interest (<2 percent) loans to nonprofits and nonprofit intermediaries, it surfaced additional mission-aligned opportunities to work with for-profits and lend at slightly higher rates (i.e., 3 to 7 percent). The Fund invests in nonprofit and for-profit intermediaries. When possible, the Fund receives a higher return if the social impact is not reduced.

CRITERIA

Impact: Like the impact investing pilot, the Fund focuses on areas where OCF has already established expertise and networks. These include job creation and retention in underserved communities, affordable housing, education, access to health care, and natural resource management. Any investment must have a quantifiable impact in one or more of these areas.

Lower risk: Like the pilot, the Fund closely controls its risk through the opportunities it funds and the security and structures it deploys to reduce risk. In keeping with the need to be catalytic while also seeking higher returns, OCF may not always take the most senior position but will carefully define and control risk. Although the Fund focuses primarily on growth capital by providing funds to scale proven models and intermediaries, it may also fund earlier-stage opportunities if they are structured to provide a high likelihood of principal return.

Additive/catalytic: The Fund seeks opportunities where its capital will be additive rather than simply displacing other investors' capital. Each investment is evaluated based on "additionality," meaning that staff will consider what the next best source of funding would be if Fund capital were not available. The Fund will not invest in opportunities where the only benefit to the borrower is a lower interest rate than those offered by other lenders.

Larger investments: The Fund primarily intends to provide a meaningful amount of capital to growth-stage opportunities. Individual investments range between \$500,000 and \$2 million, with an expected annual return between 2 and 8 percent and terms of three to 10 years.

DEMAND

OCF's impact investing pilot identified a significant undersupply of expansion capital for Oregon's nonprofit intermediaries (at least \$20 million in the near term, and probably much more). These intermediaries include community development financial institutions (CDFIs) and federally qualified health centers (FQHCs), as well as organizations working in education, agriculture and forestry. Given the ability to invest in mission-aligned for-profit intermediaries, we expect \$50 million to \$100 million in investable opportunities in Oregon over the next five years.

SOURCE OF FUNDS & RETURNS

The Fund pools OCF donor capital, OCF endowment capital and capital from other regional foundations. Donors who lend capital to the Fund will receive a 1-percent annual interest rate with an option to renew after three years. The endowment guarantees each donor's investment and allows donors to withdraw funds after three years. Additionally, the endowment matches donor loans up to \$10 million (e.g., if a donor loans \$1 million to the Fund, the Fund will lend out \$2 million). In exchange, the endowment will earn a higher rate of return (likely 3 to 5 percent after fees).

GOVERNANCE & EXPENSES

All opportunities are evaluated by a team of OCF staff and an external investment consultant. The Strategic Opportunities Committee (SOC) reviews diligence and terms and then votes on whether to recommend to OCF's board. Board-approved investments are executed and managed by OCF staff, who also track the financial and impact performance of each investment and prepare annual reports for donors, SOC and external investors. A 1-percent fee charged on assets under management covers the internal costs and consulting expenses necessary to administer the Fund.

TIMELINE

Staff raised \$10 million from donors and institutional investors by the end of 2017. By investing in one or two opportunities per quarter, the Fund will deploy \$5 million to \$10 million in the first year and \$10 million per year thereafter. A \$20 million fund will be fully deployed in two to three years. The first \$5 million in pledged capital was called in January 2018.

STAFF

The Fund is staffed with a combination of internal OCF staff and external consulting resources. Funds are domiciled within OCF and managed by OCF's Finance & Fund Services group. The cost of additional staff and consulting resources are covered by a 1-percent management fee charged to the Fund.

For more information, please contact Melissa Freeman, OCF Director of Strategic Projects: MFreeman@oregoncf.org or 503.227.6846.



Oregon Impact Fund at a Glance

FOR DONORS & INVESTORS

- 1-percent annual return on money loaned to the Oregon Impact Fund; principal and interest are fully guaranteed by OCF
- After three years, funds can be withdrawn or renewed
- OCF matches funds committed by donors, so a \$1 million loan creates \$2 million in lending, up to \$10 million
- Access to special reports and investor-only events with borrowers

FOR OCF

- An additional \$20 million deployed in Oregon
- No reduction in grantmaking
- Appropriate risk-adjusted return on endowment commitment
- Visible leadership supporting and developing new opportunities in Oregon
- Fund fees support one new full-time employee (FTE) working on impact investing in Oregon

FOR INVESTEES

- A significant new source of investment in Oregon for existing opportunities
- A new partner to help structure and lead new opportunities that will attract additional investment
- Opportunities to connect with OCF investors through one-on-one introductions and group events