

## Family of Funds Model: A National Overview

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James Hurd Nixon, Chair  
Sustainable Systems, Inc

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### What is the Family of Funds Model?

- Regional Initiatives seeking to:
  - ✓ Pull growth back into the urban core
  - ✓ Fully redeploy inner city infrastructure
  - ✓ Fund mixed-use, mixed-income and job generating projects
  - ✓ Generate large scale job, wealth & community impacts
- Double Bottom Line Funds
  - ✓ The First Bottom Line: upper quartile market returns for investors
  - ✓ The Second Bottom Line: strong economic, social, and environmental returns
- Types of Funds: Real Estate, Venture, Workforce Housing, Business Equity, and Environmental Clean-up
- Leading Fund Builder: Economic Innovation International

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### Initiatives and Funds Have Unique Qualities

- Regional Initiatives link low income areas to the larger region
  - ✓ Low income areas prosper by exporting to the larger region
  - ✓ Regions can prosper if low income areas prosper
- Large scale funds capitalized to make a substantial impact: more than \$2 billion in capital assets
- Private market discipline drives the Initiatives and Funds
- Successful Fund Managers profit by recognizing and addressing market failures
- Double Bottom Line DNA is deeply embedded in the Funds measuring and reporting success with both bottom lines

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### Funds Use Private Market Discipline

- Fund managers with histories of strong financial performance chosen in a competitive process
- Investors and community involved in selection
- Fund managers protected by firewall and at risk financially
- Fund managers accountable for both bottom lines to community sponsors, who provide assistance in accomplishing the 2<sup>nd</sup> bottom line
- Community sponsors participate in economic returns

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### Successful Fund Managers Find & Fix Market Failure

- Low Income Neighborhoods are *Not Disadvantaged*—They are *Domestic Emerging Markets*
- They have:
  - ✓ The nation's most significant underutilized labor force
  - ✓ Substantial per-acre disposable income
  - ✓ Large tracts of underappreciated land close to the Central City
  - ✓ In place, and often underutilized, infrastructure
- Successful Fund Managers address these market failures for the benefit of both investors and community stakeholders
  - ✓ Private Equity Funds *only make money* when they find and fix a market failure
  - ✓ Community Stakeholders obtain jobs, wealth and community revitalization from success as a domestic emerging market

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### Investors Appreciate Double Bottom Line Returns

- Banks like CRA credit plus high financial returns
- Insurance industry likes avoiding CRA plus high financial returns
- Public Pension Funds like high financial returns plus 2<sup>nd</sup> bottom line impact
- Foundations like high corpus financial returns plus 2<sup>nd</sup> bottom line impact
- Corporations and high net worth individuals appreciate high financial returns plus 2<sup>nd</sup> bottom line impact

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### Community Sponsors Appreciate Double Bottom Line Returns

- Mixed-use, mixed income, transit-oriented commercial, industrial, and housing development
- Job and wealth creating business ventures
- Urban infill and brownfield cleanup
- Stimulation of additional economic activity
- Monitoring, evaluation, and reporting on double bottom line results
- Participation in the financial returns, used to create a regional infrastructure to facilitate 2<sup>nd</sup> bottom line

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### Not Just One Fund, a System Funds I, II, and III



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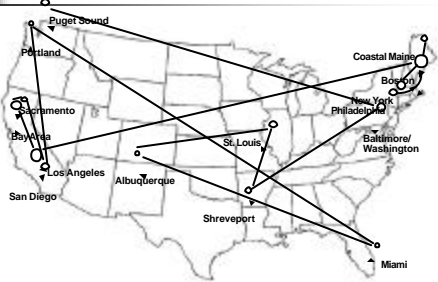
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### Funds Have Exploded Across the US



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## Models

- Massachusetts – 4 funds, more than \$300 million in capital
  - ✓ Massachusetts Capital Resource Company, Massachusetts Housing Investment Corporation
  - ✓ Massachusetts Life Initiative, Massachusetts P&C Initiative
- Genesis LA – 5 funds, more than \$300 million in capital
  - ✓ Genesis LA Real Estate Funds I & II, Fulcrum Growth Fund
  - ✓ Genesis Workforce Housing Fund, Genesis Community Investment Fund
- Bay Area Family of Funds – 3 funds, \$175 million in capital
  - ✓ Bay Area Smart Growth Fund, California Environmental Redevelopment Fund
  - ✓ Bay Area Equity Fund: *A Double Bottom Line Fund*

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## CDVCA Funds

- Coastal Enterprises – \$53 million not-for-profit loans
  - ✓ CEI Ventures – \$25 million for-profit venture fund
  - ✓ CEI Community Ventures Fund – \$10 million CDFI
  - ✓ CEI Capital Management – \$129 million in New Markets Tax Credits
- Kentucky Highlands Investment Corporation, both equity and debt – \$19 million invested in 2004
- The Reinvestment Fund: Lending for Community Services, Affordable Housing, and Small Business; TRF Sustainable Development Fund; TRF Private Equity
- Boston Community Capital
  - ✓ Community Loan Fund – \$32 million
  - ✓ Community Venture Fund – \$70 million in New Markets Tax Credits

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## New Funds

- Smart Growth Funds, managed by Pacific Coast Capital Partners
  - ✓ Nehemiah Sacramento Valley Fund – \$30 million
  - ✓ Southern California Smart Growth Fund – \$100 million
- San Diego Capital Collaborative Smart Growth Fund, managed by Phoenix Realty – closing at \$90 million
- Urban Initiatives Fund, a real estate fund managed by American Ventures
  - ✓ South Florida – \$75 million
  - ✓ New Mexico – \$50 million in formation

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### New Funds (Continued)

- Portland Family of Funds – \$100 million in New Markets Tax Credits
- St. Louis Family of Funds
  - ✓ Vectis Life Sciences Fund – \$80 million in a venture fund
  - ✓ Downtown Real Estate Fund – \$25 million in formation
- Funds in formation
  - ✓ Northwestern Louisiana
  - ✓ Maryland
  - ✓ Puget Sound

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### Double Bottom Line Handbook

- \$250,000 Grant from the Ford Foundation to build this field
  - ✓ Collaborators: FutureWorks, Sustainable Systems, Economic Innovation International
  - ✓ Focus: Best Practices for Regional Investment Initiatives and Funds
  - ✓ National Advisory Committee
- Being produced for sponsors, investors, fund managers, and service providers
  - ✓ Case studies, best practices, theory
  - ✓ White Paper
  - ✓ Website
  - ✓ Other products

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