



MINNESOTA COUNCIL  
ON FOUNDATIONS

# Minnesota Council on Foundations

Integrated Capital Recovery Program

Date: 9-11 August 6, 2020

# Innovative Solutions

- First Children's Finance
- LISC Twin Cities and Land Bank TC
- Propel
- Shared Capital Cooperative
- Sunrise Banks



# First Children's Finance

Only CDFI in the country exclusively dedicated to serving family child care & child care center business and nonprofits with capital and TA.

## Organization History and Scale

- Founded 1991
- Certified as a CDFI since 1998
- Operates in MN, both rural and metro
- Loans Receivable: \$2,104,614
- 6/2019 Total Assets \$4,623,662: 6/2018 \$4,581,172

## Team

9 staff in Minnesota & Dakotas Regional Office (7 staff in National Office, Total of 20 staff across all offices)

President and CEO for 29 years

## Use of Funds and timing

**All three areas:** Emergency response, recovery efforts, and long term resilience. Use funds to provide Initial capital to child care providers in form of loans, forgivable loans, and grants. Will allow providers to stay open or reopen. Will also provide technical assistance to navigate new guidelines due to COVID-19 and provide better tools and business management skills for child care providers.

## Target Impacts

- DEI: Loanee/grantees serve low and moderate income families in underserved communities
- Communities served by the child care centers are 86% Women. Focuses are on African American, Somali, Latino, Native American, undocumented, and rural communities.

## Capital Needs

Loans: \$1,000,000 at 0-1% for 7-10 years. To offer traditional loans based on the needs of their clients.  
Grants: \$1,000,000 to offer mix of grants and forgivable loans. Also for flexible reserves, TA funding, and operating funding.

## PRI/investors

McKnight Foundation  
Northwest Area Foundation  
Wells Fargo  
Common Spirit Health  
Trinity Health

# LISC TC and Land Bank TC

Seeks to advance community-driven, transformative rebuilding of communities damaged by the twin pandemics by providing capital, strategy, capacity building to community partners.

## Organization History and Scale

- Founded nationally 1979; Twin Cities 1988; Certified as a CDFI 1995 and bond rated
- 7/2020 Portfolio Balance: \$25.8 MM. 2019 Local investment \$68MM; YTD \$75MM.
- Land Bank founded 2009: Assets:6/20: \$22,887,679

## Target Impacts

- DEI: Staff majority women; Borrowers include BIPOC-owned businesses; Businesses serving BIPOC communities
- Approx. 60% of residents in focus areas are BIPOC. Goal is to provide at least 50% of investments to businesses and organizations led by POC.

## Team

7 total staff at LISC (86% Women, 43% POC)  
6 total staff at Land Bank (50% Women, 17% POC)  
LISC Executive Director for 1 year  
Land Bank President for 8 years

## Capital Needs

Loans: \$2,500,000, 0-3% rate, 2-4 years, interest only. Subordinate, first loss loan capital. Seeking additional capital from public sector, national LISC sources, banks.  
Grants: \$500,000 for regranting, capacity building, and delivery expenses.

## Use of Funds and timing

**Emergency response:** Could act quickly to conduct due diligence if funding readily available and fast action required. Local PRIs would leverage national LISC investment.

**Recovery efforts:** Majority used here for interim ownership: purchase properties and remain invested during 2-4 year holding period, then sell to a designated community partner. Gives community time to be able to purchase and develop the property. Grant money used for TA and networking.

**Longer term resilience:** Investment will secure community site control, buy time for community-controlled recovery and increase long-term resiliency.

## PRI/investors

Minneapolis Foundation  
Twin Cities Corridors of Opportunity Initiative, included Family Housing Fund and Living Cities with McKnight Foundation, Saint Paul Foundation and Knight Foundation

# Propel Nonprofits

Provides loans for working and growth capital, technical assistance, and board and governance support to 501c3 nonprofits. Vision of a diverse network of mission-drive nonprofits.

## Organization History and Scale

- Founded 2017, Certified as a CDFI in 2013. Aeris Rated AA- as of June 30, 2019
- Operates in MN, 80-85% in the Twin Cities metro
- 3/2019 Loans Receivable: \$30,404,061
- 3/2019 Total Assets: \$38,277,659

## Target Impacts

- DEI: Women-led, majority Women staff and board, a third of staff and board are POC; 30% of Loanees with BIPOC leadership; Clients serve 60% BIPOC.
- Serves organizations that primarily serve low-income individuals and families, led by BIPOC, or serving BIPOC, & under-resourced communities.

## Team

28 staff members (61% Women, 36% POC)  
President for 6 years

## Capital Needs

Loans: Up to \$2,000,000 for at least 5 years, prefer 7-10 years. 0-1% interest.

Grants: 10-15% of the loans for TA and supplementing a forgivable portion of the loans

## Use of Funds and timing

**Recovery efforts:** Will start deploying capital in late summer/fall of 2020 and be over 2-3 years. For loans to revamp business models, stabilize fragile working capital, replenish reserves, and invest in undercapitalized nonprofits. For Propel's new Recovery Capital loan product directed to nonprofits with BIPOC leadership. Working capital loans of \$20,000-100,000 with patient terms (3-7 years at a low interest rate). Has \$90,000 grant to seed fund this new loan product and a pending application to the CDFI Fund.

## PRI/investors

Bush Foundation  
Headwaters Foundation for Justice  
Mortenson Family Foundation  
Northwest Area Foundation  
Otto Bremer Trust  
The Kresge Foundation  
The Minneapolis Foundation  
The Womadix Fund  
Women's Foundation of Minnesota

# Shared Capital Cooperative

Loans, technical assistance, and training to cooperative small businesses and affordable housing, such as employee owned businesses or farmer/producer cooperatives.

## Organization History and Scale

- Founded 1978
- Operates in Twin Cities metro area & Greater MN
- Certified as a CDFI in 1998, AERIS listed, BBB
- Loans Receivable: \$10,650,000
- Was Northcountry Cooperative Development Fd

## Team

6 staff (67% Women, 33% POC)  
Director for 12 years

## Target Impacts

- DEI: Board, leadership and staff exhibit gender balance and racial diversity; Target cooperatives led by and for low income communities, communities of color, women, and LGBT
- Focuses on co-ops by and serving low income communities, people of color, women, LGBTQ

## Capital Needs

Loans: \$1,000,000 at 0% for 10 years with annual payment of interest, balloon payment of principal at maturity. Or modest interest rate for 5-10 years.

Grants: \$250,000 for technical assistance/training, loan loss reserves, and first-loss capital.

## Use of Funds and timing

**Emergency response:** Up to \$100,000 in loans over next 3-5 months

**Recovery efforts:** \$250,000-450,000 in loans over the next 12 months for businesses and housing recovering from impact

**Longer term resilience:** \$500,000- \$700,000 in loans over the next 18 months for cooperatives to support their long-term resilience

## PRI/investors

Northwest Area  
Foundation

# Sunrise Banks

Seeks to be the most innovative bank empowering financial wellness in underbanked and underserved populations including BIPOC and LGBTQ communities.

## Organization History and Scale

- Founded 1986; Certified as a CDFI in 2001, member of Global Alliance for Banking on Values, B Corporation
- Operates in 258 census tracts in the Twin Cities and active nationally with fintech partners
- Loans Receivable: \$1.08 Billion

## Team

250 total staff, 11 leadership team (27% Women 0% POC)

President served for 12 years

## Target Impacts

- DEI: Leadership team has 27% women and 0% POC; Board has 20% women and 20% POC: 60% of SBA loans went to minority owned businesses in 2019
- Works with BIPOC and LGBTQ communities, 258 census tracts with an overall poverty rate of 22% and 0.73x unemployment of national average.

## Capital Needs

Loans: Prefer grant, open to a low-interest loan

Grants: Assist minority small business impacted by recent civil unrest

## Use of Funds and timing

### **Three Ideas:**

1. Partner bank liquidity facility to fund grant making
2. Partner bank forgivable loans with linked guaranty support
3. Leveraging technology to get mission capital out faster to businesses in need

## PRI/investors

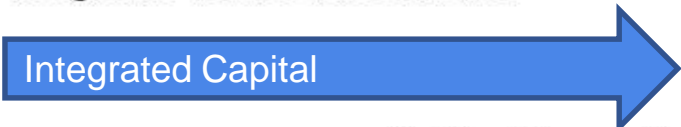
None



# Investing Spectrum

## Philanthropic Activities

Program Related Investments

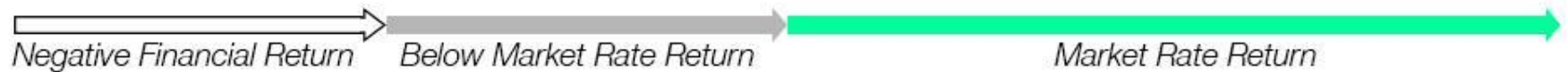
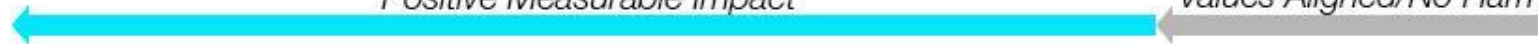


*Positive Measurable Impact*

## Investment Activities

Mission Related Investments

*Values Aligned/No Harm*





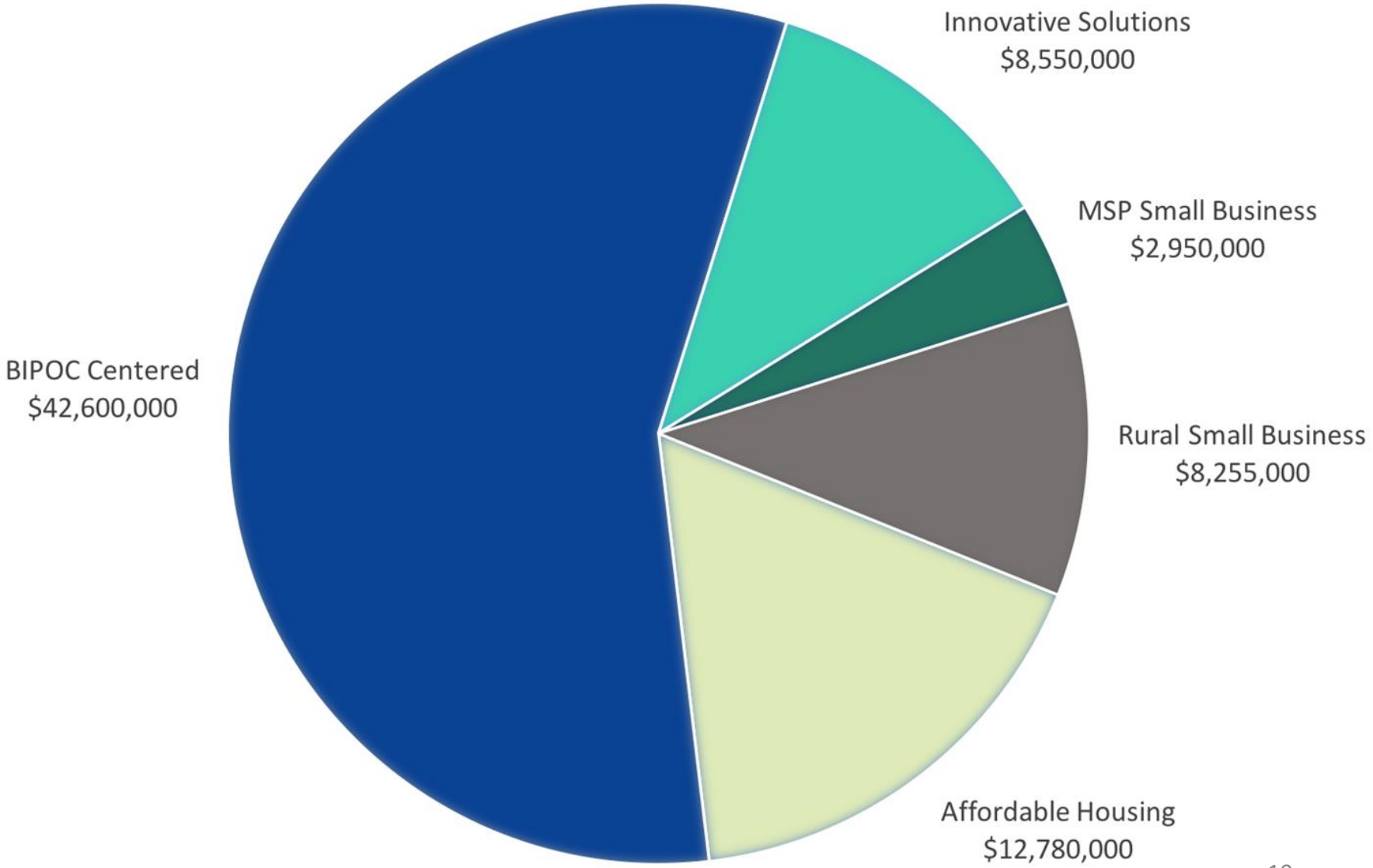
## **Integrated Capital is:**

*the coordinated use of different forms of financial capital and non-financial resources to support an enterprise that's working to solve complex social and environmental problems.*

*RSF Social Finance*

# TOTAL CAPITAL NEEDS

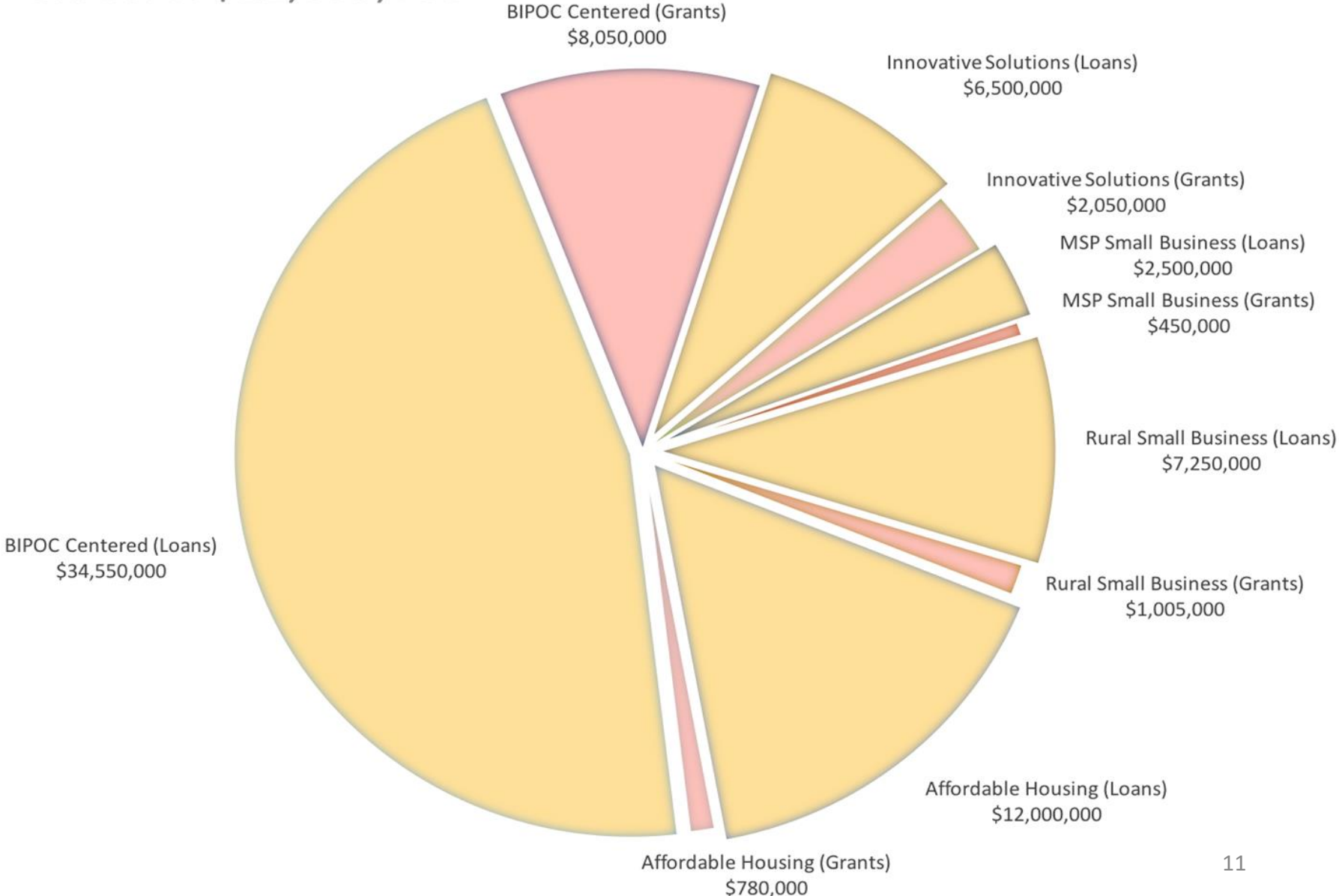
\$75,135,000



# TOTAL CAPITAL NEEDS

LOANS: \$62,800,000

GRANTS: \$12,335,000





# Next Steps

What are your next steps?

Whether you plan to invest independently, or as part of MCF's joint program, please connect with Susan Hammel, MCF's Executive in Residence for Impact Investing, to share/discuss your plans.

[shammel@mcf.org](mailto:shammel@mcf.org), 952.237.5427