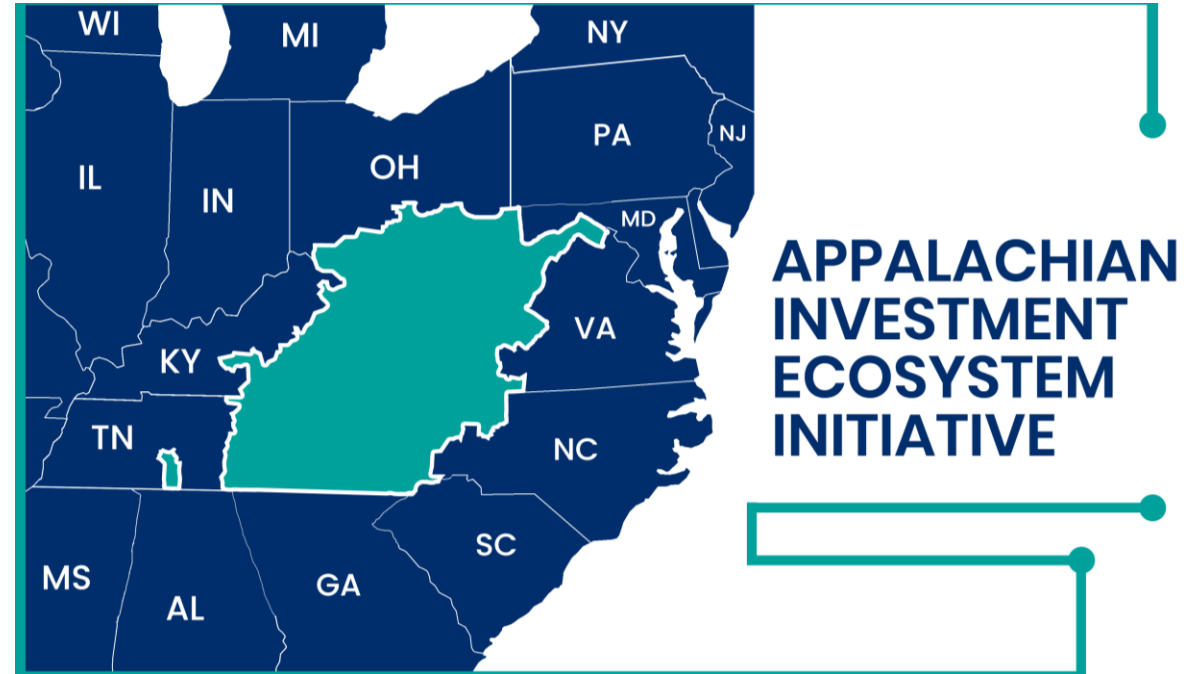


# Local Impact Investing for Appalachian Foundations: Opportunities and Examples

*New Partnerships for Community Impact*

Session 3 | November 16, 2022



# About AIEI

**The Appalachian Investment Ecosystem initiative (AIEI)** is a multi-year effort (2019–2022) to build on years of locally led work to strengthen and fill gaps in the community investment ecosystem in Central Appalachia.

A more effective ecosystem should be able to attract and absorb capital in ways that strengthen regional capacity and advance social and economic opportunity that in turn leads to better health and well-being in the long-term.



# Workshop Series Objectives

- Explore opportunities beyond grantmaking for foundation capital to make a difference in communities
- Revisit assumptions around financial return, risk, and community impact to help foundations unlock additional resources for the region
- Identify community partnerships and networks for exploring a role in the investment system



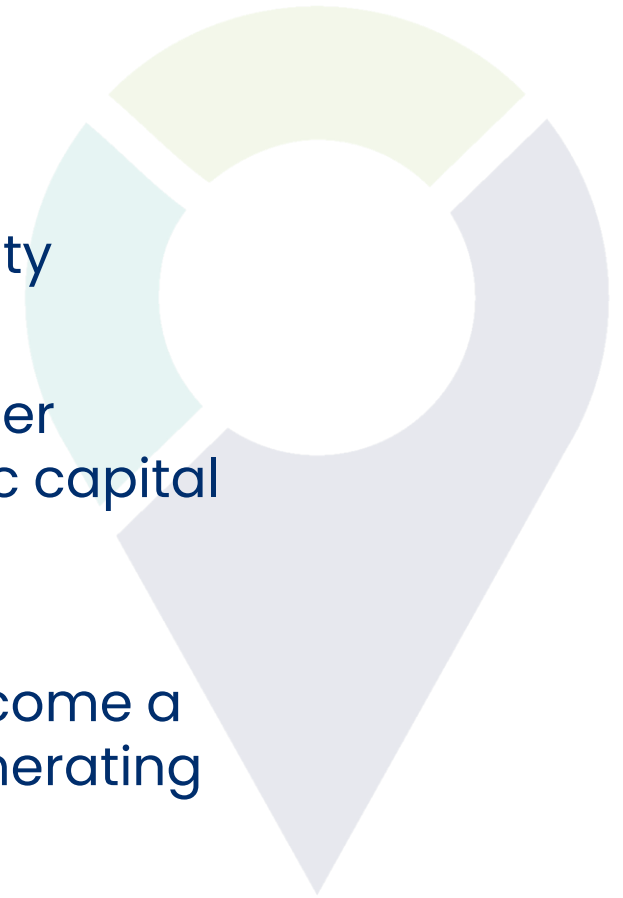
# Takeaways from Session 2

- Philanthropic capital is most needed in the space between grantmaking and market rate investing – to support deals that need more flexible, catalytic, longer term, lower cost capital.
- Foundation investments are as unique as the communities/regions they serve
  - ✓ Investments to control and stabilize historic downtown tobacco warehouses through foundation ownership (Danville Regional Foundation)
  - ✓ Unsecured loan to CHDO to secure property and construct the first new housing project in Hazard, KY (Appalachian Impact Fund)
  - ✓ Guarantee of the highest-risk portion of a loan from a CDFI to a nonprofit in order to move forward the renovation of historic Masonic theatre (Alleghany Foundation)

# Context for Session 3

# Call to Action

- It takes an investment ecosystem to move important community projects forward and Central Appalachia's is strong.
- There are opportunities for regional philanthropy to be a stronger partner – capital stacks in need of the type of creative, catalytic capital you can provide – and it's happening in places with far fewer ecosystem partners and resources than exist here.
- The long game is to create the policy, systems, and tools to become a local impact investor, allocating some % of your portfolio to generating local impact.
- The short game is to work with partners and identify (1) how you can use your grant dollars in more investment-focused ways, e.g., credit enhancements (like Alleghany Foundation) and (2) how your investment capital can complete the capital stack for an investment-worthy project.



# Grants Can Pave the Way for Investment

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Thoughtful use of grants can lay the groundwork for much larger amounts of investment to flow

- Prepare for transactions by paying for:
  - **Market studies** – assess demand; review comparable transactions; examine area demographics and trends
  - **Inventories of vacant/underutilized properties** – where is land available
  - **Business plans** for users of capital – how will local businesses and organizations grow and what are their capital needs
  - **Predevelopment** support – surveys, appraisals, cost estimates, zoning and permit fees, architectural drawings
- Unlock transactions by providing:
  - **Risk reduction:** financial investors may require credit enhancements such as loss reserves or equity for a fund or intermediary like a CDFI to feel confident enough to lend (grant dollars may recycle)
  - **Reduced cost of capital:** using grants (including recoverable grants at 0% interest) can lower the “blended cost of capital” to the user of capital, making a transaction feasible
  - **Gap financing:** grants may fill the gap between available subsidy and available loans to allow a transaction to proceed

# More new language

## Conduits to investment are...

- Ecosystem partners that have line of sight into a pipeline of **investment-worthy** and **investment-ready** opportunities.
- They have the **skills and capacities** to articulate the risk, return and community impact tradeoffs of these investments.
- They are often **mission-aligned** and **responsive to community-identified** capital needs and opportunities.
- They respect your **commitment to place**.
- They **reduce the barriers to entry** into community investing.





# New Partnerships for Community Impact

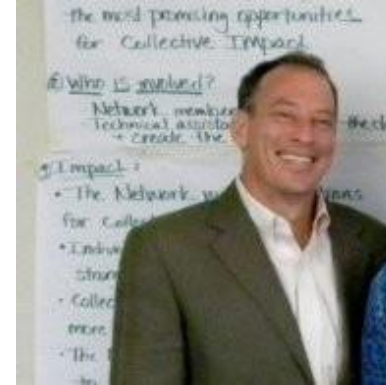
# Appalachian Conduits to Investment



**Andrew  
Crosson, CEO,  
Invest  
Appalachia**



**Peter Hille,  
President,  
Mountain  
Association**



**Ray Daffner,  
Senior Advisor,  
Opportunity  
Appalachia**



# Invest Appalachia's Blended Capital Approach

## Investment Capital

### \$40M IA Fund LLC

- Impact investment fund providing patient, flexible, and often subordinated loan capital to underserved communities
- Loans alongside and into **existing regional financial intermediaries**, leverages existing capital + capacity

## Catalytic (Philanthropic) Capital

### \$17M Grant Pool – IA 501(c)3

- Pre-development, TA, and credit enhancement tools (guarantees, loan loss reserves, conditional repayment)
- Strengthen ecosystem, develop inclusive pipeline, and increase “investability”
- Leverages federal funding and **aligned grantmaking by AFN members**



## Social Capital

### “Ecosystem Quarterback”

- **Partnership-based pipeline**, strategies, community & technical capacity, accelerates existing place-based industry sector clusters
- CAC defines priorities, serves as mission steward
- Coordinated impact data collection, storytelling, and regionally defined narratives

INVEST APPALACHIA'S MARKET RESEARCH AND STAKEHOLDER-LED DESIGN PROCESS IDENTIFIED A BLEND OF 70% REPAYABLE CAPITAL AND 30% SUBSIDY/CREDIT ENHANCEMENT AS THE BALANCE NECESSARY TO CREATE TRULY TRANSFORMATIVE INVESTMENTS AND EFFECTIVELY IMPACT UNDERSERVED COMMUNITIES



# Opportunity Appalachia

*BRINGING INVESTMENT TO CENTRAL APPALACHIAN COMMUNITIES,  
CREATING NEW JOBS AND BUSINESSES FOR SUSTAINABLE GROWTH*

**Supporting downtown and rural development  
to build entrepreneurial communities where local business thrive,  
creating quality jobs and revitalizing local economies.**

- +50 downtown & rural development real estate projects
  - WV, OH, TN, NC, VA (Appalachian Counties)
- \$3M to fund technical assistance
  - Prepare projects for investment
- Help raise +\$400M of new investment for targeted communities

# Projects Supported

## Downtown or Rural Real Estate Projects

### Priority Projects:

- Downtown development
- Manufacturing
- IT
- Healthcare
- Education
- Food Systems
- Clean Energy
- Heritage Tourism & Recreation

### Priority Communities:

- Economically Distressed areas and At-Risk areas
- Persistent Poverty Communities
- Rural communities
- Federal Opportunity Zones and New Markets Tax Credit census tracts
- Coal Impacted Communities

# Project Selection Criteria

1. Identified community strategy(ies) and engagement
2. Community impact
3. Sponsor capacity and track record
4. Suitability for investment
5. Identify existing community resources and gaps
6. Clean Energy focus

# Types of Technical Support Provided

1. Investment Prospectus
2. Preparation of Financial Projections and Financial Structuring
3. Market Research
4. Architectural and Engineering
5. Business Plan Development / Operations Planning
6. Developer Solicitation
7. Investor Outreach
8. Other services to support investment readiness



# Connecting with Investors

## Outreach:

- Opportunity Appalachia
- TA teams
- Project Sponsors

## Investor Convening Event:

- Pitches by Project Sponsor
- Short Video Presentations (filmed on project site)
- Pitch Prep - TA providers & Opportunity Appalachia
- Educational Sessions

## Public Loan Funds & Grantors



Appalachian Regional Commission



U.S. ECONOMIC DEVELOPMENT ADMINISTRATION



OSDC



VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY



ECONOMIC DEVELOPMENT AUTHORITY

# Investors

## CDFI and Other Investor Partners



## Bank Investors



## Opportunity Zone Investors



Chestnut Funds



RENAISSANCE EQUITY PARTNERS



## New Markets Tax Credits Investors



Financing Businesses. Strengthening Communities.



CEI Capital  
National Trust Community Investment Corporation  
a subsidiary of the National Trust for Historic Preservation

# Phase 1 (2020-2021 ): 17 Projects

**Tygart Hotel, Elkins WV.** \$16M historic boutique hotel, 54 rooms in downtown, locally owned, supporting tourism and outdoor recreation in 'gateway' community adjacent to metros. Project Sponsor: Woodlands Development Group CDC.

**Cohen Building, Grafton, WV.** \$10M redevelopment of historic downtown building for use by identified for-profit and non-profit tenants. Project Sponsor: Unleash Tygart, Inc.

**Vaughan Furniture Building, Galax, VA.** \$92M redevelopment of historic downtown anchor building, to include 220,000 SF of residential, and 220,000 SF of retail, commercial, business incubator, and event space. Project Sponsor: City of Galax.

**20 Federal Place, Youngstown, OH.** \$34M redevelopment of 330,000 SF historic downtown mixed use/community facility/retail site. Project Sponsor: City of Youngstown.

**Full Project List @ Opportunity Appalachia Webpage**

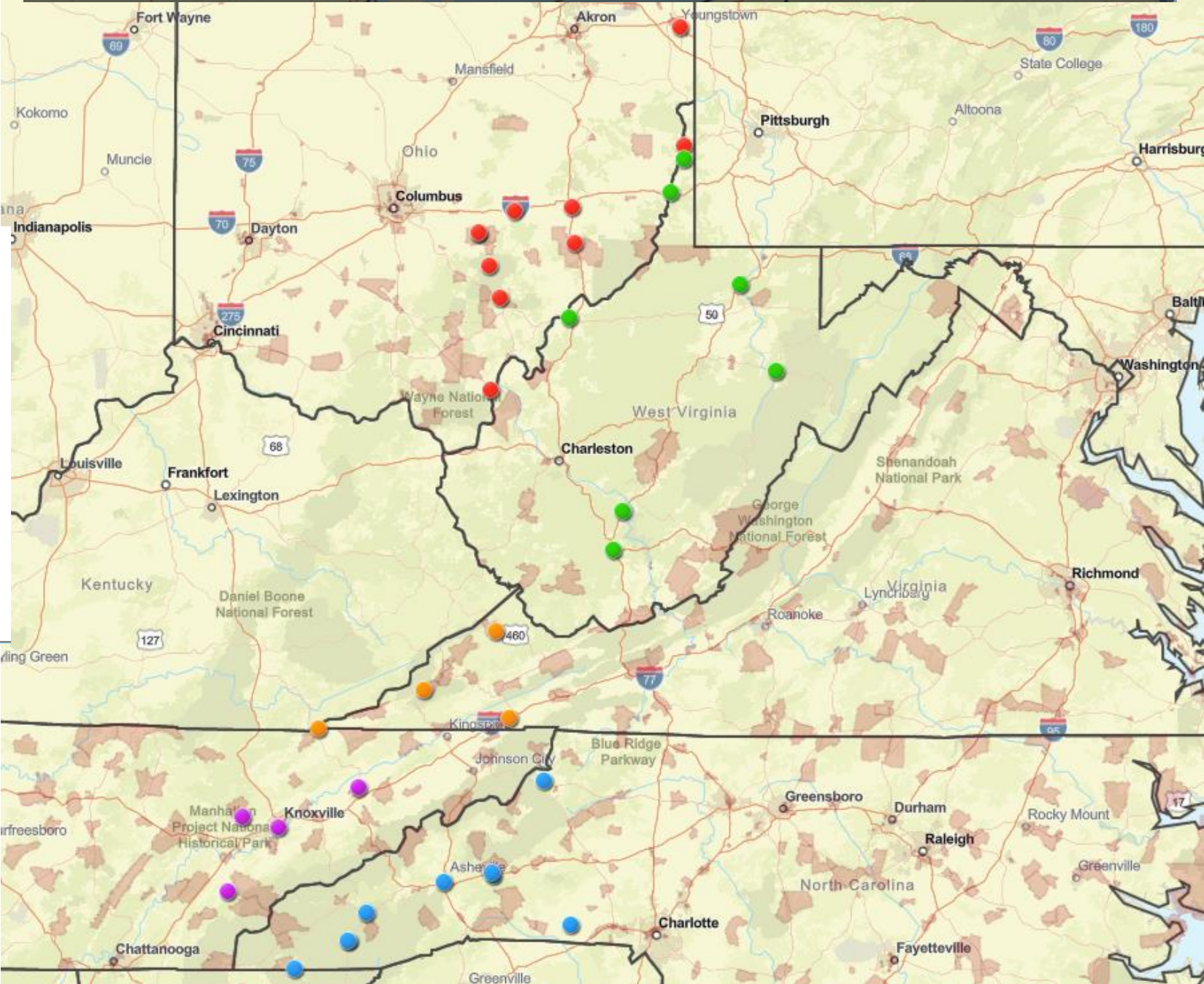
# Phase 2 (2022-2024): 33 Projects To-Date

**Community Development Partnership, Fairmont Regional Tech Hub, Fairmont, WV** – The FRTH is a 40,000 square foot planned mixed-use development that includes a tech workforce training program, entrepreneurship education for students in pre-K through high school, a co-working space, and mixed-income residential units. This public-private partnership estimates total costs of \$10 MM with anticipated job creation of 140+ direct and indirect jobs created (including construction) and 16 housing units – seven at 60-80% AMI and nine at market-rate.

**Eagle Market Streets Development Corporation, Catawba Vale Community Center, Old Fort, NC** – Development of a 60,000 sq. ft. two-story warehouse into a community-owned asset that provides space for an employee-owned apparel manufacturer, as well as local restaurants, locally-owned retail, a Montessori school, and community space for entrepreneurs and local community organizations. The minority-led project sponsor estimates total costs to be \$5.1 MM with anticipated creation or retention of 75-100 above living wage jobs.

**Whistle Pig Country Store and Farmers Market, Ewing, VA** – This women-led development will transform a 5,400 sq. ft. building into a local country general store with deli, coffee shop and farmers' market. Developed by local residents and farmers, the market will provide the community with fresh food options as well as heritage workshops and a community gathering place in a rural community that is near a veterinary school, a national park with popular hiking trails, and a public elementary and high school. Estimated costs total \$1.2 MM with anticipated creation of 20 jobs.

# Opportunity Appalachia 2022 Portfolio & Opportunity Zones



## Legend

### Recommended Projects

- OH
- NC
- WV
- TN
- VA

### Qualified Opportunity Zones



*Opportunity Appalachia is supported by:*



Appalachian  
Regional  
Commission

Goldman  
Sachs

TRUIST 



**DOGWOOD**  
HEALTH TRUST

# For Application & More Information

<https://appalachiancommunitycapitalcdfi.org/oa-program/opportunity-appalachia-2022-2024/>

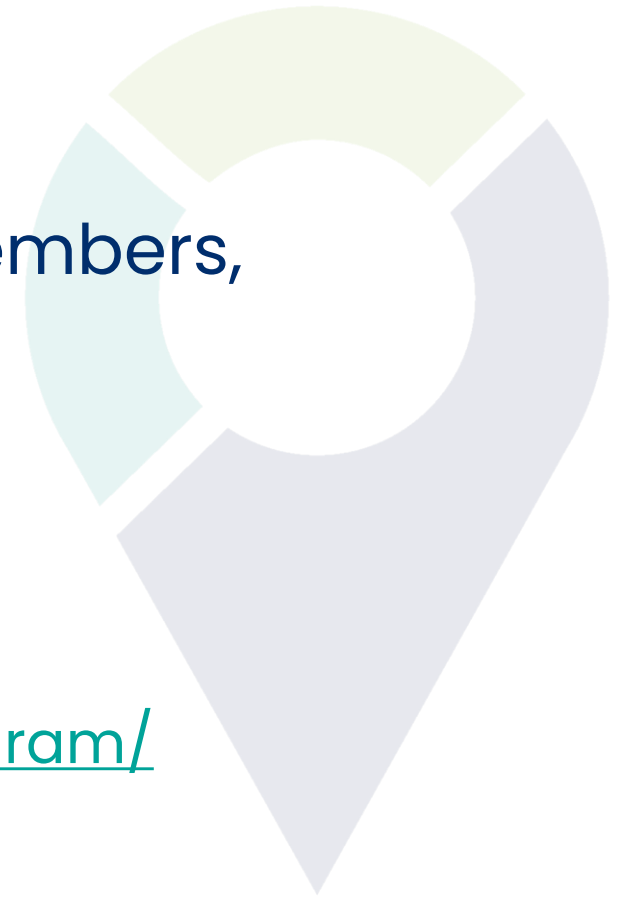


# Q & A



# Next Step Resources

- Recording of session to share with staff, board members, community partners
- Websites to explore
  - Invest Appalachia: <https://www.investappalachia.org/>
  - Mountain Association: <https://mtassociation.org/>
  - Opportunity Appalachia: <https://appalachiancommunitycapitalcdfi.org/oa-program/>
  - Appalachian Community Capital: <https://appalachiancommunitycapitalcdfi.org/>
- Center for Community Investment: <https://centerforcommunityinvestment.org/>
- LOCUS Impact Investing: <https://locusimpactinvesting.org/>



# Connect with Us



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