



Philanthropic Investments in Energy Efficiency and Clean Energy

ACEEE Energy Efficiency Finance Forum

May 23, 2017

MacArthur
Foundation



Commons
Energy
Saving Energy,
Strengthening
Communities



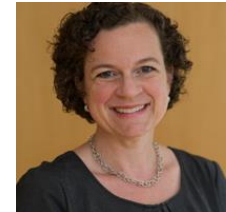
CONNECTICUT
GREEN BANK

Panel Participants

Kim Dempsey, *Deputy Director, Social Investments*
Kresge Foundation



Allison Clark, *Associate Director, Impact Investments*
MacArthur Foundation



Alison Corwin, *Program Officer, Sustainable Environments*
Surdna Foundation



Peter Adamczyk, *Capital Operations Director*
VEIC/Commons Energy



Benjamin Healey, *Director, Clean Energy Finance*
Connecticut Green Bank



Session Learning Questions

- What is impact investing, broadly?
- How can public and private capital be “unlocked” or leveraged using philanthropic investments?
- How are philanthropic investments currently being utilized to accelerate adoption of energy efficiency and clean energy?

What is impact investing?

Impact investments include any type of investment that is intended and designed to generate both a measurable social or environmental benefit and a financial return.

- Program-related investments (PRIs)
- Other investments for social or environmental mission

Sometimes called

- *Mission-driven*
- *Mission-related (MRIs)*
- *Impact*

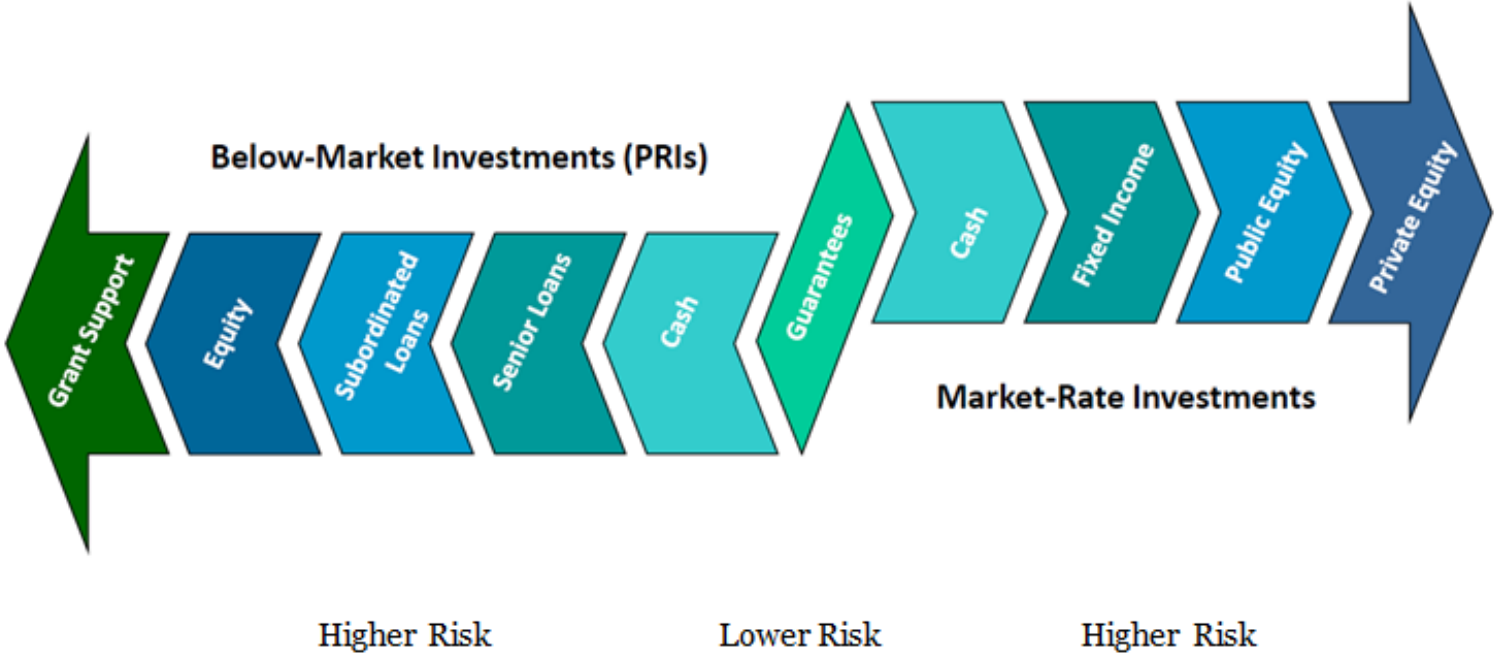


Social/Environmental + Financial Gain = Investing for Impact

	Donating			Impact Investing		Investing		
Donors/ Investors	Charitable Donor	Strategic Phil. Donor	Venture Phil. Donor	Impact-First Investor	Finance-First Investor	Sustainable Investor	Socially Responsible Investor	Financial Investor
Screening	Basic compliance	High-impact org.	Orgs with potential to scale	Social impact first; then seek positive financial result	Financial first; then seeking positive social impact	Financial + positive screen for ESG	Financial + negative screen	Financial only (besides basic regulatory compliance)
Expected Impact Intent	Full	Full with leverage	Full with leverage	Significant	Some	Modest	Neutral	None
Donors/ Investors Seeking	Orgs with mission they believe in	Well-run orgs in donor's theory of change	High impact and scalable	High social impact with below-market rate financial return	High-rate return with some social/environmental impact	Market-rate returns that are socially targeted	Maximize profit without provoking conscience	Maximize profit with no regard to social impact

Source: Calvert Foundation

Impact Investment Continuum



Source: The F.B. Heron Foundation

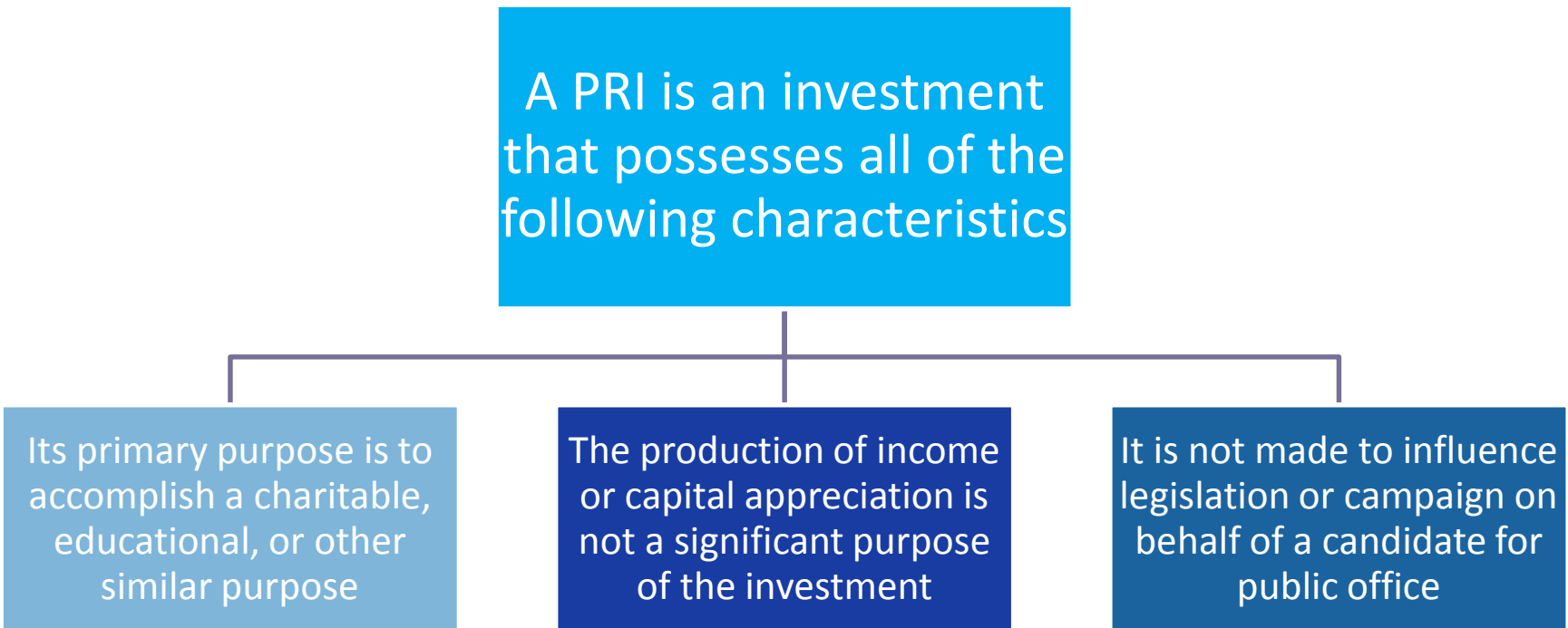
Foundation Engagement in Impact Investing

	Grants	PRI	MRI	“Sustainable Investing”
Source of Funds	5% payout (Program budget)	5% payout (Program budget)	Endowment (“Other 95%”)	Endowment (“Other 95%”)
Financial Return	No return, 100% loss of principal	Typically below market-rate	Market-rate or below	Market-rate
Impact Return	Must support charitable activity	Primary purpose must be charitable	Balances charitable and financial returns	Values-alignment (vs mission)
IRS Treatment/ Regulation	5% annual payout required, restricted uses	Mission impact is primary, restricted uses	No IRS regulation; fiduciary duty applies	No IRS regulation; fiduciary duty applies

Source: U.S. Impact Investing Alliance

What is a Program Related Investment (PRI)?

A PRI is an investment that possesses all of the following characteristics



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graph TD; A["A PRI is an investment that possesses all of the following characteristics"] --- B["Its primary purpose is to accomplish a charitable, educational, or other similar purpose"]; A --- C["The production of income or capital appreciation is not a significant purpose of the investment"]; A --- D["It is not made to influence legislation or campaign on behalf of a candidate for public office"];
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Project Level Finance

Investment in a specific project (often real estate)

Funds used exclusively to solve a problem within a specific project

Example: Paverello Center secured leverage loan for development of a new multi service center

Enterprise Level Finance

Investment in an organization for growth, capacity building, expansion etc.

Fund not tied to a specific use: can be used for working capital, site acquisition, balance sheet equity

Example: Initial loan to IFF (a CDFI) for Midwest expansion

Sector Level Finance

Diagnosis of the barriers that prevent capital from flowing in a sector

Multiple investments designed to unlock/unstick barrier, prevents more traditional investment from taking place

Financing for Health Centers: asset not understood by CDFIs/banks; deep reliance on grant funds; cumbersome Fed guaranty program



- National private foundation
- Goal: Expanding opportunities in America's cities
- \$3.6 billion endowment
- Funded through grants and social investments
- Six program areas and two practices



Environment

We help cities implement comprehensive **climate-resilient approaches** grounded in **equity**.



Social Investment Practice

We work to expand opportunity, strengthen neighborhoods and improve quality of life in America's cities by **providing access to capital.**

Why we do our work

We influence and advance how markets work on behalf of low-income people and those who serve them in partnership with practitioners, investors, policymakers and governments.

The way we do our work

We make bold social investments that are flexible, creative and responsive to unlock capital for the benefit of low-income people in cities, and demonstrate the role of strategic philanthropy in solving complex social problems.

2020 GOALS

Accelerate progress toward Program and Foundation wide strategic objectives

Leverage at least \$1 billion from other investors

Demonstrate "best in class" strategic philanthropy through the use of multiple capital tools

Recycle Foundation resources for future use



INCREASING CAPITAL SOURCES FOR COMMUNITIES

 Debt, Deposits, Grants

10-year loans to Community Development Financial Institutions, Development Finance Agencies and Credit Unions working in urban communities in areas of importance to one of Kresge's Programs.



STRATEGIC INVESTMENTS FOR PROGRAMS

 Debt, Equity, Guarantees, Grants

Investments that target a specific capital barrier in a sector relevant to a Kresge Program.



INVESTMENT CHANNEL/ AMERICAN CITIES PRACTICE

 Debt, Equity, Guarantees, Grants

Initiative to spur the development of mixed income communities and mixed use development in urban markets. Investments will have H.E.A.R.T elements (promote health; preserve equity for low income residents; be adaptive and resilient to climate changes; and have access to transit).



MISSION RELATED INVESTMENTS

 Debt, Equity

Market rate investments from the endowment that are focused on US urban markets and benefit low income individuals.

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