

# How can Community Foundations support new approaches to Social Investment?



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# New Orleans: 29 August 2005



# New Orleans Saints: 7 Feb 2010





## **How can Community Foundations support new approaches to Social Investment?**

- Community Foundations
- Capital Raising
- Entrepreneurial Granting
- Global Observations
- Social Lending
- Social Investment
- NZ Community Foundations as social investors



## What is a Community Foundation?

- An independent public charitable foundation, typically place-based, which enables individuals, families, like-minded groups or corporations to establish a charitable fund under its tax deductible umbrella.
- A community foundation seeks to build a permanent endowment of locally held funds to support local communities. The funds are dedicated to strengthening local communities, creating opportunities and tackling issues of disadvantage and exclusion.



# What do community foundations do?

## For Community

- Research community needs.
- Act as community convenor.
- Provide leadership that fosters collaborative endeavour.

## For Good

- Match donors who care with causes that matter.
- Model best practice in donor services and administration.
- Champion philanthropy.

## For Ever

- Build permanent base of funds for future generations.
- Honour long-term giving intentions of their donors.
- Promote long-term community vitality.

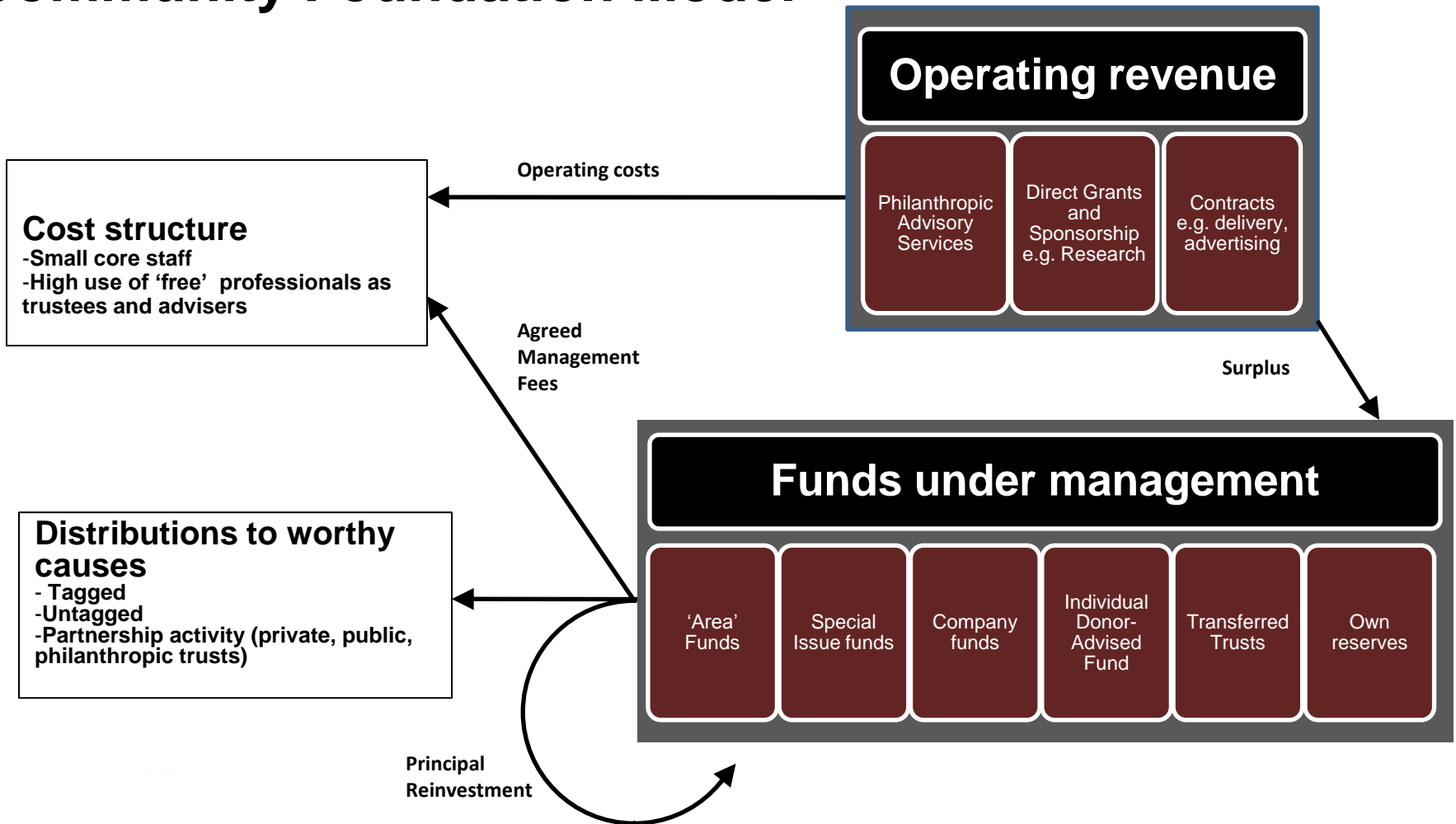


## Development of the community foundation movement

- One of the fastest growing forms of organised community philanthropy today.
- Locally-informed place-based giving.
- Started by US city of Cleveland in 1914.
- Today there are more than 1440 Community Foundations worldwide with US\$54bn under management.
  - over 700 in the USA
  - over 140 in Canada
  - over 50 in the UK
  - currently 8 in New Zealand (and 4 more in development)



# Community Foundation Model





## Capital Raising

- Bringing “new money” into the sector.
- Gateway to accessible philanthropy.
- Unique way to give to ‘place’.
- Accelerating fund development through pooling of capital.
- Creating a “community of donors” who are mutually supporting, informing and motivating.



Community Foundations are champions of philanthropy

“Philanthropy is the venture capital of social change”.

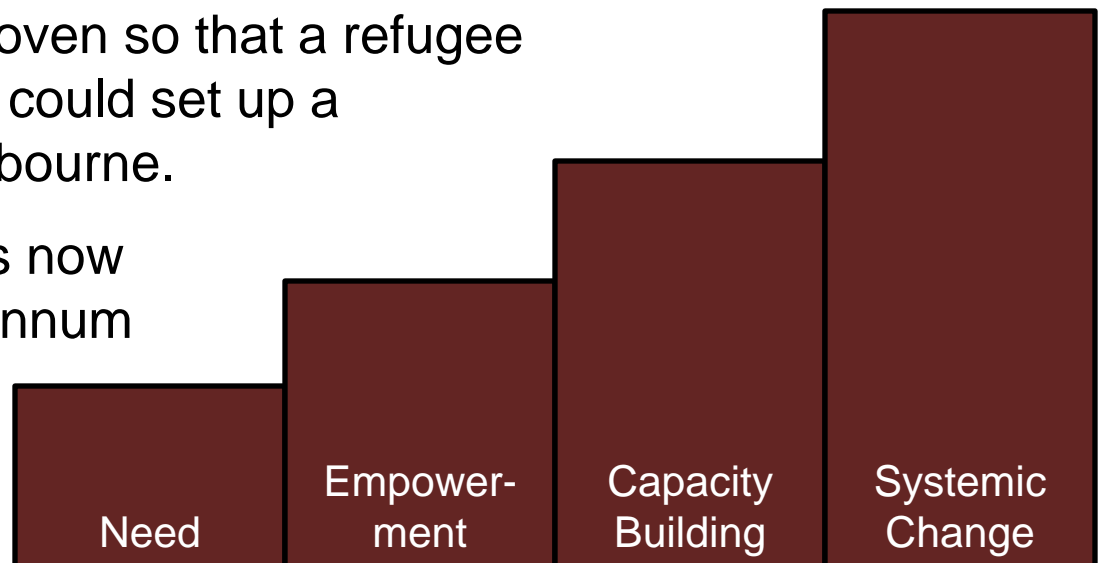


# Entrepreneurial Granting

Community Foundation donors are motivated by social justice issues and seeking to make social change.

## CASE 1: EastWeb Fund, Melbourne Community Foundation

- \$1400 for a commercial oven so that a refugee and new migrants group could set up a catering business in Melbourne.
- That catering business is now turning over \$800k per annum and providing food and income to the disadvantaged.





## Global observations on Social Investing

- Few Community Foundations have direct loan or investment operations.
- There is less take-up from CFs than traditional family foundations.
- In USA, many make loans through intermediaries notably, Community Development Financial Institutions (CDFIs) instead (*CDFIs are financial institutions which provide services to underserved groups*)
- There is usually a clear separation between granting and investment in Community Foundations.
- Investment strategies within community foundations tend to be quite conservative. Their investment arms appear to perceive these social investments as risky (whilst actually might not be the case).



## Social Lending

### CASE 2: “Meals, Wheels, and More”, Whistlestop, Marin Community Foundation

- Marin Community Foundation Loan Fund was established in 1989 as a complement to granting programmes. Now gives c.US\$10m per annum in loans.
- Whistlestop has 55 vehicles providing 148,000 rides to the elderly and people with disabilities (including 23,000 rides for people in wheelchairs).
- US\$165,000 loan to coordinate into a single state-of-the-art maintenance facility and administration centre led to *“much more reliable and faster service for riders”*.





## **Social Investment (PRI and MCI)**

### **Vermont Community Foundation**

- Broke the firewall between ‘granting’ and ‘investment’ with its “Five percent for Vermont Communities” plan in 2004
- 5% of endowment (US\$3.3m in 2004) invested into CDFIs (46%), community bonds (40%) and community based venture capital (14%)

### **Orange County Community Foundation**

- Initiated the OCCF Social Enterprise Loan Fund to guarantee bank loans to local schools and other high performing nonprofits.

### **Seattle Foundation**

- Purchased bonds supporting development of local senior housing.

### **Kalamazoo Community Foundation**

- Invested in local growth businesses to create jobs as well as affordable mortgages.
- US\$1m investment in grocery business in a minority neighbourhood.



# **NZ Community Foundations as social investors**

## **Positives**

- Inspired entrepreneurial donors focussed on social change
- Economics of the message (multiple impact not one-off grant)
- Breaks the need cycle of granting (builds sustainability and embeds business-like operation)
- New enough and flexible enough to change to fit NZ needs

## **Negatives**

- NZ Community Foundations very new and small
- Too small to have in-house expertise
- Image as granters could lead to repayment defaults

## **What can Community Foundations Do?**

- Support creation of New Zealand intermediary organisation(s)
- Invest portion of equity with these intermediaries where and when appropriate.
- Raise money for our endowments to provide “the venture capital of social change”



## More details

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