

# VIRGINIA IMPACT INVESTING ECOSYSTEM MAPPING

AUTUMN 2020

A SURVEY OF THE IMPACT  
INVESTING LANDSCAPE IN THE  
COMMONWEALTH OF VIRGINIA



Prepared By:  
Sean Bielawski  
Tatenda Mabikacheche  
Dr. Christine Mahoney

# ABOUT VIIF

## VIRGINIA IMPACT INVESTING FORUM

### A New Partnership

As of June 1, 2020, the Virginia Impact Investing Forum (VIIF) is now housed within Social Entrepreneurship at the University of Virginia, a program led by the Frank Batten School of Leadership and Public Policy. This new home provides the stability of a 200-year-old institution, the steady staff and student energy to support thought leadership and convenings, and the neutrality to support Virginia foundations, philanthropists, impact investors and community leaders as they learn together and develop opportunities to strengthen community development.

VIIF began in 2016 as a consortium of leaders from the academic, business, government, non-profit and foundation sectors dedicated to building the knowledge, profile and practice of impact investing in Virginia. SE@UVA and VIIF collaborated with the Governor of Virginia and the Secretary of Commerce's office to produce the Virginia Impact Summit, and have organized a number of follow-on convenings as well. Moving forward, the partners seek to support a range of public and private stakeholders as they advance impact investments in Virginia.

### A Big Agenda

In the first two years, VIIF and SE@UVA have plans to work together to perform an Impact Investing ecosystem survey across the Commonwealth, launch a new impact fund, offer Executive Education on Impact Investing and continue to host meetups that bring cross sector leaders together to support this work.

### VIRGINIA IMPACT INVESTING ECOSYSTEM MAPPING PROJECT

In the Summer of 2020, we launched the Virginia Impact Investing Ecosystem Mapping Project to establish a baseline of private capital committed to place-based investing in historically disinvested communities in Virginia, to provide an illustration of capital providers in the market, their priorities and investment focus areas, and to identify the needs of investors. We conducted phone surveys with foundations, grantmakers, CDFIs, impact investors and philanthropists throughout the region to learn about their impact priorities, strategies and needs.





# REPORT CONTENTS

## SECTION

- 1 LETTER FROM THE VIIF RESEARCH PROJECT ADVISORY COMMITTEE CO-CHAIRS
- 2 EXECUTIVE SUMMARY
- 3 GLOSSARY
- 4 RESEARCH METHODOLOGY
- 5 THE UNIVERSE OF IMPACT CAPITAL IN VA
- 6 SURVEY PARTICIPANTS CHARACTERISTICS
- 7 VIRGINIA PLACE-BASED IMPACT INVESTING BY THE NUMBERS



# REPORT CONTENTS

8

STATE OF IMPACT INVESTING IN VIRGINIA

8.1

UNDERSTANDING THE DEFINITION AND SEGMENTATION OF IMPACT INVESTING

8.2

MOTIVATIONS FOR IMPACT INVESTING IN VIRGINIA

10

IMPACT INVESTING IN 2020 & BEYOND

9

OVERALL VIEWS ON THE VIRGINIA IMPACT INVESTING ECOSYSTEM

11

COMMUNITY INVESTMENT SPOTLIGHTS

11.1

VIRGINIA FOODSHED CAPITAL

11.2

ALLAGASH OPPORTUNITY ZONE PARTNERS

12

MOVING FORWARD: HOW TO IMPROVE THE ECOSYSTEM





**VIIF**  
**OVERVIEW**

**LETTER FROM THE VIIF RESEARCH PROJECT  
ADVISORY COMMITTEE CO-CHAIRS**

\*

**EXECUTIVE SUMMARY**

# LETTER FROM THE VIIF RESEARCH PROJECT ADVISORY COMMITTEE CO-CHAIRS

**MATTHEW ILLIAN**  
Director of Responsible  
Investing at the United  
Church Funds

**CAROLINE NOWERY**  
Vice President, Director of  
Investor Relations at Virginia  
Community Capital

Impact Investing offers a box of tools to finance a more just and sustainable world. Yet, you will find in this report that capital allocators face many obstacles in deploying capital towards greater impact. While the lessons learned from this research may be surprising, we are excited to share this report because it offers an honest assessment of the challenges that lie ahead for all who are committed to advancing this work.

We know that those who control individual and institutional capital in Virginia would like to see their resources do more good. We also believe strongly that the work of the Virginia Impact Investing Forum and its new partnership with Social Entrepreneurship at the University of Virginia can help. We applaud the efforts of Sean Bielawski, Tatenda Mabikacheche and Christine Mahoney in developing this report. It will take the hearts, sharpened pencils and intentional capital of many more collaborators to advance the work.



## OUR MISSION

The mission of the Virginia Impact Investing Forum (VIIF) is to connect, educate and nurture a growing a network of impact investing stakeholders and practitioners across the Commonwealth. These like-minded advisors, investors, philanthropists, public and private sector stakeholders are intentional about investing for social good and financial return.



# EXECUTIVE SUMMARY

**DR. CHRISTINE MAHONEY**

**Director of Social Entrepreneurship at the University of Virginia**

The challenges facing us as a Commonwealth, as a nation and as a species are profound. To address them, we need to dramatically increase the resources to solve them. Government and non-profit interventions are critical in improving economic equity, advancing racial justice and responding to climate pressures. However, it is the private capital markets where we find the scale of capital needed to address the magnitude of the problems.



Impact investing aims to generate environmental and social impact while also achieving financial returns.

**Virginia is well-positioned to be a global example of what can be achieved when we align our money with our values.**



For the past decade, the Global Impact Investing Network (the GIIN) has been working to build the field, developing rigorous metrics, measurement and management tools, to help socially responsible investors assess which investments will return the greatest good. TONIIC and the Mission Investors Exchange, likewise, have held convenings and peer-to-peer learning opportunities across the country for the leaders in this space. Convergence launched a global network to advance the knowledge and practice of “blended finance” – combining philanthropic capital, with concessionary and market-rate investment capital to achieve out-sized impact and returns. The GIIN’s 2020 Annual Impact Investor Survey (the 10th in a decade of surveys) estimates the impact market size to now be \$715 Billion, and the Global Sustainable Investment Alliance estimates that the ESG market is \$30 Trillion today and on track to grow to \$50 Trillion in the next two decades.

Despite the global growth and sophistication of the sector, Virginia has not emerged as a global or national leader in this space. This is surprising considering the significant wealth held in the Commonwealth and the impressive history of philanthropy by foundations and private individuals.

In 2020, the Virginia Impact Investing Forum joined forces with Social Entrepreneurship at the University of Virginia to significantly scale up our support of impact investors, philanthropists, foundation staff, wealth managers and wealth holders that want to align their investments with their impact goals.





# EXECUTIVE SUMMARY

DR. CHRISTINE MAHONEY

**Director of Social Entrepreneurship at the University of Virginia**

This report is an important first step, and the first annual Virginia Impact Investing Ecosystem Mapping. As you will read, through desk research on 185 impact capital holders (community foundations, private foundations and CDFIs) and in-depth interviews with 44 of those organizations, we estimate that there is currently over \$19 Billion of impact capital that calls Virginia home (not including university endowments and family offices). In the past year, among 30 of our respondents, there was a little over \$230 Million dollars of impact capital deployed across the state and most of these organizations have already made plans to invest at least another \$222 Million in the coming year. However, based on our research, there are billions of dollars on the sidelines, capital held or managed by Virginians that is not yet being invested for impact. This is in addition to capital held by or managed for high net-worth individuals, pension funds, and university endowments have capital that could be deployed to impact investing projects across the state which we did not include in this wave of the research.

What we found in our research is promising.

## 1 Key Impact Areas

First, the thematic areas that were receiving the largest amount of attention among our impact capital interviewees are also the areas that we must tackle if we are going to create a more equitable and thriving Commonwealth: **Healthcare, Education and Housing.**

## 2 Growing Number of Impact Investors

Second, the trend is growing in Virginia, with more and more actors moving to make impact investments each year. Holders of impact capital recognize that they can have social and environmental impact alongside financial returns.

## 3 Celebrating Leaders

Third, respondents noted over a dozen foundations and community development financial institutions that they celebrated as being leaders in the state. **Virginia Community Capital's** work was highlighted by nearly half of the respondents. **Richmond Memorial Health Foundation** and the **Community Foundation for a Greater Richmond** both were discussed by a number of respondents who noted the remarkable impact they are having in the Richmond area.



# EXECUTIVE SUMMARY

DR. CHRISTINE MAHONEY

Director of Social Entrepreneurship at the University of Virginia

## 4 Barriers to entering impact investing

Fourth, a key takeaway from the research is that holders of impact capital see a need for networking, training and support. Many respondents noted that there are barriers to them moving their money to align with their values, including:

- Lack of professional development opportunities to learn more
- Lack of training and resources to introduce rigorous impact measurement and management to their work
- Limited public examples of success among those institutions with similar AUM or geographic focus.
- Inability to share knowledge of investment opportunities and collaboration to create innovative fund structures that pool together the limited resources where needed.
- Risk-averse, some combination of the above three reasons leaves institutions to have to bear a lot of risk if they pursue impact investing. Most foundations were created to last into perpetuity, and therefore their leadership teams are apprehensive to be the sole investor in place-based business or project.

Luckily, these obstacles are also concrete opportunities. Knowing the gaps is half the battle. VIIF and SE@UVA are committed to launching professional development trainings, sharing best practices from around the country, and creating frameworks for investors, philanthropists and community development professions to share investment opportunities and to work collaboratively to advance deals and unlock millions of dollars of new capital to improve the lives of all Virginians. We hope you will join us in this work.





**VIIF**  
**RESEARCH**  
**INFORMATION**

**GLOSSARY**

\*

**METHODOLOGY**



# GLOSSARY

**Assets under management (AUM):** The total market value of the investments that a person or entity manages on behalf of clients.

**Community Development Financial Institution (CDFI):** Private financial institutions certified by the CDFI Fund that provide financial services in low-income communities and to people who lack access to financing.

**Community foundation:** Grantmaking public charities that serve a specific local geographic area, using funds from individuals, families, and businesses to support nonprofit organizations in their communities.

**Concessionary returns:** Expected return on a financial gain that sacrifices financial gain for a social or environmental benefit.

**Environmental, Social, and Governance (ESG) investing:** A form of responsible investing that takes into account environmental, social, and governance factors.

**Health conversion foundation:** Foundations formed when a nonprofit hospital, health system, or health plan is acquired by a for-profit entity or converted to for-profit status.

**Impact capital:** Any capital (equity investment, debt investment, grant, etc.) deployed in the community for a social or environmental gain.

**Impact investment:** Capital deployed for a social or environmental gain with the expectation of some financial return.

**Market rate returns:** Expected return on a financial gain that is readily accepted by borrowers, lenders, or investors, dictated by the risk level associated with the transaction.

**Paris Agreement:** The climate accord signed by 195 countries in 2016 within the United Nations Framework Convention on Climate Change, dealing with greenhouse-gas-emissions mitigation, adaptation, and finance.

**Place-based impact investing:** Investing that centers on local or otherwise geographically selected companies and projects, aiming to bring social and environmental benefits, alongside financial returns, to that area.

**Private foundations:** A foundation funded and controlled by an individual, family, or corporation that must pay out at least five percent of its assets each year in the form of grants and operating charitable activities.

**Socially responsible investing (SRI):** An investment strategy that considers social and environmental benefit alongside financial returns.

**United Nations Sustainable Development Goals (SDGs):** The world's shared plan to end extreme poverty, reduce inequality, and protect the planet by 2030. The 17 specific impact areas were adopted by 193 countries in 2015.

# RESEARCH METHODOLOGY

This report captures data on 185 holders of what we refer to here as “impact capital” – that is foundations with a social mission, CDFI’s with a social mission, angel investors focused on place-based investing, etc. Not all of the assets under management of these holders of “impact capital” are being invested for impact. We wanted to identify all the capital in Virginia that have a mission of positive social impact, and determine how much of their capital they were currently employing for impact through grants and investments and how much of their capital was not yet being proactively deployed through socially responsible investing, ESG investing and impact investing.

Of those 185 holders of “impact capital” we conducted interviews with 44 investors, foundations and impact professionals through phone and Zoom video-based surveys conducted during the months of June, July, and August 2020. Respondents answered questions regarding their investing activities and their views on both the impact investing ecosystem as a whole and, specifically, the impact investing ecosystem in Virginia.

## Respondent Database

The VIF research team compiled a database of 185 potential respondents that were holders of “impact capital”, which was built through a variety of sources. For all investor types, personal networks from both the Research Project Advisory Committee and the Board were consulted. The Research Team located Community Development Financial Institutions (CDFIs) through CDFI.org, the Opportunity Finance Network, and Bank of America’s CDFI list and locator tool. To identify opportunity zone funds, the team drew from a database maintained by the National Council of State Housing Agencies. Foundations were located through research and services available on The Grantsmanship Center, The Foundation Center, and the Mission Investors Exchange websites. For the private equity, angel investing, and venture capital firms, the Research Team consulted the website for Virginia’s Center for Innovative Technology (CIT Gap funds) and personal networks. The team surveyed wealth advisors and high net worth individuals in Virginia based on the personal networks of the Research Project Advisory Committee.

Email requests were ultimately sent to 104 potential respondents, eliminating organizations that had previously participated in a VIF survey and other opportunity zone funds or private foundations headquartered in Northern Virginia who primarily invest outside the state. The interviews were conducted in three waves: the first consisted of the wealth managers, high-net worth individuals or Board recommended contacts and CDFIs. The second round of interview requests was sent to community foundations and venture capital firms. The final round was with private foundations, and other select individuals that had been recommended to us during the interviews.



# RESEARCH METHODOLOGY

To construct the survey, the team first assessed the goals as laid out by the Research Project Advisory Committee. The team then reviewed the questionnaire from the annual survey conducted by the Global Impact Investing Network (GIIN) and decided which questions to include that would provide a comparison between the global ecosystem and Virginia. We spoke with a member of the GIIN research team to learn more about their response rates and other comments around the data gathering process which also helped inform what questions we used from their annual survey. We customized some questions to better suit the local impact investors given that GIIN's survey is structured more to gather data from national and global investors. Having compiled the questions, we conducted our first two interviews with members of our Research Project Advisory Committee who were at some of our target institutions. We utilized the run-through to get comments that helped us finalize the interview script. The interview protocol is included in the Appendix.

**Data Accuracy.** While the Research Team collected background information on survey respondents, all information in this report comes from responses given during the phone or Zoom surveys. We sent interview invitations to 104 of the organizations in the database we compiled mapping the universe of impact capital in Virginia. Our response rate was 42.3% with 44 organizations represented.







**VIIF**

# **VIRGINIA IMPACT INVESTING STATISTICS**

**THE UNIVERSE OF IMPACT  
CAPITAL IN VIRGINIA**

\*

**SURVEY PARTICIPANT  
CHARACTERISTICS**

\*

**PLACE-BASED IMPACT INVESTING  
BY THE NUMBERS**

## VIRGINIA HEADQUARTERED GRANT-MAKING ORGANIZATIONS

Source: Foundation Center

# \$63B

TOTAL ASSETS

# \$4B

TOTAL GIVING

# \$7B

AMOUNT FUNDED

# 209K

TOTAL GRANT  
COUNT

## THE UNIVERSE OF IMPACT CAPITAL IN VIRGINIA

Foundations possess a unique set of skills and experiences in community development which may make them prime candidates for impact investing. All foundations have impact capital at their disposal that can be devoted towards impact investing. According to the Foundation Center, there are nearly 3,800 grantmaking organizations located in Virginia with a combined total AUM of nearly \$65 Billion with nearly \$4.5 Billion in total giving based on their last filed 990 reports. Between 2003 to-date, these institutions have deployed nearly \$8 Billion on about 210,000 grants. Of the total grantmaking organizations, 725 organizations are listed as having actively accepted applications this year. Looking at this active subset alone, these organizations account for the majority of the investment activity in Virginia. Since 2013, the 725 organizations have deployed a combined total of nearly \$3 Billion supporting about 113,000 grant projects.

Given such numbers, there seems to be a substantial amount of capital in Virginia that, if not already, could be activated for traditional impact investing. However, for various reasons, few of those that we spoke with are pursuing place-based impact investing.

We created a database of 185 organizations in Virginia who we believe may be actively deploying impact capital across the state. The database is set up as one we intend to build upon in future research by making this the first of an annual survey of impact investors in Virginia. We did not include all the grant-making organizations in Virginia in our database for this survey because many of the organizations headquartered in Northern Virginia do not deploy much capital within the state.

Some universities in Virginia have fairly large endowments with funds that could potentially be diverted to seeking impact alongside the financial returns. However, we did not speak to these institutions in this survey. Based on reports from 2018, there is nearly \$20 Billion in capital among the 35 university and college endowments in Virginia. Seven of which have over \$1 Billion in funds. In the past year, the University of Virginia's endowments recorded an all-time high of over \$9 Billion in funds and to our knowledge, there is no robust impact investing strategy that is being employed by the university at the moment.

Some high-net worth individuals in Virginia deploy their capital through the foundations that were surveyed. We were not able to establish a reasonable estimate of funds being managed by wealth managers across the state for high net worth individuals. However, in our survey, several respondents remarked that there is a substantial level of wealth that exists in Virginia (some of which was secured through the state's industrial revolution economic booms in the oil, coal, tobacco, and railroad industries). There is great potential for more funds within the state to be activated and deployed more towards impact investing to support place-based projects.

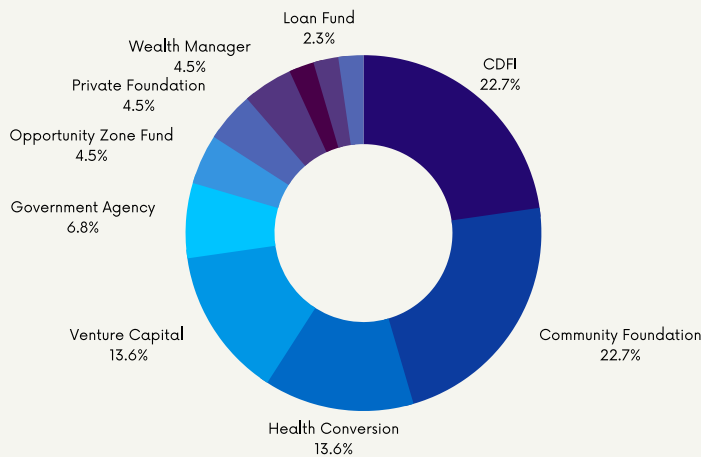


# PARTICIPANT CHARACTERISTICS

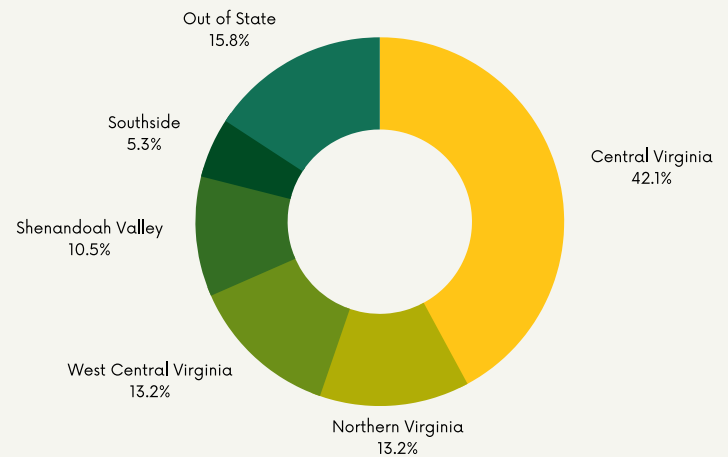
## Organization Type & HQ Location

The VIIF team conducted interviews with 44 respondents, which included 10 community development finance institutions (CDFIs), 10 community foundations, six health conversion foundations, six venture capital VC firms, three government agencies, two opportunity zone (OZ) funds, two private foundations, two wealth managers, one loan fund, one private equity group, and one other community development leader. Sixteen respondents are headquartered in Central Virginia, six out of state, six in Hampton Roads, five in Northern Virginia, five in West Central Virginia, four in the Shenandoah Valley, and two in the Southside.

### Organization Type



### Headquarters Location



## Overall Organization Investment Strategies: Geographic Activity & Sector Focus

Of the respondents, nine focused their investment activity exclusively in Central Virginia, six in Southwest Virginia, seven Hampton Roads, five in Northern Virginia, five state-wide, three in the Shenandoah Valley, two in multiple regions, three nation-wide, and two in Southside Virginia. One item to highlight is that while organizations may be deploying capital in a particular region, in certain instances, the organization is not physically headquartered in that region. For example, none of the respondents interviewed were physically headquartered in Southwest Virginia, but multiple organizations focused their efforts in that region.

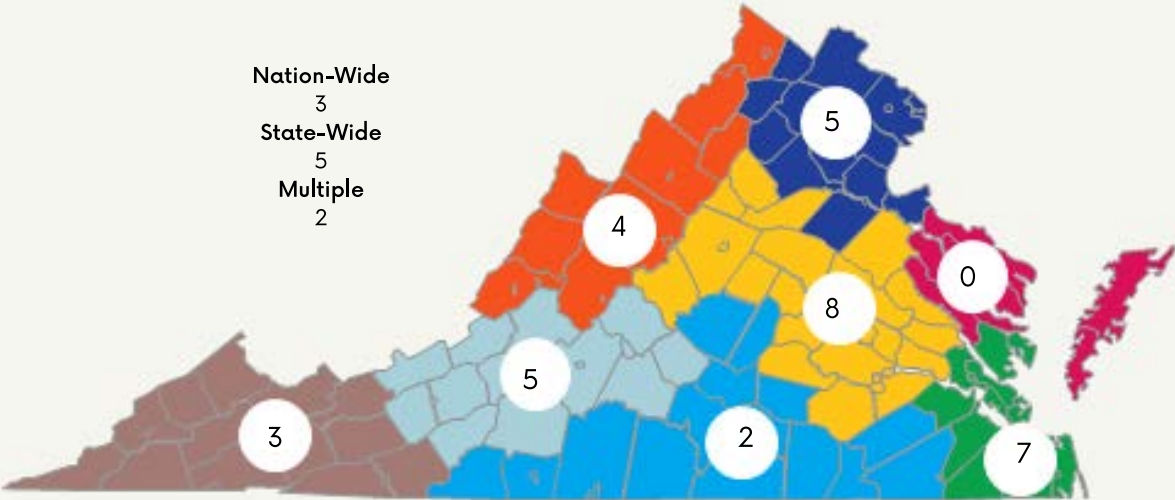


# PARTICIPANT CHARACTERISTICS

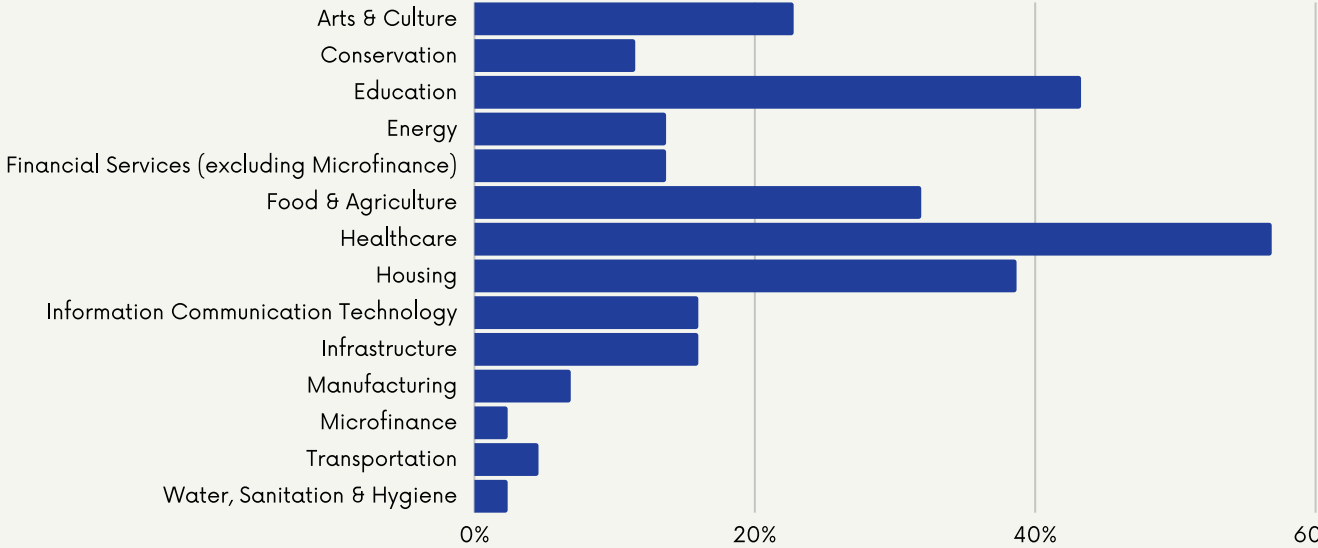
## Overall Organization Investment Strategies: Geographic Activity & Sector Focus

Firms surveyed focused on a variety of sectors, with more than half of respondents active in healthcare, over 40% active in education, 39% active in housing, and just over 30% involved in food & agriculture.

**Investment Region**



**Organization Sector Focus**





# \$5 BILLION

ESTIMATE TOTAL ASSETS UNDER MANAGEMENT

# 911

TOTAL IMPACT DEALS  
LAST YEAR

# \$230 MILLION

TOTAL INVESTED LAST YEAR

# \$222 MILLION

TOTAL PLANNED INVESTMENT NEXT YEAR

## VIRGINIA PLACE-BASED IMPACT INVESTING BY THE NUMBERS

**AUM Devoted to Impact.** Among the respondents we spoke with, 36 provided details about the assets under management. Combined, they made up nearly \$5 Billion of assets. There was a wide range of organizations, with some having less than \$500 Thousand in assets and the largest organization with over \$4 Billion. The respondents were divided, with half indicating they were very actively investing their portfolios for impact and the other half not actively committing their endowments to responsible investing. On average, 53% of the assets under management by the respondents are devoted to impact investing.

One of the respondents noted with regards to their capital structure that, "The endowment has a lot of investment in tech, real estate and some international investments that hedge against the economic downturns. We have the portfolio quite diversified. Our main goal is to make a return on investments and maintain the endowment in perpetuity."

By and large, the foundations don't have much control on what their funds are invested in. Most foundations spend well below that average, since most only disburse the 5% required by the IRS and the rest of their AUM is stuck in endowments managed by outside investors who typically devote none or a small portion of those assets to impact investing, socially responsible investments or ESG investments. Given our estimate that there is over \$4 Billion in AUM among community and healthcare conversion foundations, there is a substantial amount of capital sitting on the sidelines that could be moved to impact investing if these institutions were to direct more of the funds in excess of the 5% mandate to responsible investing.



# \$5 BILLION

ESTIMATE TOTAL ASSETS UNDER MANAGEMENT

# 911

TOTAL IMPACT DEALS  
LAST YEAR

# \$230 MILLION

TOTAL INVESTED LAST YEAR

# \$222 MILLION

TOTAL PLANNED INVESTMENT NEXT YEAR

## VIRGINIA PLACE-BASED IMPACT INVESTING BY THE NUMBERS

**Impact Deals.** Out of the 29 organizations that were able to provide data on the number of impact deals they made last year, a total of 911 deals were done supporting projects in communities across the Commonwealth. As highlighted in the glossary, for the purpose of this survey, grants are considered within the definition of impact capital being deployed across the state. Therefore, impact deals referred to here include grantmaking activity.

About 8% of the impact deals recorded were made through CDFIs and one healthcare conversion foundation also made up nearly 8% of the total number of deals. Most of the impact deals, over 80%, of the reported deals were made by community foundations. Among the 9 community foundations, which had 780 impact deals in total, three of them accounted for over 60% of the grants and impact investments made in the last year.

Five of the Venture Capital organizations had made impact deals, so did a couple of the wealth managers clients and the opportunity zone funds. Among these impact deals are innovative models of impact investing employed by organizations such as the VA Foodshed Capital and Allagash Opportunity Zone Fund. In this report, under the Community Investment Spotlights section we have detailed an example of the deals that these two organizations have done.





**VIIF**

# **STATE OF IMPACT INVESTING IN VIRGINIA**

**UNDERSTANDING THE DEFINITION AND SEGMENTATION  
OF IMPACT INVESTING**

\*

**YEAR OF FIRST IMPACT INVESTMENT**

\*

**IMPEDIMENTS TO ENGAGING IN IMPACT INVESTING**

\*

**MOTIVATIONS FOR IMPACT INVESTING IN VIRGINIA**

\*

**APPROACHES TO FINANCIAL & IMPACT RETURNS**

\*

**VIRGINIA ECOSYSTEM COMPARISONS**

\*

**INDICATORS OF MARKET GROWTH**

\*

**SENTIMENTS ON THE VIRGINIA IMPACT INVESTING  
ECOSYSTEM**

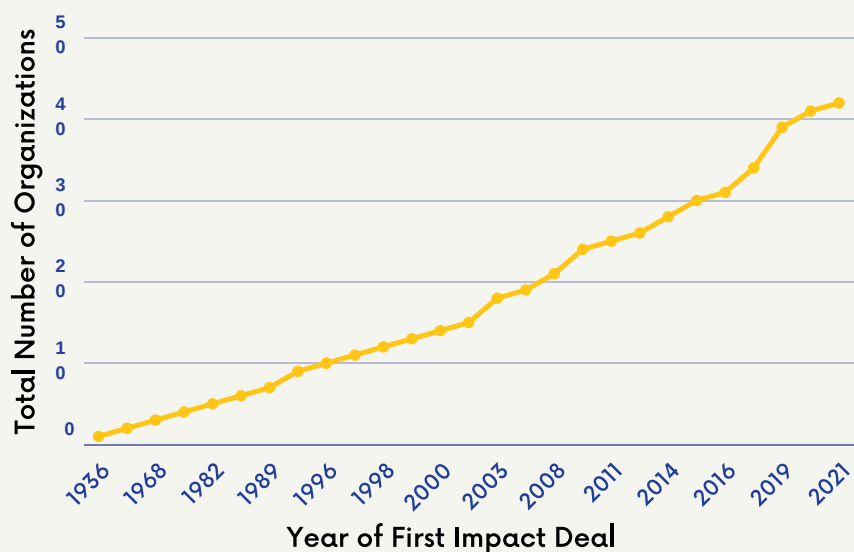
# DEFINITION AND SEGMENTATION OF MARKET

Though most mentioned that there has been progress made, there is no consensus across stakeholders in Virginia around the definition and segmentation of the impact investing market. In our research, we provided respondents with a broad definition of impact investing including forms of impact capital such as grants and loans. With community impact as a core tenet for their founding, for many years, many community foundations and CDFIs have been engaged in activities deploying capital in Virginia for particular place-based projects. However, few have adopted impact investing, seeking both robust financial and along with the impact returns for the capital they have deployed in the communities. In our interviews, a number of organizations noted that they are starting to consider the viability of pursuing intentional impact investing. For community foundations, this may mean deploying more capital beyond their 5% IRS mandate devoted to impact or ESG or socially responsible investing.

We asked a question to all participants to gauge whether they are presently seeking concessionary or market rate returns for the funds they disburse. Among the 29 who responded to the question, eleven had over 75% of their capital seeking market rate returns and 12 were primarily working with concessionary capital. Almost all of the CDFIs loans go out below market rate, some ranging between 6.5% to 12.5% interest rates.

# YEAR OF FIRST IMPACT INVESTMENT

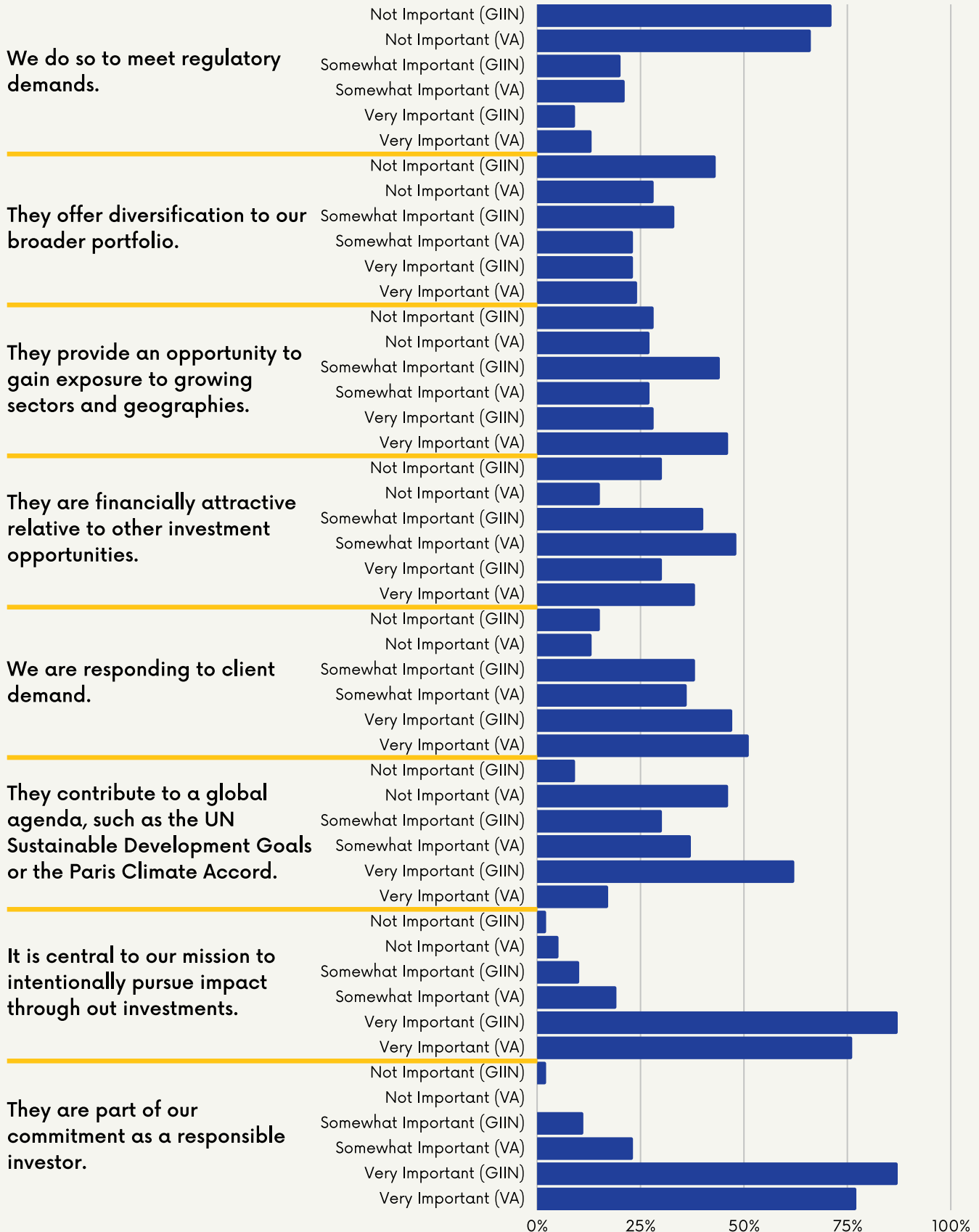
Various community development impact financing organizations have been in existence for many years. Most organizations we spoke with were not explicitly engaging in impact investing beyond loan disbursements or grants. In the past seven years, a number of organizations have commenced their engagement in impact investing. Healthcare conversion foundations are one of the newer types of organizations that have made a notable impact on communities within a short period of existence. Some of them have significant amounts of capital at their disposal which has made it substantially easier for Directors to engage their Board in conversations around impact investing and the potential of pursuing more innovative deals or fund structures beyond their traditional grantmaking activity. Of the few respondents that had made equity or equity-like debt impact investments, they have only begun doing so within the past few years.





# MOTIVATIONS FOR IMPACT INVESTING

## Motivations for Impact Investing (GIIN Global Survey Compared to Virginia)



# IMPEDIMENTS TO IMPACT INVESTING

Among the foundations, many referenced the Virginia Community Capital as the main vehicle through which they engage in impact investing. With the support of Locus, foundations whose boards are seriously considering devoting some funds to seek both financial and impact returns, the executives have been able to learn more about the nuances surrounding impact investing deals. Some of the major obstacles for those not engaged in impact investing are:

- Lack of professional development opportunities to learn more
- Limited public examples of success among those institutions with similar AUM or geographic focus
- Inability to share knowledge of investment opportunities and collaboration to create innovative fund structures that pool together the limited resources where needed
- Risk-averse, some combination of the above three reasons leaves institutions to have to bear a lot of risk if they pursue impact investing. Most foundations were created to last into perpetuity, and therefore their leadership teams are apprehensive to be the sole investor in place-based business or project.

# MOTIVATIONS FOR IMPACT INVESTING

A majority of the respondents we spoke to already have an inherent focus on making a social impact. On the other hand, there seems to be a lack of awareness or skepticism around the financial returns that can be derived through impact investing. The most common motivation for making impact investments among respondents was out of commitment to be a responsible investor and because intentionally pursuing impact through investments is central to most of the organization's mission.

Many investors were not at all motivated by regulatory demands or international agreements such as the Paris Accord. Given that many of our respondents were community foundations, exposure to different geographies was not a big motivator because most were already most communities within their region of mandate.

Relative to the results from the latest GIIN survey, Virginia impact investors are more motivated by clients demands relative to national and global focused investors. More than the investors surveyed by GIIN, Virginia investors find that impact investments are financially attractive to them relative to other investments and they diversify their broader portfolio.

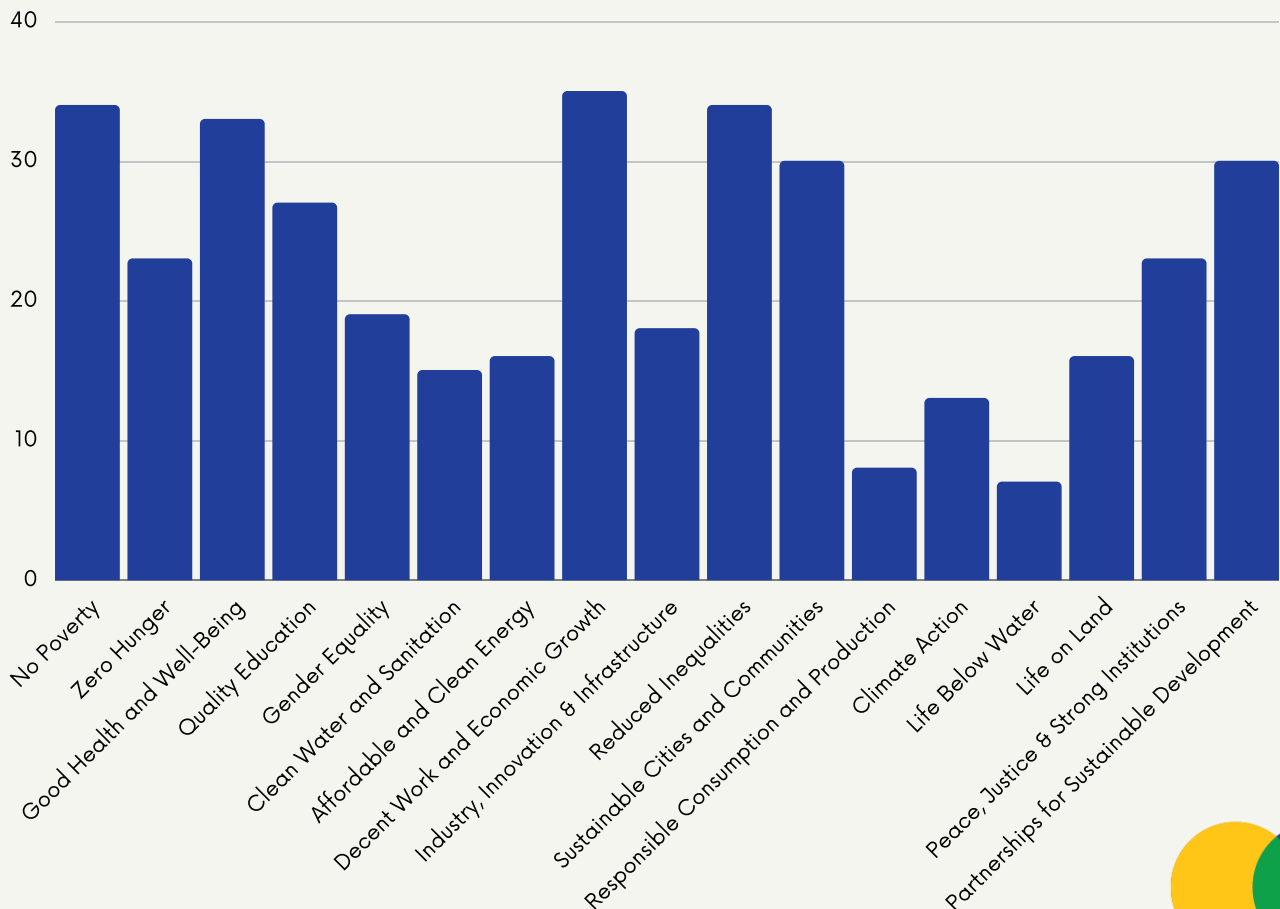


# APPROACH TO FINANCIAL IMPACT & RETURNS

**Tracking US place-based activity to global impact investing standards.** Few place-based impact investors had considered their work as contributing to a global agenda such as the United Nations Sustainable Development Goals (SDGs). In the Global Impact Investing Network's research, similar observations were made regarding US domestic-market investors being less motivated by the UN SDGs, Paris Climate Accord, or other international agreements that the United States has signed. A majority of our respondents had never heard of the UN SDGs. Among the nearly 70% who were aware of the SDGs, most had not been able to find ways to incorporate the SDGs into their community impact measurements, or they simply chose to forego utilizing them primarily due to the operational limitations imposed by the small sizes of their teams. While nationally and globally, the SDGs have become a prominent framework for impact target setting, it is unclear whether these will also gain any traction in place-based investing in Virginia.

Organizations that were newer or had smaller amounts of assets under management expressed that they did not have the bandwidth to conduct robust impact measurements. When we walked through the impact themes in the UN SDGs, some respondents remarked at the levels of alignment with the goals and some suggested they would do some further research to try incorporate the goals. The most prominent thematic impact areas that respondents were focused on are: good health and wellbeing; poverty reduction; alleviation of hunger; provision of decent work and economic growth; creating sustainable cities and communities; reducing inequalities; and leveraging partnerships for sustainable development.

**Sustainable Development Goals Theme Alignment**



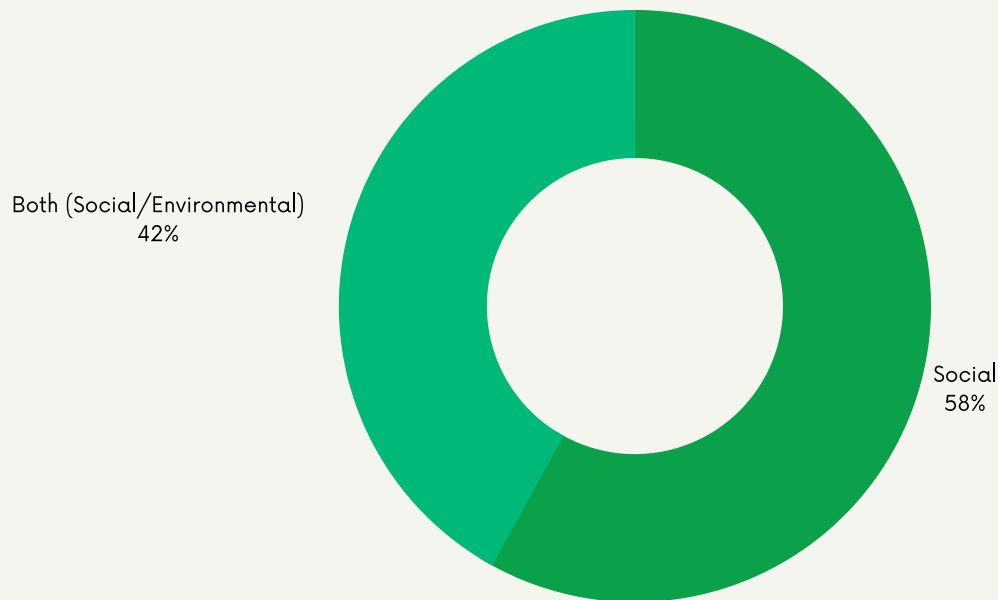
# APPROACH TO FINANCIAL IMPACT & RETURNS

## Driving better economic outcomes through place-based social impact management.

A number of organizations stated that within their sectors of focus, an underlying objective is to promote workforce development and improve economic outcomes for their surrounding communities. Most of the investments in Virginia are deliberately focused on social impact objectives. About 42% of the organizations stated that they focused on both aspects but most acknowledged that the environmental objective was only a small portion of their work.

Among those doing environmental work, the type of projects described range from investing in alternative energy sources, preserving the vitality of life below water, land conservation, and advocating for climate action. Organizations in Appalachia and Hampton Roads regions are most active in seeking environmental impact. Given the increased damage Appalachia has suffered from fossil fuel extraction and increased pressure the coastal regions feel from sea level rise, many of the organizations in the Hampton Roads area were supporting projects related to conservation or housing. Of the organizations we connected with two had an almost entirely environmental primary impact objective focused on conservation and clean energy respectively.

### Primary Impact Objectives

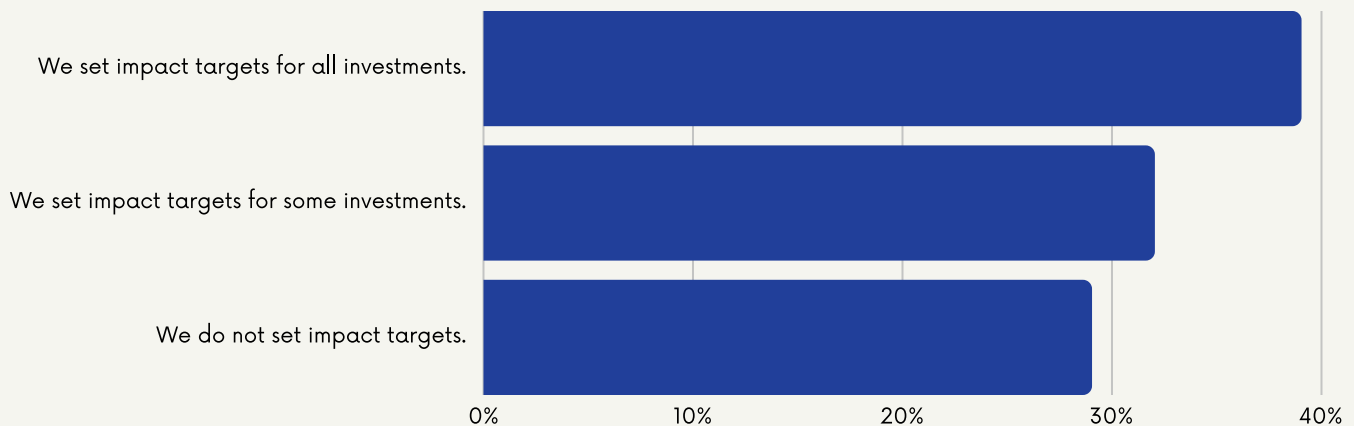




# SETTING IMPACT TARGETS

Overall, about 70% of organizations set impact targets for their investments. Among those who set targets for their performance, only 39% do so for all their investments, which means a majority of investors are not explicitly imposing impact targets on their investees or systematically holding their teams accountable for the impact outcome of every investment. When asked why they set impact targets for their performance, most respondents highlighted that the targets informed their investment decisions or their overall social or environmental management. In the 2020 GIIN Survey, they found that a large share of the US focused investors actually utilized the SDGs in setting their impact targets.

## Intentionality in Impact Measurement & Management



# PROGRESS ON INDICATORS OF GROWTH

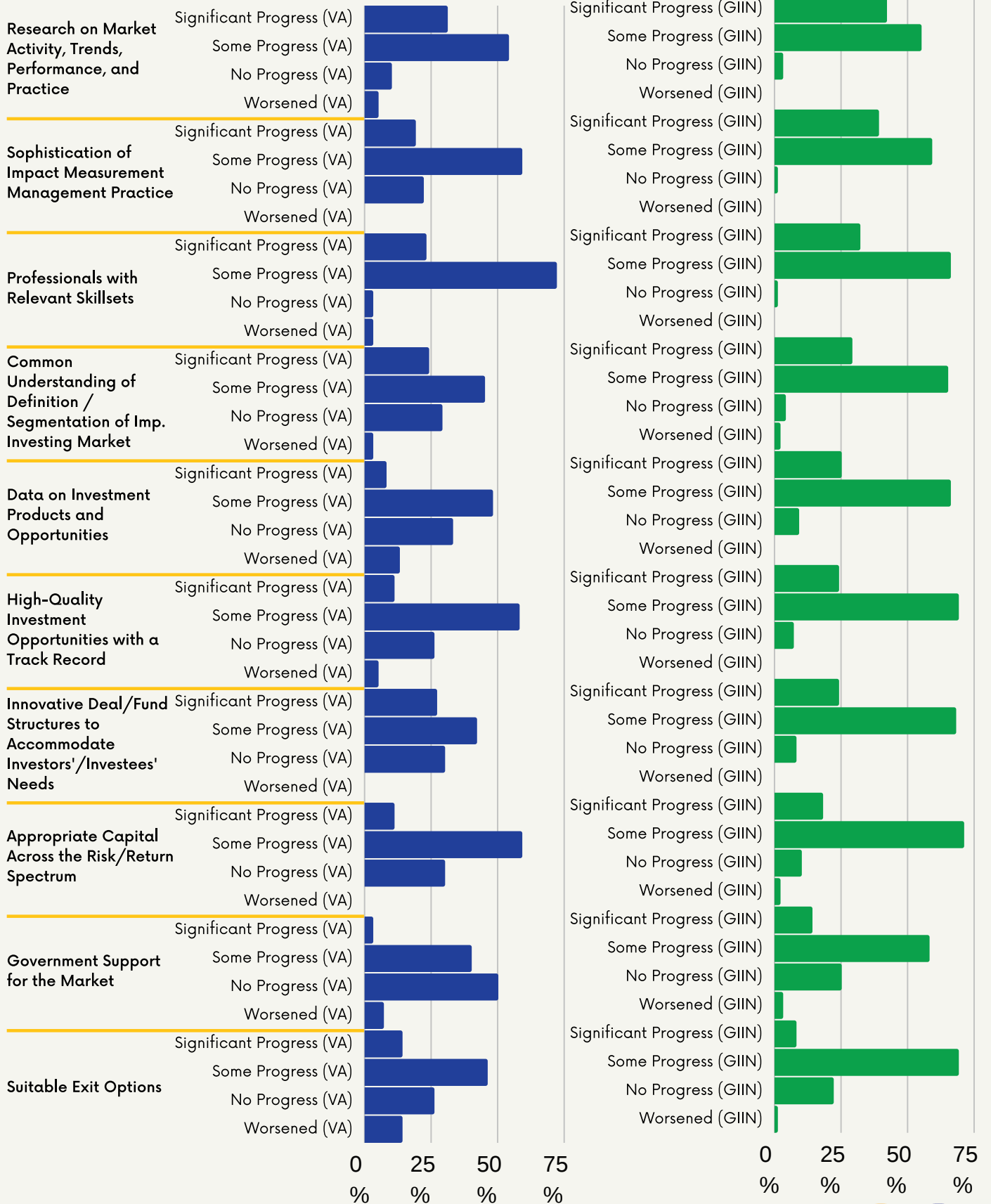
Impact measurement and management practices generally are not implemented in a structured manner for most investors across the state. Respondents mostly utilized proprietary metrics or were aligned with quantitative measures imposed by national governing bodies or associations within their respective organization type. None of the organizations we interviewed explicitly utilized standardized impact investing specific metrics such as IRIS that was developed by the Global Impact Investing Network. Some mentioned that they had consulted a few external frameworks or tools, or considered other tools aligned with specific industry standards.

Similar to the findings in this year's GIIN survey, many of the respondents did not regularly compare impact performance with peers. There was some interest in finding simple educational resources and opportunities that could allow stakeholders to better leverage each other to shape impact measurement and management practices for organizations across the state.



# PROGRESS ON INDICATORS OF GROWTH

## Progress on Indicators of Market Growth within the Impact Investing Industry



# SENTIMENTS ON THE STATE OF IMPACT INVESTING IN VIRGINIA

Among all 44 respondents, only three stated that they felt “Very Well Connected” to other impact investors within the state. Eight mentioned that they were “Not at All Connected” while the majority, 75% felt “Somewhat Connected.” That is reflective of the broad consensus among respondents that work is occurring in the impact investing ecosystem, but it has a sufficient runway for growth and to improve. A few common themes emerged when respondents described the impact investing system within the state.

**Emergent.** Multiple respondents described the ecosystem as “emerging” or “nascent.” Several of the investors who deploy capital nation-wide noted that Virginia’s ecosystem is as healthy as any other state. One respondent noted that the positive developments within the ecosystem should be better known. “I think shining a bright light on the success stories is key,” the person said. “I think we have a healthy ecosystem, but it needs to be highlighted.”

**Segmented.** One respondent noted that there has been a growing emphasis in impact investing within smaller foundations. Several other respondents expressed a sentiment that the ecosystem in Virginia is splintered. One mentioned that there was segmentation across geographies, sectors, and the returns spectrum. Part of that segmentation may be due to a lack of a common language around impact investing. Regarding geographic segmentation, a few respondents noted the specific needs in the different regions across Virginia. The needs of Central Virginia, Northern Virginia, Hampton Roads, Southside, Southwest Virginia, the Shenandoah Valley, and Appalachia are each distinct and unique. One respondent noted that the western part of the state can be overlooked.

**Hesitant.** Multiple respondents noted the disconnect between rhetorical support for impact investing and getting involved in impact investing, particularly among impact investors looking for a specific financial return. Others who have tried to provide innovative solutions during a turbulent time where access to capital is essential for business survival have found it difficult to raise private capital. Another noted the need for diversification across the risk spectrum in the returns investors seek.

**Disappointing.** Still, other respondents were more down on the current state of the ecosystem. “I think it is way behind,” one respondent noted. Another noted the affluence of the state does not match the level of impact investing. One respondent combined the sentiments of an emerging ecosystem with one that remains fragmented.



# SENTIMENTS ON THE STATE OF IMPACT INVESTING IN VIRGINIA

## DIRECT QUOTES FROM RESPONDENTS

### Emergent

"It is nascent. It's there. It is unorganized. At least in Central Virginia, it is institutionally ignored. I don't see the big groups doing this in a meaningful way."

"In a four-lap race, we are still on the first lap. We are not in the second lap yet. Foundations have been slow to move, healthcare foundations have a lot of concerns, wealth advisors have to learn a lot. We are  $\frac{3}{4}$  of the way through the first lap. A lot will depend on what happens with COVID. COVID will either motivate people or people will get more risk-averse."

"I would say within the past five years, there has been quite a bit more emphasis, particularly in the foundation world, on impact investing. That is primarily because of Virginia Community Capital. I think there is still a great deal more to be done, particularly to help smaller scale foundations that don't have the kinds of resources but still have the ability to find some tools to be useful in the community. Some of that is starting to emerge, but I think that is an area that is underdeveloped."

"I think there are very committed actors in various places who are all doing their best and all recognize the importance of working better together and more as a system. I think it is going to take a lot of work to make that happen."

### Segmented

"There is clearly not a clear definition or agreement on what impact investing is yet in Virginia."

"I think the efforts are somewhat disjointed, and I think it comes back to that universal language to think about the work to help drive unity to move the work forward. I feel like CDFIs are a little hesitant to get swept up in the movement when there are issues or concerns around impact washing and folks who are just adding a label of impact to anything they are doing creating jobs."

"Many investors have not really spent time in the west or south. There is an unwillingness of those in the eastern part of Virginia to spend more time in the west. There is condescending language around the west."

"I do think there is a bit of a bifurcation, and for me specifically, it tends to run into VCC and LOCUS, which is this elephant in the room. There's no middle market for it in Virginia."





# SENTIMENTS ON THE STATE OF IMPACT INVESTING IN VIRGINIA

## DIRECT QUOTES FROM RESPONDENTS

### Hesitant

"My board is made up of very sophisticated business people, but when you talk about combining government, private philanthropy, and you start to talk about financial return, everyone gets jittery as all get out."

"There are a lot of people interested in being helpful but few who want to put their boots on the ground."

"I would say that I continue to be intrigued but disappointed. The disappointment is related to recognizing that there are some impact investments that can bear a modest or even a significant return but then there are others that can't. I need low interest capital to make it work. Although I hear support for work that our organization does, I have yet to see the support through the impact investing avenue for that work. Back to diversification of investments, I'd like to see diversification not just from a risk analysis but from a returns perspective. The type of work that we do, the capital just isn't there."

### Disappointing

"I think it is pretty weak. The commonwealth has, relative to the nation, a pretty high level of corporate affluence... but is not competing when it comes to impact activity."

"There is no unified impact investing network in place at the moment. I think it could get there at some point. It's not there now."

"[Virginia is] a quarter to a third of the way there to whatever the ultimate goal is. There is good knowledge about impact investing. It remains fragmented and not sufficiently connected to one another. I think the amount of capital in impact investing is small relative to its capacity and the pressing need."





**VIIF**

# **COMMUNITY INVESTMENT SPOTLIGHTS**

**ADDRESSING RACIAL INEQUITIES IN VIRGINIA**

\*

**COVID-19: HELPING COMMUNITIES  
NAVIGATE LIFE & BUSINESS AMID A GLOBAL  
PANDEMIC**

\*

**ORGANIZATIONS DOING NOTABLE WORK IN  
VIRGINIA**

\*

**CASE STUDY: VIRGINIA FOODSHED CAPITAL**

\*

**CASE STUDY: ALLAGASH OPPORTUNITY ZONE  
PARTNERS**

\*

**MOVING FORWARD**

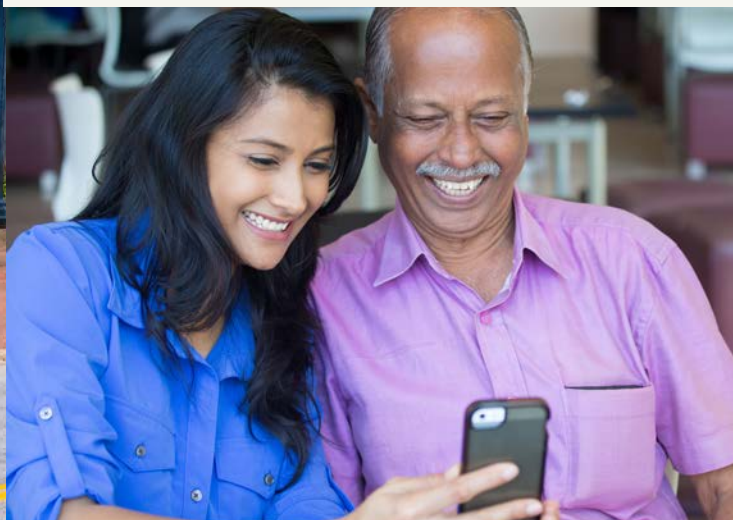
# ADDRESSING RACIAL INEQUITIES IN VIRGINIA



Given the racial justice protests that transpired in June across America including in the Commonwealth of Virginia, we chose to observe whether organizations we spoke with gave any particular mention to work focused on promoting racial equity. Only 15 organizations explicitly address this matter. Among these organizations, some key themes were mentioned regarding how impact investors can better promote racial equity and recognize systemic challenges. The main points highlighted emphasized the value in:



- Setting explicit impact measurement and management strategies that better assess support given to minority communities
- Promoting wealth-building through promotion of financial education and paths to home-ownership
- Inclusion of beneficiaries voice in investment decisions
- Diversifying teams and providing adequate training to safeguard from biases
- Intentional investing in black-owned businesses





# ADDRESSING RACIAL INEQUITIES IN VIRGINIA



"Our goal is that we want to save our members money. We want to enhance their lives and increase their buying power. Increasing their buying power, we don't take that lightly. Our biggest investment is we are making everybody financial counselors. Everyone in our staff will be a financial counselor. That is a big investment. We are going through an organization that is paying a portion of that, which is really good, but we are completely invested toward sitting down with people, whether virtual or face-to-face, and just talking to them about their finances. In the next few years, it is going to be more important than anything. I am invested to give people the tools to be financial counselors and put out products that people will be attracted to. That is my commitment in the next few years to put our footprint in the community. I have a member that came in to open an account, she was 65. When we looked at her credit, she had nothing. No financial institution sat her down and said, "Hey, Ms. Smith, you should do this." There are so many things that we are not doing as a financial industry.

**CDFI Executive Director**





# CORONAVIRUS (COVID-19)

HELPING COMMUNITIES NAVIGATE LIFE &  
BUSINESS AMID A GLOBAL PANDEMIC



The COVID-19 pandemic exposed the vulnerabilities of societies and communities across the globe, and Virginia is no exception. One survey respondent noted about the pandemic,

**“I think it has made absolutely central the overwhelming strategic imperative of the work while simultaneously slowing progress just because it is harder to work.”**

Organizations across Virginia have responded to the pandemic in different ways, with community foundations and CDFIs, specifically, rising to the unprecedented challenge that faces many of its non-profit and small business beneficiaries. Community foundations deployed more grants than normal while CDFIs played a crucial role in administering PPP loans and federal aid to those in their communities that could not easily access capital. One community foundation said,

**“We have not missed a beat during COVID. We have done more during COVID than we probably would have done normally. We are continuing to raise money. We will come out of this virtually unscathed but maybe on the stock markets, we may experience some small losses.”**

Foundations administered capital for early childhood and food security causes, making sure children and the elderly had access to basic necessities while in social isolation and/or lockdown.

While foundations have deployed capital at a faster rate, that does not mean they have been immune to the budget and expense shortfalls seen across the board. One foundation said,

**“Through the first half of 2020, we deployed as much capital as all of 2019 but are still facing a budget shortfall of 40%. So, we are doing more with less.”**

Other organizations have experienced operational and fundraising challenges, as one respondent expressed, “The inability to meet in person and the market uncertainty has had an impact. We had some meetings set up to fundraise which were impeded by COVID.”

While foundations and CDFIs were busy, other investors found themselves pulling back to wait and see how the situation would unfold. One investor said,

**“We've pulled back a lot. We want to see how things shake out before we re-enter the economy.”**

Another respondent noted that for organizations where impact investing is a tangential focus, impact activity is tough to maintain during a crisis where firms are simply focused on how to survive and best immediately help communities. “Impact investing can be out to the side during a crisis because it's time consuming,” the respondent said. “We have been focused on just getting funds out.





# ORGANIZATIONS DOING NOTABLE WORK IN VIRGINIA

We asked our participants to share whose impact investing they had noticed lately. The following organizations were mentioned:

- Bon Secours
- Cassieopia Foundation (Blue Moon Fund)
- Capital Impact Partners
- Claude Moore Charitable Foundation
- Community Foundation for a Greater Richmond
- Danville Regional Foundation
- Hampton Roads Community Foundation
- LISC Virginia
- People's Inc.
- Richmond Memorial Health Foundation
- Virginia Community Capital/LOCUS
- Virginia Foodshed Capital

Virginia Community Capital's work was highlighted by nearly half of the respondents. Richmond Memorial Health Foundation and the Community Foundation for a Greater Richmond both were discussed by a number of respondents who noted the remarkable impact they are having in the Richmond area.



## CASE STUDIES: VIRGINIA FOODSHED CAPITAL

Virginia Foodshed Capital tackles challenges in an under-resourced sector, supporting communities to achieve sustainable living. It provides financial stewardship to local farms and food enterprises through a 0% revolving loan fund (The Soil Fund) while facilitating ongoing financial and business training and technical assistance. It has supported small scale agribusinesses looking to have a larger footprint beyond serving their local communities.

Virginia Foodshed Capital knew the risk it was assuming when it chose to focus on agricultural investments. Its deals are intentionally small. Virginia Foodshed Capital wanted to systematically evaluate where and how the capital deployed is making a difference. It spent over a year exploring different structures, opportunities, and needs before launching the organization. Executive Director Michael Reilly underscored that, "On the spectrum of risk, this is on one side of the scale. Agriculture is extremely unprofitable. It is hard to get to profitability and stay in it long-term...What we do is foundationally about resilience. We believe this is a long-term play. It is about supporting a regenerative economy that can withstand the challenges that are ahead."

Virginia Foodshed Capital also focuses on investing in minority-owned businesses. In 2019, it invested \$10,000 in a food-hub business in the Hampton Roads region, GoGreen Farms.

"We did an impact deal with them back in November which really helped to get them started. They had a couple employees at the time and were trying to expand. We helped them purchase \$10,000 worth of local food and helped them deliver it to a local Chesapeake school system for a Thanksgiving meal. They were able to use that to catapult their business into other school systems. They now have a staff of 19 people, have moved into a new facility. Not all attributable to the capital we gave them, but we believe it was catalytic. It is a black-owned business. We are always looking for ways to support businesses owned by people of color." - Michael Reilly, Co-Founder, Virginia Foodshed Capital

## ALLAGASH OPPORTUNITY ZONE PARTNERS

In April 2020, Allagash Opportunity Zone Partners, assisted by the ROSS Companies, acquired Woodlands at Oyster Point, a 152-unit multi-family, two-story garden apartment complex in Newport News. As part of the opportunity zone requirements to substantially improve the properties, an average of \$40,000 per unit will go towards interior/exterior improvements, as well as improvements to amenities within the complex.

"The local housing market authorities have expressed enthusiasm for our Woodlands plans because gentrification is pushing rents higher in this community and we are committing to keeping Woodlands' rents affordable to the existing working-class community members for an extended period, at least the 15 years required by the tax credit program. That is a significant step, and it is something we are quite proud of doing. We are doing it in a way to stabilize housing and at least maintain some level of affordable quality housing in the community, as well as provide high-teens to low 20% IRR to our investors." - Allagash Opportunity Zone Partners CEO and Co-Managing Principal Tony Barkan





# MOVING FORWARD

## HOW TO IMPROVE THE ECOSYSTEM

We asked our respondents what they might want to see or do to get better connected and improve the impact investing ecosystem. Among the most common suggestions were to establish better connections, provide practical deal examples, recruit an experienced and diverse talent pool, and stand up supportive frameworks in both the public and private sectors.

### 1 Better Connections

More frequent and deeper connections within the impact investing community would provide more opportunities for collaborations. "The single greatest connector is capital," one person said. "So, anything that can connect good impact investors - and I mean people actually making the investments - with investors making good impact, we will benefit."

Part of aiding those connections is establishing a baseline language for universal understanding. "There is one level to just learning the vocabulary," said one respondent. "VIIF has been helpful with that. Virginia Community Capital had an event just to let people learn the language. Those are networks where I would start because the questions people want to ask are usually one-on-one."

### 2 Practical Examples

While conferences and meetings can serve a purpose, several respondents noted that learning about deals that occurred and how they came together would help make concrete what is possible with impact investing. "I think where I have found the most value is in truly practical and tangible examples of what has been done," one person said.

Another noted that showing impact investing as a space where organizations achieve financial returns along with making a social impact would help bring in other returns-focused investors. "I think sometimes impact investing is written off as a non-profit thing," the respondent said. "So, if you can show these cases, as investments led by investors investing for return, and that there is also a positive social and environmental impact I think that could be good. Then these people investing with wealth managers and not thinking that way could see the benefit."

# MOVING FORWARD

## HOW TO IMPROVE THE ECOSYSTEM

### 3 Talent Recruitment

A few respondents noted the importance of attracting talent to the impact investing space. "I think grooming the next generation of talent within our industry is important," one person said. "As we think about where the talent acquisition happens, there are pods. Private equity and banking fit well within our space. Community organizing or activism, we have to think about diversity in our talent acquisition and our recruitment as well."

Another respondent noted that investors who do not meet their stated objectives can set the industry back. The best way to combat that is to hire people with investing experience. "Funds need to meet their impact objectives and their return objectives," the respondent said. "The only way to meet the objectives is to put together teams that know how to meet those objectives and you source deals that can meet those objectives. You try to move more people from the traditional investing landscape into the impact investing landscape as opposed to taking someone from a foundation making grants and turning them into an investor. Those are very different skill sets."

### 4 Supportive Frameworks

Establishing supportive frameworks within both the public and private sectors would help frame the ecosystem in Virginia. In the public sector, one respondent said, "I would work to embed impact investing as a practice in the most relevant public or quasi-public sector entities, including GO Virginia and similar situated entities. I would work from a policy, regulatory, and tax perspective to create a version 1.0 enabling environment for impact investing in the state."

Several respondents also expressed hope in the establishment of the Virginia Funders Network, an organization aimed to foster collaboration of impact investors across the state. "If [the Virginia Funders Network] gets off the ground, there will be some future opportunities that may arise for impact investing through that network," one person said. "I think that is pretty far in the future. They are in the process of getting organized and stood-up, communicating with each other, figuring out what projects they want to work on together, and from there, get some impact investing going."

# CONCLUSION



The Virginia Impact Investing Forum is committed to creating a robust impact investing network in the Commonwealth of Virginia by continuing to provide opportunities for investors to get better connected, increasing exposure to different types of activities happening, and providing professional development resources. This research illuminates the need for more coordination to take place in order to maximize the impact achieved for the communities in need.





# ACKNOWLEDGEMENTS

## VIIF RESEARCH PROJECT ADVISORY COMMITTEE

Caroline Nowery, Virginia Community Capital

Paul F. Costello, Flagship Partners, LLC

Angela Navarro, Department of Commerce & Trade

Stephanie Randolph, Cassiopeia Foundation

Edward Gerardo, Hans Consulting

Mark Constantine, Richmond Memorial Health Foundation

## OUR SPONSOR

University of Virginia Frank Batten School of Leadership and Public Policy

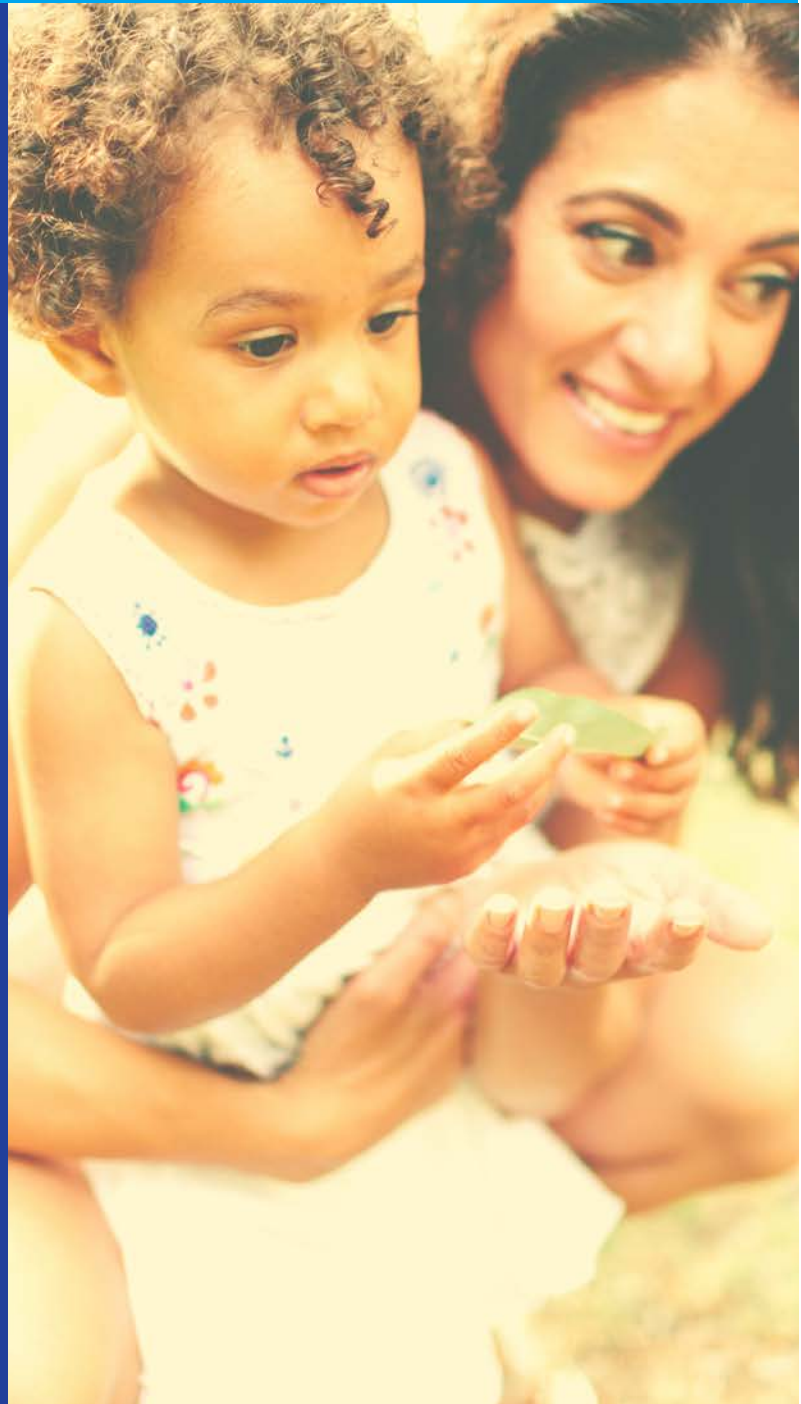
## VIIF SUMMER RESEARCH FELLOWS & SE@UVA STAFF

Sean Bielawski - Graduate Fellow

Tatenda Mabikacheche - Graduate Fellow

Dr. Christine Mahoney - Director of SE@UVA

Laura Toscano - Associate Director of SE@UVA



We thank you for your continued support of our programs.





TO LEARN MORE ABOUT VIIF & SE@UVA VISIT:



[WWW.VIRGINIAIMPACTINVESTINGFORUM.COM](http://WWW.VIRGINIAIMPACTINVESTINGFORUM.COM)



[WWW.SEATUVA.ORG](http://WWW.SEATUVA.ORG)

