

IMPACT INVESTING STRATEGIES TO COMPLEMENT CDFI PARTNERSHIPS

West Side United RFP for UIC CUPPA Capstone Project - November 2023

About West Side United

West Side United (WSU) seeks to improve neighborhood health across ten Chicago West Side neighborhoods by addressing inequality in healthcare access, education, economic vitality and the neighborhood and physical environment. Chicago's West Side includes a population of over 550,000 residents, primarily Black/African American (33%) and Latino (39%) individuals. Neighborhoods on the West Side vary dramatically in demographics and resources, with poverty rates ranging from 42% to 8%. Our mission is to eliminate the 14 year life expectancy gap between Chicago's West Side and The Loop.

WSU's partners include healthcare providers including Ann & Robert H. Lurie Children's Hospital of Chicago, Ascension, Cook County Health, Rush University Medical Center, Sinai Chicago and UI Health, community organizations, residents, the faith-based community, business, government and others working together to coordinate investments and share outcomes.

About WSU Economic Vitality

WSU recognizes that economic stability and positive health outcomes are inextricably linked (Robert Wood Johnson Foundation, 2018). WSU works to build sustained individual and community economic vitality and improve health in Chicago's West Side communities by leveraging hospital and other anchor partners' resources and investments.

Due to the current and historical effects of racial discrimination such as redlining, predatory lending practices, and restrictive covenants, West Side residents have not had the same access to economic advancement as other Chicago residents. A lack of local jobs and opportunities for economic advancement have inhibited residents from retaining money in their local communities. Despite these challenges, West Side neighborhoods also have a strong and vital small business presence, demonstrating great opportunity for economic vitality in the area. Many locally-founded non-profit and community-based organizations work to fill these economic gaps as well. Because we know that economic stability and positive health outcomes are inextricably linked, many of our initiatives focus on the economic wellbeing of the West Side.

About WSU Impact Investing

WSU impact investing initiative aims to connect organizations with available investable dollars to community development financial institutions (CDFIs) to fund loans and provide training and technical assistance to borrowers. CDFIs identify and provide loans to local organizations and businesses to grow and serve their communities. WSU impact investing is a key component of our economic vitality strategy, which works to build sustained economic vitality and improve health in Chicago's West Side communities by leveraging hospital and other anchor partners' resources and investments. Through a community-centric, collaborative approach, WSU partners make impact investments in West Side communities that are consistent with the goals of the economic vitality strategy of increasing life expectancy, improving well-being, and reducing hardship. WSU impact investing partners include founding hospitals, the AMA, Illinois Medical District, and the Northern Trust.

WSU's Impact Investing initiative intends to impact long term economic vitality in the West Side in these timeframes and corresponding outcomes:

- Long term (2050): Employment (direct and indirect), Median household income, community wealth
- Intermediate (2030): Economic change in areas of investment (e.g. poverty level, median income, wages, unemployment rate, reducing housing cost burden, etc), Improved neighborhood environment (e.g. food insecurity, neighborhood safety, community services, displacement, etc), Improved health outcomes in areas of investment (e.g. blood pressure, chronic disease, nutrition, etc)
- Short term (2025): Increased WS investment / capital for WS orgs, Increased investment in ventures related to Social Determinants Of Health (SDOH), Improvements in the capacity and performance of borrowing entities

Impacts at a glance (2018-2023 Q2)

- \$9.8M Active investments; \$15.5M Cumulative investments with “recycled capital” since 2018
- Four CDFI partners – Allies for Community Business (A4CB), Chicago Community Loan Foundation (CCLF), IFF, and Local Initiatives Support Corporation (LISC)
- Loans support small business growth, affordable housing, education, and construction for community projects
- The WSU investments also contributed to the creation and preservation of 901 housing units, creation of 52 supportive housing beds, the construction and preservation of more than 772,404 square feet of non-profit, residential, and commercial real estate projects, supported 505 construction jobs, preserved 566 local jobs, and created 125 community employment opportunities

In 2023, WSU’s draft strategic plan for impact investing included a priority strategy to “Investigate complementary investment strategies in addition to CDFI partnerships” (Strategy #3). The intended outcome of this strategy would be for WSU partners to consider additional approaches to collective, community investment.

Strengths and challenges of the CDFI partnership approach

Partnering with CDFIs to underwrite and disburse a high volume of loans enables hospital and anchor partners to invest their available capital and leverage the existing infrastructure and expertise of those community lenders. Additional capacity, funding, and staff time would be required to facilitate the consideration and execution of so many loans whereas CDFI partners already have the community borrower relationships, regulatory compliance capability, and data collection and reporting mechanisms. Partnering with several CDFIs with complementary project type portfolios allows investments to span many different types of projects that are able to holistically address several drivers of WSU’s community wealth and health indicators. Specifically, LISC-Chicago lends to and supports community agency through quality of life planning processes, CCLF offers technical assistance to support borrowers in addition to increased access to capital, A4CB provides individual supports for small businesses, and IFF finances nonprofits capital projects.

While contributing to CDFIs’ portfolios presents optimal expertise and efficiency advantages, WSU investor partners encounter various challenges that prompt the consideration of complementary impact investing approaches. Potential limitations of relying on CDFI partnerships for impact investing include constraints on available data to assess project-specific and aggregate impact and less ability to inform or prioritize specific community projects as indicated by investor or community partners.

WSU plans to continue the CDFI partnership approach within the coordinated Impact Investing initiative but is interested in considering additional approaches to increase economic vitality for West Side communities. Furthermore, many national anchor mission peers, other health equity anchor collaboratives, and local community economic development leaders have impact investing initiatives that can serve as notable models for WSU to learn from or adapt to the Chicago context.

Project Overview

The primary goal for this project is to: Create a literature review of impact investing strategies that can complement existing approaches, namely WSU's CDFI partnerships.

Key project components include:

1. Research collective impact investing models implemented by peer organizations across the country and locally
 - a. Gain an understanding of impact metrics other organizations used to assess local impact.
 - b. Investigate implementation strategies and methods of engaging community voice and health needs.
 - c. Conduct interviews as needed with national and local organizations.
 - d. Develop case studies or categorized examples of available strategies that other institutions independently or collectively implement.
2. Analyze publicly available and WSU data to depict investment sources, amounts, and types to spur economic growth on Chicago's West Side (i.e. City, State, and Federal funding, philanthropic, impact investment, etc)
 - a. Various publicly available data sources exist but this project would benefit from merging and demonstrating multiple sources in one place with key trends summarized. The aim is to gain insight into potential areas that may benefit from additional investment and complement future community perspective on assets and investment needs.
3. Identify gaps of investment that correspond with WSU's main economic vitality and health equity indicators
 - a. Draw connections between existing WSU-coordinated investment, knowledge gained of other investment sources, and innovative approaches that may be applied to WSU's collaboration.

Deliverables

Items to be prepared and presented by students include:

- Report with various collective impact investing models
- Data analysis using metrics that depict various investment sources and can inform gaps impacting Chicago's West Side
- Recommendations for WSU's implementation consideration to complement the work of WSU CDFI partnerships