Making Stone Soup: New Ways to Fund and Leverage Capital

Moderated by Amy Chung, The California Endowment
$1.7 billion invested

$8.1 billion leveraged

$45 billion social value
Bay Area Transit-Oriented Affordable Housing (TOAH) Fund
Bay Area TOAH Capital Stack

1. Equity or Grant $

2. Program-Related Investments
   - $8.5 MM from six CDFIs
   - $6.5 MM from local and national foundations
   - $10 MM from regional transportation agency

3. Flexible Loans

4. Senior Loans
   - $25 MM from banks
Bay Area TOAH Sites

Eddy & Taylor
San Francisco

Leigh Avenue Senior Apartments
San Jose
ENDING HOUSING INSECURITY

Housing insecurity ends with homes that are:

- **Affordable** to low income families
- **Available** in markets with growing supply gap
- **Healthy**, well designed and sustainable
- **Connected** to jobs, healthcare, schools, transit
HOW WE WORK

CAPITAL
Aggregate and leverage investment capital to build healthy, sustainable communities.

POLICY
Engage federal, state, and local governments to create and enhance policies that strengthen community development.

SOLUTIONS
Put ideas into action to create affordable, connected, healthy homes.
CAPITAL INVESTMENTS

Since 1982, Enterprise has raised and invested over $18 billion in equity, grants and loans to help build or preserve nearly 340,000 affordable homes, as well as community health centers, schools and other vital community assets.
**PAY FOR SUCCESS**

- Pay-for-Success: Category of contracts that look to “results/outcomes” vs. “activity/outputs”
- Social Impact Bonds: Pay-for-Success financing structure that captures public savings to fund social programs

The US market is growing steadily, with 8 PFS contracts executed

- 30+ states and local governments working on projects.
- Addressing homelessness, health (mental health, asthma), child welfare, dual involved youth, early childhood, teen pregnancy, recidivism, work force, education, etc.
**PFS FINANCING AND HOW IT WORKS**

**Step 1: Launch stage**
- Intermediary structures transaction
- Investor provides upfront funds for the program
- Service provider launches the program

**Step 2: Completion of program**
- Auditor verifies achievement of set goals
- Government repays investors subject to success of the program
PFS FINANCING AND HOW IT WORKS

1. **GOVERNMENT** constructs the PFS contract with project stakeholders, **SERVICE PROVIDER(S)** designs the intervention, **EVALUATOR** creates evaluation plan, **FUNDERS** negotiate funding terms, and **INTERMEDIARY** creates special purpose vehicle.

2. **FUNDERS** provide upfront financing to **INTERMEDIARY** to pay for services provided by **SERVICE PROVIDERS**.

3. **SERVICE PROVIDERS** deliver services to the target population.

4. The **EVALUATOR** measures success outcomes and determines total success payments due.

5. If success outcomes are achieved, the **GOVERNMENT** provides success payments to **INTERMEDIARY** that are used to repay **FUNDERS**.
SAMPLE PFS FUNDER STACK

$[ ] Million in Total PFS Financing:

- $[ ] million in senior loans
  - $[ ] mm: National Banks
  - $[ ] mm: National CDFIs
  - $[ ] mm: High Net Worth Investors

- $[ ] million in subordinate loans
  - $[ ] mm: National / Local Foundations
  - $[ ] mm: National / Local CDFIs
  - $[ ] mm: High Net Worth Investors

- $[ ] million in recoverable grant / guarantee
  - $[ ] mm: National / Local Foundations