

December 2022 Impact Investment Committee Report to ACF Board of Trustees

In 2016, the Albuquerque Community Foundation launched an impact investing portfolio where the Foundation may invest up to 5% of the Foundation's endowment funds in local investments seeking positive social and environmental impacts and returns alongside financial returns. While our developing experience over the last several years demonstrates that we can obtain social impact returns without sacrificing financial returns, this program also allows the Foundation to promote and seek social returns even financial returns do not achieve rates of return consistent with the policy goals of ACF's regular investment portfolio.

The Foundation's Impact Investment portfolio is aligned with the Foundation's broader vision and focuses on the Greater Albuquerque Metropolitan Area. However, investments elsewhere in the State of New Mexico are permitted. To date the portfolio has invested \$3.2 million. During the life of the impact investing program, the Foundation has also deployed \$141.6k in community impact grant funding toward portfolio investees.

Impact Investment Program Objectives

- To stimulate entrepreneurial initiatives and economic development;
- To contribute to the creation and retention of jobs that offer living wages and benefits;
- To provide availability and access to affordable capital;
- To increase the supply of and improve access to affordable housing;
- To enhance the quality of life through the vitality of the downtown area and other strategic locations;
- To promote a more vibrant community, especially in collaboration with other investors (including donors) to increase leverage: and/or
- To promote quality educational opportunities.

To date, impact investments have been made in two basic ways: (a) equity (ownership) investments in intermediaries who invest in private companies in the Greater Albuquerque Metropolitan Area; and (b) low-interest loans to a range of non-profit entities. With regard to the equity investments, ACF has sought to utilize intermediaries led by knowledgeable investors in start-up and early stage companies headquartered in New Mexico. The use of intermediaries allows the Foundation to take advantage of local, sophisticated expertise, while relieving the Foundation of (arguably) be in the position of picking individual "winners" and "losers" for our investments. The investments are described in detail below, broken into various categories based on the nature of the investments and the types of social returns envisioned.

Private Equity Investments

As detailed in this section, job creation is one of the key goals of our private equity investments. A related goal is retention of the businesses in which these funds are invested in New Mexico. Business retention is important to developing the private economy in New Mexico, of course, and we need to promote local investment to help combat the risks that out-of-state funders

would insist that local companies move closer to the investor base. Hence, the social returns we seek through these investments include job creation and retention, business growth and retention. Of course, we also seek a financial return as well. The private equity funds in which ACF has invested, in turn, have invested a total of \$42.8M in NM early-stage companies.

1. **ABQid Fund I:** The investment strategy of ABQid Fund I, L.P. is to make investments in early stage, high-growth companies, mainly those who participate in an accelerator program operated by ABQid, Inc., a New Mexico nonprofit corporation. The Accelerator has been created on the belief that there is substantial untapped entrepreneurial potential in the Albuquerque, New Mexico area and that training, support and seed investment are necessary to realize that potential. For more information about ABQid, *see* <https://www.innovateabq.com/project/abqid/>

2. **Ingenuity Venture Fund:** The investment strategy of the Ingenuity Venture Fund (ABQid Fund I Sidecar, LP) is to foster entrepreneur-led economic development by funding high growth startups in NM and connecting them with investors within as well as outside NM.

- 3&4. **Tramway Venture Partners and Tramway Venture Partners II, LP:** Tramway Venture Partners and Tramway Venture Partners II, LP are early-stage funds making equity investments in high return opportunities in health care and the life sciences, primarily in New Mexico. The focus will be business opportunities with products or services that exploit convergent technologies: those that lie at the intersection of physical sciences/information technology with the life sciences and health care. For more information about Tramway Ventures, *see* <https://tramwayventures.com/>

5. **Verge I II Combined, LP:** The investment strategy of Verge I II Combined, LP is to build an innovation economy in NM by investing in high growth startups in NM. The Partnership will focus its investment activity in four specific high-technology sectors: cleantech/energy, electronics/instrumentation, human factors and software-as-a-service (SAAS). For more information about Berge, *see* <https://www.vergefund.com/>

Social Return for Private Equity Investments: Supporting Entrepreneurship, Job Creation and Access to Capital Investments => Please note that the number of jobs created is not due solely to ACF’s investment, but rather is the result of the Private Equity funds total investments:

	ACF Investment	Jobs Created	Avg. Salary	Companies Funded*
1. ABQid Fund I	\$250,000	74	\$80,000	12
2. Ingenuity Ventures Fund	\$250,000	58	\$95,000	11
3. Tramway Ventures I	\$250,000	46	\$92,000	3
4. Tramway Ventures II	\$750,000	5	\$117,000	2
5. Verge I II Combined Fund	\$250,000	54	\$73,000	6

*current active NM portfolio companies

Loans to Entrepreneurs Through Intermediaries – Access to Capital

1. **Nusenda Credit Union Foundation’s Co-Op Capital Program:** NUSENDA is a not-for-profit corporation chartered under the Federal Credit Union Act. NUSENDA has created and operates an innovative, relationship-based, micro-lending program that provides capital to entrepreneurs that have no access to collateral, are credit-challenged, or lack the support of alternative financing, enabling the entrepreneurs to start or expand businesses (the "Co-Op Capital Program"). For more information about Nusenda’s Co-op Capital program, see <https://www.nusendafoundation.org/partner-programs/co-op-capital>
 - a. Since inception of the program through 09/30/2022, Nusenda deployed 301 loans totaling \$1,6648,544 to New Mexican entrepreneurs, creating or sustaining 340 jobs.

2. **DreamSpring:** DreamSpring (formerly known as Accion) is a New Mexico nonprofit corporation. DreamSpring is an award-winning organization that increases access to credit, issues loans, and provides a community of support to help entrepreneurs realize their dreams. DreamSpring’s sole program provides microenterprises and small businesses primarily in New Mexico, Arizona, Colorado, Nevada, and Texas with credit and business support not available from the commercial lending sector. The ACF loan to DreamSpring was to expand its credit and business support, focused on the area of providing support to businesses affected by Covid-19. For more information about DreamSpring, see <https://www.dreamspring.org/>
 - a. In total during the grant period from 07/01/2021 – 09/30/2022, DreamSpring deployed 1,564 loans totaling \$36,099,629 to New Mexican entrepreneurs, creating or sustaining 3,884 jobs. Of these loans, (a) 1,358 loans (87%) went to low-to-moderate-income, minority, or female borrowers; (b) 801 loans (50%) were issued in Bernalillo County; and (c) 91% of total lending (1,429) during the grant period was issued through the Paycheck Protection Program (PPP). As of 9/30/2022, 50% of PPP loans have been forgiven.

Access to Capital - Loans

	<u>ACF Investment</u>	<u>Loans</u>	<u>Avg. Loan</u>
1. Nusenda Credit Union (Co-op Capital)	\$200,000	301	\$5,477
2. DreamSpring	\$250,000	1564	\$23,081

Real Estate Equity Investment

1. **Titan Development Real Estate Fund:** Titan is an Albuquerque-headquartered real estate development company. Titan's fund is designed to create development in high growth secondary and tertiary markets. Their strategy is to develop best-in-class assets, lease up to 90% stabilization and sell, returning capital to investors. Their primary asset classes are multifamily, self-storage, senior living and industrial. The Highlands East project, adjacent to the renovated and expanded downtown location of Presbyterian Hospital, drew attention to help with east Downtown urban redevelopment. The projects in which this Fund is invested includes several other projects. To learn more about Titan's investment funds, see <https://www.titan-development.com/privateequity>

Direct Loans – Real Estate Project Investments

As indicated in the narratives and table that follow, many of ACF's impact investments have been made in parallel to investments from other entities, public and private. Through our program, we have learned that other foundations (Kellogg, Kaufman, for example) look to ACF to assess whether there is local community support for various projects before they will decide to invest themselves. Consequently, while ACF's investments may appear modest when considering the size of ACF's loan, the impact of ACF's participation is far greater.

1. **Homewise Orpheum Theatre Project:** The mission of Homewise, which was started in Santa Fe and has expanded its mission to Albuquerque, is to help create successful homeowners and strengthen neighborhoods so that individuals can improve their financial wellbeing and contribute to the vitality of communities in New Mexico.

This loan, the first investment ACF made through its impact investment program sought help fund the purchase and rehabilitate the Orpheus theater building at 2nd and Coal in downtown Albuquerque for Homewise's Albuquerque homeownership center and creative community hub. The first floor includes Homewise's Albuquerque Homeownership Center offices in addition to theater and conference spaces, which are open for community use and where Homewise conducts financial literacy workshops. On the second floor, Homewise manages nine apartment units occupied all by low-to-moderate income residents. By locating Homewise's Albuquerque homeownership center in the heart of the communities they most heavily serve, they are not only contributing to enhanced quality of life through the services they provide, but also through their very own financial and physical commitment to increasing the vibrancy and vitality of the area. The large open performance space in the building offers an ideal location for their classes as well as an opportunity for Homewise to host art, theater and performance exhibitions to support the local artistic community as well as community related meeting and activity space. Since the Orpheum reopened in 2019, Homewise has hosted a total of 16 Artwalk events, 84 community events, 20 Homebuyer Education classes and 9 Financial Fitness classes. Burque Unite, the thesis exhibition for UNM student, Gerald Lovato, is a recent example of the type of community event Homewise hosts at the Orpheum. In addition to sharing his artwork, Lovato organized this as a community event that included a free meal and created a community healing space in which

residents could have open conversations about mental health. It was the best-attended event to date with approximately 300 attendees. Homewise has also partnered with Healthcare for the Homeless' s Artstreet program, which is a program that provides marginalized communities access to the arts by offering a safe space for artists to create art, learn skills and connect to artistic communities. For more about Homewise generally, see <https://homewise.org/>

2. **Homewise Home Renovation:** This loan to Homewise was to help fund their Neighborhood Revitalization without Displacement program in Albuquerque neighborhoods with widespread blight and few housing options for the population living in this part of town. To date the objectives of this program are to:

- Improve quality of life and economic conditions in disinvested neighborhoods
- Provide affordable housing options for residents and help support property values to limit displacement
- Transform homes that have become symbols of distress into symbols of revitalization and hope

To accomplish these objectives, Homewise follows a three-pronged strategy:

- Acquire/rehabilitate/resell vacant, abandoned, and neglected homes
- Offer home improvement assistance to current homeowners for needed repairs
- Offer an affordable purchase/rehabilitation loan for new homebuyers to buy a home in need of repair

In April 2022 Homewise was awarded \$3.3M from the City of Albuquerque to benefit homeowners living within the city limits making less than 80 percent of area median income (something like \$43,000 per year for a household) for home rehab work. The program intends to help homeowners address critical unmet home repair needs like roofing and plumbing needs with grants that don't need to be paid back. The source of funds administered by the city is derived from the American Rescue Plan Act, the \$1.9 trillion stimulus package passed by Congress.

3. **Homewise Rupee:** This loan to Homewise was to help renovate the Ruppe Drugstore on south Fourth Street in Baretas. The Ruppe Drugstore was a cultural institution that served the residents of Baretas, one of the oldest neighborhoods in Albuquerque. The store's closing in 2011 left a cultural and economic hole in an already economically distressed area. Homewise purchased the building in 2017, renovated it and re-opened the space in 2019. The activation has brought the Ruppe to life while providing accessible and affordable artistic, cultural and educational programming. This has been accomplished through the entrepreneurial spirit of community members and organizations. Secret Gallery, a POC-led and curated arts organization working to elevate contemporary artists of the Southwest region, remains our anchor tenant. Secret Gallery represents 34 local artists in its shop and through exhibits and events throughout 2022 has represented a total of 96 Albuquerque artists. One of the three studio spaces, one is vacant and two are occupied by local artists. Since the beginning of the fiscal year, Secret Gallery has hosted 11 events, and Homewise

has hosted four events at the Ruppe. Homewise started coordinating Healing and Wellness Popup events in June to help drive traffic to the space. We have created relationships with local healers, curanderas and wellness vendors. As a result of this placemaking effort, a number of wellness vendors have gone on to host their own events in the space. We will continue hosting the popup events starting in the spring of 2023.

4. **Homewise Barelás Kitchen Project:** Barelás Central Kitchen will be a commissary and training facility to support entrepreneurs engaged in emerging local food businesses. It will be located at 4th & Bell, a large commercial building in Barelás with a long history of experimental arts and food production. The 10,000 square-foot facility will include certified commercial kitchens, a tasting room, culinary classroom, community event space, and office and production space for entrepreneurs. Anticipated opening date for the Barelás Central Kitchen is Summer 2023. For more on this project, see: <https://www.abqjournal.com/2540526/homewise-invests-in-mixed-use-space.html>
5. **Homewise Barelás Early Education Project:** This loan to Homewise is to help open a high quality bilingual early learning center located at the historic corner of Second and Hazeldine, directly across from the Railyards in the Barelás neighborhood. The daycare will occupy 3,432 square feet and will serve roughly 60 children, from infants up to age five. Additionally, this five-star daycare intends to hold over 50% of the slots for low-income families who use state subsidy to pay for their services.

In 2020, Homewise conducted a nationally vetted NeighborWorks survey that identified having more childcare opportunities in the neighborhood and job opportunities among top priorities. This daycare will create approximately 60 new daycare slots and 12 full time jobs. Anticipated opening date for the Barelás Early Education project is Spring 2023.

6. **South Valley Social Enterprise Center:** This loan helped support the mission of Partnership for Community Action (PCA), which is to build strong, healthy communities throughout New Mexico by investing in people and families, supporting people to become strong leaders in our neighborhoods and in New Mexico. The South Valley Social Enterprise Center is a private-public partnership that will implement economic development strategies to alleviate poverty and create opportunities across generations.

The Center is a community-led economic development initiative allowing families and neighborhoods to benefit from production/manufacturing jobs, professional development, a high quality dual-language early learning center, and educational support. The Center will be managed by the South Valley's PCA and anchored by tenant Southwest Creations Collaborative (SCC), a women-driven, 25-year-old contract sewing social enterprise, enabling SCC to expand its operations. The center is a total of 17,360 sq. ft. and Southwest Creations Collaborative occupies 12,487 sq. ft.

The Center opened in March 2022. In addition to SCC, tenants in the building include the Partnership for Community Action, Abriendo Puertas/Opening Doors National (AP/OD). The New Mexico Environmental Law Center is also on the campus in a pre-existing old building. As of March 2022, PCA employs 7, SCC employs 46, AP/OD employs 3 here in

their New Mexico location. The workshops and networking groups support the community with early childhood business development, leadership development, advocacy and education. The Center has also hosted environmental information sessions on community solar and energy efficiency. Ecosystems partners have used the space for food distributions, funder meetings, convenings etc.

Over nine years, the Center will directly support 77 new and retained jobs, as well as providing workshops and networking groups supporting an anticipated 270 jobs offsite, and an additional 473 direct secondary jobs through multiplier effects in production/manufacturing, private nonprofit employment, childcare, and retail jobs for a total impact of 820 secondary jobs.

7. **Siembra Leadership High School Foundation:** Siembra Leadership High School Foundation is a New Mexico nonprofit corporation and a public charity. In 2022, Siembra purchased two existing facilities in downtown Albuquerque which will be developed into a charter school facility. This loan was to provide financial assistance to Siembra for the acquisition and renovation of these properties.

Social Return for Real Estate Project Investments =>

	<u>ACF Investment</u>	<u>Total Project Investment</u>
Revitalization of Downtown / Central Ave. Corridor		
1. Homewise Orpheum Theatre <ul style="list-style-type: none"> • Albuquerque headquarters for Homewise (affordable housing nonprofit) • Artist studios and apartments 	\$250,000	\$28,100,000
2. Titan Development Real Estate Fund I <ul style="list-style-type: none"> • Highlands Mixed Use Development (apartments and hotel) 	\$250,000	Ongoing
3. Siembra Leadership High School <ul style="list-style-type: none"> • Charter school for entrepreneurship 	\$250,000	Ongoing
Development of South Valley / Barelás Neighborhoods		
1. South Valley Social Enterprise Center <ul style="list-style-type: none"> • Partnership for Community Action • Southwest Creations Collaborative manufacturing space • Day care center 	\$250,000	\$2,730,000
2. Homewise B Ruppe Drug Store <ul style="list-style-type: none"> • Museum and gallery 	\$250,000	\$579,008
3. Homewise Barelás Kitchen <ul style="list-style-type: none"> • Commissary kitchen and incubator for food entrepreneurs • Street Food Institute 	\$250,000	Ongoing
4. Homewise Barelás Early Education Center	\$250,000	Ongoing

Development of International District

1. Homewise Home Renovation	\$250,000	\$7,919,094
• Renovation and resale of abandoned homes		
• Home mortgage financing for buyers		

Closing Comments

Capturing complete information about ACF' impact investments has been a challenge and continues to be an area of focus so that we can appropriately capture objective and subjective information regarding impact returns. For example, we hope to gather additional information from the entities in which we invest beyond what is described here. Square footage renovated, numbers of houses or buildings rehabilitated, numbers of entrepreneurs supported through Co-op Capital and DreamSpring loans are ideas that we are considering. We'd welcome your thoughts to help us identify meaningful information to help further describe the impacts of our investment program.

In addition to the social metric returns noted above the impact investment program has earned a financial return of 1.57% since the program's inception, as of June 30, 2022. Financial returns for the Impact Investment portfolio are updated quarterly, with a one quarter lag, by our financial adviser and included in regular reporting to the Investment Committee and the Impact Investment Committee.

Further, we welcome your thoughts on other organizations in the community who might be potential candidates for ACF's impact investments.

Thank you for your attention. Please raise any questions you may have.