



Community and Economic Development in North Carolina and Beyond Blog: Equity with a Twist: The Low Income Investment Fund's Social Capital Tool

By CED Program Interns & Students

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The Low Income Investment Fund (LIIF) is a community development financial

institution (CDFI) dedicated to providing innovative capital solutions that create a bridge between private capital markets and low income neighborhoods. The organization strives to create pathways for investors in projects that have high social value, but may not have access to traditional banking services.

In its latest venture to connect low income communities to private capital, LIIF, in partnership with JPMorgan Chase & Co., created Equity with a Twist (EQT) in February 2016. EQT is a social capital product that provides flexible, low-cost financing to support and incentivize solutions to poverty in low income neighborhoods. It is advertised as providing high social return and modest financial return to its investors, and projects are geared towards mixed-income housing to provide families with affordable homes, K-12 education, and early childhood education.

The creation of EQT was triggered by LIIF & JPMorgan's shared belief that more integrated, outcomes-driven approaches are needed to alleviate poverty. EQT is meant to be more flexible and user-friendly than other outcomes-based capital tools such as social impact bonds and Pay for Success programs. Within the framework of EQT, outcomes are set to be measured and provide unsecured 10-year capital to organizations looking to develop projects in housing and education. In terms of the outcomes measurements, EQT investees agree to track progress on: resident health, neighborhood safety, child development, education, and real estate market strength. Social outcomes are measured against benchmarks in the areas of: child progress on a standard measurement tool, third grade reading & math scores, health & wellbeing, community safety, and improvement in market value of neighborhood. The purpose of these outcomes measurements is to ensure that programs are meeting the mark in terms of their social returns.

In addition to social returns, EQT is meant to provide a better experience for investors than other social capital products. From the investor standpoint, EQT is still riskier than traditional debt. No collateral is required and the terms of repayment are extremely variable. For instance, an EQT investment could potentially be structured with even repayments over the lifetime of the investment, or with no repayments at all until the final year of the project. However, EQT is potentially less risky than social capital products that base returns entirely on achieving desired social impacts and using public sector savings as repayment to investors. Instead, the EQT structure relies on organizations for repayment, which is why the repayment terms are flexible. This framework allows time for organizations to achieve social impacts and provide modest financial returns to investors.



LIIF is currently piloting EQT with two organizations, BRIDGE Housing and the Bayou District Foundation (BDF) with investments of \$2 million each. BRIDGE Housing is using their EQT allocation to transform dilapidated public housing sites in San Francisco and Los Angeles into mixed-income communities, complete with supportive programs and resident services centered around its Trauma Informed Community Building approach. BDF will use its EQT investment to develop Columbia Parc, a master-planned community in New Orleans with mixed-income housing, a health clinic, early childhood education, and a K-8 charter school. In both of these cases, EQT funds could position these organizations to undertake revitalization efforts geared towards the alleviation of poverty and holistic community development.

As stated by LIIF President/CEO Nancy O. Andrews, “Neighborhoods that provide low income families with healthy, affordable places to live, learn, work and play create opportunities for people to climb out of poverty. Transforming distressed places into opportunity-rich neighborhoods requires a silo-busting approach, long-term commitment from partners and an organization willing to be accountable for change.” Though still in the pilot stages, EQT is aimed at providing an innovative approach to transformative projects. The product could represent an opportunity for the accomplishment of social impact goals, while providing a financing structure that is amenable to organizations and socially minded investors.

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