



INVESTMPLS



2021

5th Anniversary
Report to Investors

Celebrating 5 Years of Impact Investing

Five years ago, the Minneapolis Foundation approached our donors with a bold concept: A hyper-local loan fund that would use charitable assets to invest in small businesses, schools, and affordable housing—right here in Minneapolis.

Many of our Donor Advised Fund holders said yes. That's how our impact investing program, InvestMPLS, was born.

Traditionally, impact investing has been the province of commercial banks, financial services firms, and large private foundations. We designed InvestMPLS to make this powerful strategy available to people and businesses with Donor Advised Funds at the Minneapolis Foundation. With this new tool in our philanthropic toolbox, we have not only given donors a new way to expand their impact; we have also used InvestMPLS to complement and amplify the investments that the Minneapolis Foundation makes in our community through grants, advocacy, and partnerships.

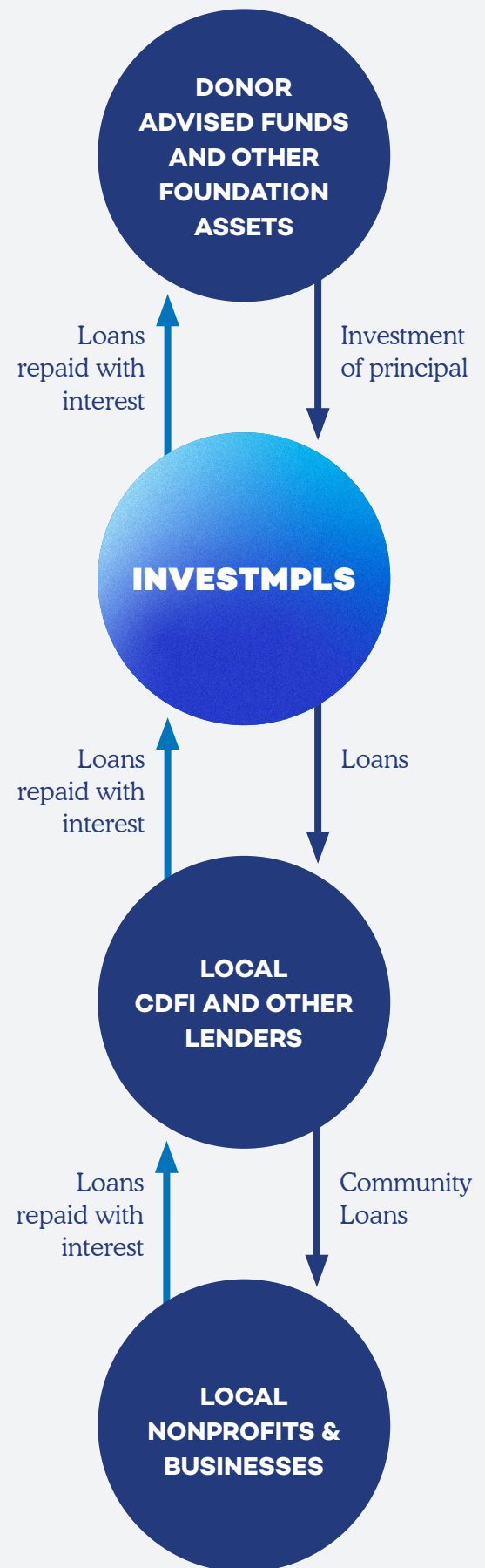
Today, the seeds of \$6 million in investments have taken root all over our community, from an apartment complex to a Latina-owned daycare, from a high-performing charter school to a pharmacy serving East African immigrants. In this report, we invite you to explore the positive difference we are making together.

How It Works

The Minneapolis Foundation and our donors team up by committing charitable assets to the InvestMPLS loan fund. Assets are dedicated for five years and receive interest annually, with new donors given opportunities to join the pool twice a year.

Our Impact Investment Committee stewards the fund carefully, using a rigorous process to evaluate the risks and opportunities associated with each prospective loan. The committee makes loan recommendations to the Minneapolis Foundation's President and CEO for final approval.

InvestMPLS loans are deployed to trusted partners in the community, mostly Twin Cities-based Community Development Financial Institutions (CDFIs). In turn, those partners make smaller loans to business owners, schools, and other local enterprises that advance our strategic goals. Loans are repaid to the CDFIs and then to us with interest, giving us a double bottom line: Solid financial returns, and stellar community impact.



Targeted Outcomes

InvestMPLS is an evergreen fund, evolving its focus to respond to the needs of the community. During its first five years, the portfolio focused on these critical community issues:



ECONOMIC VITALITY

Creating a business climate that fosters innovation, entrepreneurship, and self-sufficiency, and building a workforce that reflects our changing demographics.

Key Strategy: Create and retain living-wage jobs.



EDUCATION

Building an education system that prepares all children to compete in a global economy and pursue their dreams.

Key Strategy: Create high-quality seats at schools serving low-income students of color.



AFFORDABLE HOUSING

Ensuring that all individuals and families have safe, stable homes.

Key Strategy: Preserve and create affordable housing.

InvestMPLS is designed to be both strategic and flexible, giving us a powerful tool to respond to emerging local needs. Our expansion of the loan portfolio to include affordable housing in 2020 is a great example of how we have used InvestMPLS to take advantage of new opportunities for community investment. At times, we have paired InvestMPLS loans with grants or guarantees, providing nonprofit partners with multi-pronged support that is more precisely tailored to their needs.

InvestMPLS has also enabled the Minneapolis Foundation to better support our community's response to the unprecedented challenges of 2020. When COVID-19 hit, we immediately reached out to our CDFI partners to ask whether and how we could help them weather the crisis and, in turn, provide greater flexibility to the small businesses to which they make loans. In response, two of our partners requested and received short-term deferrals on their interest payments. More broadly, many of these CDFIs have told us that our long-term investments in their loan funds meant they were in a much stronger position to hold steady and continue supporting the local business community through the pandemic.



InvestMPLS

at a Glance



\$6 Million Invested



66 Donor Advised Funds
Currently Participating



100% of CDFI Loans in
Good Standing



1.75% Annual Interest
Paid to Investing Donor
Advised Funds



Impact Highlights

InvestMPLS supports projects such as small business loans in low-income neighborhoods of color, technical assistance for minority-owned businesses, strategic acquisition of housing and commercial property to ensure it remains affordable, and more. Going forward, we see a variety of opportunities to continue deploying loan capital to invest in economic systems and practices that build wealth and stabilize communities.



Litty Solar, a technology company founded in 2018 by Nestor Gomez Jimenez, is one of 19 businesses that have benefited from InvestMPLS capital deployed by the **Neighborhood Development Center**. The company is dedicated to making access to renewable electricity effortless, equitable, and transparent. InvestMPLS funds helped Jimenez expand Litty Solar's shared solar subscription program.

A Pharmacy Where They Speak Your Language

The **Neighborhood Development Center**, a nonprofit Community Development Financial Institution (CDFI) based in Minnesota, has used \$500,000 in InvestMPLS capital to make 23 loans across 19 businesses in Minneapolis. Together, these loans created 83 jobs.

One business that benefited from InvestMPLS, **Banadir Pharmacy**, was founded by Dr. Edris Kosar, who grew up in Somalia and Kenya before immigrating to the U.S. to obtain his Doctor of Pharmacy. In six years of working for corporate pharmacies, including CVS, Kmart and Rite Aid, Dr. Kosar frequently found himself serving immigrants who couldn't speak English, often elderly patients with multiple prescriptions. He decided that he wanted to fill a gap with a pharmacy where customers from his immigrant community would feel comfortable and could have questions answered in their native language. In 2011, he opened Banadir Pharmacy inside an ethnic grocery store in Minneapolis. In 2016, Dr. Kosar moved the pharmacy to its own 1,500-square-foot location, with a staff of 10. A \$60,000 InvestMPLS loan, which he has already repaid, enabled him to purchase equipment.



Helping Latino-Owned Businesses Grow

The **Latino Economic Development Center**, an association of Latino entrepreneurs and leaders in Minnesota, received an InvestMPLS loan of \$300,000, enabling the organization to make loans to six Latino-owned small businesses: Two restaurants, a food truck, a daycare center, a cosmetologist, and a nightclub. These loans helped retain 25 full-time jobs and create 34 more. Most of the new jobs went to Latino immigrants who have a history of facing language barriers with other employers.

In 2017, LEDC approved a \$10,000 InvestMPLS loan to help **Sonora Grill** increase its seating capacity from 75 to 100 by adding a patio deck. This investment also enabled the restaurant to create two part-time jobs.





A New Chapter for an Old Family Business

The **Metropolitan Economic Development Association** (Meda) provides minority entrepreneurs with business consulting, access to capital, and market opportunities. Since 2015, Meda has used \$900,000 in InvestMPLS capital to provide loans and technical assistance to BIPOC-owned businesses in Minneapolis through its loan fund. Meda also leveraged its InvestMPLS loan with an additional \$1 million in outside investments. Currently, this capital is creating or maintaining 42 jobs, with an average wage of \$24.40 per hour in seven businesses.

One of these businesses, **Estes Funeral Chapel**, is a community pillar and neighborhood institution at the intersection of Plymouth and Penn avenues in North Minneapolis. Founded 55 years ago by entrepreneur Richard Estes, the business went through a rough patch after Richard passed away in 2013, leaving the business to his widow, April, a retired nurse. Despite financial challenges, Meda saw that Estes was a viable business and worked with the family not only to refinance, but to move their business into the future.

While Estes was working with Meda, Hennepin County approached the business and proposed moving it across the street to facilitate the expansion of Northpoint Health & Wellness. Meda consultants worked with the Estes family and volunteers to plan the move.

Through Meda's loan fund, Estes Funeral Chapel secured \$4 million in investment, which covered \$3 million in construction costs and \$1 million in interior design. Since the move in 2018, business has skyrocketed. Estes Funeral Chapel has doubled its business year-over-year, and the Chapel is in high demand for hosting memorial services.



A Charter School Gets a New Building

Propel Nonprofits offers finance, strategy, and governance services to a variety of Minnesota nonprofits, including schools. A CDFI, Propel makes loans to nonprofits, including working capital, lines of credit, and facility financing. InvestMPLS deployed \$1 million to Propel to support construction of a new building for **Hiawatha Collegiate High School**, a high-performing South Minneapolis charter school where most students identify as Latinx and come from low-income families. Propel provided \$3 million in term financing to Hiawatha as part of the \$27.3 million building project.

The new campus, located at the site of a former soda bottling plant in the Longfellow neighborhood, opened in the fall of 2018. The building boasts 105,000 square feet of school space, including a gym, media labs, a biochemistry lab, and dedicated spaces for art, music, and dance.



A New Approach to Affordable Housing

The InvestMPLS portfolio expanded in early 2020 with the launch of an innovative pilot program to tackle the affordable housing crisis. Supported by a unique coalition of public and private partners, the program aims to preserve affordable housing in the Minneapolis-Saint Paul metro area by making it easier for **Aeon**, a nonprofit developer and manager of affordable housing, to successfully compete against commercial bidders as it seeks to acquire rental properties. The program is housed at a new Community Development Corporation (CDC) created by **Sunrise Banks**, which enables the bank to pool its own funds with those of outside investors to provide equity financing that Aeon uses to buy properties.

InvestMPLS invested \$612,500 in this initiative with an annual interest rate of 4%. In addition to our participation through InvestMPLS, the Minneapolis Foundation made a guarantee of \$1,125,000 to support the program. All told, this initiative is supported by \$1,225,000 million in loans and \$4.5 million in guarantees from foundation partners.

To date, Aeon has used funding from the program to acquire two properties – Carrington Drive Apartments in Brooklyn Center and Cobblestone Court Apartments in Maplewood – that together have 203 units. Ultimately, the program is expected to preserve 475 to 600 units of affordable housing at roughly five properties.





“Our biggest goal is to be the premier publisher for people inspired to change the world.”

- Amy Quayle,
Wise Ink Creative Publishing.

Writing a More Ambitious Future

WomenVenture is a local nonprofit that provides women with the tools and resources to achieve economic success through small business ownership. The Minneapolis Foundation has supported WomenVenture with grant funding to help the organization invest more heavily in women entrepreneurs of color. In 2018, we deepened that commitment with an InvestMPLS loan that has provided much-needed funding for nine woman-owned small businesses in Minneapolis. One of these, **Wise Ink Creative Publishing**, received an InvestMPLS loan in 2018. A creative publishing agency co-founded by Amy Quayle and Dara Beevas, Wise Ink has published more than 1,000 books since 2013. The business works with a wide range of authors, including former Facebook and Microsoft executives, academics, an industry-disrupting thought leaders. Thanks to its InvestMPLS funding, Wise Ink was able to expand, hiring more staff and publishing more books.



Helping Minneapolis Rebuild after a Hard Year

The latest addition to our InvestMPLS portfolio, which we are in the process of finalizing, is an investment to support small businesses that suffered losses in the civil unrest following George Floyd's murder. As our community came together to start rebuilding, one issue that emerged was the need to ensure equitable redevelopment, so that small business owners along Lake Street and other affected areas won't be displaced by outside investors seeking to buy up damaged buildings and commercial property. In response, Hennepin County and the Local Initiatives Support Corporation are leading a buy-and-hold strategy by creating a new **Community Asset Transition (CAT) Fund** that will strategically acquire damaged properties, with the goal of giving small businesses more time and resources to rebuild. InvestMPLS is supporting this effort by investing \$1 million in the CAT Fund.

For example, the CAT Fund recently helped fund the purchase of the **Coliseum Building**, a century-old building that was vacated by tenants after the unrest. Its new owners, a group that includes the development nonprofit Seward Redesign, want to make it a neighborhood hub for businesses owned by immigrants, people of color, and women.

"The Coliseum is one of the most consequential buildings on East Lake Street that is still standing," Taylor Cooper, lead project manager at Seward Redesign, told the Star Tribune. "We really want it to be an example of a new way of doing things and a new way of equitable development."

Loan Portfolio

As of June 2021

PARTNERS	LOAN AMOUNT	GOAL TARGETED	ANNUAL INTEREST RATE/TERM	DUE
African Development Center	\$500,000	Economic Vitality	2% / 5 years	2022, 2023
Latino Economic Development Center	\$300,000	Economic Vitality	2% / 5 years	2021
Local Initiatives Support Corporation – Twin Cities	\$500,000	Economic Vitality	2% / 5 years	2022, 2023
Metropolitan Economic Development Association (Meda)	\$900,000	Economic Vitality	2% / 5 years	2022, 2023
Neighborhood Development Center (NDC)	\$500,000	Economic Vitality	2% / 5 years	2022, 2023
Propel Nonprofits	\$1 million	Education	2% / 7 years	2022
WomenVenture	\$197,621	Economic Vitality	2% / 7 years	2025
Calvert Social Investment Foundation	\$1 million	Economic Vitality	3.65% / 8 years	2023
Community Access Impact Advantage, in partnership with Sunrise Banks	\$612,500	Affordable Housing	4% / 12.5 years	2032
RBC Access Capital Community Investment Fund	\$500,000	Economic Vitality/ Housing	Various	Mutual Fund

Have we caught your interest?

We'd love the opportunity to tell you more about the power of impact investing and where we're going next. If you have any questions about InvestMPLS, please call us at **612-672-3878** or call your Foundation representative directly.



**MINNEAPOLIS
FOUNDATION**