



Novogradac 2018

New Markets Tax Credit Spring Conference



Defining, Measuring Additional Impact of NMTCs

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What is Impact at AC: A new definition

The new definition examines results at each unit of a community looking for vibrancy and sustainability

- **At Advantage Capital: Impact is what changes because of our investment strategy and approach:**
 - Business growth / job creation and retention / community economic vitality
 - Individual and family income / individual and family self-sufficiency and well being
 - Public funding and private philanthropic leveraging / public and private savings
- **Why a new definition of impact?**
 - Accurate data-driven investment decision-making
 - Transparency
 - Logic
 - Recognition of NMTC history and the lessons learned
 - Relatability to a burgeoning “new” field

Investing for Impact: A New Way of Measuring

Primary Impacts: Jobs

- Beyond the number of jobs
 - Measuring job creation and retention over time - valuing the natural movement in and out of jobs
- The value of a retained vs. created job
 - Community stability with retention, retention creates the opportunity for upward income mobility

Investing for Impact: A New Way of Measuring

Secondary Impacts: Beyond Jobs

- Changes at the business level
 - How is the growth or stabilizing effect of the investment transformative inside and outside the company?
 - Employee training, targeted hiring programs, positive environmental impact results, etc.
- Changes at the community level
 - Impact on school districts, service-providing agencies
- Changes at the household level
 - Food stamps
 - Medicaid
 - Unemployment insurance

Investing for Impact: A New Way of Measuring

- Advantage Capital decided to mine, manage and analyze data differently to get new measures of change
- We designed three new “social impact” questions to gauge what significant household changes might occur when an individual in a household gets a job

Investing for Impact: A New Way of Measuring

Social Impact Questions:

- Did the job replace public:
 - Food support - Food stamps/SNAP
 - Health insurance - Medicaid
 - Income support - Unemployment Insurance
- Results: Enlightening lead to a glaring tertiary impact – What are we saving?

Investing for Impact: A New Way of Measuring

What does this form of Impact Investing, Incentivized by NMTCs, save in public expenditures?

Investing for Impact: A New Way of Measuring

What are we saving?

A brief look at one state:

- Surveyed portfolio for the state consisting of 14 companies that collectively employ nearly 1,200 full or part-time positions
- 86% responded to the social survey questions, with 129 new hires
- 36% indicated that the new hires over the past six months were able to replace one or more state financial assistance programs

Investing for Impact: A New Way of Measuring

What are we saving?

- 47 individuals or 43.9% reported leaving food stamps
 - **\$192,700 in direct and administrative cost savings**
- 42 individuals or 39% reported leaving Medicaid
 - **\$821,359 in Medicaid cost savings**
- 25 individuals or 19% reported leaving state unemployment insurance
 - **\$135,000 in state income support cost savings**

A New Way of Measuring: Redefining ROI with Impact

- Total estimated cost savings in this study based on hires over a six-month period:
 - \$550,000 in state funding
 - \$600,000 in federal funding
 - **\$1.1 million in total savings**
- A new way of measuring
 - Identifying and measuring secondary and tertiary impacts
 - Monetizing the change
 - Reporting fiscal impact as additional ROI

Why Do We Care?

Investing for Impact: The Historic Framework

- The Industry:
 - 14 rounds of NMTC investment
 - 1105 allocation awards
 - \$54 billion in tax credit authority
- Our Portfolio:
 - Advantage Capital: \$2.6 B in investments over the last 26 years
 - 48,500 jobs supported across more than 700 companies, in 28 states and D.C.

Investing for Impact: The Burgeoning Field

- Industry Definition:
 - Investments made into companies, organizations and funds with the intention to generate measurable social and environmental impact alongside a financial return – **Global Impact Investing Network (GIIN)**
- “Doing well by doing good” – 60 different names for this
- Currently \$250B market and growing
 - *“Banks and asset managers are thinking seriously about how to cater to investors who want a measurable social or environmental return on their investment as well as capital gains, stock dividends or interest payments”* – Emma Kennedy, CNNMoney journalist
- Incentivized NMTC investing meets this definition and shares many – if not all – of the 16 value principles in impact investing

Investing for Impact: The Burgeoning Field

New Impact Thinking Provides:

- **Platforms for Community Change**
 - **Bridges Fund Management:** lower and middle market businesses with a social mission; real estate transactions that drive up value in the surrounding community.
- **Platforms for Advocacy**
 - **Gary Community Investment Company:** invests with a full array of financial tools to improve the lives of low-income children.
- **Platforms for Sustainability**
 - **Calvert Impact Capital:** invests in local communities, lends to small and medium businesses and invests in housing.

Investing for Impact: NMTC

- What are we leaving on the table?
- Undercounted:
 - Change?
 - Results?
 - Savings?

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