



PRI Makers

NETWORK

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Purpose:

- ❑ Become familiar with the concept of mission and program-related investments
- ❑ Learn how these can be tapped as resources to support social change
- ❑ Understand when they are (and are not) appropriate
- ❑ Have a beginning understanding of when and how to use PRIs

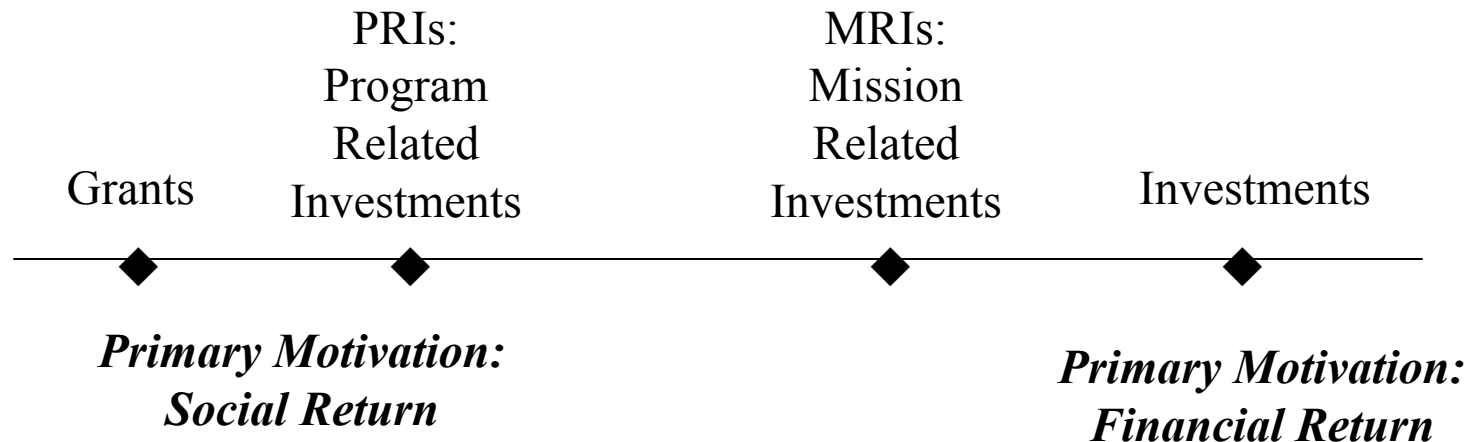
Questions:

- ❑ Have you any had direct experience with program-related investments?
- ❑ Is there any direct applicability or usefulness to the work you do?
- ❑ Do you have a specific question or concern you would like addressed?

Key Concepts

- **Social investing:** Ways in which foundations leverage their financial assets to achieve philanthropic goals i.e. screening, shareholder advocacy, mission-related investments, and program-related investments.
- **Mission-Related Investments (MRIs)** are made in order to generate both broad social benefits and significant financial returns.
- **Program-Related Investments (PRIs)** are generally aimed at making inexpensive capital available to non-profit organizations and social enterprises to achieve specific program objectives.
- PRIs may include loans and loan guarantees, deposits, or investments in businesses or real estate or other types of investments.
- Unlike grants, program-related investments must be **repaid**. Once repaid, they are recycled for further uses.

Philanthropic Investing Continuum




What do PRIs Look Like?



YURTS!

- The traditional shelter of Mongolian herdsman
- Year-round Universal Recreational Tents
- Financed by a \$300,000 PRI (Meyer Memorial Trust) repaid from rental income collected by Oregon Parks

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- Community Benefit
 - Consistent with Foundation's mission and scope of interests
 - Based on well-developed business plan
 - Results in sustainable asset or resource

(More) Common Uses of PRIs

- To purchase or construct facilities
- Develop housing projects
- Purchase land or equipment
- Capitalize a loan fund
- Start or grow a business venture
- Finance green retrofits
- Refinance debt
- Address emergency or short-term cash flow needs
- Pay for production costs for a theater program.
- Create charter schools.
- Protect forests
- Implement sustainable fishing or agricultural practices

Potential Results

- Families moving into a previously foreclosed, recently renovated, affordable homes.
- Farm workers avoiding predatory lenders, developing financial literacy, and building assets.
- Arts organizations and other non-profits delivering programs and services.



Foundations are using PRIs:

- To invest in enterprises that address social needs.
- To leverage assets to bring projects to scale.
- To put funds to work while preserving them for future use.

Benefits to Foundations

- **Recyclable:** Once repaid PRIs can be redeployed for new projects, extending philanthropic resources.
- **Size:** PRIs can provide capital for larger projects that exceed typical grant amounts.
- **Leverage:** PRIs can attract other sources of funding from banks, corporations and government.
- **Pay-out:** During rapid asset growth PRIs help meet immediate distribution requirements with the likelihood that capital will again be available in the future.

Benefits to Non-Profit Organizations

- **Capacity:** Offer access to larger pools of capital to support strategic projects and growth.
- **Strength:** Foster management capacity and financially sound approaches to programs and strategies.
- **Self-Sufficiency:** Support investee efforts to build self-sufficiency through earned income.
- **Credibility:** Help in developing credit history, leading to more bankable organizations.
- **Relationship:** Establish a long term relationship between investor and investee, with built in accountability.

WHEN TO SEEK A PRI

- If the project falls within the foundation's guidelines.
- If the project is expected to result in income which will enable repayment.
- When a foundation can provide significantly more favorable terms of investment than other sources you have explored e.g. commercial banks and intermediary organizations.
- If the funds will be used to leverage other resources e.g. commercial or public financing.
- If you can demonstrate the capacity to manage loans and/or forms of financing

Types of PRI's

- Deposits
- Loan Guarantees
- Low Interest Loans
- Bonds
- Commercial or Real Estate Equity Investments

Examples of PRIs

- ❖ \$1 million PRI to create an \$8 million revolving loan fund to support economic development and jobs creation: **Seattle Foundation**
- ❖ Loan guarantees to pay for the development of charter schools: **Gates Foundation**
- ❖ Seed capital for Latino Community Credit Union: **Babcock Foundation**
- ❖ Working capital for community agencies: **Knott Foundation**
- ❖ Secured deposits in a community bank; **OP and WE Edwards Foundation**

Investment Funds

- **Green Communities Initiative (Enterprise Fund)** to develop 8,000 units of affordable housing using sustainable building practices with the goal of creating healthier, energy efficient housing and advance the green market.
- **Window of Opportunity:** Ten-year multi-state effort to preserve more than 70,000 affordable rental homes. MacArthur Foundation is the primary investor nationally. and partners with local foundations.
- **Shorebank Capacity Plus Loan Program.** Designed to meet the working capital needs of all types of non profits (e.g. social service, arts and culture, and community development). Allows investors to go through a financial intermediary skilled in non-profit underwriting.
- **Nonprofit Finance Fund.** Established to help nonprofits strengthen their financial health and improve their capacity to serve their communities.
- **Living Cities Catalyst Fund:** Below-market rate loans and guarantees to high performing organizations to improve education; provide opportunities to build income and wealth; promote health and wellness and enhance neighborhoods and communities.

Key Requirements


- Expectation of Repayment
- Adequate Organizational Capacity
- Well-Developed Business Plan
- Predictable Stream of Income

What you need to know

- PRI's are additional tools to help you achieve your mission
- Do not apply in every case
- Have the potential to harness the power of capital to accelerate social change
- Use tools with which we are all familiar
- May require additional expertise and resources

Resources

- PRI Makers Network
- The Foundation Center: The PRI Directory: Charitable Loans and Other Program Related Investments by Foundations
- GrantCraft



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