COMPARING THE IMPACT INVESTING LANDSCAPES IN THE METRO CHICAGO AND ATLANTA AREAS

Emory Impact Investing Group Research Team 1
Val Berenshtein, Drew Colman, Siyana Popova, Eric Yang
April 25, 2019

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Introduction

In this white paper, we attempt to analyze and compare the impact investing landscape of two cities-- Atlanta and Chicago. We begin by presenting the demographics of each city, noting key differences in population size, job growth, and other economic indicators. We then present the impact investing landscapes of both cities, focusing primarily on what programs and opportunities exist in each. The purpose of our research is to find opportunities that are currently present in Chicago in an effort to implement them in Atlanta, where the impact investing landscape is still in its infantile stages.

Methods

The way we approached our research was by gathering information on Atlanta and Chicago. We focused on finding data on the demographics of these two cities, using sources such as the Census Bureau, and finding agencies that worked directly within the impact investing sector. Our resources included academic journals, articles on the cities and on impact investing, and collaborating with the research director and President of the University of Chicago Impact Investing Team. We synthesized our findings from graphs, statistics, and other research findings. Through discussions as a group, we were able to analyze these numbers into our final conclusion on the differences and similarities of the impact investing environments of these two cities.

Chicago

Demographics

The population in Chicago, according to the latest U.S. Census data, is 2,695,598 people. 51.5% of the population is female. 83.8% of adults age 25 or older have at least a high school degree. Taking a look at the economy, the percentage of the civilian labor force employed is 66.3%. The most recent total retail sales per capita was recorded in 2012 and was $8,335. Additionally, there was a total of 291,007 firms in Chicago in 2012. Men owned 147,997 firms and women owned 123, 632. Within the impact investing sphere, there is an identifiable need between $100M and $400M for impact capital, and a range of investors are motivated to meet this demand. However, the region currently lacks efficient and scalable mechanisms to bridge the gap between supply and demand for impact capital. Impact investing can help bridge these gaps; progress has already been and impact investing has spurred the creation of new jobs as shown in the infographic below.

Impact Investing Organizations in Chicago

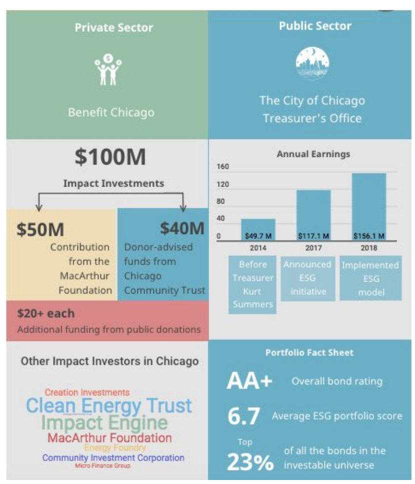
Impact Engine

Impact Engine was started in 2012 as "an accelerator fund with the goal of identifying promising entrepreneurs, who were starting businesses with the potential to drive both attractive financial returns and positive social impact" (Gaughan 1). In 2015, Impact Engine shifted its investment strategy and raised a $10 million venture fund, which invested in 22 companies. A group of entrepreneurs that Impact Engine funds is the creators of the app, Hooray Learning. The creators piloted the app with 25,000 students in Chicago to create a design that gets students interested about writing and developing written skills.

Benefit Chicago

This is a collaboration launched by the Chicago Community Trust, the John D. and Catherine T. MacArthur Foundation, and Calvert Impact Capital that "aims to mobilize $100 million for impact investments for nonprofits and social enterprises in the Chicago region" (Ashley 37).

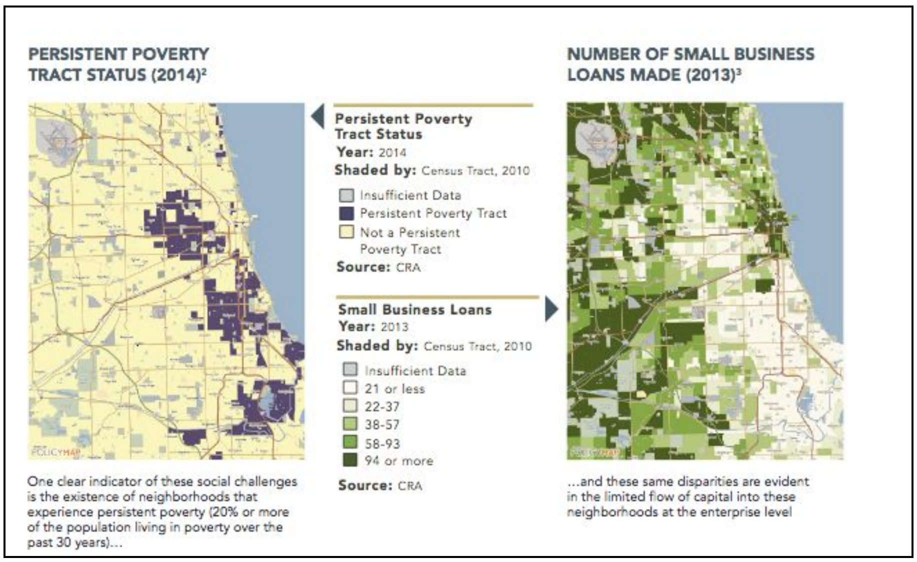
It is relatively simple for community members to participate in impact investing and support Benefit Chicago. Investors can purchase Chicago-targeted Community Investment Notes issued by Calvert Foundation. These are fixed-income securities with principal maturities ranging from one to 15 years and interest issued annually. They are available through a brokerage account, "with a minimum investment of $1,000, or online starting as low as $20" (Bresnahan 4). There is no income tax charitable deduction available when an investor purchases Chicago-targeted Community Investment Notes. However, if one is interested in obtaining an income tax charitable deduction, the investor can choose to open a donor advised fund with The Chicago Community Trust and have the fund invest in Benefit Chicago. The donor can select the maturity range, and during this time the donor advised fund assets are used by Benefit Chicago for impact investments. When the maturity range is up, the funds can be reinvested into Benefit Chicago or granted out to charitable organizations.



Source: Xiani Zhon

<u>What Work is Being Done</u>

Chicago has the potential to be at the head of impact investing because it has the "second largest concentration of universities and colleges in the country. [This] brings young people into the city, who are behind a lot of this movement in social impact investing" (Zhong 1). Furthermore, the city has a strong civic society which promotes and helps impact investing to thrive. Additionally, the region's unusually large and complex landscape presents a depth and diversity in investment opportunities. “Profound demographic and economic challenges persist in the region, including sharp disparities in levels of income and unemployment” (Stasch 9), and there are increasing disparities between low and high income zip codes within Chicago-- similar to Atlanta. Areas defined as having persistent poverty, indicated by the purple zones in the infographic below, also lack loans for the development of micro businesses.



Source: Benefit Chicago Bridging the Gap Report

Organization like Benefit Chicago fulfill the role where there“[was] no existing marketplace available to aggregate investment opportunities or capital in the way that traditional capital markets operate, making it challenging for any two organizations to meet in the middle” (Stasch 15).

Atlanta

Demographics

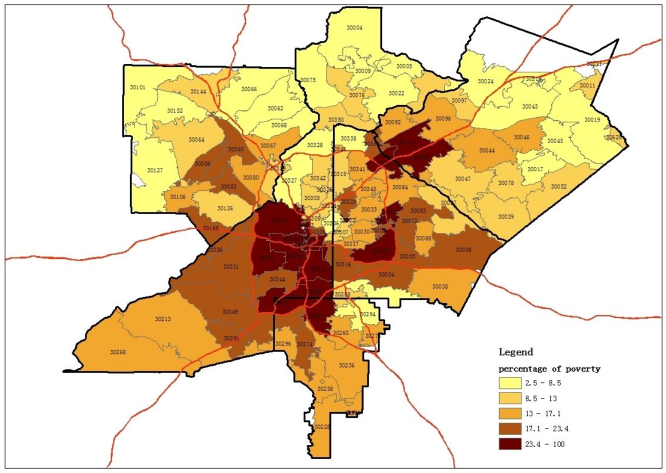
From data of the latest U.S. Census Bureau, the city of Atlanta, Georgia, currently ranks as the 38th largest city in the United States and the 6th largest in the southeast region. The population of Atlanta comprise of about 52% African Americans, and 40% of the population is categorized as “white” ("U.S. Census Bureau QuickFacts: Atlanta city, Georgia").

The population that is in the civilian labor force participation percentage of about 65.2% of the total population of Atlanta. This shows that Atlanta has 34.8% of its population not in the labor force ("U.S. Census Bureau QuickFacts: Atlanta city, Georgia"). Being in the labor force is defined as all members who are able to work or have seeked a job within 6 months of their unemployment.

According to DataUSA, the median household income of $51,701 is less than that of the national population, which holds at $60336. Similarly, the poverty rate of Atlanta is 22.4%, which is more than that of the national rate of 13.4% (“Atlanta, GA”). This percentage means that about 22.4% of the Atlanta population live below the poverty line, which is a daunting statistic of the population of Atlanta. However, job growth is rising in Atlanta. In 2017, there was an increase of 6.37% in job growth (“Atlanta, GA”).

With Atlanta housing more than 55% of a minority population, there are about 30,000 minority-owned firms in Atlanta ("U.S. Census Bureau QuickFacts: Atlanta city, Georgia") . With a total of 65,000 firms in Atlanta, minorities own approximately 46% of the total number of firms in Atlanta ("U.S. Census Bureau QuickFacts: Atlanta city, Georgia"). Looking at this statistic, we can see that just under half of the firms in Atlanta are owned by minorities, which is defined by individuals who are not labeled as caucasian.

As noted in Dr. Peter Roberts research, microbusiness are not distributed similarly across communities, particularly low and high income areas within Atlanta. Between wealthy and poor residential areas, the ZIP codes with the highest poverty rates have approximately 31.5 percent fewer microbusinesses per 1,000 people (Roberts & Wortham). Atlanta holds a large poverty rate, which accounts for the large microbusiness gap within the city.

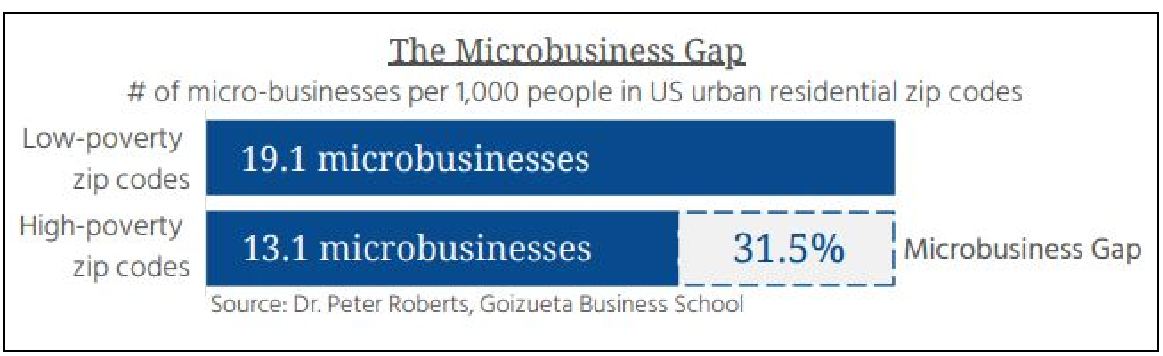


Source: Zach Liu

As shown in this figure, indicating the percentage of the population in poverty for certain area codes, many of those impoverished are located in the Southwest section of Atlanta. There seems to be a huge discrepancy in poverty level between ZIP codes in North Atlanta and ZIP codes in South Atlanta.

Microbusinesses in Atlanta

As Emory Impact Investing Group has already established, Atlanta faces a large discrepancy in the number of entrepreneurs contributing to business growth in high vs. low-poverty zip codes.



According to Georgia USA’s webpage on Atlanta’s micro business demographics, as of the last quarter of 2018, there have been an estimated 278,125 business establishments. 99.7% of these businesses are considered as small (hiring only 500 employers), with 97.3% of them fewer than 100 employers, 94.1% employing less than 50, and 75.4%

employing fewer than 10 people. Overall, Georgia ranks high in encouraging and helping small businesses. Yet, this does not seem to reflect in Atlanta.

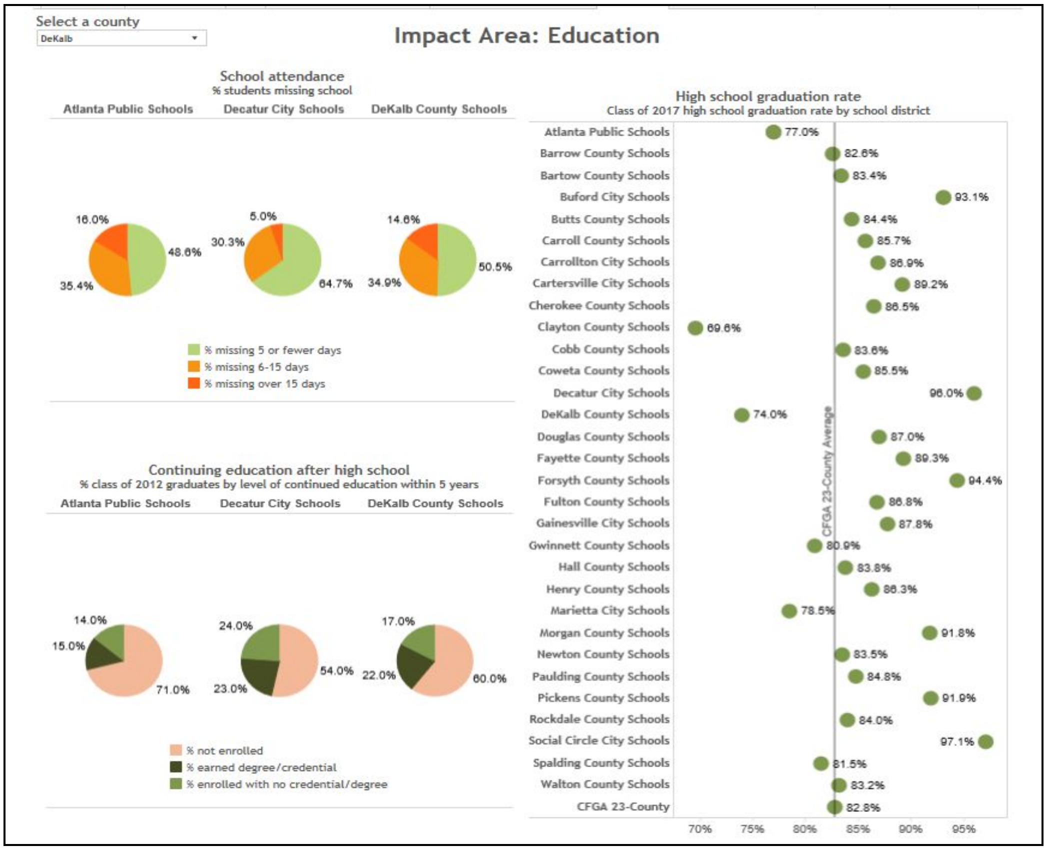
With Atlanta as one of the fastest growing metros in the US, the city offers a diverse range of services and businesses. Small businesses account for 99.6% of all Georgia businesses. Atlanta is also popular in terms of women-owned businesses, and spotlight industries in the city include technology, construction, real estate, and music. Although they appear to be thriving, these services and businesses need financial help in the form of impact investing.

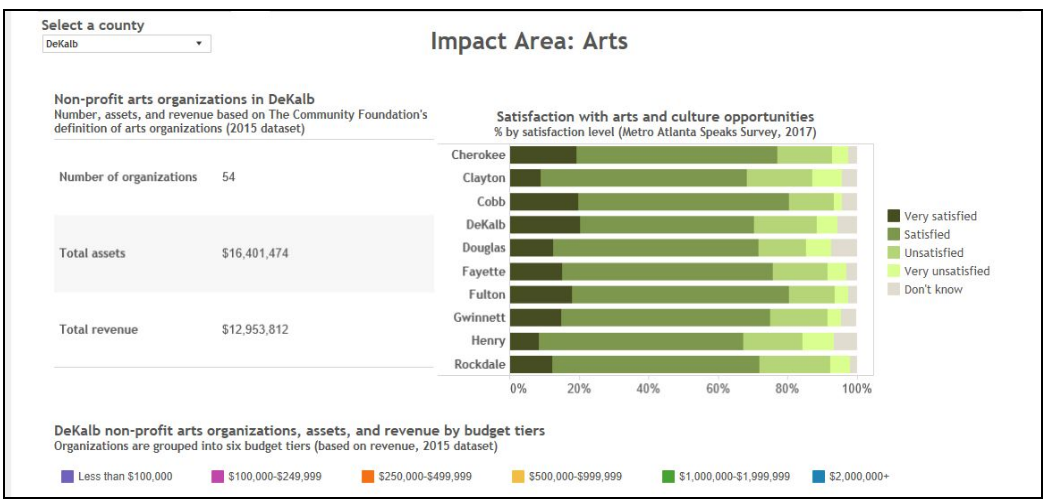
Impact Investing in Atlanta

In April of 2018, the Community Foundation for Greater Atlanta, a grantmaking foundation that holds over $1 billion in assets, began the GoATL fund, the first and primary impact investing fund in the area. GoATL is designed to "accelerate and sustain social outcomes in our community" by strategically investing capital to achieve both a social impact and a financial return (Mulherin). "Unlike traditional philanthropy that typically relies on grants, GoATL's impact investments are structured as flexible and cost-effective loans that intend to improve the Community Foundation's five impact areas: arts, community development, education, nonprofit effectiveness and well-being" (Mulherin). The fund was "initially capitalized with $10 million in seed capital from the Foundation's unrestricted assets" but has since made it clear that it will operate by investing through intermediaries to support their initiatives (Mulherin). These intermediaries, such as the Atlanta Neighborhood Development Partnership, Inc. (ANDP) and other Community Development Financial Institutions (CFDIs), use the funding they get from the GoATL fund to grow their programs. These programs work to benefit the community, which is inline with the goal of GoATL. As different sectors in the community improve through the programs offered by intermediary funds, the costs that the intermediaries amass eventually get surpassed by the profits earned from their programs. From these profits, the intermediaries pay back the loans that they initially received from the Community Foundation for Greater Atlanta, and that money is then recycled back into the GoATL fund.

The first investment made from the GoATL fund was a $750,000 commitment to ANDP to help grow “its successful single-family revitalization programs needed to expand housing affordability in targeted neighborhoods in the region” (Mulherin). As said by Mark Crosswell, the Community Foundation’s managing director for impact investing and the GoATL fund, this investment came at a critical time due to the “region’s overwhelming need for increased affordable housing” (Atlanta Neighborhood Development Partnership, Inc.). 22.4% of the Atlanta population live in poverty, where, amongst many other facets, housing is of critical concern. With ANDP’s model creating sustainable living opportunities for many Atlanta residents and helping working families become first-time homebuyers, it was a worthwhile investment for the Community Foundation.

The second impact investing fund launched by the Community Foundation was the Reinvestment Fund, a “national mission-driven financial institution that uses data, policy and strategic investments to create opportunities for underserved people and places” (Reinvestment Fund). The $1 million fund was designed to help “low-income neighborhoods with historically deprived levels of investment” improve education, food access, the arts and affordable housing (Mulherin). These four areas lined up with the Community Foundations aforementioned core principles and were corroborated by data collected by the Foundation on metrics within each sector. The metrics are provided for each county in and around Atlanta. Below is a snippet of Deklab County and how it meets the five areas of investing need determined by the Foundation. Additional data can be found on the Community Foundation’s Impact Area Metrics Dashboard: http://neighborhoodnexus.org/case-studies/cfga/

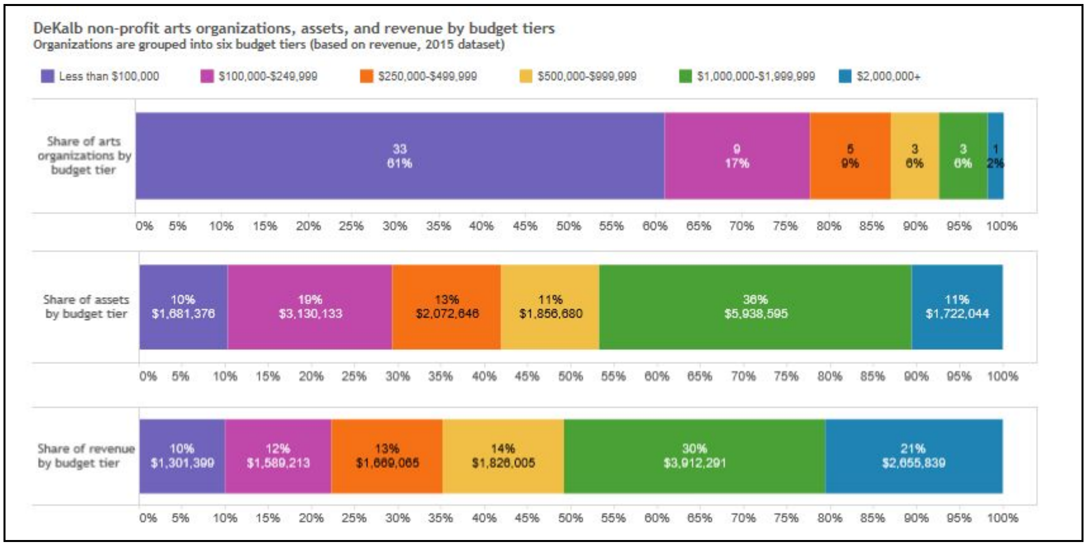




High percentage of high school students do not enroll in colleges or universities. High school attendance is satisfactory. (Neighborhood Nexus)

Arts across Atlanta counties generally meets satisfactory guidelines (Neighborhood Nexus)

61% of arts organizations in Dekalb County receive less than $100,000 in funding per year. Those same organizations earn the least revenue and own the smallest share of assets (Neighborhood Nexus)



Data of food stamps, access to healthy foods, obesity, uninsurance and chronic deaths across select counties in and around Atlanta (Neighborhood Nexus)

GoATL was also used to invest $1 million into local education. This was the most recent investment, made in December 2018, and went to the Low Income Investment Fund (LIIF) to support the launch of its "new program to finance high-potential, early-stage charter schools in metro Atlanta's lower-income communities" (Miller). As with the previous two funds, GoATL's investment in LIIF is flexible and designed to provide long-term capital with intended return.

Despite its investments, GoATL faces the risk of losing out on returns, given that it is in its beginning stages; however, GoATL's strategic design provides a safeguard for loss: the fund invests in larger funds that have strong reputations but need more capital to finance their programs.

In addition to GoATL, the Atlanta Micro Fund (AMF) is another resource that provides entrepreneurs and small businesses access to capital (Atlanta Micro Fund). The fund sits under the Atlanta Housing Association of Neighborhood-based Developers (AHAND) and "provides high quality technical assistance and development resources, such as accounting, marketing, graphic design, managerial, operational and financial support, to entrepreneurs in order to economically revitalize the community" (Atlanta Micro Fund).

AMF investments predominantly go towards Atlanta's empowerment zone (EZ) communities. "The EZ is a nine square mile area of 50,000 people in their neighborhoods that hug the central business district to the south, east and west of downtown Atlanta. EZ communities are areas of high unemployment and poverty, substandard housing and few economic opportunities. [It has been found] that only 44% of EZ residents finished high school, over 50% have received public assistance at some point, and over 57% have incomes below the poverty line" (Bryant). About 33% of loan recipients are below 200% of the federal poverty (Bryant) but can receive up to $15,000, along with financial coaching and job opportunities, to develop or expand their businesses. Given that AMF's investments are for individuals or business with less than five employees, it is difficult to track the impact that those investments have thus far had on the community; however, the funding remains critical to the health of EZ communities and microbusinesses across Atlanta.

Conclusion

Chicago and Atlanta share similar demographics but disparate impact investing landscapes. While the investing landscape in Chicago is energized and prioritized by everyone from students to big corporations and private businesses, Atlanta's is limited to funds and organizations who specifically work to improve the microbusiness gap and the economic disparity across Atlanta. It is crucial to garner greater enthusiasm and support for impact investing in Atlanta. Whether that be by expanding Emory Impact Investing Group's mission to other universities in Atlanta, by directly contacting private businesses and corporations to encourage them to invest in small businesses or by continuing to spread financial literacy to children and adults in Atlanta, something has to be done to improve the impact investing landscape in Atlanta. Chicago's thriving impact investing environment provides a great starting point to what Atlanta should strive for through the upcoming years.

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