

## Northern Forest Regional Program Related Investment Strategy

### Concept Background

An Investment Working Group convened at the 2-day Summit for the Northern Forest in November, 2008. Their stated purpose was to develop practical strategies to increase the flow of investment capital into key Northern Forest economic sectors including wood products manufacturing, tourism, renewable energy and agriculture, among others. These sectors were identified during the Sustainable Economy Initiative (SEI) process. Two main recommendations that came out of the Investment Working Group were to:

1. Develop a regional Program Related Investment (PRI) strategy with involvement from foundations serving the region.
2. Work with the region's network of Community Development Financial Institutions (CDFIs) to identify and target resources that meet the unique needs of the Northern Forest economy, with an emphasis on triple bottom line outcomes of *economic* value, social benefits or *equity*, and compatibility with the *environment*.

Since that time, the economic downturn has impacted foundation corpus and the entire lending field. With an ever-increased demand for “near-equity” investments and “slow money” for working landscapes, the Center has advanced specific sector-based strategies in the under-resourced Northern Forest region and has developed relationships with a number of institutions interested in advancing this overall agenda.

### Scope of Work

Specifically, The Center, partnering with CEI and a community foundation, will:

1. Engage a set of collaborative partners to discuss the role of PRI funds in both the foundation and CDFI communities and the appropriate means to increase or augment the flexible capital available to advance sustainable business development in (but not limited to) the Northern Forest region;
2. Host a convening of this group and engage the expertise of foundations and/or consultants that have worked in this area and can advise on practical application of a regional PRI approach;
3. Identify specific emerging needs for capital in the region that will drive the demand for CDFI lending/investing using PRI funds;
4. Identify specific data and information to increase the deployment of PRIs by community and private foundations; and
5. Identify gaps in the financing field in the region and determine the means to fill them utilizing existing entities and stakeholders when available. One mechanism may include the work of the Northern Forest Investment Zone partners.

Potential initial collaborators include:

Foundations	CDFI	Other
Neil and Louise Tillotson Fund	Northern Community Investment Corp	“Harvard Regional PRI conversation”
NH Charitable Fdn	Coastal Enterprises, Inc.	Northern Forest Center
Maine Community Fdn	Vermont Community Loan Fund	Sustainable Forest Futures

Vermont Community Fdn	Adirondack Econ Dev Corp	Lyme Timber
Elmina B. Sewall Fdn		Clean Yield Group
US Endowment		VT Sustainable Jobs Fund
Merck Family Fund		
Sudbury Fdn		

### Outcomes

By collaborating across four states, the stakeholders involved can develop an innovative approach to investing in rural development activities. Outcomes will include:

1. Increased knowledge and awareness of PRI opportunities and effective use;
2. Increased coordination and cooperation among the CDFI community;
3. Increased lending and investment in sustainable development activities to create jobs, sustain local communities and support healthy working landscapes.

Other Issues to consider:

- Geographic boundaries helpful to focus investment in underserved Northern Forest region;
- Sector specific lending activities not helpful – CDFI must retain flexibility to respond to housing, business or non-profit facilities;
- Cost of funds must remain low – the lower the better;
- NFZ work a focused and coordinated effort to develop deal flow across specific natural resource-based areas – may take time to create deals – wood products companies and community forests may be nearest term deals;
- Patient capital/lending products – “near equity” – may be more effective in natural resource-based businesses;
- Critical to not only provide PRI capital but also support CDFI with capacity grants.